

**EPISODE 543**

[INTRODUCTION]

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**FT:** You're listening to So Money everyone, welcome. I'm your host Farnoosh Torabi. You know, a lot of you write in to Ask Farnoosh on Friday's, asking about how to set your kids up for their financial futures or how to best teach them about money, I'm right there with you.

Evan's almost three and I do have him hand the cashier the money when we check out at the grocery store. I'm hoping that maybe he's understanding that in order for us to go home with this new stuff, we need to give something back in exchange and that money ultimately is currency. We'll see, time will tell. It's just one little thing and of course kids learn a lot from modeling so just trying to get myself conscious to this sooner than later.

Today's guest, Beth Kobliner is very passionate about kids and money, she's a leading personal finance authority who's first book *Get A Financial Life: Personal finance in your 20's and 30's*, you've probably read it or seen it on the shelves, it was a New York Times bestseller and for years and still was the money bible that you gave to all your friends, your kids, your grand kids, graduating from college.

Now, years later, Beth is out with a new book called *Make Your Kid a Money Genius, Even If You're Not*. In it she shares practical advice for teaching toddlers, to young adults on how to be smart with their money. A little bit more about Beth. In 2010 she was elected by Obama to be a member of the president's advisory council on financial capability and there she created [moneyasyougrow.org](http://moneyasyougrow.org), a resource to help kids develop some money skills.

Beth has some really fresh and relevant advice to share on the show about how to raise money conscious children and why bribing your kids to do well in school or do their chores with money is a wasted effort. Really? All right.

Here's Beth Kobliner.

[INTERVIEW]

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**FT:** Beth Kobliner, welcome to So Money. I can't believe it's taken me for so long to lure you on the show but now you have a great new book out, so lots to talk about.

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**BK:** Thank you. Well I'm a huge fan of yours, as you know, so I'm so excited to be here.

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**FT:** Well congratulations on your second book, just came out, *Make Your Kid a Money Genius*, many of us love and know you from your first book, *Get a Financial Life: Personal finance, in your 20's and 30's*, which for many of us was the financial bible, the personal financial bible, it's been out 20 years, can you believe it?

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**BK:** It's crazy! I can't believe that it was 20 years ago and I meet people sometimes now on their late 50's, even early 60's and said, "Oh I read your book." When I was young and it sort of kind of fantastical to me, that was 20 years ago but yeah, this new one, *Make Your Kid A Money Genius Even If You're Not*, is a parent's guide for kids whether they're three up till age 23, to teach your kid about money.

It's kind of fun to think about maybe some of the Get a Financial Life Readers, have kids and they're starting this conversations or have kids in college and they're sort of trying to firm up these conversations to make sure their kids are on their way to having sound financial lives.

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**FT:** The book really covers much of childhood starting from preschool on to high school as the issues change and I know right now, I have a preschooler and one on the way, another on the way. So I'm very much at the beginning of parenting but still obviously facing a lot of not only just expenses but, you know, thinking as I do because of what I do, I have probably more of a consciousness around teaching Evan, who's only two and a half but still have — what money means and when we go shopping, what happens when we want something, how do we get the permission to actually take it home?

[0:04:41.2]

**BK:** Exactly. Well, Evan is at the perfect age. You can even do like an experiment with him and then do something else with their other — no. Just kidding. I feel like by the ripe age of three, research shows, there's this great researcher out of the University of Wisconsin, Madison who showed that by age three, children are able to grasp economic ideas like value, things have value and then exchange, we give money to buy things we want and those are things we can really start talking about the children at an early age.

The other one of course is delayed gratification. We have to wait for things, we have to wait for our turn at the swings and we have to wait for our birthday and we also have to wait and save our money for things we want. Those lessons, I think, are so powerful and really can have an impact on how children view money and the rewards of saving it rather than spending it on something that maybe they don't want as much.

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**FT:** As you were researching this topic, and I'm sure you pour through other books and other material studies. What was something that you really wanted to add to the conversation that you felt just wasn't being discussed?

[0:06:00.9]

**BK:** Right. I think one topic, this notion of delayed gratification and everybody talks about this marshmallow experiment, you know, the one where you know, they give kids. They put one

marshmallow in front of a little kid and then they say, "Okay, if you can wait for a certain amount of time, we'll give you another marshmallow."

But most kids just usually gobble it up right away. That waiting, that ability to wait and save has an impact on, if you're able to wait as a child. You do better on your SAT scores and you have lower body mass index as you get older. You are happier at your job and there are a lot of positive attributes that they've been able to track since they started these studies in the 70's and now have tracked it for all this years.

So I think the notion of the importance for every age group, whether you have small children or teenage kids or kids in college are just coming out of college, the ability to wait and save has such an important impact particularly as it relates to credit card debt.

Most people I find still don't understand that if credit card is alone and that the notion that you're borrowing money that you don't have and you're paying very high interest rates to buy something ending up in costing the thing you're buying maybe ending up costing you twice as much since you add in all the interest you have on the credit card.

So I think that link between delayed gratifications and credit card debt and there have been studies now that are showing that people who are very good on self-control basically have the ability to save more money. It kind of sounds obvious but we're really realizing how much that kind of trait is so important throughout your life, particularly when it comes to money.

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**FT:** It goes back to behavior economics. But what about the kids who aren't hard wired to be, to have more self-control? I think you know, some kids are just born sometimes better at it than others. How do you teach it and keep your patience as a parent?

[0:08:13.6]

**BK:** It's true. The truth is, we wouldn't want every child to be so perfect and wait. I feel like there is a sense now that everybody's running out buying bags of marshmallows and testing their kids.

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**FT:** Marshmallow sales have surged.

[0:08:28.3]

**BK:** yeah. I think we're knowing more and more that as a parent some of the things you do really impact your capability to wait. Number one is being consistent. If you start an allowance system, make sure to keep it up regularly. You don't have to start an allowance, that was something I felt was important to debunk because I know every parent I've ever met is guilty about starting an allowance and never finishing it.

You don't have to. Studies show, sometimes it helps, sometimes it doesn't but the most important take away is to be consistent. You know, one study, the most recent marshmallow redo found that when the tester, the one who said I'll be back with the marshmallow, when they were consistent, when they really came back with the marshmallow, when you tell your kids something, you're going to have to pay for this with your own money but then you cave in a few weeks later because you feel bad, that's not a good lesson and that's inconsistency and it's sort of teaching your kids really the opposite of what you want them to learn.

So being consistent as a parent is really important. Other things I thought were fascinating were just the ability to distract yourself. When you go into a store, we've all had it happen, you go into a store and you have your child with you and they want candy or they want a certain cereal and they're begging you it's good to, before you even walk into the store, to inoculate your child. Basically say — not literally inoculate them, but say to them, "You know what? We're going to go into the store and there are going to be a lot of things that we want to buy but today we're just running in to buy diapers or running in just to buy milk."

Talking about what you're doing and then getting out of there quickly. Because I think a lot of parents are so busy and if you're with a child in a store and they say, "I want that little tiny toy." If it's only a couple of bucks you think, why not? Let me just get it for them and they'll be happy. But that experience of every time you go into the store, you buy something is a hard one to break if you're used to that. I find that starting that early and explaining to children, "We don't always buy every time we go into a store." That kind of education with a young child, Evan's age, really, I think makes a difference long term.

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**FT:** I've also heard too that coming to the store with your list, which is good all the time, and showing your child, "These are the two three items we need, let's go find them," and kind of making it a game could be a good distraction.

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**BK:** Exactly, that's a wonderful idea. Also, as much as possible, as we know, making it automatic. Because everyone has their foibles and you can sort of have the best intentions but it's difficult sometimes. So if you're a little older and you have your first job, of course setting up automatic withdrawal into 401(k) or a savings plan and you know, even being consistent with your child as a parent saying, "You know what? The minute I get my paycheck, I have some of it go directly into my bank account and some of it I use to buy when we have pizza night at home."

Or just talking about the fact that we don't just rely on will power but we kind of build into our routine, sort of what we spend money on, Wednesday is ice cream day or whatever it is. But we do it on a regular kind of automatic way that we don't rely only on our self-control to help us.

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**FT:** The automatic portion of this personal finance equation for kids is interesting because on the one hand, so much of our life is automated. We use credit cards, it makes life easy, but when it comes to teaching your kids the fact that when you use money, it's a limited supply, is cash better to kind of introduce money to them in the form of cash?

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**BK:** Yeah, absolutely. I mean, one of the counterintuitive things I've learned is that cash, using cash is the way to go and give your kids cash. That it sounds counterintuitive, "Why would you give them cash? They can lose it." But the fact is when you give a kid plastic as we know from that famous MIT study, people tend to spend twice as much if they use a plastic card, like a credit card, than they would if they were using cash.

I found with kids, if I sent my daughter to the mall and I gave her a set amount of money, she knew, if she bought jeans and a sweater and a shirt and it exceeds the amount I give her, she has to put something back. But with a credit card and automatic cash advances or whatever kicks in, that can sort of make the lesson a lot leerier.

Even just putting the act of paying out, five, \$10 bills or whatever it is, really we know is much more painful into some extent than just plain paying with the plastic card, which feels like plastic money. I also think you make a good point because I grew up watching my dad have a checkbook and a check ledger and paying the bills and I saw it. It was just part of my existence and we would go to the bank and we have a passbook savings account and all this things are really just mysteries to children.

Even money is a mystery when they see their parents pay with plastic, not with cash. So I think that even though the toy cash registers now come with plastic credit cards and fewer and fewer have actually cash bills in them. The sort of — we are sort of in a way depriving kids of those lessons and not that we all go back to not paying bills online but I think it's that much more important that we talk to kids about what we're doing, "Now I'm paying the bills, we have to pay for the cellphone and we have to pay for the lights."

Just those kind of conversations, especially when kids are young, I think are really important to make it concrete. We also know of course that there are studies that show when parents talk to kids about college savings, they say, "You know what? I have money and I'm putting into a savings account for your college," kids are more likely to go to college. Really regardless of how

much money, whether you're talking a \$100 thousand or a \$1,000 or \$10,000. It's really important I think to start those lessons early and explain to children what you're doing.

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**FT:** Right, because inherently you're showing what your priorities are and also very important, you're opening up a path to communication where kids I think have a lot of questions. But so many times I interview guest on the show and while their financial lives today might be great, they do say sometimes as kids, it was not a topic of conversation in the home, they struggled with money in the early years as to say we're adults because they had this kind of closeted emotional perspective on money that was very much tied to how it was presented to them as a kid.

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**BK:** Absolutely. Yeah, I'm sorry yeah, absolutely. I feel like it's interesting because I feel like everybody has money baggage. I've met people who are not good with money in their 20's, 30's, 40's and they say, "Oh, my parents were really bad with money so I never really talked about it." Then I meet other people who are really bad with money and they said, "I'm bad with money because my parents were so good with it and they were such tight wads and they were so frugal that sort of started rebelling and I wanted to live life to its fullest."

So I feel like, it's interesting, I've seen both ways but I think you're absolutely right that those conversations, very basic things when kids are in elementary school, we have to make choices. We have this much money and we have to make choices, we have this much money and we have to make a choice. Are we going to go on a family trip to Florida? Or are we going to redo the basement and add something fun for the kids' ping pong table? Or that kind of thing.

Or older kids. comparison shopping with — I have to say, I think middle schoolers are so good at that because they're so good at looking on the internet and I like the example of someone I know who found, I think it was like a TV that they wanted and then they had their kid research it on the internet for them and find other places where they can get a better discount and they gave the kid a percentage of the difference that the parents saved.

But I think all those kind of lessons and talking about it really offers not even just a helpful way but also something to talk about. Sometimes kids are, especially in those middle school years, you'll see, but they'll say, "How was your day?" "It's fine," and they don't really have — they don't want to engage but I find middle schoolers in particular very interested in the topic of money just as an abstract concept.

They want to think about, "Well how can I start earning some money or how can I get a higher interest rate?" I remember when I told my son about compound interest, he was really little, he got very excited and he wanted to figure out how he can get a higher interest rate. So I think that those conversations really spur on interest.

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**FT:** As we move up the adolescent ladder here, we talked about young kids, you talked about middle schoolers, I think also in the middle ages, middle childhood, parents sometimes misuse money as a tool for reward and you talked about this in your book. I would love for you to talk about this a little bit with us because I think it's something that a lot of our parents did when we were little. Some of us are still doing it as parents today, using, for example, money to give to your kids when they get good grades or when they do the chores. What's the backlash?

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**BK:** It's really interesting because I was actually surprised to hear that most parents say they bribe their kids or give their kids money for good grades. They say to kids you know, "If you get an A in this course, we're going to give you \$50 bucks," or whatever it is. The research shows, there's this great researcher at Harvard. Roland Fryer, who did a large randomized control study and showed that bribing your kids for A's, for grades is a waste of time and a waste of money. It doesn't work and if you're hoping that will incentivize your kid, first off chances are it won't.

What it could do, and I'm not saying this is a great idea but if you say, "I'm going to give you some certain reward for doing your homework regularly, or doing a particular specific task," then it could have some impact. But overall you want the impedes for working hard, for getting good

grades, for learning that grit that everyone talks about and tenacity and hard work because it comes from themselves and middle school years are challenging. I have to absolutely say that it can be very tricking. But bribing your kids doesn't work and it's not a good idea.

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**FT:** Along the same wave length, what's your take on encouraging your children to get a job when they're ready and able? Because I know school is so busy and they have a lot of work load, homework etcetera, activities. But there is value to, as a young person, learning that when you put forth an effort and you are employed and you work — I know because people on the show have said, "Why am I an entrepreneur today? Because I started to really appreciate the value of work and making money from working at a young age."

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**BK:** Right, well that's a wonderful question and in my book, I have a whole chapter on work. When I thought about it how that lesson that basically hard work pays off and the importance for working hard throughout your life but research does show that, basically, you don't want your kids to work more than 15 hours a week during school and that would be including weekends because more than that, kid's grades really start to suffer.

And I do believe that working in high school is certainly something that could have a big payoff but I also feel like given the complexities and the difficulties and the challenges of school these days and when you look at homework loads, somehow the research seems to say that homework isn't that much more than we got as kids. It feels like a lot more from a parent's perspective, I think, and I think telling your kids school work is first, I think is very important for children to know that clearly.

Because I think that there might be a tendency, especially if you're in high school, I mean obviously some families if a child needs to work to help support the family and I know my parents, my dad who was born in 1929 during the depression, he had to work when he was 10 years old to help support his family. But I feel like having a high school job for extra spending money is definitely an appealing idea and it really can teach those life lessons.

I had three jobs when I was in high school, however I also think that for a young person, the idea of having spending money and even making more money and having maybe a boss at a store who'll say, "Yeah work 20 hours, work 25 hours, you're a great worker," it can really push the balance and make your child have that much of a harder time to do well in school, which really in the end how well you do in school and that depends on how much you are studying and whether you're having time to finish your homework. So I think it definitely is a balance, but I really am, if at all possible, in all favor of stressing getting your school work done and making that a priority.

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**FT:** What is your personal financial philosophy, Beth? We talked a lot about your book, which I encourage everyone to go out and buy for your own children or your friend's children. But for you, I feel like I've been following your career but I don't know a whole lot about your personal background and I think that will be great for listeners to learn a little bit about who is Beth Koblner? Who are you? Yeah, let's put on that hat.

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**BK:** Right, well I think back why I started writing about this in the first place and I think my favorite motto that I take with me from my parents or one of my favorites is because both of my parents were born in 1929 and they were both educators. My dad was a principal of a middle school in Bay Side Queens, New York and my mom was a chemistry teacher and then a later stay at home mom.

So they really scrimped and saved on one income for many years back in the 70's and my dad had a story where he was a principal and New York City introduced a pension plan and basically they said you can save half of your income. So my dad's salary at the time was \$30,000 and they said you can put half of that money into a retirement plan. That was the first year's plan and my mom tells my dad, "We have three kids at home."

I was the youngest and my mom said, “That’s crazy, Harold,” — my dad’s name. “How could we put half of your salary? We have three kids, we have a mortgage, we have a house, we can’t afford it,” and my dad said, “We can’t afford not to,” and that in our family is the code line of lore of favorite stories because my dad even though he was not at all a financial person and didn’t have that much money he realized that starting early and saving for the long term really makes the difference.

The idea of “you can’t afford not to do it now”, you can’t really afford not to talk to your kids about this topic because I think as life gets more complicated, the world is getting more complicated and I think making sure your kids are financially literate really is a lesson that we can’t afford not to do.

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**FT:** What drew you to this as a career? Was it a lot of your childhood? Not everyone starts out in their 20’s writing a book about personal finance.

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**BK:** Well I think it was seeing my parents and I dedicate the book to my parents because they taught my brothers and me all about money. They certainly talked about it, we were a very open family and they were always honest and they always said, “You know what? We can’t afford that.” But when it came time for college, I got financial aid, I worked in school, I had loans and I remember my parents said, “You can either go to a school that they thought was really worth the cost,” in the sense that it’s a different generation.

But they felt that it’s worth to scrimp and save, “to send you to a school that we really think is great for you or go to the local school, Queens College,” and that was a choice and when I got into an exclusive school they said, “Okay, we’re going to do what we can to help you pay for this,” and my dad searched out loans for me and not just the school loans but other loans. They’re really extremely proactive in showing me money just doesn’t have value but they valued something like education that they saved up for and were able to really piece together as sacrifice to themselves and did the same for my brothers as well.

I think seeing how — I am feeling a bit emotional now but seeing their ability to do that and it came very naturally to them was such a lucky break for me in so many ways and I think that really taught me, it must have sparked my interest in it because it wasn't like I was certainly not a math genius and I was not a money genius at a young age.

But I think just watching what the model they put forth without really, I don't think they were trying this it's just who they were, made me decide, "This is really interesting and I want to educate people how to talk when they were young and I was in my 20's and my first job was writing for Sylvia Porter who was the first woman before anyone, before Suze Orman or anyone to write about this topic.

I think I had that privilege and that was so interesting to me to learn that you can talk to people about this and teach people about it and to make it clear, "It's not that complicated. You just have to pay attention to a few details," and now the lesson of teaching your kids that feels the next phase for me because I just see how valuable it was for me as a child to learn this information.

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**FT:** And listening to you I think also you developed a keen sense of financial empathy for not just what was going on in your own family but I think that carried over to your professional life too. You have this deep caring for financial issues and not everyone would want to listen and would want to help people with regards to this particular topic. I think we all have our own expertise, but this especially, you have a very unique empathy around and we need people like that. We need people to understand and connect and not judge and point fingers.

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**BK:** Right, I do think that I'm very lucky and I feel like this — I remember graduating from college and I had student loans, which my dad came up with the payment system. I lived at home for a year, which is in *Get a Financial Life* to having your kids live at home for a year. But

setting up specific rules and in our case, I lived at home, I really basically didn't have huge expenses but I did pay back my student loans to my dad over that year.

It was \$10,000, which in those days was a lot in student loans in the mid 80's but I think that I saw a lot of friends graduate with a credit card debt, for example, and I knew not to get into credit card debt based I think on my parents lessons. But that was a huge problem particularly in the 80's and the 90's and the 2000's and it's less for millennials today.

But it's still of course an issue that once you graduate from college, they may not be getting a credit card in college thanks to the President Obama's Credit card Act, which made it hard for kids to get a credit card before age 21 unless you have a parent co-sign, which I think is not a good idea and I explain that why in the book but also I think it really is just something that I saw and I still see today and explaining why credit card debt, it's so important to pay that off quickly. Pay it off more quickly than even your student loans.

If you have federal loans and the rate is lower and going into all those explanations. I think it's so important and I think best of all that you can lay the ground work when your children are younger and talk about these concepts obviously in age appropriate ways. You don't talk to your three year old about 401(k)'s but you start talking about all these lessons of even in advertising, you go to the supermarket and look at that.

You know, there was a great study that found that when you look at, this was Cornell found that when you look at cereals for children that the cereal box characters their eyes are angled down to meet the gaze of children, the vast majority of them where regular cereals for grownups is angled up so they will look at the grownups. So kids are pointing these things out, it's a little creepy but pointing it out to kids, "Oh look at that advertisement. They make that toy look so great but really, I wonder if it's really great," and starting those conversations really early makes them so mindful of what is worth money and what is better to question and maybe not spending their money on.

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**FT:** Yes, I think we sometimes underestimate the kid's potential and ability to learn and be curious and absorb this information. I think that's a real important take away.

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**BK:** Yes, I would bet that Evan is super smart and I bet he talks about these things and I bet he's watching you and he hears you talk about this and I think that's a very lucky guy. Because I think those are the things that they can absorb and having those conversations with little kids, you know, "What do you think money is? Well, let's go to the bank and see."

I mean still remember bringing my son to the bank when he was really young and I called in advance to make sure the person at the bank would be nice and not be hostile or had the time to spend with us and we went into the bank and they wrote down, "Okay this is your number and this is your bank account," and he's like, "But where's my money? They're taking my money!"

We had to talk through a little bit and even I simplified when he was really little. I said, "See back there," we pointed to the back, "they had a vault, and that's where they keep the money, it's going to be safe and they're going to give you extra money called interest," and that's a very exciting thing in a child's eye and just going through that conversation, I think, they get it. They totally get it and they are very excited to learn more about it, I think.

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**FT:** Well of course for your child more is more, less is not more. More is more.

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**BK:** Right.

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**FT:** Beth Kobliner, thank you so much for stopping by. We didn't even get to all the other topics in your book including how to open up a brokerage account for your kid and paying for college

even if you got a kid who has in high school and you haven't started yet. So much sound advice relevant for today's parents.

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**BK:** Thank you.

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**FT:** Wishing you success with this book as I hope as successful as *Get A Financial Life*.

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**BK:** Thank you. Thank you so much, it was such a pleasure being on.

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