

To a new parent

Children need models more than they need critics.

— Joseph Joubert

You hold the precious gift of a child in your arms. A gift of that magnitude carries equally large responsibilities, and, like most new parents, you are probably wondering how you will cope. It may seem odd to be thinking about money at this time, but you have become liable for the care and upbringing of another person. Not only will you have to finance this, you also have the huge responsibility of teaching the child to manage for itself.

That child has a brain that is more efficient than the world's largest computer. But, like a computer, the brain has to be programmed. This will take place constantly from the day of birth and by the time that child is four years old, it will have received 80% of its "programming".

You have a great chance while your child is young to put good programs into their head, programs that will stand the child in good stead for the rest of their life. One great way is to start some family tradition such as, "Our family always saves some money every week," or "We always try again". I never missed a chance to use these with my own three young children and they responded beau-

tifully. If you use programs such as, “I am hopeless with money,” or “Our family has no sporting ability,” you will create problems that may take years to overcome.

Two of the greatest gifts you can give to your children are the ability to help themselves and a feeling of self-worth. These can be taught at the same time. The child has been born with a great need to feel a part of the family and with an instinct to copy everything it sees. Don’t be frightened to let them experiment, and make sure you provide plenty of encouragement.

Children are wonderful, but they also cost money. In this modern world, education is extremely important, and you should look now for ways to lighten the financial burden usually encountered as the child reaches teenage years. What you need is a regular saving plan that can be accessed in an emergency, and will provide some spending money for the family in 12 to 16 years’ time.

First up, you just need a moneybox. Put as much cash in there as you can spare. Grandparents and godparents are a useful extra source of funds to make it grow quicker. Next, open a bank or building society savings account in the child’s name, call it something like “Education Account,” and have both parents as trustees.

Watch the tax implications as the money builds up from moneyboxes as well as family allowance. You know from the bonus chapter *Children’s taxes* that once the income reaches \$416 a year the government will start to take a big chunk of the excess. That could be the time to consult a financial adviser to see what strategy to take next. The advice will depend on your personal situation, but you could consider equity trusts or insurance bonds.

Once the child has reached two, they will take great delight in adding to their moneybox. You will be amazed how positively a young child will react. When they reach three, they will start to understand that they can't have the lollies that are displayed so temptingly at the shops because the money is needed for their future.

Children need discipline, and are willing to accept it if administered with love and understanding. The time you spend at the outset encouraging discipline and self-reliance will be repaid a hundredfold in the future.

The doctor's prescription

If you have older children, you may find this approach of value.

This is an idea that one of my readers described in a letter to me in December 1987. This reader was a doctor, and at the time, he and his wife had two children aged 15 and 17. They were receiving \$10 a week pocket money, and after reading *Making Money Made Simple*, the parents wrote to their children as follows:

A letter to our children... financial opportunity

Dear Children,

God helps those who help themselves — parents also help children who help themselves.

Having more money means more options in life. You can make a start to your fortune by taking up this offer.

There are two parts of this offer **ENTRY** and **BOOST**.

To ENTER you must read *Making Money Made Simple* by Noel Whittaker and sit an examination on its contents.

If you pass, you will receive \$500 to do whatever you like with, to spend or invest. This represents all the money you will receive from your parents for the next 12 months, apart from school expenses, haircuts and clothing.

You must keep a record of all income and expenditure.

BOOST PHASE

At the end of 12 months your parents will DOUBLE your savings whether they are in the form of cash or investments, e.g. shares. This includes interest earned but excludes gifts or borrowings.

With every wish for your success,

Your loving parents

The exam paper and answers are at www.noelwhittaker.com/mmms.