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## Crises help create a teachable moment

Eileen Ambrose  
*October 26, 2008*

Unemployment is rising. The stock market is setting all sorts of records - mostly bad. And the economy might be headed into a prolonged recession.

What better time to teach your children about finances and managing money?

I'm not suggesting you explain credit default swaps or option ARMs to tiny tykes. The financial world changes so fast that by the time children are old enough to invest on their own or buy a house, today's products will be out of date.

Instead, use this time to teach the basics, especially how to save. If one thing is clear in this confusing economic crisis today, it's that those who have a savings cushion are in a much better position to weather the storm than those who are overextended and have nothing to fall back on.



Eileen Ambrose  
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There is a lot of talk these days of requiring schools - which are already stretched - to teach personal finance to youngsters. It sounds good, but the evidence so far suggests that classes tend not to work.

"Unfortunately, the data is now showing that kids who have taken courses in high school for the most part have rarely retained the information they got," says Lewis Mandell, a finance professor at the University of Washington who has studied kids and finances for years. "They tend to treat courses on personal finance as a course in trigonometry. It's something that is endured and forgotten right after you have taken the final exam. How many of us remember anything about trigonometry?"

(Frankly, I can't recall whether I even took trigonometry.)

That leaves the job to Mom and Dad.

One way to establish sound financial habits is to be a good example. From the earliest ages, children learn by watching how you spend money and listening to your

conversations about finances.

"The lessons may not be what they want their kids to learn," says Adele Brady Bolson, a certified public accountant in Bellevue, Wash. "If you shop to make yourself feel better, kids notice that."

Besides being a good role model, talk to your kids about money and how to make the right choices. You don't need a global financial crisis to get the discussion going. Everyday purchases can be a springboard for a conversation.

The earlier you start these talks the better, says Gregory Hall, a psychology professor at Bentley University in Massachusetts. Children are more likely to heed your advice if you have been talking to them about money all along rather than springing it on them when they're well into their teens, he says.

The key lesson for children is how to become a saver. Get children in the habit of always

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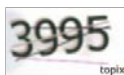
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