Kids, Money and Habits: An Enormous Global Opportunity ©

Nathan A. Dungan

Nathan A. Dungan is president and founder of Share Save Spend, LLC, an organization that helps people develop and maintain healthy financial habits. Dungan's book, "Prodigal Sons & Material Girls: How Not to Be Your Child's ATM," was published in 2003. He has been quoted in *The New York Times*, *The Washington Post*, *USA Today* and *TIME* magazine, and has appeared on CBS, CNN and PBS. Before founding Share Save Spend, Dungan was a nine-year MDRT member with one Court of the Table qualification and vice president of marketing for Thrivent Financial. He also is vice-chair of the National Institute on Media and the Family, and the Minneapolis-based YouthCare boards.

Share Save Spend LLC
34 13th Ave. N.E., Minneapolis, MN 55413
Phone: 612.341.9996
E-mail: ndungan@sharesavespend.com

I/R Code: 5000.03
Cassette: A0531
CD: C0531

Thank you for coming today. My name is Nathan Dungan and I'm the President and Founder of Share Save Spend, LLC. Our mission is to help people of all ages develop and maintain healthy financial habits.

It's great to be back at MDRT. As some of you might know, I was an MDRT member from 1990 to 1998 and attended every annual meeting with my first being right here in New Orleans. Hands down, it was and still is the best run and most helpful meeting I have ever attended!

In 1998, I was named Vice President of Marketing for Thrivent Financial thus ending my ability to attend the meeting as a producer. In 2002, I left Thrivent to start Share Save Spend and write my first book, *Prodigal Sons & Material Girls: How NOT to Be Your Child's ATM*, published by John Wiley.

Last fall, I spoke at a conference for high net worth families in NYC at the St. Regis Hotel. At the event, a woman told me how much she and her husband were enjoying the book. However, the feelings from their 13 year-old daughter were not quite so positive. The mother told me how she overheard her daughter telling her best friend on the phone – and this is a direct quote – "my parents started reading this new book about money and kids and let me tell you, NOTHING GOOD WILL COME FROM THIS!"

Some of you might be wondering, "How did you get from the financial services world to your current world as speaker, consultant and author?" In early 1990, I was meeting with a client, who was an educator, when she asked for my help. More specifically she asked me to create a workshop that would help parents and their kids bridge the communication gap around issues involving money. She was very concerned about a growing sense of entitlement in the kids she worked with and that parents were possibly contributing to the issue by not establishing healthy financial boundaries for their children.

What began as single workshop in Philadelphia, PA in 1990 soon became the focal point for my work as a finan-

Kids, Money and Habits: An Enormous Global Opportunity © *(continued)*

cial adviser. That is helping families think about money, the role it plays in their lives and how they set financial priorities based on their values.

Many people have asked me if I had an "Aha" moment that changed how I approach this issue with families. In fact I did. I was doing some fact finding with the owners of a family owned business and was quite amazed at their lack of financial prioritization given the success of their business. While that alone isn't new or shocking, it was the realization that up until that point I had totally misjudged my "competition".

Contrary to popular belief, I realized that my competition was not some other financial advisor or some other financial product. Rather, my primary competition in helping clients achieve their financial goals – like planning for retirement or saving for their child's education – was things like car payments, boat payments, second homes, vacations, and a myriad of other consumer choices. I don't want to imply that those were bad choices, but more often than not they were in direct competition with the less sexy financial priorities I mentioned above.

In the U.S. as in other parts of the world, there was a time when living within ones means was the norm not the exception. Today the opposite is true. It is now counter-cultural to live within one's means. My topic today Kids, Habits & Money: An Enormous Global Opportunity is meant to be a case study for the larger issue of examining how the consumer culture around the globe is shaping young peoples financial habits and values. Because I believe the better you understand the significance of this trend the better you will be at helping your clients understand the cause and effect of the financial choices they make within their family.

Never once in the last fifteen years has a parent told me, "Nathan, it's our goal to raise a selfish, narcissistic child". But unless parents have a process for teaching kids about money linked to their values the end result is often just that, especially for families with financial means. Make no mistake about it children around the world are now the hottest targets of marketing and advertising dollars. Why? Because they have lots of disposable income, they influence a huge amount of parental purchases and they are very impressionable.

Let me sum up the problem: The increasing consumer pressure directed at young people is negatively impacting their financial habits. But I want to assure you that this problem gives us an opportunity: We can create a counter-rhythm—also known as financial balance—to this disturbing trend.

Finding that counter-rhythm to today's culture is why we're here today. We have three goals for our time together:

1. Awareness. I want you to understand who and what is shaping kids' financial values and habits—and why it is essential for you to know this information. This session will help you recognize the culture of spending that is capturing the hearts and minds of young people.

2. Encouragement. As adults we role-model how we interact with money in every moment of life. I want to encourage you as parents, grandparents and mentors in your rightful roles as teachers—as the primary shapers of your children's financial habits and values.

3. A powerful formula for success. It's a way to reshape your kids' habits and values around money—what I call the "Share, Save, Spend System." It's a potent protective shield for the financial health of families around the world.

Think about the issue from Micro and Macro perspective. During the course of my talk, I would like you to think about how this issue on two levels. First, how it affects you and your family (micro) and then how it affects your community, your country and our world (macro).

If someone gave you $200 with no strings attached, what would you do with it? I have asked this question to thousands of young people around the country and let me tell you I have heard some very interesting replies. Everything from "buying a Coke machine for my room" to "buying my family a mansion like the ones I see on MTV."

What is most important to you? When I ask young people this question rarely is the response the same as the previous question. This time the top three answers

Kids, Money and Habits: An Enormous Global Opportunity © *(continued)*

are family, friends, and pets. The difference is significant. The $200 question is about top of mind responses related to money which most often is linked to our culture of consumption. The second question is about values and is primarily shaped by non-material things. Suffice it to say there is a major global battle underway for shaping the financial habits and values of millions of young people.

Remember - there are essentially three things we can do with money. We can spend it. We can save it. And we can share it. But kids today are being trained to think that LIFE IS ALL ABOUT SPENDING. And so it should come as no surprise that companies are working overtime around the world to addict young people to spending.

So, why them – why now? Fifteen years ago marketing to children was barely a blip on the global radar screen. What changed?

- There are millions of young people around the world under the age of 25. In China, they number 500 million. In the U.S., it is 1/3 of our population.
- They **spend** and **influence** the spending of several trillion dollars a year. Kids influence everything from where you live to what you drive to the games you play to the vacations you take.
- In the U.S. children today spend FIVE TIMES more money than their parents did when they were kids – and that's adjusted for inflation.
- Before children can talk they are targets for the advertising machine. In the U.S. children are bombarded with over 3000 ad impressions each day. By the time they are 21 they will have been overwhelmed with more than 23 million ad impressions.

The reality is this: There are thousands of companies vying for kids' attention—and they are all asking, "How can we push these kids' buttons?" They aim to make kids into buyers; hungry for *stuff*—and to set kids loose on their parents, pressing for more, more, more.

It's what I said earlier: There are several trillion reasons why these companies are interested in children's spending habits.

So how are young people doing at managing their money? Have they been able to filter out the overwhelming number of consumer messages? Let's take a look at University Students in the U.S. for an indication of what the future might hold.

- University students in the U.S. have 4 credit cards and an average balance of $3,000.
- Twenty percent of University Students have credit card balances of $3,000 to $7,000.
- Young people under the age 25 are now the fastest growing age group filing for bankruptcy.
- Consumer debt is now one of the leading causes for academic difficulty on University campuses.
- Young people are financially illiterate. Research done over the last 10 years confirms that the majority of young adults are financially illiterate which proves my hypothesis that intelligence and financial savvy do not necessarily correlate.

I should add that while these are U.S. statistics, the issue is very global in nature. Credit cards are now the leading cause for financial difficulty of young people around the world. Just recently the UK began mandating that banks print warnings on credit card bills, advising customers against making only the minimum monthly repayment.

Two years ago in Korea, there was a controversy over the government policy of softening restrictions on credit card companies. Some believed the ease in restrictions was intended to curry favor with credit delinquents in their 20s and 30s in anticipation of the general election.

But it doesn't stop there. Another trend in the financial world is the linking of a popular consumer product to a commonly used financial tool. Exhibit A: The *Hello Kitty* Debit Card. Just last year the phenomenally successful Hello Kitty product line introduced their own Debit Master Card targeted at children and young adults. They even claim that when you use the card you can learn great money management skills. What money management skills will you learn? Basically that it is a very expensive card.

How did we get here? Why did it only take one generation to shift from a culture of fiscal responsibility to one of fiscal negligence

Kids, Money and Habits: An Enormous Global Opportunity © *(continued)*

Two reasons:

1. Lack of talking and teaching about money that has permeated throughout out our society.
2. And an exponential increase of media and advertising influences around the world that specifically target children.

It's audience participation time. True or False:

1. In the U.S., 45 percent of young people have a television in their bedroom.
2. $750 million a year is spent on advertising to young people.
3. Over the course of a year, the average child spends the same amount of time watching TV as in school.

It's important to note that this issue isn't just being discussed by a few people here in the U.S. TIME, NEWSWEEK, FORTUNE, and BUSINESS WEEK magazines have all done significant stories about this issue in the last year. Why? Because it is front burner topic for many families around the world. And people like you and your clients are hungry for information and insight.

I want to conclude this section with a brief discussion about the role of the Village in helping young people develop healthy financial habits. More specifically I am speaking about the role schools, universities, businesses, and non-profits play in this discussion.

Even though the U.S. is a global economic force, our lack of prioritization for helping primary and secondary students become financially literate is no less than remarkable. Not only does the U.S. rate behind virtually every other developed country in this regard, universities are selling out their students to credit card companies in exchange for multi-million dollar contracts. So the very institutions that we entrust to develop young adults into productive members of society have put themselves in an ethical vice by selling student names, phone numbers and email addresses to predatory credit card companies.

What about businesses like consumer product companies who relentlessly target children with highly specialized messages to buy just one more thing in exchange for happiness? Should they be held to a higher standard? Would any of them pass an ethical litmus test of "doing the right thing" when it comes to marketing to children. And what of financial service companies? Is our industry doing enough to help families and more specifically young people develop healthy financial habits? Remember, once financial habits are established they are very difficult to change.

And finally non-profit organizations. I write in the book that faith based organizations in particular (churches, synagogues, temples and mosques) could have a huge impact on this issue by convening conversations about the role money plays in peoples lives. Rarely will you find such a wide range of age, gender, ethnic, and socio-economic diversity than in faith based organizations. They too could play a significant role in helping lead an intergenerational discussion on the benefits of linking your values to your financial choices.

By now we can identify the problem—young people are trapped in a spend-spend-spend world. Consumer pressure is overwhelming their financial habits and values. And the result is that a record number of young people are suffering from the *Gotta-Have-It-Now* syndrome.

So, what can WE do? If this drive to spend is so powerful, is there any way to fight back? How can we help children learn financial habits that will help them be truly secure and happy for the long term?

I need to share a crucial fact: YOU are the start of the solution to this problem. As parents, you have *the* greatest influence on shaping your child's financial habits and values. Nobody influences how children use money like parents. In fact, 75% of U.S. children say their parents are their primary teachers when it comes to handling money!

And let's not forget the grandparents; you too can exert huge influence on shaping financial habits—hopefully in partnership with your own children.

After all, think about where YOU learned about money.

Whether it's living within our means, learning from our mistakes, saving for a goal, sharing for the sake of a cause—parents and grandparents play an enormous role in shaping their kids' attitudes and values about money.

And in your role as financial advisers, you too can add significant value in helping your clients deal with this

Kids, Money and Habits: An Enormous Global Opportunity © *(continued)*

issue primarily by helping to develop an effective strategy for educating the next generation. I work with some very prominent families in the U.S. who when asked to identify their primary financial concerns for the near and mid term name ‘next generation financial education’ at or near the top of the list. But as you know, when it comes to shaping young people's financial habits, the culture does not discriminate. It will find spending capacity wherever it can – regardless of socio-economic standing. This is why the following solution is so powerful. I think there is a much more effective way to teach young people about money. It’s based on an approach that incorporates our values into how we use money. Instead of spend, spend, spend, I want to convince people to embrace a different philosophy. One based on three simple, yet powerful words **Share – Save – Spend.**

Young people, really our world, needs nothing less than a revolution in our values around money. We need to help young people experience the benefits of finding a healthy balance between sharing, saving and spending. And you here at MDRT can help lead the way. After all, what organization better embodies the notion of Share Save Spend than MDRT? You might wonder why we start with sharing. Sharing comes first because it offers the most effective counter-rhythm for the disproportionate number of messages to spend. It puts the squeeze on selfishness. Sharing imparts a sense of purpose and gratitude. And it counters the relentless message that our identity is determined by the stuff we own.

Saving teaches patience and financial discipline. It encompasses all short- and long-term goals, from saving for something small like a book or big like a car, to investing long-term for something like college. Rarely do kids hear messages that communicate the value of saving. Yet saving is what allows us financial peace of mind far more than reckless spending ever will.

In too many families, spending overwhelms the ability to share or to save. Spending is a part of life—a great part of life—but it needs to be put in its right place in life. It’s about helping young people distinguish the difference between a need and a want. Sounds easy until you realize how confusing that can be for a young person.

Here then are Five Steps Toward Healthy Financial Habits:

1. Look Back – What are your early money memories from childhood? As you know the financial habits we develop as children often stay with us for a lifetime. And with 3000 ad impressions each day directed at children we need to be very conscious of who is helping to shape their habits.
2. Identify Your Financial Values – Just as I do with so many young people, start by asking - what is most important to me? This is a great question to ask families in your fact finding process. And then help them build a strategy to reflect those things that really are the “most important”.
3. Allow for Mistakes – Pray that your children and children in general make lots of little financial mistakes. It’s an important part of the learning process. The key is to help them avoid making the same mistake over and over.
4. Help build their financial vocabulary – Whether it’s understanding the time value of money or teaching them how to monitor their credit score. These are essential life skills. By taking a long view we can help turn the tide on the horrendous financial literacy rates.
5. Initiate a Process/System for Success – I’ve talked with thousands of families during the past 16 years about this topic and one thing is abundantly clear, very few have a process for teaching the next generation about money. That’s why I love the Share-Save-Spend approach. It’s easy for everyone to understand and even easier to implement.

On that note, let me strongly encourage you to link the Share Save Spend system to either an allowance or a part-time job. Both are excellent platforms for teaching young people healthy financial habits. It also transfers important financial responsibility and accountability to children. And as added incentive – you will eliminate the nag factor! No kidding! Now when your child kicks in to “I want mode” you can calmly turn to them and say “You have money, is

Kids, Money and Habits: An Enormous Global Opportunity © *(continued)*

that what you want to use your money for?" Funny thing with kids, when it's parent's money the sky's the limit, when it's their money, they turn into little tight wads.

Here are a few ideas for teaching young people about sharing.

- ➢ Teach by example. Tell your children where you give. Older children are also ready to hear how much you give or what percentage you give. Also tell them why you give. This will help them understand the values behind your giving decisions
- ➢ Set expectations. A dollar amount or a percentage tells children what you are looking for. Be prepared because your children will probably start asking you about your sharing goals. One gentleman told me how his 11 year-old daughter had written out her sharing plan for the entire year. He was thrilled until she asked to compare her plan with mom and dads.
- ➢ Shift the focus from self. When it's time to shop for birthdays, holidays, or back-to-school items, add a new item to your list—a gift for someone who can't afford a holiday gift …or school supplies. If you really want to shake up the neighborhood, send out birthday invitations that request a donation to a child-oriented charity rather than a gift.
- ➢ Link sharing with serving. Sharing isn't just about money. Teach your child to give time as well. I hear from families all the time about the different projects they have done together to benefit a particular cause. It's a powerful way to reinforce the notion of gratitude.
- ➢ Give a Share check. Whether it's your child, grandchild, niece, or nephew, write out a check from your checking account and complete everything on the check except the 'pay to the order of'. At a holiday, birthday or some other occasion, give the share check with the instruction that it has to be given away to a cause the child cares about. It's a great way to transfer financial values from one generation to the other.

Let's think now about the second part of the Share, Save, Spend formula.

The big secret of saving is this: Saving should always come before spending.

You don't need a degree in finance to teach the art of saving. Try these ideas:

- ➢ Develop a routine. Teach kids to save regularly. The best way to do this is to integrate savings with an income stream like a weekly allowance. Then leverage the opportunity by having a brief savings conversation each week. There is nothing like the power of repetition when it comes to reinforcing a desired behavior. And just like with the sharing examples, show your children all the different ways you save and invest money.
- ➢ Set short- and long-term savings goals. As with other life goals, the probability for success increases exponentially when you write them down. By stating a goal and then saving for something concrete, your child will see the real-life benefits of saving. It will also help them understand the concept and value of deferred gratification. This too is a wonderful counter-rhythm to the "Gotta-Have-It Now" mentality.
- ➢ Help your children reach those savings goals. Let them see that there is a reward for their efforts—and remember that you are their primary source of inspiration along the way. Give your children frequent reminders of why they are saving—and be the voice of reason when they want to spend their savings today.
- ➢ Teach them how money makes money. That is – discipline and time. For example, let's look at the difference between the after tax savings rate of people in the U.S. and people in Europe. Fortunately there is no savings Olympics. If there were, the U.S. might not even be able to field a team. Why the huge gap? Our love affair with consumption. And we have the credit card debt (some $9,000 per household) to prove it.

In too many families, spending overwhelms the ability to share or to save. Spending is a part of life—a great part of life—but it needs to be put in its right place in life. The wise sage Benjamin Franklin said "Beware of little expenses,

Kids, Money and Habits: An Enormous Global Opportunity © *(continued)*

a small leak will sink a great ship." Helping young people understand this concept is an essential life lesson.

The Share, Save, Spend philosophy gives us a simple way to do this: For kids, divide their allowance into percentages for each category. It might be 25-25-50. For kids under 13, you can make this really concrete by having your child put money into separate containers and then have them track when money comes in and money goes out.

And when we do get around to spending, we want to model for kids how to spend wisely.

It's about aligning our spending with our values. Here's how:

➢ Raise your child's Marketing I.Q. The more young people know about the specific tactics and techniques companies use to trigger a spending behavior, the better equipped they will be at recognizing when and how they are being manipulated

➢ Teach by example. Think back to how much you spent on clothing, food, entertainment, and travel in the past months. In the coming weeks, challenge yourself to track your spending and then see if it matches the method you are teaching your children.

➢ Differentiate between a need and a want. Needs are basic items required for existence—like food, clothing, and shelter. Essentially, wants are everything else. Advertisers intentionally blur the lines between needs and wants when they target children.

➢ Discuss your spending goals. Invite children into family decisions of how to best spend money to maximize enjoyment for all. One family told me how they assigned budget responsibilities to their children for their family vacation. During the vacation the children were in charge of monitoring how much money was being spent in different categories.

➢ Teach them how credit cards really work. Perhaps the greatest barrier to young people achieving financial success in the U.S. is their lack of understanding how credit card debt and the associated costs actually work. Read the fine print together, teach them how to monitor their credit score and show them how it can hurt their score by jumping from card to card in search of the lowest interest rate, talk about the ways stores lure you into signing up for one more card by asking "would you like to save 10% on your purchase today."

The answer to today's tremendous urge to spend isn't merely teaching children how to balance a checkbook or invest in mutual funds. We can't forget those things. But we need to impact what children think and feel about money.

We want to reshape their thinking from:

- "I want it, and I want it now!"
- "But everyone else has one!"
- "If I get it I will be happy forever!"

to an entirely different way of thinking about money. It might be learning to honestly say,

"That choice doesn't match our values or contribute to our big goals in life," or

"There are some other important things we need and want to do with our money—so we can't buy everything in sight." There is a wonderful verse in the old testament of the bible that summarizes it best. Proverbs 22:6 says: *Teach children in the right way, and when old they will not stray."*

When we reshape children's values around money—teaching them the Share, Save, Spend philosophy—then we can use what we have for genuine growth and enjoyment.

How does this values revolution happen?

It starts with all of us. It begins when we take control of what we can control. And it can start today.

- There is no time like the present to discuss healthy financial habits and values in your family and with your clients. Some people will need to make radical changes; while some just need to tweak their approach.
- I encourage you to visit our web site, where you can sign-up for our free weekly SSS e-tips to help support your efforts as parents and financial advisers. We also have links to other sites that will be a helpful resource for you as you work with your clients.

www.sharesavespend.com

Kids, Money and Habits: An Enormous Global Opportunity ©

I hope you will agree that we have accomplished our goals—raising awareness of the financial pressures faced by today's youth, understanding our vital role as parents, grandparents, and concerned adults; and embracing the power of the Share, Save,Spend philosophy.

By some twist of fate, I was in lower Manhattan on the morning of September 11, 2001 attending a conference near NYU–I will **never** forget what I saw or what I experienced. But even more powerful than those hellish memories was the amazing shift of people's priorities in New York and across the country.

There I was in the heart of "consumer central" and in the first 24 hours, I witnessed hundreds of intentional acts of kindness.

By adjusting our financial priorities, not only can we help more people through sharing our time and money, but we will help ourselves by clarifying the role money plays in our lives. The people around us will notice this mindset – the spirit of generosity, the intentionality of saving for the present and the future and the thoughtful approach to spending. One person may not be able to counteract the enormity of the advertising and marketing machine, but if everyone does their part to help young people develop and maintain healthy financial habits their world, our world and the **future** will be much,much brighter.