

FINANCIAL STEWARDSHIP

SMART MONEY, SMART KIDS - DAVE RAMSEY and RACHEL CRUZE

We will be using Dave Ramsey and Rachel Cruz's book: Smart Money, Smart Kids as our guide to help parents engage their family about financial stewardship. The course will follow chapters 2- 12 outlines. We recommend that all participants buy or borrow the book.

Session 1:

Introduction

Chapter 2 Work, It's Not A Four Letter Word

Chapter 3 Spend - When It's Gone, It's Gone

Chapter 4 Save - Wait For It

Session 2:

Chapter 5 Give: It's Not Yours Anyway

Chapter 6 Budgeting: Tell It What To Do

Chapter 7 Debt: It IS a Four Letter word

Session 3 :

Chapter 8 College: Don't Graduate from I.O.U.

Chapter 9 Contentment : The War for Your Child's Heart

Chapter 10 Family; Put the FUN in Dysfunctional

Chapter 11 Generational Handoff: Blessing gs and Curses

Chapter 12 I Was That Dad...

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Smart Kids , Smart Money

Children are sponges, they are going to absorb whatever is around them. The good news is you can choose your family tradition for the next generation -
Dave Ramsey

Introduction

After living beyond their means, the Ramsey's debt got the best of them and in an economic recession, their loans were called in and the Ramsey's had no cash to pay. They had to declare bankruptcy and live with that reality. This was the wake up jolt that brought a new focus for the family.

They never wanted to experience the pain of default again and with three young children, they sought to pass on a course of financial integrity that the entire household would maintain into the future.

Dave Ramsey is passing on that plan to those who will listen. It is common sense financial education.

This book was written by both Dave Ramsey and his daughter, Rachel Cruze. Rachel learned the financial discipline at an early age to become not just a smart kid, but a financially smart adult.

Class 1. Work - It's Not A Four Letter Word

The Ramsey's family business is work - Rachel Cruze

Children will learn early that work creates discipline and when you have discipline in your life, you are a healthier person.

Teaching children to work is not called child abuse. It gives them both dignity in a job well done today and the tools and character to win in the future as adults similar to teaching them to brush their teeth, it's a necessary skill for life. Work might be a challenge for your children, but what a blessing for your kids. Proverbs 22:6 "Train up a child in a way they should go, and when they are old they will not depart from it."

Money comes from work.

From the time I was 5 years old, I was working on commission - Rachel Cruze.

NO ALLOWANCES

If a child can understand that money comes from work at age 4, then they will be ready to hit the real world at 24.

"If anyone will not work, neither shall he eat." (Thessalonians 3:10)

Once your kids understand that money comes from work, they won't be able to spend money on a toy without considering how much work went into actually making money.

Being able to go into a store and spend their own money is the most powerful way to reinforce the work - money connection.

Jobs For Little Kids. Ages - 3 to 5

- * Picking up toys
- * Putting dirty clothes in hamper
- * Making bed.
- * Matching socks
- * Setting dinner table
- * Empty waste baskets

Other Suggestions?

After job is done, pay fast and with excitement. Inspect the work; make them proud of their accomplishment. The payment is for a job well done.

Make payment visual - clear container, pay in dollar bills that are crinkled, they look like there is more. The main goal - money for spending. Take them shopping.

Ages 6 to 13

Place a chart on fridge to keep track of assignments and money earned. Check mark as each chore is completed. Do not pay for pay for every chore, families pitch in together around meal times. They should not think they will get paid for everything they do.

How do you decide which chores are for pay and which are not?

Suggestions?

Non-paid chores help teach kids how to be good citizens of their church or community, later producing adults who willingly volunteer to help others.

Jobs

*Making bed, changing bed linen

* Feeding pets

* Vacuuming, sweeping

* Sort laundry

* Wash dishes

* Yard work

* Washing car

* Bathroom cleaning

Other Suggestions?

Jobs outside of home for older kids Ages 10 +

*Babysitting

*Shovel snow; raking leaves

* Walking dogs

Other Suggestions?

Pay weekly - That's how the real world works.

Knowing that they have to work throughout the week but they will only get paid once a week, teaches kids lessons in delayed gratification and patience.

Envelope system for kids

Have your children divide their income across 3 key areas: Spending, Saving and Giving

Give them 3 specific envelopes marked spending, saving and giving. Every dollar earned in commission needs to be spread across these envelopes. You can apply this also to birthday or gift money. Set saving goals for higher priced items.

Ages 14 to College

Graduate from Sunday night payday to checking account. The money parents would spend for entertainment, clothes, and other needs would be placed monthly into a checking account. If they want more, they need to work at other jobs. Open their own business, develop a business plan.

Encourage your kids to find jobs outside the home. An income of only home based commissions gives your teen a safety net. But, working for others is an important lesson in life. Start a business or work for others.

Summary

Parents: it's your responsibility to teach your kids about money and work. It's not the school's responsibility, it's not the church's responsibility. It's your responsibility.

You are their biggest supporter and cheerleader.

Class 2 Spend - When It's Gone, It's Gone

While kids enjoy spending money they earn, the lesson learned is once it's gone, it's gone. Kids need to learn how to make the best decisions on where to spend. It takes parental discipline to say no when it comes to giving kids more money once they have spent theirs.

Is there a compromise or solution to ease kids' frustration?

The envelope system and learning to budget monthly.

Understand whether your child is a natural spender or saver and help them make wise choices.

Children are sponges, they will absorb what's around them so be that example of wise spending. Doing is more important than saying.

Do you shop when you are depressed?

It's up to you as parents to teach your children that spending money won't bring them contentment or fulfillment, and it's not a magic cure for heartache.

Everyone makes mistakes regarding spending decisions. As a parent, it is important to let your children fail so they can learn from their mistakes early, when the stakes are low.

Teach the opportunity cost of money. If you spend all your money on X, then you cannot also spend money on Y.

Patience is a virtue....Really.

For large spending decisions, in order to avoid a bad purchase simply wait overnight.

Learning the art of the deal

Never pay full price, negotiate and wait. The seller is more anxious to sell than you are to buy.

But it should be a win, win situation to get the best deal for you while keeping the other party's dignity in mind.

Teach your child to make wise purchases by gathering a ton of information. It will take immaturity and impulse out of the purchase. It emotionally slows down the transaction.

Class 3 Save - Wait For It

Why is teaching kids about saving important?

Saving is a behavior that comes from experience, not knowledge.

The National Foundation For Credit Counseling found that 64% of Americans could not even cover a \$1,000 emergency with cash.

Most people live paycheck to paycheck. One in four Americans do not have a single penny saved.

When you repeatedly teach your child proper spending, saving and giving behaviors until those behaviors become character traits, you are ensuring the future success of your child.

Young kids living at home are usually in the most financially secure position they will ever be in. Give them the opportunity to experience saving in action.

Having your children save up for big purchases teaches invaluable lessons in patience and goal setting plus slowing down and saving up to buy things teaches them to make wiser, less spontaneous purchase decisions.

People need to save for three reasons: an emergency fund, purchases and lastly wealth building.

When should you introduce savings to your children?

At age 6 with the introduction of big kid envelopes. Teach them how to allocate among the 3 envelopes. The save envelope is not for retirement but it's a bigger, slower, spend envelope for bigger items.

Work with your child to set goals for a item they want to save up for - a toy, movie, etc. Make it visual; tape a picture of it on the fridge.

Children cannot be allowed to buy things or do things you do not approve of just because they earned some money. Parents set the guidelines. Remember: too many rules is legalistic, but too much grace is enabling.

Saving For Purchases. Ages 14 to college

The two largest expenses most teens face: buying a car and paying for college.

You can meet your child half way with the expense of a car.

Saving for a big purchase and delaying pleasure is one definition of maturity.

Gather information prior to actually making a big purchase. They will also learn

goal setting.

Ages 14 to Adulthood

It's time to save for both emergencies and wealth building in addition for purchases.

Emergency fund goal - \$500. Rainy day fund

- * A cracked phone

- * flat tire or repair

It's about ownership and responsibility.

Teaching your children about long term investment is important.

What is the best investment to build long term wealth?

Answer: invest in a stock market index fund.

Class 4 Give. It's Not Yours Anyway

Not everything is about yourself. It is easier to give away other people's money than it is to give away your own money.

If you want children who are less selfish; if you want children who view wealth as a responsibility, not a meal ticket; if you want children who function with a spirit of abundance rather than a spirit of lack, then you must teach them they do not own money, they are simply managers, or simply stewards of it.

As parents you need to set the example. Your children need to see you give. Write a check and deposit in the donation plate at church or whatever charity is important to you. They do not need to see the amount, just the action. It is important that your children see the real world and look for ways to bless people who have less.

What are some charities that children can relate to?. Is it always money? What actions can your family look towards?

As your children become teenagers it's time to introduce the concept of giving their time and talents as well as their money.

A mission trip is an example in the book and was impactful to the Ramsey's son Daniel.

Budgeting Tell It What To Do

When do kids need to start budgeting?

Answer: at 14 when they segue from envelope system to checking account. Parents must have a budget system for themselves.

"Do as I do, not as I say."

Why set up a budget?

Answer: A budget creates boundaries. It sets limitations for you. The answer to "I want this!" is No!, it's not in the budget.

For whatever money you receive monthly, you need to be intentional about where it goes. How much you spend for your teen or they spend is up to you. Intentional means to be proactive. Learning to look forward and plan is a skill set that will translate into every area of your children's lives.

In the beginning, be your child's accountability partner. Work with them until they can manage on their own.

The 5 Foundations For Budgeting

1. Save \$500 for an emergency fund
2. Get out of debt
3. Pay cash for car
4. Pay cash for college
5. Build wealth and give

The value of the 5 foundations is that they reach teens how to prioritize their budgets.

Open a checking account.

Deposit money you would allocate monthly for your child's expenses from the budget - lunch money sport's fees, car insurance, for example.

Let them manage it under your supervision. It will teach them many lessons and yes, they will make mistakes, but, it is better to make them now while they are under your supervision than when they are on their own.

A monthly budget should be on paper - a zero based budget that means every single dollar you spend is on paper before the month begins.

When your income minus expenses equals zero, you know that you have accounted for every single dollar.

At the start of every month, add up all income your child will receive from jobs plus the amount you deposit for their expenses. That's your child's income.

Then they will write down every single thing they know they will want to spend that month. Everything from pizza to movie tickets etc.

Include giving and saving at the top of the list. At end of paper monthly budget income minus expenses should equal zero. If not, make adjustments by subtracting from categories or adding .

This part is the most difficult lesson to teach, but persevere, in the long run your kids will thank you.

Budget for upcoming expenses. Like what?

- * Christmas gifts
- * Birthday gifts
- * prom dress/ tuxedo.

Most big expenses must be researched to understand the cost. Be proactive.

Summary: Hidden in the core of budgeting is the fact that you are teaching your child to grow into an adult - a mature adult who plans, budgets, is proactive and does not act like a perpetual victim, waiting for someone else to fix their life.

It starts with your 3 year old who wants to save a few weeks so they can buy a

toy and it progresses to a car purchase, wedding budget etc. as they grow into a young adult.

Class 5

Debt. It's A Four Letter Word

The rich rule over the poor, and the borrower is slave to the lender.

That's why they call it MasterCard.

Instead of using MasterCard, buy stock in the company. Since it came public in May 2006, the company's stock has appreciated 6,040% versus 136% for the S&P 500.

People are slaves to credit and debt

The goal is - NO DEBT, EVER.

People spend more when using plastic than when using cash.

A debit card is better. Why? It is attached to your checking account.

What about a mortgage?

Maybe, but you'd still be better off with no mortgage.

Never take a mortgage where the payment is more than 25% of your take home pay with a fixed 15 year mortgage.

College. Do Not Graduate From I.O.U.

The Federal Reserve says total student loan debt outstanding is \$1.57 trillion.

That's \$ 1,570,000,000,000.

It is much bigger than credit card debt (\$820B) and auto loan debt (\$1.21T)

One in 4 adults has student debt. The average debt owed is \$37,172 with monthly payments of \$349.

Parent's retirement comes first for funding before you save for your children's college.

How to save

1. The Education Savings account.

\$2,000 per year - 18 years tax free compounding

2. The 529 Plan

You can deposit more per year than the first plan.

College is not an entitlement, your child does not deserve to have their education paid for by you.

Public colleges are cheaper than private ones.

Start at a community college, then transfer credits to a 4 year college and graduate there.

Be realistic about college major.

Best focus in paying for college

There are thousands of scholarships. It's free money.

Lesson: Take a part time job filling out scholarship applications.

Student grants: based on need - requires a good grade point average.

Learn how to fill out FASA (Free Application for Federal Student Aid)

Work through college- data suggests students performed better.

Work during summers between semesters

Live at home

Finish in 4 years

Does it matter which college you attend?

NO, it's about motivation and focus.

Class 6. Contentment. The War For Your Child's Heart

If you want to raise money smart kids, you have to raise kids who are content. A content person can save, budget, avoid debt, handle relationships and give exponentially better than someone who struggles with discontentment. Yes, this is easier said than done but it is a big deal.

Contentment is a spiritual experience that allows peace in the middle of a storm. You move at your own pace. Make the most of what you have. This is true for everyone.

When peer pressure, materialistic culture threatens the heart of your child, it must be squashed immediately.
Contentment does not come from stuff.

Stages of Discontentment

1. Jealousy or Envy

Jealousy - I want what you have

Envy - I cannot have that so I don't want you to have that either

2. Anxiety

Fretting over what they do not have.

Other children whose parents always say YES!

TV or Internet Marketing

3. Defining themselves by their stuff

How do you prevent kids from being defined by their stuff?

Celebrate accomplishments and character qualities that enable them to make a purchase. Purchases are always related to a goal.

Contentment is not a destination. It is an attitude of peace and joy where you are, even while working to be someone else.

The best way to nurture a spirit of humility and other centered ness is to encourage a heart of giving in your child.

They deserve to be cherished and to know they are valuable.

Teach your kids humility

Family. Put Fun In Dysfunction

Winning with money means getting comfortable doing some good old fashioned hard work. It means learning patience, delayed gratification and contentment.

Personal finance is 20% knowledge and 80% behavior and attitude.

A key indicator of most successful people is quality relationships.

As a parent you have the responsibility to manage who is coming in and out of you child's life and what they bring into it. That means you have to be intentional about who sets the table for your child's future.

Do not spoil your child, in other words, do not let them believe they are entitled. If they recognize they represent the love and care of their parents, then they should have the right spirit of gratitude and appreciation.

Enabling - Your children will find life adjustments difficult outside of the home if you step in to help: with homework, other stuff etc.

Provide a safety net, not a hammock.

Parents come first to each other and need to be the united front with their children.

For single parent households: Call in reinforcements , a brother or sister, parents etc. People who share your values in raising money smart kids. Every parent should look at every opportunity with this: Is this helping my child become the self supporting, healthy, mature adult I want them to be?

Generational Handoff. Blessing or Curse

There is a balance between enforcing strict rules

Following and allowing personal responsibility.

Managing the slack

Picture an imaginary rope. The length of the rope, which is tied to their waist, is up to your child. A longer rope means you have more freedom to explore and make decisions, and a shorter rope means you have to reign them in a bit due to trust or behavioral issues.

As a parent, you are preparing your children to make decisions that will determine the kind of life they will have as adults.

Philosophical view of money - Money is not good or bad. Money is like a brick
- it can be used by good people to build hospitals, or it can be used by bad
people to smash windows.

When your child asks "are we rich?"

Answer: We are rich in love.
