

BY PAUL J. LIM

IT'S TIME FOR PARENTS AND CHILDREN TO TALK OVER A TABOO TOPIC: MONEY

There are certain subjects parents dread talking to their kids about--like sex, drugs, and money. But of the three, there's really only one topic that most kids are actually open to discussing with Mom and Dad. And that's money.

In fact, two thirds of teens look to their parents--not their teachers and not their peers--to teach them how to make money and how to manage it.

Maybe it's because money is the one thing that even the most rebellious child expects his parents to provide. Maybe it's because kids know at an early age that they need money to buy the things they want--like that \$200 cellphone or that \$300 iPod. Maybe they realize that attending college will require serious coin.

Regardless, kids are up for a talk. Unfortunately, parents aren't terribly chatty on this subject. A recent survey by the market-research firm GfK NOP found that parents are more likely to talk to their teens and preteens about household chores than about money. Even in well-to-do families, more than a third of children say they rarely or never discuss finances with their parents. That's according to a survey of high net worth households by JPM organ Private Bank.

Cheryl Burbano, a financial planner near Tampa, suspects today's boomer and gen X parents "aren't talking about it mostly because their parents didn't talk about it." But parents who don't educate their kids about managing money are "handicapping their children for life," she says.

Here's a snapshot: More than 1 in 5 teens don't know that interest must be paid on borrowed money. Fewer than a third of teens know how to budget their money. And only 36 percent know how to open a savings account.

Yet at the same time, "we've given our kids pretty expensive tastes," says **Linda Leitz**, author of *The Ultimate Parenting Map to Money Smart Kids*. This has led to the inevitable: The average undergraduate today owes some \$2,100 spread out over more than four credit cards.

For mothers and fathers, teaching kids to respect money isn't just part of a parent's moral duty. It's also in the parent's self-interest. Aside from health-related issues, one of the biggest concerns baby boomers have as they enter retirement is their children's financial ignorance, surveys show. These parents are right to be worried. That's because these issues often come home to roost--literally. Between 2000 and 2004, the number of

adult-aged children who still live with--and off--their parents rose nearly 70 percent, according to Craig Brimhall, vice president of retirement wealth strategies for Ameriprise Financial (story, Page 64).

OK, so where should you begin?

START EARLY. Parents have to start teaching their kids money lessons at a younger and younger age--as early as 3 or 4. That's because children are learning about what money can buy early on in their lives. Academic research shows that children who are bombarded with television commercials and other advertising can grasp and identify brand names at 2 years old.

Take Alex Mac-Lachlan. At the tender age of 5, Alex--who lives with his parents and younger sister in West Chester, Pa.--is already on his second Nintendo Game Boy. What's more, he got an Xbox video-game system last Christmas. And this year, Alex wants yet another video-game player, Sony's hand-held PlayStation.

"Saying no is one of the hardest things a parent can do," says his mother, Annette. But that's what she and her husband, Alexander, have decided to do. The 33-year-old Annette, a real-estate agent, says Alex already has his fair share of games and toys. And teaching him and his younger sister, Emily, that they can't have everything "is the first real lesson they'll learn about handling money."

SHOW THEM THE MONEY. It may sound simple, but the only way kids will truly learn to handle money is if you give them some to handle.

Well, aren't parents already doing this, in the form of allowances? Actually, no. The fact is, only 30 percent of so-called tweens--kids ages 8 to 12--and only 27 percent of teenagers get a regular allowance. "We're not giving our kids the individual responsibility to understand how to handle money," says Cary Silvers, GfK NOP's vice president for consumer trends.

Yet kids, when given their own money, often manage it wisely. Silvers notes that kids who are given cellphones by their parents are apt to sign up for all the bells and whistles, such as text messaging and photo options. But when kids get older and are forced to pay for cellphone service on their own, many opt for just basic service.