Q&A WITH BETH KOBLINER, AUTHOR OF
MAKE YOUR KID A MONEY GENIUS (EVEN IF YOU'RE NOT):
A PARENTS' GUIDE FOR KIDS 3 TO 23

Why did you write this book?

My reasons for writing this were personal. As a mom, I talk to plenty of parents. At playgrounds and on college campus tours, I've learned that few parents, whether they're rich or barely scraping by, know how to talk money with their kids. As a financial journalist, I was intrigued. My interest turned to obsession when President Obama asked me to become a member of the President's Advisory Council on Financial Capability. There, I created a website to prepare children to be financially savvy adults. MoneyasYouGrow.org attracted more than 1.4 million visitors and was recently adopted by the Consumer Financial Protection Bureau. There's clearly a hunger out there for more information. *Make Your Kid a Money Genius* is my attempt to provide information on the most sought-after money questions in a way that parents can easily access.

At what age should parents have the "money talk" with their child?

As early as possible! According to a report by researchers at the University of Wisconsin-Madison, children are able to grasp economic ideas such as value and exchange by the ripe old age of three. They can also delay gratification and make choices—your toddler is eager and able to understand a lot. Another report out of the University of Cambridge in England concluded that by age seven, many of the habits that will help kids manage their money are already set, so it's important to talk money sooner than you think. When your kids are six months old, start exposing them to fun counting exercises like how many socks are in a load of laundry. Later, when they're preschool-age, teach them the actual value of nickels, dimes, and quarters by playing "store." But by all means, start early!

Should kids get paid for doing their chores?

Absolutely not—chores should not be tied to allowance at all. Research shows that chores on their own are good for kids because they teach responsibility and the importance of chipping in to help others. But it's a mistake to link those chores to money; chores should simply be a part of everyday family life. However, if you are itching to dispense with some extra cash, you can pay for jobs that fall outside of the ordinary tasks—particularly if you might hire someone else to do them if your kid didn't, like cleaning out the garage, raking the lawn, or organizing photos online. Whether to give your kid a regular allowance, and the pros and cons of doing so, is a separate issue altogether.

So, how should an allowance be properly handled then?
It doesn't really matter whether you give your kids an allowance or not. Having pored over more than two-dozen studies on the subject, I found that the conclusions are all over the map, to say the least. Whether to give an allowance is a parent's personal choice. But if you do decide to, make it consistent, and set clear guidelines as to what it's for: You cover the basics like food in their bellies and a roof overhead, the allowance is for items above and beyond that, like a fancy pack of barrettes or saving up for a cool pair of basketball shoes. It's called an allowance for a reason—the money is not actually earned by your kid. It's discretionary spending money, and you "allow" what you wish and can afford.

Is **lending money** to your adult kids a bad idea?

As a general rule of thumb, it's a bad idea to make a habit of bailing out your adult kid. But if an occasion arises where they need help, and the deal is good for both parties—say, lending her money at 5% to pay off a credit card with 18% interest—get it right by making sure there's a firm repayment plan. Put the deal and all the terms in writing; it might sound a little weird and overly formal to have a contract with your kid, but this helps avoid confusion and potential heated discussions later.

If your kid has racked up a lot of debt, should you help your child get out of it?

There's no hard and fast rule here, but in general, using this as a teachable moment—as painful as it might be—would be helping your kid out more in the long run than just bailing him out. For instance, explain to him *how* to pay off debt smartly, like tackling the debt with the highest interest rates first, since they accumulate interest more quickly (and will likely outpace the rates any savings accounts might give him). You can also sit down and go over any statements to see where the source of the debt is coming from. For example, is he eating out way too much? If there are essential bills he can't cover, perhaps help by paying them directly. Or even let him move home for a limited amount of time, using what would normally be rent money to pay off debt. Just make sure you have an agreement about a time limit and what's expected from both parties.

What are the top three money mistakes parents make with their kids?

1. Not starting the money conversation early enough—even a toddler can grasp the basic tenets of how money works. And don't think she isn't watching when you pull out that credit card at the checkout line.

2. Not instilling delayed gratification; no matter what your kid's age, it's a good reminder that many times we have to wait—and sometimes save—to get what we want.

3. Co-signing a loan, which is a huge no-no: If your kid defaults on a loan with your name on it, your credit score could take a hit along with hers.

Who is savvier about money—boys or girls?

This is where parents really are part of the problem. I'm talking about the "money gap." In numerous studies and surveys, kids say that Mom and Dad talk to boys more than they talk to girls about money, particularly when it comes to a subject like investing. The result? Boys express more confidence about money, and, in turn, parents think their sons understand the value of a dollar better than their daughters do. Bottom line: Boys and girls alike really need to hear the facts about money early and often. Given the uphill climb girls will face in terms of salaries, this is critical. Close the "money gap."

Should parents allow their kid to get a part-time job during high school?

Many families have financial pressures that can be eased by the extra income from a kid's part-time job, and a kid getting real-life work experience has tremendous value. But studies show that there are diminishing returns on your kid having a job when it comes to school work. Kids spent 49 fewer minutes doing homework on the days they worked at a part-time job. That's not to say that your child shouldn't pick up the odd job like babysitting or tutoring, as long as his homework doesn't suffer. If it's feasible, however, have your kid skip serious job hours during the school year and focus on making money over the summer instead.

At what age should parents begin talking to their kids about saving for college?

Begin the college money talk when your kid is in ninth grade. Seriously. Starting the conversation early gives you and your kid a wake-up call: Going to college—and figuring out how to pay for it, whether you have the means to help or she is going to have to save up and possibly borrow on her own—is less than four years away. And if you have to fill out the FAFSA—the Free Application for Federal Student Aid that unlocks lower-interest federal student loans—that deadline is even closer. Diving in now gives you a chance to plan and be prepared.

What is the right age to give your child a credit card?

There is no right age. Thanks to the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the CARD Act), it's very difficult for a kid under 21 to get a credit card without a parent or guardian cosigning. And if your kid can't get a credit card on his own, don't cosign for him. Just don't do it. You'll be stuck paying the bill if he can't, and if he messes up it will hurt your credit score as well as his. In general, I recommend any kid hold off until he's a junior or senior in college before even thinking about getting a credit card—and even then, he needs to get it in his own name.

What's the most important money lesson parents should teach their kids: to save, the value of work, or to be charitable?

Ding, ding, ding—all three! Saving is, of course, the cornerstone of all money genius. It involves everything from learning the importance of delayed gratification to understanding the value of a dollar today versus that dollar tomorrow. Research tells us that one of the keys to a happy life is hard work. Stressing that concept helps your kid set and achieve personal goals and enjoy the satisfaction that comes with putting forth effort. It's a good idea to get your kid to help those in need by giving a percentage of his hard-earned cash to a charitable cause he believes in. Then he can see how his own saving and hard work can really help someone else who is struggling.

What was the most surprising discovery you learned while researching kids and money?

Parents these days are comfortable talking to their kids about almost anything: the dangers of drugs and alcohol, the necessity of seatbelts, the benefits of whole grains—even sex. Just about anything, it seems, except money. Most of us avoid teaching our kids the ins and outs of budgeting, how to cope with credit and debt, or the basics of saving or investing. Parents are terrified to teach their kids the financial facts of life, sometimes out of fear of giving bad advice, other times simply because they're afraid their kids will find out what hot messes they are themselves when it comes to money.

You're the parent of three kids—one in high school and two in college. Is there one lesson you passed down to your kids to ensure they make smart spending decisions?

My father taught me the value of delayed gratification. As a kid during the Great Depression, he earned change at the candy store by minding the public phone that many of the neighbors relied on, since they could not afford a phone line of their own. Never once, though, despite the long hours sweating it out next to those sweets, did he spend a penny on a piece of candy; he knew the money would go to better use at home, where it was needed. Later, as a young father with a family of his own, he set aside half his salary as a junior high school principal in a tax-deferred retirement account. He always knew that by living a financially lean life, he was building a healthy nest egg for retirement. Even when it seemed like he couldn't afford to save for later, he knew he couldn't afford *not* to. I've tried to instill this in my own children, even if it was something as simple as my daughter having to wait until she turned 16 to get the designer jeans her friends all wore. The lesson of delayed gratification today is the greatest gift we can give our kids in planning for tomorrow.