

Fiscal prudence can be child's play

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Andrea Towey thought birthday parties had become excessive and overwhelming for parents and children. So when Urban Baby, a web-based parenting forum, sent her an e-mail describing ECHOage, an online party-planning tool that integrates philanthropy with gift-giving to the birthday child, she jumped at the chance to minimise the stress of her nine-year-old's celebration. ECHOage would e-mail invitations to her daughter's friends, collect responses and relevant information such as allergies and parents' contact information, and send "thank you" notes. Ms Towey saw a chance to teach her daughter Hannah to value her own gifts and use her good fortune to help others. Instead of bringing a present to the party, **ECHOage** asks guests to donate between \$10 and \$30, the average amount spent on children's birthday gifts. The money is pooled and split; half goes to the child for the purchase of one big, memorable gift and half is donated to one of seven charities ECHOage sponsors.

Hannah was initially hesitant, but embraced the idea when she realised that instead of many smaller gifts, she could get the guitar she'd long been coveting while also helping an environmental cause she believes in.

"I'm interested in teaching my children how to give back," says Ms Towey, a children's musician who lives in Rowayton, Connecticut. "Everyone spends at least \$20 for a gift anyway, and we and the kids have everything we need."

Parents such as Ms Towey increasingly use occasions such as birthdays or holidays to school their children in the lessons of philanthropy. Citing frustration with the lack of restraint at parties and the vast number of gifts, they are trying to show youngsters the benefits of sharing wealth.

In addition to underscoring ethics and ideals, parents have discovered that teaching philanthropy when children are young has an unexpected bonus: increased financial intelligence. By exploiting events such as parties, parents can initiate a dialogue about priorities and money management.

"Money is something children are not exposed to until they're older – how it's earned, raised, managed, given away. But with ECHOage the child can go online and see what it's like to collect money, watch it grow," says Debbie Zinman, ECHOage co-founder. "We are not the Scrooge of birthday parties. We're building an understanding that your resources can be used in different ways."

Adults at all socio-economic levels find it hard to discuss money with their children. Struggling parents may not want to burden their children with debts and worries, while parents of means may fear that revealing their wealth will discourage children from hard work. Many adults were raised in homes where finances, like sex, were considered private.

But experts say children are great observers of the conscious and unconscious cues their parents send. "When children ask: 'Are we rich?', it's only for so long that you can say: 'Yes, we have each other; we have our health.' Around age eight they want the bottom line," says Susan Beacham, co-founder and chief executive of Money Savvy Generation, which produces financial literacy tools and curricula for children.

Given their widespread use of the internet, children have easy access to information about their parents that was unavailable to previous generations. Jon Gallo, a lawyer who chairs the family wealth practice group at Greenberg Glusker, a Los Angeles law firm, is amazed when affluent clients say their children are oblivious to the family's good fortune. "We say: 'You live in a \$10m house and your kids can Google your name. Do you really believe they and their friends have no knowledge of your financial situation?'"

As a result, many financial advisers exhort parents to communicate the pitfalls and privileges of wealth

early on. "It's not the knowledge of wealth that robs children of drive. It's the example their parents have set," Ms Beacham says. "Even if you've earned it, you still have the job of modelling sound behaviour for your children."

Philanthropy can be an easy and effective way to begin the conversation. "Philanthropy in the family is an incubator of skills that carry over into the rest of life. Children learn that giving back with their time and treasure is part of the family's ethos and a fulfilling part of life, and they see a model for how money is used and invested," says Charles Collier, senior philanthropic adviser at Harvard University and author of *Wealth in Families*.

For children to truly understand the implications of managing funds and the impact of charitable giving, parents must do more than write cheques. They need to find hands-on opportunities for instruction.

Ms Beacham says: "You're teaching children how to stop, think and control their impulses as they accrue money to save or donate."

Too many parents make the mistake of lecturing on fiscal responsibility while bestowing a credit or debit card. "You have to start kids with coin and currency so they can understand the boundaries. They can see when the money's gone. Plastic is too abstract; you can't divide it or make choices with it," Ms Beacham says. "You would never wait until age 17 to teach children how to brush their teeth. So why wait until they go to college to teach money management?"

Mr Gallo, who is also co-founder of The Gallo Institute, a family wealth consulting service, and co-author of *The Financially Intelligent Parent and Silver Spoon Kids*, says organised giving can be an integral part of parents' overall work to instil astute financial behaviour. "If you get an allowance and you set aside 10 per cent for savings and 10 per cent for charity and you have the rest to spend, it teaches kids to be in charge of how their money is used and how it grows."

Money Savvy Generation sells on its [website](#) a transparent piggy bank with four slots, for Save, Spend, Donate and Invest. The visible accumulation of coins provides evidence of growing funds, allowing children to absorb and retain the concepts of saving and goal-setting.

Learning to Give, the curriculum division of The League, a non-profit aimed at engaging students in community service and civic engagement, publishes standards-based classroom lessons that instruct students in core subjects from a philanthropic perspective. The organisation's three interactive websites include a tutorial about an ant named Alex who removes money from the bank and guides children through his spending choices, which include going to the cinema, purchasing a gift for his mother and donating to the local food bank.

Barbara Dillbeck, The League's curriculum director, says: "The idea is to teach financial responsibility, and also to introduce the vocabulary of giving, service and volunteerism."

Ms Dillbeck says that linking philanthropy and money management to real experiences leads children to become accountable for their own financial well-being. This is important for them personally, but also has implications for society. "If a child grows into a financially literate, stable adult who understands his money choices, he will think critically about what our nation is doing with its resources."

Once a child has internalised these ideas, saved her money and selected a non-profit, it is imperative that parents help her follow through in making her donation. The child should visit the halfway house or hospital to appreciate how her efforts are helping people. Eileen Gallo, a psychotherapist, co-founder of The Gallo Institute and co-author with her husband, cites breast cancer walks as a way for children to understand that many people donating even small amounts of money can make a big impact.

Philanthropy can also be used to foster communication among family members. Families may pool resources such as time, talent or money and discuss how to spend them. "We suggest a bulletin board for ideas about where to give. Every few months parents can call a family meeting to talk about why each one is important and whether the organisation is well-run," Ms Gallo says. "It can be a tremendous time for investigating, debating, sharing and talking about values."

Mr Collier agrees, saying the skills and insight gleaned from philanthropy can be invaluable. "Children learn

about the problems of the world, about non-profits and how to do due diligence, and parents learn to appreciate and encourage differences in their children.”

Still, for children to develop prudent fiscal habits, philanthropy must be part of a larger framework. “If kids understand the meaning of ‘no’ and ‘enough’, the fact that they are growing up in a home with a lot of money is not going to turn them into Paris Hiltons,” Mr Gallo says. “If you follow certain steps – instilling work ethic, spending money in ways consistent with your values ...you’re going to raise children with a healthy attitude toward money. It’s work, and it works.”

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