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# Raising financially fit kids

**Money can be a tricky conversation at the best of times, and the larger the amount, the trickier it can become. Spike Godwin of Arbuthnot Latham shares his thoughts on how to develop healthy financial habits with children.**

One common concern among clients after a liquidity event is how their new wealth will affect their children. Might their ambition be dampened? Do they have the necessary skills or mindset to manage their finances effectively?

Raising children to understand the value of money can seem a daunting task. But the earlier you start, the better. Here are our top tips on helping your children make financially fit decisions.

## Young children

**1 Start saving**
There are many ways you can save for your children's – or grandchildren's – futures. We suggest four pots to show them the different purposes of cash: spending, saving, donating and investing.

**2 Talk about currency**
Travelling abroad can help you introduce children to different currencies and exchange rates. A thousand rupees might sound a lot, but talk about what it can buy compared with £1,000.

## Teenage children

**1 Let them earn money**
This could be pocket money for chores or babysitting, or it might be to encourage them to develop skills. Perhaps they could teach you something and you pay for their expertise.

**2 Interest**
If you have a savings pot, you might want to negotiate an interest rate with your child. Maybe they're saving for a bike, or another big purchase. Once a week, you can review their savings pot and add interest on top, showing them that the more they put in, the more they get out.

**3 Support the entrepreneur in them**
If they have a business idea, offer to invest in their business. But they need to do the work to bring in the profit – and pay back their shareholders!

**4 Let them set the budget**
Give your children a set amount to manage the household finances for a week. They can shop for food, choose the entertainment and decide what to spend on miscellaneous items. While you might eat some interesting meals, this can teach them how much things really cost.

**5 Investing**
Choose something your child enjoys. Look at related companies and build a pretend portfolio, with ideally a balance of dividend paying and growth stocks. Review your investment performance regularly and decide whether to buy, sell or hold.

## Adult children

**1 Borrowing**
Overdrafts and credit or store cards can be tempting for young adults. Discuss the difference in price between a purchase today and the true cost over time when interest rates are taken into consideration. Equally, talk about when borrowing might make sense – mortgages, for example.

**2 Map out your family finances**
Each take a sheet of paper and draw a simple timeline for the next few months or years. Ask your children to think about what they will need at different stages and how much things will cost. Where will the money come from? Compare the results and make plans to ensure you reach your goals.

**3 Family boardroom**
More and more families have an annual meeting (like an AGM) to discuss key financial considerations for the next year. Agenda items might include holidays or wealth transfer over the long term.

As children grow, they are exposed to advertising and social pressures to spend. Talking about financial topics from an early age can make them far less daunting.

Spike Godwin, Senior Private Banker
SpikeGodwin@arbuthnot.co.uk 07471 030 097

**Contact us**

SpikeGodwin@arbuthnot.co.uk