CHAPTER 15

MONEY, KIDS AND PARENTING

On his 40th birthday, Zig Ziglar, the world-renowned speaker and writer, received a happy birthday call from his sister. Much to his surprise, she seemed a little over eager to find out what their parents had given him for this birthday. When he told her that it was an all-expenses-paid week away on a cruise ship, she was ecstatic!

Puzzled by her reaction, he asked her why she was so thrilled. After all, he reminded her, “It’s my birthday, not yours!” She then explained that she was excited because their mom and dad always treated them the same, and so she now knew with certainty that she would also be going on a cruise for her 40th!

As he reflected on this, Zig observed that parents should be so consistent in how they treat their kids so that their offspring will know, with confidence, that they will all be treated fairly in the future.[73]

EQUAL TREATMENT SHOULD BE THE BENCHMARK

When advising my business family clients, I emphasize the importance of making it a habit to treat all offspring equally. When a family matriarch once protested against my advice, saying it was her money and she could do what she wanted to with it, I agreed. Parents can choose to favour one child over another. But, as I pointed out to her, parents also have to be ready to deal with the consequences of their actions. One of the best ways to ensure that children become

73. Zig Ziglar, *Raising Positive Children in a Negative World* (Nashville: Thomas Nelson, 1985).

bitter and resentful towards one another is to treat them unequally. It is also a surefire way to undermine children's respect for their parents.

When Mom and Dad don't treat their offspring equally, it can lead to jealousy, bitterness and relational breakdown among the kids. Without thinking about the origin of these feelings, parents often mislabel these problems as sibling rivalry, even though they may have had a hand in creating these problems for their kids. Undetected, these feelings may lurk underground for years before erupting explosively, often after Mom and Dad have passed away.

INEQUALITY BETWEEN BROTHERS

Perhaps my dad could have used some advice in this area. He was always giving generously to us children, but we sometimes felt he wasn't as fair as he might have been. For example, when Dad wanted to reward my brother, Chuck, for completing his university education, he presented him with a brand new car. Chuck had studied long and hard for seven years to complete both a bachelor of arts and a bachelor of architecture. His perseverance was rewarded with a metallic blue, convertible Austin Healey 3000, complete with chrome spoke wheels. It was a beautiful and fabulous gift, and I believe that Chuck was appropriately appreciative of Dad's generosity.

However, when I was in grade 10, Dad decided that I could make use of a car. My cousin was selling his mint condition Fiat Spider convertible—just two years old and equipped with a throaty "Stebro" muffler and mag wheels. Like my brother, I was genuinely appreciative of Dad's generosity, but, as a 17-year-old, it never occurred to me that I was getting my first car nine years earlier than when my older brother got his first set of wheels.

I never heard Chuck complain about this situation, but I believe that this stark contrast in treatment must have contributed to his feeling that Dad may have loved me more. When talking to Chuck about this recently, he said these decisions made him feel that I was spoiled and made it hard for him to want to spend time with me. Understandably, it also made it hard for him to enjoy time with our dad, as he was often reminded of how he had been treated unequally. Happily, on my 50th birthday Chuck took me out for lunch to my favourite restaurant and gave me a beautiful pen to mark the occasion. We've sort of "started over," but it is too bad we lost so many years, in part because of Dad's naivety.

FAIR DOESN'T ALWAYS MEAN EQUAL

I personally believe that endeavouring to treat all of our children equally is a critical starting point. However, in his best-selling book *Joy at Work,* Ray Bakke offers an important, sharply contrasting opinion. Highlighting the difference between fairness and equality, he states that fairness means treating everyone *differently*.[74] I understand what he means, because I have seen many situations where fairness is not equality. Unfortunately, I have heard many parents say "fair doesn't mean equal" simply as a way of justifying how they have chosen to treat their offspring. These words can be used as a smokescreen to divert attention away from inequities or as an excuse for not doing the hard work of treating children fairly.

Permit me to share a simple example that demonstrates that fairness and equality are not always the same thing. A family I was working with had a business on an island and planned to have annual shareholders' meetings there. One of the five shareholders lived onsite; one lived about an hour's drive away. Two others lived five hours away and could access the island by ferry. The fifth shareholder was a teacher who lived in the Middle East. We discussed providing cost reimbursements for everyone to attend the meeting. Estimated costs for the group members were $0, $40, $200 and $5,000 respectively. Clearly, paying everyone an equal amount of $1,000 would not be fair. It would be a windfall for several and a hardship for the sibling who had the farthest to travel. On the other hand, it would be fair to pay each person's out of pocket expenses to attend the meeting, but this would certainly not be equal.

DIVIDENDS AND EQUALITY

As my siblings and I transitioned into adult life, there were times when we each wanted more money than we had earned (typically for a major repair or large purchase). In these situations, Dad permitted us to take advances from the company instead of borrowing from a bank or using a credit card. Shortly after Alison and I were married, we borrowed $10,000 to help with the purchase of a second car. Each month, we tried to save a little bit to enable us to pay off this loan as soon as we could.

Much to our surprise, at the end of the year Dad paid off this debt for us, explaining that the Canadian Revenue Agency (CRA, Canada's federal tax authority) did not look favourably on shareholders who had debts that remained

[74] Dennis W. Bakke, *Joy at Work: A Revolutionary Approach to Fun on the Job* (Seattle: PVG, 2005), 29.

outstanding over the year-end. Not only that, but Dad advised that he did this every year for all four children, based on the following rationale:

1. He needed to do this to avoid problems with the CRA.
2. It was equal treatment for all his children.
3. It was fair because "whoever needs the most, gets the most."

I told my dad that I had a problem with this arrangement. I explained that if there was to be money available for us each year, then I would like to know in advance so I could plan and budget accordingly. In time, this resulted in Dad providing an annual budgeted dividend, so all four of us could know what we could expect. It wasn't a huge amount, but at least we all felt it was fair.

DISCUSS MONEY AS A FAMILY

My eldest sister, Helen, was married when she was only 19 and before her 30th birthday had given birth to seven children. After her first marriage of 20 years fell apart, she found herself unemployed, without child support and providing for a household full of teenagers. I recall sitting in the den at my Mom and Dad's home when Helen dropped by and, during the conversation, asked if Dad could potentially provide her with some financial assistance. My dad loved his daughter and recognized that she needed his help if she was going to make it through. At the same time, he realized that if he gave her more money, this would create some inequities with the rest of his children.

Dad really wanted to help Helen, but he wanted to do so without creating hard feelings among the rest of his family. Rather than attempting to balance these two competing interests, he deferred to us, saying, "You kids work it out." Consequently, the four of us siblings were given the responsibility of determining how to divide up the annual dividends that were available for distribution. Dad explained that we were at liberty to give some money to Helen, loan her the money on conditions we found acceptable, or advise her that she would simply have to make it on her own.

I was ecstatic that Dad was willing to trust us with this decision and saw it as a vote of confidence in the next generation. I also felt that it was something of the beginning of the succession process (since I hoped that one day we would also have responsibility for the family foundation and the family business). However, when I talked to my siblings, both Chuck and Mary felt there had been some unfairness regarding how Dad had handled things in the past, and they wanted to deal with this first.

Frankly, I wasn't aware that there were any inequities that needed to be addressed. In time I came to realize that there were. Consequently, the four of us agreed to a financial review of the previous five years to determine what had actually occurred. Much to my surprise, the analysis showed that in spite of Dad's honest efforts to treat us fairly, there had been significant inequalities. Even more surprisingly, I discovered that I had been one of the ones who had received substantially more than the others. I realized that any fair-minded person would probably agree that there should be some retroactive adjustments.

RIGHTING THE WRONGS

After six or eight meetings, and quite a delay, we were able to determine a financial solution that we thought was fair to everyone. For this, we had the help of a neutral third party who met privately with each of us and who carefully listened to what we each wanted and needed in a settlement. Our facilitator then wrote out a draft proposal for all of us to review. After a few revisions, we were all able to sign a deal to provide retroactive equality.

In essence, we all agreed to help each other out. Our agreement could be summarized as follows:

1. We helped Chuck by providing him funds to pay for his planned home renovations.
2. We helped Helen by forgiving her for having received more than others had in the past. (But she didn't get the additional funds she had been hoping for.)
3. We helped Mary by permitting her to have ownership of half of a summer cottage, deemed to be worth approximately the amount owing to her.
4. We helped me by allowing me to pay back the extra funds I had received in the past.

After this was all agreed to, I went to the bank, took out a mortgage on our home, and paid my siblings an amount sufficient to provide redress for Dad's excess generosity to me. Understandably, I wasn't excited about the deal, but I did this willingly, in recognition of the fact that I had been given more than my siblings, and with a view to improving relationships in the family.

> ***Wise families have the courage to examine how much money has been given to each sibling in the past and then agree on how to correct any inequities.***

Years later, I had the opportunity to counsel another family whose circumstances were similar. In this other family, there were five children, and the eldest had received substantially more than his younger siblings. Voluntarily, he offered to pay the extra into a fund that would be divided amongst the other family members to achieve equality. I will never forget his words at the end of our meeting as he thanked his siblings for giving him the opportunity to pay the money back. He stated, "Knowing that I had received more than the rest of you has been bothering me for a long time. Thank you for allowing me to clear my conscience and for the opportunity to build relationships with each of you [his siblings] without this money in the way!"

TREATING OUR KIDS FAIRLY

Having experienced genuine challenges in working things out with my siblings, I was determined to make sure Alison and I didn't create the same kind of inequities with our kids. I wanted to make sure that how we dispensed money would not drive a wedge between any of our children. Consequently, we have worked diligently to treat our children equally in regards to love and money. However, as I mentioned previously, equal is not always fair, and this was certainly the case when it came to their sporting activities.

When our daughter Christy started to play soccer, we happily bought her new cleats and shin pads. When she started playing goalkeeper, we had no problem with paying for her first pair of goalie gloves. But as she entered her teens, I remember being shocked that her new goalie gloves cost over $100 per pair. All of my concern over these expenses vanished when our son Jon started playing hockey. Skates, padded shorts, shoulder pads and other related expenses were a lot more expensive than Christy's gloves. Now we were also buying a $300 aluminum, supposedly unbreakable hockey stick and an extra one—just in case it did break! We had promised to pay for our kids' sports equipment, not to give them each an equal amount of money. Happily, this didn't seem to cause any problem for either Christy or Jon.

When our youngest child, Stephanie, took up horseback riding, even hockey started to look cheap. She started riding at age three, and she won her first competition when she was just four years old. Over time, lessons became more frequent; then came the purchase of her first horse, and then her second. One new saddle added up to all we had spent over the years on hockey and soccer combined. Certainly, this wasn't equal.

It may be uncomfortable, but families can learn to talk about money in such a way that misunderstandings can be avoided and corrected.

We began to wonder if paying for all our kids' sports equipment was still a good idea. One day, I asked my wife, Alison, if it would still be fair to pay for Stephanie's riding if it became an enormous annual expense. She agreed that if the costs became extreme, this would no longer be fair. The next year, riding related expenses skyrocketed. In addition to the normal expenses for horse shows, lessons and tack, we also had to pay for major surgery and related veterinary bills. After talking it through, we agreed that in the future any costs over $1,000 per month should be Stephanie's responsibility.

In essence, we were putting a cap on how much we were prepared to pay for our daughter's riding in any given year. We proposed this at a family meeting with all the kids, and everyone agreed that this made sense. Stephanie continued to ride for several more years, and her "extra expenses" were deducted from other funds she might otherwise have received.

DETERMINING AN APPROPRIATE ALLOWANCE

For several years, Alison and I struggled to decide what to pay our kids as an allowance. I argued strenuously that we needed to teach them that money should be earned and reasoned that giving the kids money doesn't emphasize the need to work for it. After several years of debate, I stumbled upon a very helpful book entitled *Raising Money-Smart Kids* by Ron and Judy Blue. They settled the matter for us by explaining that one of the first things we need to teach children is that "money is a scarce resource."[75] They explained that in order to assist young people in understanding this, the best thing we can do as parents is to give our kids an allowance so they can learn to manage money. They suggest that it is best to do this with relatively modest amounts of money. Kids can learn by trial and error.

It was hard for me to admit that Alison had been right all along, but it was fantastic to get some objective advice to help us resolve the impasse. Subsequently we followed the Blues' advice and provided our kids with a monthly allowance. We did this during the balance of their time living at home. This change relieved a lot of tension around the house and transferred responsibility for some of the money decisions to our children.

When the kids were young, we started their financial education with the aid of three glass jars. The first one was labelled "savings," the second "giving" and the third "spending." To help the kids learn to think in these terms, we had them

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75. Ron Blue and Judy Blue, *Raising Money-Smart Kids: How to Teach Your Children the Secrets of Earning, Saving, Investing and Spending Wisely* (Nashville: T. Nelson Publishers, 1992).

put 10% of their allowance in each of the first two jars, and then gave them freedom to do what they wanted with the rest.

TRANSFER FINANCIAL RESPONSIBILITY

However, our big breakthrough came years later, when we transferred to our teenagers the funds budgeted for their clothes. Because they were all in independent schools, we offered to pay for all their required clothing items, including school uniforms, school shoes, overcoats, gym strip, running shoes, socks and underwear. When I reviewed this list, I thought that the kids would not really need much more money for other things. Alison pointed out that they would need casual clothes for the weekends, as well as for special occasions. We settled on a relatively generous allowance ($1,000 per year, in 1990). Because we had been liberal in this discretionary clothing allowance, we were able to remain firm that there were no exceptions, regardless of whether or not they ran out of money.

I recall the first time I went shopping for running shoes with our daughter Jenny after we had introduced this new regime. She wanted a pair of the latest style in sneakers. She found exactly what she was looking for—at a cost of $129. After tax, this purchase would use up almost 15% of her clothing budget for the year. Without hesitation, Jenny put the shoes back on the shelf and walked out of the store. I was relieved, but astonished. No arguments; no pleading for more money; just recognition that this was more of "her money" than she wanted to spend.

> ***When teenagers are given an appropriate allowance for purchasing their own clothes, a major source of intergenerational stress can be eliminated.***

Within 15 minutes, Jenny found exactly the same shoes for considerably less dollars. Obviously, she was learning to manage money. At the same time, I was coming to realize how much better it was for our relationship. We had now eliminated almost all the arguing over money simply by giving the kids some freedom and by transferring some financial responsibility to them.

BALANCE LOVE AND CONSEQUENCES

Like most teenagers, Jonathan found it hard to wait for some of the things he wanted to buy. When he was in high school, we encouraged him to earn some extra money so he could save up for his first car and the stereo he wanted to install in it. In his graduation year, he scraped together enough cash to acquire a

30-year-old Cougar from one of our closest friends. However, our son couldn't imagine driving it without music, so he borrowed money from one of his schoolmates to buy a cassette deck. He borrowed more money for new speakers and a few other items he wanted. He was in car heaven, at least for a while.

But Jon soon found it hard to afford gas for the car, let alone pay back the debts he had incurred. To make matters worse, we had paid for the first three months car insurance as our way of partnering with him in achieving this important goal. Now, he needed to find a way to pay not only for the insurance but his other debts as well. As we reviewed his circumstances, we realized that, in essence, our son had become insolvent.

I realized that Jon needed a fresh start, yet he also needed to learn how important it is to not be careless with debt. I prayed for wisdom. Then it struck me. I could help Jon by taking responsibility for all his debts and wipe the slate clean, so he could start over. This would be showing him love, support and grace. After talking it all through, I offered to repay all of Jon's debts, in exchange for title to his car (which was worth much less than he owed). Jon reluctantly agreed to my proposal and we put the car up for sale.

It was a painful lesson, but Jon has since told me that through this experience he learned how important it is to never borrow money, unless it is to acquire an appreciating asset, such as a home.

PROVIDE A GOOD START IN LIFE

Dave Phillips, an internationally recognized speaker and sought after resource for executives and their families, has spoken widely about the essentials that are necessary to give our kids a good start in life. Based on his extensive experience, he recommends that we:

1. Provide our children with opportunities to help others who have much less than we do. Usually this is best done by travelling to a poorer country where they can develop a deeper sense of gratitude. These kinds of trips can also help our young people to realize that what they have is not a birthright but rather a wonderful gift not to be taken for granted. Our family has now made six trips to Mexico to help out with missions and building projects. I can't think of anything more important that we have ever done to help our children understand how fortunate they really are.
2. Encourage our kids to develop a moral and spiritual foundation for their lives. One of the best ways to do this is through involvement in a summer camping program. Our children developed independence, responsibility

> and leadership skills at a wonderful youth camp over several summers. Beyond that, they also developed great lifelong friendships and came to a meaningful understanding of how God can make a difference in a person's life.

In addition to these two suggestions from Dave, we decided that it would also be important to help our kids to get a good start in life by assisting them to get a good education. Because I was not raised in a private school environment, I had a negative perception of "all boys" or "all girls" schools. However, a lot has changed since I was in school, and I think our four children benefited substantially from the private school educations they received at St George's and Crofton House schools in Vancouver. These schools provided a well-rounded education that included artistic, musical and athletic opportunities beyond what the public system was able to offer. Alison and I believe we made a good investment in providing this academic "head start" for our kids. Parents who have sufficient resources and want to give some of it to their kids could start the process by investing some of the money in a good education for their offspring.

CLARIFY FINANCIAL EXPECTATIONS AS KIDS BECOME ADULTS

In their excellent book *The Financially Intelligent Parent*, John and Eileen Gallo recommend that parents write a letter to their children, outlining what to expect as they mature and become adults.[76] For some, it may be appropriate to commemorate their high school graduation or an 18th birthday. The date itself is not critical; the critical point is the act of taking the time to celebrate and mark your child's transition into adulthood. With our four children, we spelled out clearly what we were willing to pay for and what they were responsible to earn. We agreed to help them with the costs of their university education, but we had clear expectations regarding what they would be responsible to earn along the way. We also agreed to assist them with their first car and a down payment for their first home, again on very specific terms.

> ***Many parents want to avoid their children having to suffer. But they ought to avoid the temptation to overindulge them.***

76. John and Eileen Gallo, *The Financially Intelligent Parent: 8 Steps to Raising Successful, Generous, Responsible Children* (New York: New American Library/Penguin Group, 2005).

RESIST THE TEMPTATION TO GIVE YOUR KIDS TOO MUCH TOO SOON

Dr. Lee Hausner is author of the book *Children of Paradise*, and she is well known for her work with the Hollywood set in California.[77] While many of her ultra-wealthy clients have wrestled with lazy and unmotivated kids, Dr. Hausner's advice has remained unequivocal. She says that the only way to help your kids become independent is to cease treating them as dependents. One of her recommendations is that parents require their adult children to get a job and pay rent. She also says that kids should be warned that if they don't earn their keep, Mom and Dad may physically remove their belongings from the house. Young people will get the message that you mean business when they are staring at the blank walls in an apartment that you have found for them, even if you have moved them in and paid the first couple of months' rent. They will soon realize that the ball is now squarely in their court.

Unfortunately, many family trusts provide for regular payments to beneficiaries beginning when they turn 21. While payments at this stage may be appropriate to fund education or to help with the down payment on a first home, there are real dangers in regularly paying out large sums of money to young adults. The potential for this kind of largess to undermine creativity, initiative and self-responsibility is enormous. Even worse, ready access to cash can sometimes contribute to drug and alcohol abuse. To avoid these problems, Dr. Hausner counsels affluent parents to avoid the regular or significant distribution of funds to their children at "any time during the early career building years."[78] Just like a butterfly who must struggle to get out of its cocoon to develop its wings, our children should be permitted the opportunity to struggle, especially if we want them to learn how to fly.

DELAYED GRATIFICATION AND WORK FOR WHAT YOU WANT

A young man I know once begged his parents to buy him a car while he was still in high school. His mother wisely explained that she and her husband did not want to rob him of the satisfaction that they anticipated he would experience when he had saved up

Children should not be given any substantial wealth until they are through their prime career building years.

[77] Lee Hausner, *Children of Paradise, Successful Parenting for Prosperous Families* (Irvine: Plaza Press, 2005).

[78] Ibid., 234.

the money required to buy his first car. Undeterred, the son continued to press his case. "Why can't you just help me, Mom?" he pleaded. She responded, "Because we love you too much to make things too easy for you." The young man, realizing he had lost his case, sadly concluded the exchange by saying, "Couldn't you just love me a little less?" This young man was disappointed, but I believe that his parents got it right. Many parents don't love their kids enough and give in too easily to their children's requests.

CONCLUSION

Many parents I know confuse the following:

- Love and Generosity
- Love and Giving
- Love and Helping

Wise parents see the differences between these attributes and learn how to love their children without being too generous, without giving them too much, and without helping them when it would be unwise to do so. Those who have accumulated or inherited wealth need to resist the temptation to salve their guilty consciences by simply giving their kids material possessions.

They don't need more money or more stuff. They need more of their parents' time and more of their love. In addition, they need their parents to display more wisdom by being scrupulously fair in how they disperse money among siblings. Finally, they need parents who will be more thoughtful in modelling for them how to be wise stewards of their resources. Parents can be wise in what they do with their money, and it can be a great blessing to their children. If they are unwise, their money can end up being a curse. If I was to have a slogan for wise parenting, it might be something like this:

Don't Give Them Money and Don't Give Them Things;
Instead…
Give Them Roots and Give Them Wings!