

## Graduating To...

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For many, May is the season of graduations. It's so busy, so exciting and sad and involved. There are activities and tasks and parties. There are pictures and gowns and diplomas. It is a whirlwind of action, and everybody talks about "graduating from" – from high school, from college, from grad school. It's funny that we don't talk about what people are graduating "to" – to the next level in school, to a job, to "real life." It's there in the background, but at graduation time, we are looking backward and not forward.



So, what is your graduate (or you) graduating **to** this year? Is he or she graduating to a new level of responsibility with his or her money? Is he or she graduating from being dependent to being

independent financially? Are you looking to graduate to new levels of accountability to your own goals and dreams now that your child is on to the next level? It's helpful to take this time of the year and see how you can be very mindful as you help your kids graduate to a new financial level.

For grade school kids, perhaps you set up a weekly allowance and tell them that's all they get – treats, activities, things that they want must all come from that one pot. It will be interesting to see how each child manages their pot of money. The older they are, the more they can be responsible for and the longer the time between "pay days." Can you add some "big jobs" with bigger "pay" so that they can see how work above and beyond the norm can pay off? Do you dock the pay for shoddy work to help them learn the value of a job well done? Do you want to establish some rules for giving and saving before spending so that they get a taste of real life?

For middle school kids, perhaps they need to earn their pot of money – bigger jobs equal bigger pay. Initiative and creativity result in bigger payouts. This is a time when kids can be babysitters, pet

sitters, or provide some basic yard work around the neighborhood. What is the rule about giving, saving, and spending when they earn their own money? Do they need to start putting some dollars away for activities in high school or college? Can they oversee their clothing budget for the coming school year?

For high school kids, it may be an opportunity for a job. For anyone under 16, those jobs need to be local but for those over 16, hit the fast-food places and find a way to make some money. What have you discussed about saving some of those earnings for college? Now is the time to set expectations. It can be difficult if kids have very involved activities like sports or music that take a lot of time so employers who are used to working around sports practices may be the way to go.

As you plan a vacation this summer, can you involve the kids in allocating the budget? This is a great way to discuss the fact that the vacation fund is not infinite, choices and tradeoffs must be made, and each person's wishes should be considered. It is great to let the kids see and discuss the differences in cost and quality between a "Ritz" experience and a "Super 8" experience. Even if you can afford the Ritz, it may be interesting to see if the kids would choose a Marriott experience and use the excess funds for something else. You can use this same approach with camps and other activities. Discussing limits

and money choices will help them in the future when they must make such decisions on their own.

You can also use this time to help them track their spending, monitor how the family is doing with the vacation budget, and see how quickly smaller costs (gas, snacks, and meals) add up! It never seems like you have spent much when it is a few bucks at a time, but we do a lot of "small buck" spending.



Regardless of how they respond, how thoughtful they are or not, this is a time to allow for mistakes and missteps. This is a time to let go of judgments and what you think is the best way to handle it, and let your kids try, and do, and fail, and figure things out. We want them to make the mistakes with \$5 before they start dealing with \$500. We want the natural consequences to play out, so they see that sometimes we make a choice we regret, and the best thing to do is learn so that you don't do it next time. As a parent, I was too quick to "save" my kids from their errors and smooth over the regrets, and I think that was a mistake. The school of hard

knocks is an excellent teacher, and right now, the “knocks” are not as painful as they will be down the road!

We want to help them see how great saving can be because you don’t know what fun and interesting opportunities are around the corner so tucking away some money is a smart thing to do. Perhaps in the vacation planning, you can “set aside” funds to account for an emergency or for an unexpected adventure that you didn’t plan for. This helps them learn that you can’t plan for everything, but you can prepare for the unexpected.

For college kids, now is the time to talk about managing money, having a spending plan, and setting up a savings strategy. If the student is working or interning, lessons about saving a percentage of every paycheck are very important.



Certainly, you want them to start getting in tune with how much “bills” cost – cell phone, car insurance, health insurance, etc. These not-very-fun purchases will soon be part of their everyday lives – are they getting ready? Are you setting the

expectation and timeline for those bills to come their way after graduation? Do they have a checking and savings account and understand the difference? Can they monitor their balance, plan out for expenses between now and the next paycheck? Allocate money to savings and learn the discipline to say “no” to pulling it out of savings on a whim? These are important skills for the financially independent.

And for the parents, are you planning, saving for it, and taking baby steps to reach whatever you want to graduate to? Part of the reward for getting your kids to independence is the freedom (and extra money) available to move you to your own dreams. It is so easy to get caught up in the kids that we lose sight of our own aspirations and desires. Perhaps in this season, you can dust them off and get excited about them again.

Amid all the excitement about graduating from, take a little time to focus your kids on what they are graduating to in the coming months. Summer is a slower time for most so seize this time and start focusing them on graduating to good money habits.

If you or your graduate are interested in going deeper, join me for a free webinar on June 14<sup>th</sup> from 12:00 p.m. – 1:00 p.m. ET – *Starting Your Financial Journey on the Right Foot*. You can [CLICK HERE](#) to register. If you’d like to participate but have a conflict, register anyway as all registrants

will receive the recording and the resources after the event. Here's to graduating *to* the next adventure!

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To learn more or get help with good money habits to share with your kids, please email me at [gildea@homrichberg.com](mailto:gildea@homrichberg.com).

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