

Chapter 6 Financial Discernment

A few years ago while substitute teaching at my older boys' middle school, I happened upon a table of cheerleaders eating lunch in the cafeteria. There were eight girls, eight ponytails, sixteen UGG boots, and one package of Poptarts. I asked the girl with my favorite Brown Cinnamon Poptart, "Hey I didn't know they sold those here. How much are they?"

With a flip of the ponytail and a smirk of the upper lip she responded, "Uh, how should I know?" After remembering that I was an adult with enough self-respect to pick myself up from this verbal slap, I realized that something was very wrong here. This girl had no financial filter to pass decisions threw. She saw a Poptart. She wanted the Poptart. She bought the Poptart with the magical student ID card with mystical financial powers in it. Its price was of no concern to her.

Cafeteria workers at all grade levels in our school district confirmed that the majority of students were not concerned at all with the price of the items they purchased. With daily regularity, many students purchased bottled water for \$1.25 extra or Gatorade for \$1.50 extra. Often these drinks were not even finished because the amount of time for eating lunch was around 20 minutes. Workers would sometimes have to remind students that their lunch did not contain certain needed food groups and so they would have to pay the more expensive "a la cart" prices. Their response, "Do I have enough money on my card?" If they had enough money on their card, then they would buy the items, despite being charged twice what a regular lunch would cost.

In order to develop into wise consumers, kids must be taught to create a filter to pass all financial decisions through. This financial filter can include questions like:

Do I need this?

How much do I really want it?

Will I grow tired of it soon?

Is this the best deal?

Is it worth the money?

Is it cheaper anywhere else?

What else could I buy with this money?

Value training like this can begin as soon as the child can understand your words. Grocery stores were my favorite training ground in those early years. At least twice a week for months and then years, my kids would hear, “Well, how much is it...no not today.” Or “Check the price, yes that’s good. Get a couple of them.” Or “Have we tried the generic brand on this yet? It’s 59 cents cheaper.” The boys could hear my financial filter at work prior to making decisions.

And very quickly we learned that there is NO generic equal for Honey Nut Cheerios and that off brand Poptarts are just plain wrong. Generic pasta saves us .39 cents a box and generic gallons of milk can save us \$1.00.

Developing this financial filter includes helping them understand the laws of supply and demand as well. While I would never spend \$1.50 for a Diet Coke at a gas station near our home (where the Coke in my pantry is .21 cents each), I have on occasion spent that much when I was hot, with a caffeine headache, and hours away from a value priced Diet Coke. However, I am unable to pay \$4.50 for a Coke at a movie theater or sporting event. Ever. My body loses all love of the drink at that price. The only thing I can see in my mind are four 2-liter bottles of Diet Coke in a line next to the 16oz. cup for \$4.50. Yet, I do spend close to \$100 to have my hair cut and highlighted, and I gladly pay \$25 an hour for my nine year old to train with a highly motivating basketball coach. But when I watch him practice, I drink a .21-cent Coke from home!

Not everyone will have the same filter, though the process will indeed be the same. Kids without financial filters have no regard for their money or anyone else’s. They spend \$1.50 for a candy bar at a snack bar when they are not hungry. They whine for zebra tattoos on their faces at the zoo that cost \$5.00. They pump handfuls of quarters into a grab claw machine in hopes of winning a

stuffed animal valued at .50 cents. And they ask for another Web Kin even though they already have twenty-seven of them.

They not only make poor financial choices, but they also tend to not take care of the things that they do have. Bikes are left in the rain, toys are played with aggressively, games aren't put away and their pieces are lost. If a toy does break, they expect a replacement. If they lose their book for school, they expect parents to cough up the cash without a hint of remorse or wrongdoing. Kids without a financial filter of any sort, are certainly at a high risk for future misfortune with personal finances.

In our counseling sessions, it is common to see families with absolutely no filter through which to pass financial decisions. When they have a large tax refund due to arrive soon, it doesn't matter that they have \$7500 in credit card debt at 18.5% interest. If they have been yearning for a boat just like their neighbor's boat, they put the windfall (actually their hard earned money being paid back to them) down on a boat and another fixed expense is secured along with more debt.

Kids and adults alike must also realize that many decisions that don't appear to involve money ARE financial decisions as well and are in need of a filter. If a child wants to play soccer or join the school band, finances will be involved. If they want to make a special trip across town to get a forgotten book, there is money for gas involved. The expense of a boat certainly is not limited to the cost of the boat. Just ask anyone with a boat. Help your child make this connection between all these choices and their financial implications. They must understand that money matters and value matters.

Spending Plans: The Ultimate Financial Filter

In our ten years of counseling couples who were drowning in debt with stressed lives and stressed marriages, we never met with a couple that was currently working from a budget. Many of them said that they did have a budget

but that it “just wasn’t working.” Upon closer inspection; however, the budget that they referred to was simply a list of their expenses for each month.

Budgets are active. Lists of expenses are passive. Budgets define exactly what the family intends to spend each month. A list of purchases is simply a recording of what happened, more than likely without much of any other filter in place. One couple we met with had spent \$350 on eating out that month and they had bounced a number of checks resulting in well over \$100 in bank fees. Their concern was how they could make the boat payment the following month if they didn’t get their home equity line in time. (See chapter ____ for the answer to that question.)

Developing a household-spending plan (*budget* often sounds restricting to people and they quit before even getting started) is wise for the parents, but children also benefit from seeing a family empowered to spend their resources with wisdom and forethought. Teach your children that all multi-million and billion dollar companies have spending plans. Explain that it is a way to keep the company on solid financial ground while also having an eye open for future growth.

While children do not need to know every detail of the family’s budget, they will benefit from understanding the priorities that have been set. When the boys were much younger and would ask for something that we had not planned on getting them, we would explain to them that we were focusing on paying the house off right now. They accepted this as a suitable goal because of prior conversations about debt and freedom. They would even correct each other at times by saying, “Guys, we’re not gonna do that because we’re working on paying the house off right now.” Just a few years ago, after that goal had been reached Bryan asked us, “Do you know what two things I like most about our house?— The backyard and that it’s paid off!”

Kids can get excited about budgets. One description we used to help them understand the role of a budget was a swimming area roped off out in the ocean. The ropes showed the borders where you could swim. The lifeguards could keep watch and no boats would drive in there. If you stayed within those ropes, you

were safe. If you ventured beyond this safe place, however, the lifeguards could not guarantee your safety. Sharks and boats and large waves all posed as threats if you left the area.

A well orchestrated spending plan will not only help a family avoid the threat of debt, but it will also enable them to achieve financial goals that they thought were impossible with the passive “list my expenses” program. An accurate budget will actually free you from the guilt in spending. People operating without a budget are often consumed by guilt every time they buy something. Having a balanced plan enables you to spend money freely, IF it is part of your overall plan. Savers like me are also provided with the confidence that we can take joy in our shopping since we are working our spending plan.

But to be effective, the plan must 1) balance and 2) it must contain money allocated toward **expected** unexpected categories. Your car will need repairs. You’re just not sure when. Someone will run into the corner of the wall in the kitchen and need stitches in the Emergency Room for \$628. You’re just not sure who or when. The dishwasher will need to be replaced sometime and someone will need glasses. By allocating this money each month and keeping it in a special account, families are less likely to need to resort to credit card debt to get by when the event actually occurs.

Now, with this ultimate financial filter in place, you can raise children who participate in the success of the spending plan. After a growth spurt, a child can be given a \$100 budget to buy new clothes for school and play. In September, or early August if you are from the Mid West, each child can be given a chunk of money to use for back to school supplies. If this money is limited and reasonable, each child will be forced to make decisions through their new filters. This will make the \$1.50 Justin Beiber folders not quite as appealing as the .15 cent blue, red, and yellow ones.

At our kids’ schools they give parents the option of buying all the school supplies from a company for \$35. If you are a busy person with limited time for chasing around a pink pearl eraser and 3x3 Post-It notes, this is a great option and would definitely pass through your financial filter. Yet if you know most of

the clerks in Target by name, shopping the loss leaders with your kids can be a great learning opportunity. One year I gave my guys the difference that they saved in cash to spend on whatever they wanted. I could only do this for that one year because I realized the next year they were saying they really didn't need *anything* new and to just give them the \$35 in cash. I get it. Skittles and Slushies are quite a bit more exciting than glue sticks and crayons.

I remember being at an Open House for a home over 15 years ago. The realtor was asking a man who was not interested in the house we were in, "Well, what price range are you looking at?" His reply is one I will never forget.

"No limit," he announced.

Are we raising our kids with limits? And not just restrictive, "we're so sad we're on a budget" limits. But empowering, self-imposed limits that will in actuality provide them with the freedom to choose where and how they live one day.