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# Raising Money-Savvy Kids

Your Role as Chief Financial Parent

## Today's Agenda

1. An Early Start

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2. How to Prepare

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3. The Money Talk

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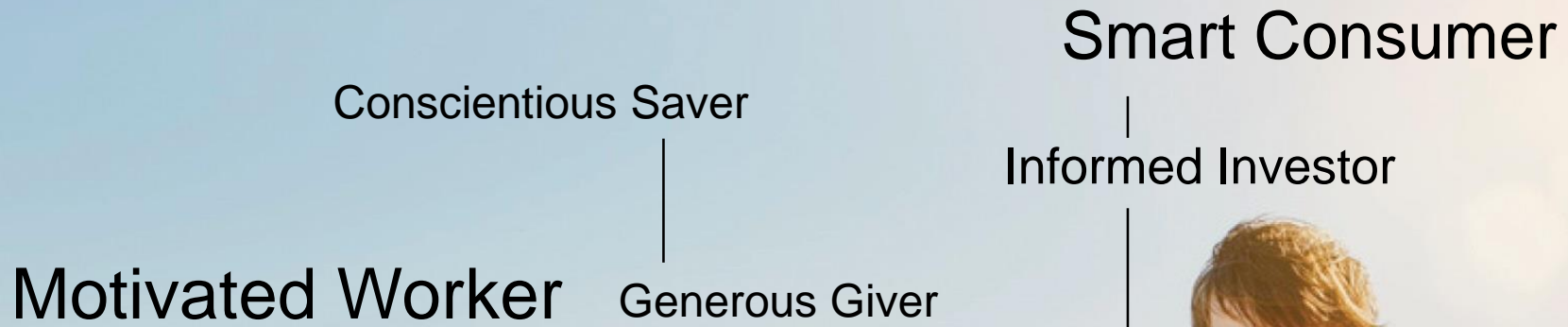
4. Resources

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**SECTION 1**

**An Early Start**



START EARLY



START EARLY TO PREPARE FOR A LIFETIME OF FINANCIAL SUCCESS.



## The Money Talk

- Financial Freedom
- Independence
- Shared Values
- Opportunity
- Choices
- Empowerment



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## SECTION 2

# How to Prepare

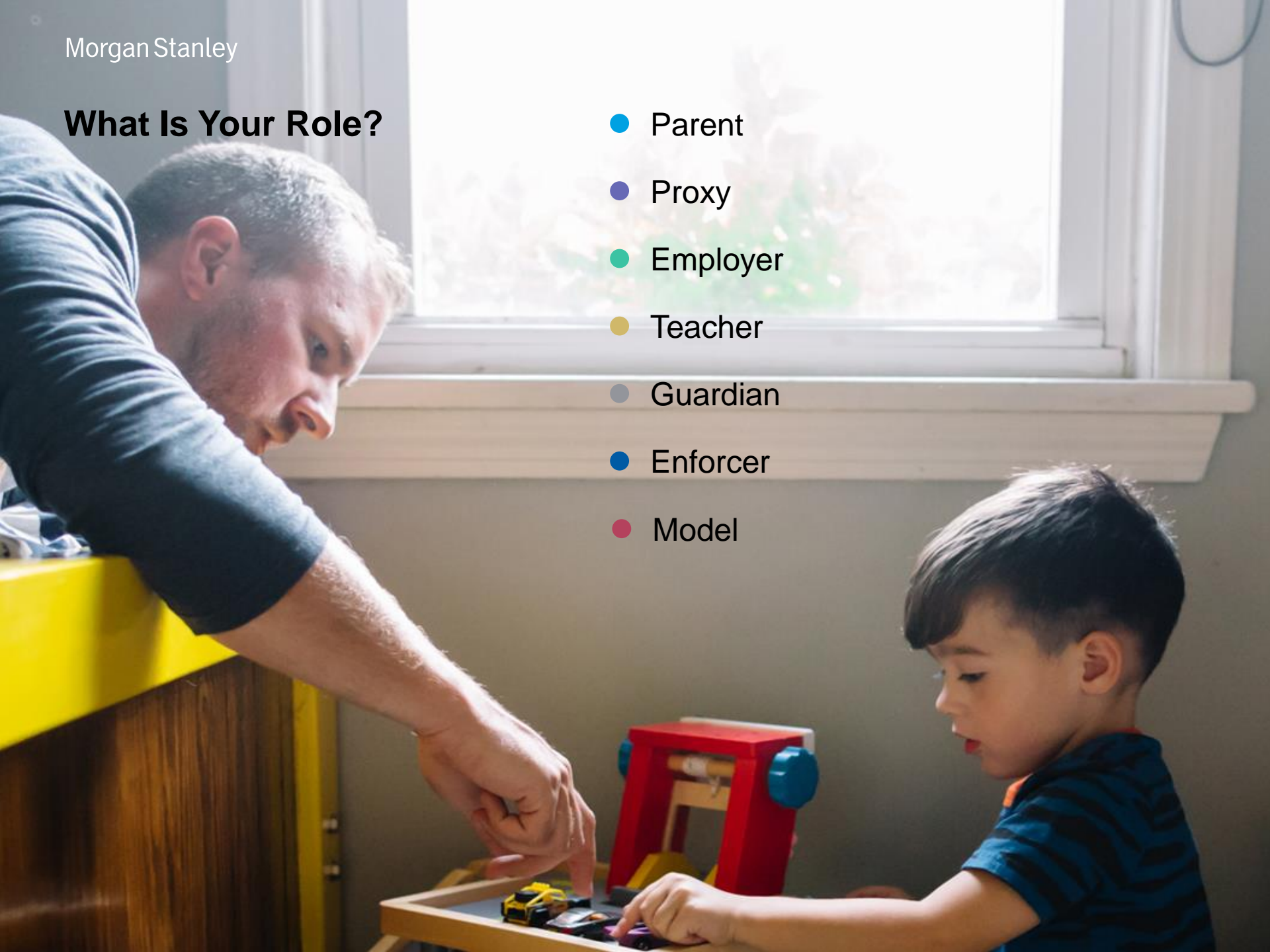




- How does my wealth impact my child?
- What financial changes should I consider?
- How did my upbringing affect my relationship to money?

## What Is Your Role?

- Parent
- Proxy
- Employer
- Teacher
- Guardian
- Enforcer
- Model



## What Is Your Role?

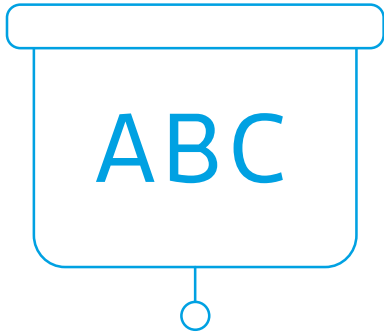
### TO HELP YOUR CHILD AVOID



- Controlling behavior
- Trying to “buy” love
- Using money as intimidation
- Putting money first

## What Is Your Role?

### TO HELP YOUR CHILD LEARN



- Discipline
- Planning toward goals
- Healthy priorities
- Separating self-worth from wealth
- Charitable giving
- Saving

## How to Prepare: A Checklist



- Reflect on your own experiences with money
- Talk with your partner and agree on unified goals and practices
- Be willing to set a good example
- Remember to talk with your kids, not at them
- Choose a time to begin the conversation

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**SECTION 3**

**The Money Talk**

## The Money Talk

The **Mechanics** of Money

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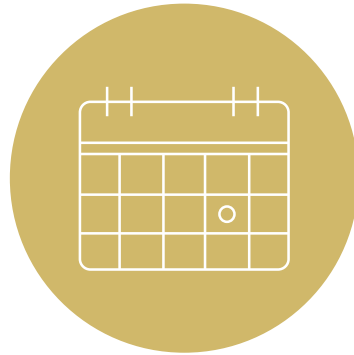
The **Meaning** of Money

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## The Mechanics of Money



**EARNING**



**SAVING**



**SPENDING**



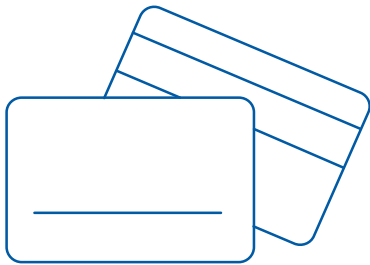
**GIVING**



# Earning



## ALLOWANCE



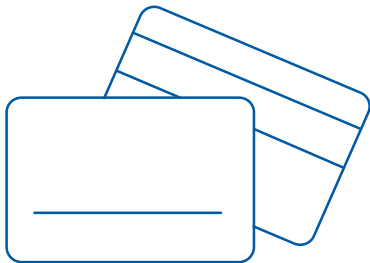
### ***Before The Talk***

- When does the allowance start? By age or other milestone?
  - How much will the allowance be?
  - Does allowance include required work?
  - Will you offer additional opportunities to earn?  
*For example: Extra chores list with a price next to each item*
- 
- Explain the family's agreed-upon allowance strategy to your child
  - Go over rules and requirements

# Earning



## WORKING FOR OTHERS

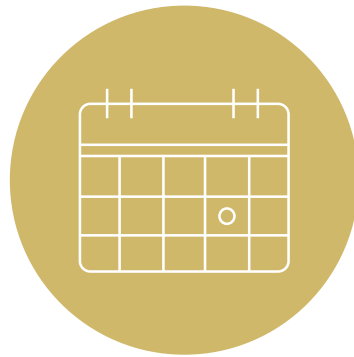


- First, reflect on the needs of your child and the needs of your community
- Discover and explain opportunities that may exist outside the home, such as:  
dog walking, babysitting, lawn mowing service, etc.
- Encourage entrepreneurship  
*For example, have your children team up with other kids in your community to start a business*

## The Money Talk: Saving



EARNING



**SAVING**

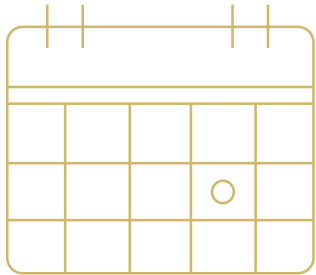


SPENDING



GIVING

# Saving

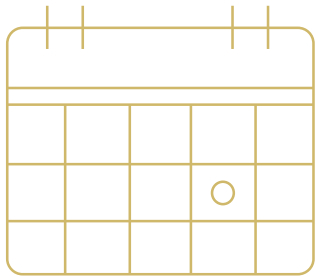


- Start with the concept of simply keeping something “for later”
- Emphasize the importance of goals and use examples of short- and long-term objectives
- Discuss types of savings
  - General savings
  - Compounding savings – as savings grow, so does the base on which you are earning a return
  - Investing

# Saving



## INVESTING



- Saving and investing allow you to earn a rate of return
- Mention holdings you have in companies your children know and show them how you get news about these investments
- Explain that what you invest in can have an impact on the world

## The Money Talk: Spending



EARNING



SAVING

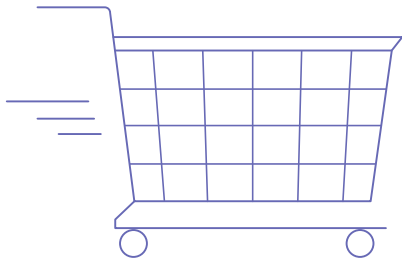


**SPENDING**



GIVING

## Spending



- Talk with your children about priorities: needs, wants and wishes
- Discuss how to be a wise consumer and how decisions can be influenced by advertising and marketing
- Planning builds wealth and independence: stress the importance of a budget
- Make a partial investment to help your child reach an important goal

*For example: Contribute two-thirds of the cost of a car if they can earn the other third*

## The Money Talk: Giving



EARNING



SAVING



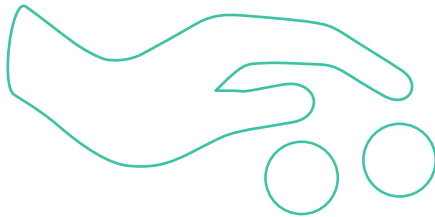
SPENDING



**GIVING**



## Giving

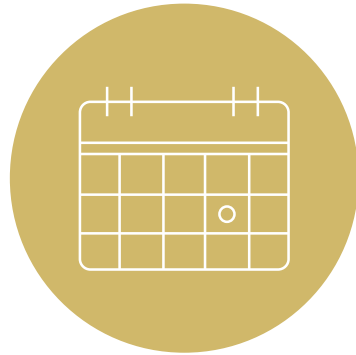


- Involve kids in your household charities from a young age (e.g., giving away old clothes and toys)
- Help your children find a cause they believe in
- Volunteer at local organizations together
- Discuss current events and how you can help  
*For example: Donating to the Red Cross in response to disasters*
- Teach your children how to research charitable organizations and gauge their success. Encourage them to present the case for a favorite charity to family members or other groups

## The Money Talk



**EARNING**



**SAVING**

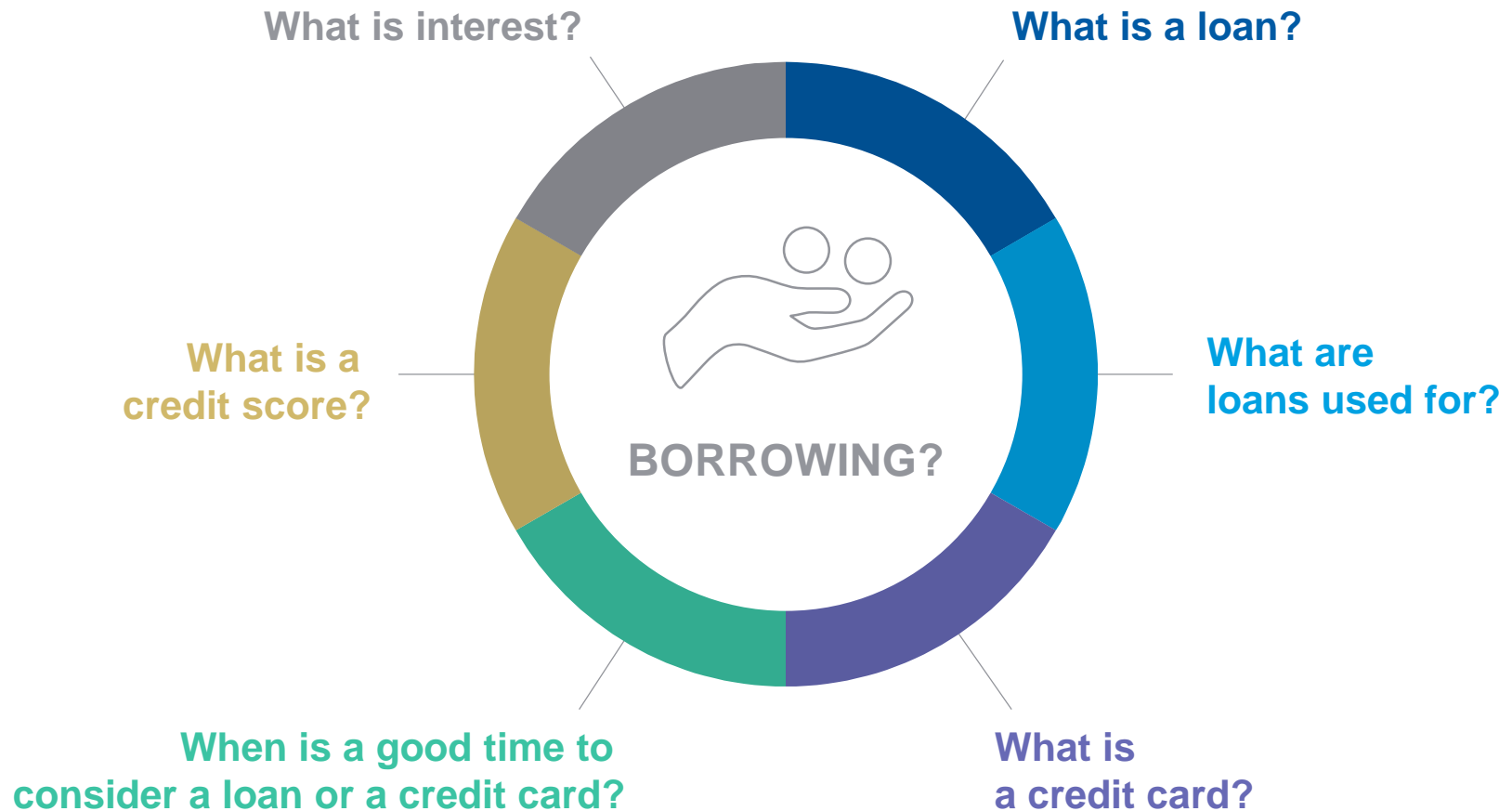


**SPENDING**



**GIVING**

# The Money Talk



## The Mechanics of Money: Review



**EARNING**



**SAVING**



**SPENDING**



**GIVING**



**BORROWING**

## The Meaning of Money

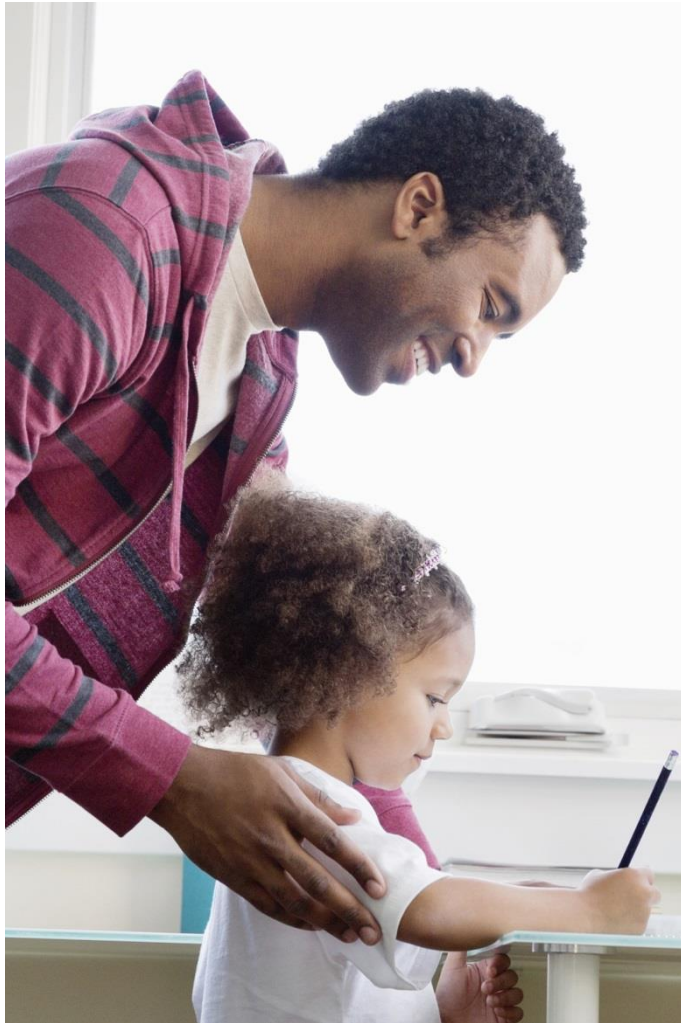
- What does money mean to you?
- What does it mean to be rich?
- What are the responsibilities, obligations and challenges that come with having money?
- Why do we value money?
- How did we accumulate it, and what did we learn from the effort of accumulation?
- How, if at all, would we be different if we lost it?
- What do we want to accomplish with it?

## Next Steps



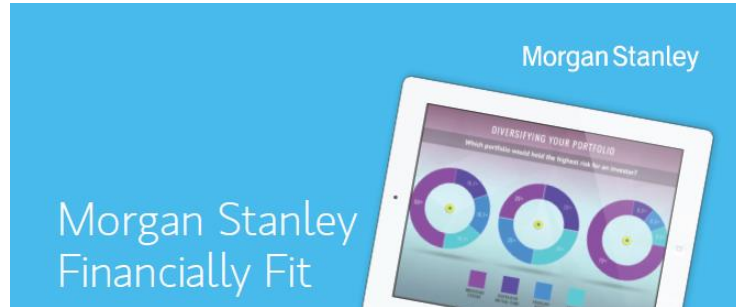
Continue the Conversation

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**SECTION 4**  
**Resources**

## Financially Fit



Morgan Stanley has teamed up with EverFi to offer Financially Fit, a series of age-appropriate digital financial learning programs.

Financially Fit can help your family members, from childhood through adulthood, become financially responsible and take control of their financial futures.



# Opening Pandora's Box

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## Opening Pandora's Box

10 Rules for Talking to Kids About Money

Many affluent parents dread talking with their kids about money. "Once we talk about money," they say, "it will be like opening Pandora's box" (which was actually a jar — don't ask me why we always refer to a box). "Nothing but evil will issue forth."

Here's how I usually respond: First, the box is probably open already. Second, if it's not, more likely than not it will be soon, no matter what you do. And third, it might be better if we went ahead and opened it from time to time, anyhow. If we try to force the lid down, we're really teaching our kids that there is something inside the box to fear; something so dangerous and harmful that we don't even talk about it. If that's the lesson we teach our kids, we're not starting them off on the road to forming a healthy relationship with wealth.

AUTHOR



Glenn Kurlander  
Managing Director  
Morgan Stanley Wealth Management

OPENING PANDORA'S BOX

On the other hand, some affluent parents may not dread the conversation, yet they tell me they don't know how to do it or where to begin. To help those who dread the topic, as well as those who want to dive in but aren't sure how, over the years I've come up with 10 rules for talking with kids about money — and, just as important, for acting consistent with what we say.

### 10 Rules for Talking to Kids About Money

1. Money is Like Sex
2. Think Before You Talk
3. Talk, Talk and Talk Some More
4. Talk With Them, Not to Them
5. A Question Is Worth a Thousand Answers
6. Keep Feet Away From Mouth
7. Give Kids an Allowance
8. Make an Investment in Them
9. Walk the Talk
10. It Ain't Ours 'Til It's Ours (and It Never Is)

**Rule 1: Money Is Like Sex**  
Just as with young kids and sex, when it comes to money, kids (of whatever age) know more than we think they know. But they're confused about what they think they know.

As to the first part of the rule and how much kids already know, many of the affluent parents I've known have deluded themselves into believing they've kept their wealth a secret. But there's much kids will infer simply from how we live our lives. When I was in private practice, for example, I had a client who was worth in excess of half a billion dollars. One day he said to me, "Glenn, my kids have no idea how much I'm worth. I've kept them totally in the dark." I replied, "You live in a 25,000 square foot house, and your kids have never been on a commercial plane — they're always on your private jet. I think they've figured it out." My client was right in a very narrow and technical sense: His kids might not have known exactly how many zeros there were on his balance sheet or what number was in front of those zeros, but he really didn't matter. They knew their father was extremely wealthy.

Our kids aren't idiots, and most of them will figure it out. And if they don't, they'll hear it from their friends who have either figured it out themselves or heard it from their parents.

Moreover, kids are naturally curious, and the internet gives them vast insight into their parents' lives — even those parents who don't lead ostentatious lifestyles. As a result, kids typically know much more about us than we know about our parents when we were the same age. For example, when my wife and I bought a new house, our teenage kids went online and found the asking price of every house we had looked at. They

would even debate whether this house was worth incrementally more than that house. If they wanted to, they could easily find out what we ultimately paid. By contrast, I didn't find out what my parents paid for the house I grew up in until I was in my 30s.

But while they may know more than we think they do, they're often confused about what they think they know. That's because, irrespective of their age, kids often don't have sufficient context to make what they know meaningful. For younger kids, the lack of context may come simply from being inexperienced. For older, even very sophisticated kids, the lack of context may relate to our failure (intentional or not) to give them insight into the total picture.

I'll use an example from my own life. When my son, Benjamin, was 10, he could tell you, almost to the penny, the cost of any exotic automobile you could name. But he didn't have any sense of what the purchase price meant in relative terms because he was entirely lacking in context. He couldn't, for example, relate the cost of a Ferrari 599 GTB Fiorano to a one-bedroom apartment in New York City or what a five-year associate at a major law firm makes a year or the price of tuition at four-year private colleges.

Thus, he was confused about what he thought he knew. Oscar Wilde defined a cynic as someone who knows the price of everything but the value of nothing. In that sense, kids are Wildean cynics.

Keeping in mind this first rule should help us get over our delusion that we can keep our kids in the dark about everything. But it also helps us to define one of the tasks ahead of us: helping our kids begin to create a context into which they may place their knowledge so that it is helpful and empowering and not dangerous or frightening.

### Rule 2: Think Before You Talk

I don't just mean the obvious point that you should think about what you're going to say before you say it. Certainly, you need to do that. But the real point of my second rule is that you have got to come to grips with your own values about wealth before you discuss money with your kids.

Many affluent parents have a fairly clear sense of the values that they'd like their kids to develop with respect to money, but they may be less discerning about their own values. Thus, as an initial matter, we need to be honest with ourselves in examining our own values about wealth. It's one thing to say that we want our kids to understand that material possessions are not the source of happiness and fulfillment. But if our own lives are dotted by little more than conspicuous consumption, our kids will quickly come to see that the values we say they should develop are not aligned with the values that shape our own behavior. Kids are the most sensitive lie detectors we've ever built: If there is a significant discrepancy between what we say and what we do, they'll be quick to see it. They'll be inclined to ignore what we say and see us as hypocrites.

The damage we do may be far-reaching: We may undermine our moral authority and permanence on other issues and permanently damage our credibility.

Couples need to engage in this introspective analysis separately, and once they're best honest with themselves in identifying their own values, they need to come together and ensure that, to the extent possible, their values are aligned. That's because kids are quick to discern the areas where parental views diverge. And once they've identified those discontinuities, they're expert at exploiting them and playing

"Just as with young kids and sex, when it comes to money, kids (of whatever age) know more than we think they know. But they're confused about what they think they know."

one parent against the other. The more successful we are in harmonizing our values before we speak to our kids about money, the more successful we'll be in managing the conversation and living our lives consistent with what we say.

In examining the extent to which their values are aligned, parents need to focus not just on conceptual matters but also on the practicalities of everyday life. For younger kids, that means parents have to harmonize their views about spending on clothes, parties, birthday and holiday presents and the like. For older kids, clothing remains relevant, but things like cars and college expenses become of central importance. With adult kids, homes and more general kinds of financial assistance take center stage. Parents need to be on the same page about all those matters.

These issues may be especially difficult to deal with in the case of blended families and divorced parents, where it may very well be the case that differences in values were at least a contributing factor to the divorce. Where kids, in effect, have two households and different values reign in each, the only way to address the challenges that result is to discuss candidly the fact that there are different values in each household and explain why we have chosen the values we have. Being honest with ourselves and our partners about what we truly value isn't

always easy, but it's a necessary first step in having successful conversations with kids about money.

### Rule 3: Talk, Talk and Talk Some More

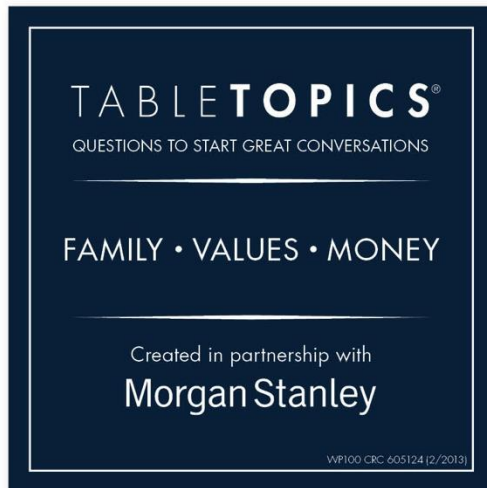
My third rule is addressed to the reality that money is the last taboo. The one topic that still causes discomfort and unease in many families. Politics, drugs, even sex are more openly discussed, but money is still too delicate an issue for many families. Talking about money makes many of us feel embarrassed, guilty, even shameful. But when we let money become taboo, we're not living up to our responsibilities to prepare and educate.

I was once on a panel with Peter Buffett, one of the sons of Warren Buffett — the Oracle of Omaha. Peter was discussing his father's view of wealth. One of his kids (I didn't want Warren to have the spotlight all to himself), I began talking about my father — Irwin Kurlander, the Oracle of Boca Raton — and his views on wealth. "When I was very young," I began, "my father once said to me, 'Glenn, if we were wealthy, I would let you know until you were old enough to deal with that knowledge. I'd be worried that simply knowing we were rich would destroy your initiative and ambition. I'd want you to accomplish all you could on your own.'" ▶

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## Table Topics: Family, Values, Money



**what  
was the most  
important thing  
someone taught  
you about  
money**

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**how  
do you decide  
the appropriate  
amount of an  
allowance**

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**do  
you think  
it is better to  
save, spend,  
or give**

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