

## **SURVIVING THE SQUEEZE #2:**

by Frances Coventry



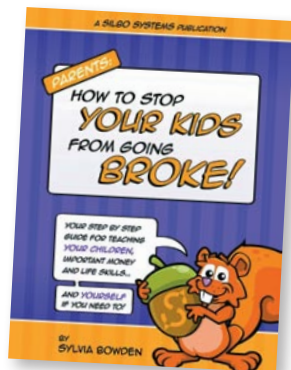
*How to stop your kids*  
**FROM GOING**  
**BROKE**

## A CONVERSATION WITH SYLVIA BOWDEN



Money, money, money! If we're not earning it, we're spending it, or agonising over how to pay the bills! And, meanwhile, our kids grow up wondering why Mum and Dad can't just put everything they need on Visa. How can we survive the squeeze? How can we avoid falling off the money-go-round?

And how can we train our kids to handle their finances well? Sylvia Bowden (budget-advisor-cum-life-coach) is concerned about the lack of money-wisdom being passed down from generation to generation. So concerned, in fact, that she's published a book for parents: *How to Stop Your Kids From Going Broke!* We visited Sylvia in the balmy Bay of Plenty and asked for her best recession-busting ideas ...



PHOTOGRAPHY: GREG BROOKES. MODEL: SIMON

**GRAPEVINE:** Why a book on this subject?

**SYLVIA:** Well, firstly to re-educate parents about their finances. If we can help parents manage their money better, then they're likely to be more successful teaching their kids.

**GRAPEVINE:** But parents are under pressure to spend-spend-spend! And they feel bad if their kids don't have all the latest gadgets ...

**SYLVIA:** I know. They're told their children need cellphones for safety, and laptops for their education, and on and on it goes.

When I was a kid my parents saved up for everything – and if they couldn't, we didn't have it. But in these days of easy credit, that commonsense goes out the window.

**GRAPEVINE:** Do kids really need to learn about money-management? I mean they're only kids!

**SYLVIA:** Yes. And they should start learning from an early age – maybe 18 months to two years – as soon as they're old enough to put money in a money-box. And when they're a bit older, get them to divide their pocket-money into three jars: spending, savings, sharing. They won't understand the concept of saving, but they'll get the idea that this money stuff needs a plan.

### FACTS OF LIFE:

*Some parents find it's just as hard talking to their kids about money as it is about sex. But you'll empower your kids if you help them understand that money is real. It's not a cheque or a credit card. And when their dollar is spent, there's no more.*

You'll be surprised how kids take ownership of money if it's theirs.

**GRAPEVINE:** You're talking delayed gratification. Not a popular concept these days ...

**SYLVIA:** But a valuable concept to learn early-on, because it teaches kids to wait for things and set goals. One boy in my money-course wanted a drum set. He knew how much it cost and he wanted it for Christmas. But then we worked out it would take him two and a half years to save up, and that's when he started to think laterally. He went and worked on a farm in the holidays and did other odd jobs along the way. He went without ice-creams and treats. And he had his drum set by Christmas!

**GRAPEVINE:** So it's not about parents saying, "No, no, no! You can't have this!" It's about saying, "How can we get there?"

**SYLVIA:** Exactly. Sure, your kids might be upset because they can't have it right now. But it's a good test to see how much they really want it – and it teaches them the difference between a short-term 'want' and a long-term plan.

One mum told me she gave her two sons \$10 each to spend at The Warehouse. Now, these boys were smart: they pooled their money and arrived at the checkout with something for \$30. Their mum was about to pay the extra \$10 – but then she remembered the question: "What am I teaching my children if I do this?"

She said "No," and they had a bit of a dust-up at the checkout. But she made the boys keep to the budget.

**GRAPEVINE:** It's a thankless job, this money training – right?

**SYLVIA:** Yes, I agree. And it requires parents to model good money-behaviours at

home. You see, it's not how much we earn – it's what we do with what we earn.

We've been conditioned to believe that we need to have this gadget or wear this brand or drive this car to be acceptable. "Buy now – pay later!" But what are we teaching our kids when we get things on hire-purchase? Or spend \$300 on a pair of shoes that we could get for \$50 without the label?

If your kids want to pay a fortune for designer gear, help them understand why they feel the need for it.

Teach them to ask questions like, "How much will that be ... with interest?" And teach them to read the fine-print.

I see so many young people with these big cellphone debts of \$1000 or \$1500. They don't even look at the contract. My father used to tell me, "Sylvia, read any document fully before you sign it. And if you don't understand it, don't sign it!"

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### **COSTLY LESSONS:**

*If your teenager wants to buy a car he can't really afford, remind him that he's spending money on something that depreciates instead of appreciates. Because the next thing he'll find is he can't make the installments, and the car's worth only half what he paid for it!*

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**GRAPEVINE:** How come some people bounce back from financial problems, while others just give up?

**SYLVIA:** Being broke is a temporary thing. It's a state of mind. And being broke for a time is not too stressful. But staying broke is! I've noticed that when successful people have financial setbacks they straightaway get up and get going again. But other people have a love-hate



relationship with money and they fall for the classic money-myths.

**GRAPEVINE:** Like what?

**SYLVIA:** Well, the idea that money is the root of all evil. But it's the "love of money" that's the root of all evil. If you love money above everything else, if you let it drive you, your life will be out of whack.

On the other hand, if you believe that money is bad news you're just going to get rid of it.

It's true: you can't buy happiness with money. But that doesn't mean money's unimportant. It's a tool we can use to make our lives and the lives of others better.

**GRAPEVINE:** Can you pinpoint some more money-myths?

**SYLVIA:** Well, another is the idea that you need a scam to get rich – so you're always looking for a get-rich-quick scheme.

Then there's the misconception: "I'll save money when I have enough money!" – instead of making your savings a priority.

Another is: "It's better to give than receive." Some people are too proud to accept help when they need it – they see themselves as failures if someone gives them a hand-up.

**GRAPEVINE:** What's this recession doing to ordinary families?

**SYLVIA:** I've read statistics that suggest 80% of marriage breakdowns can be attributed to financial hardship.

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**AT CROSS-PURPOSES:**

*Maybe one partner's been brought up to save and be careful, whereas the other's happy to spend – don't worry about tomorrow, what the heck, we might die next week. Often, it's only under the pressure of money drying up that these differences become an issue.*

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**GRAPEVINE:** So how can families plan ahead for hard times?

**SYLVIA:** Stay out of debt! If you don't have any debt and have to go on an unemployment benefit, you may have to tone down your spending – but you will survive. Nobody died from eating porridge for breakfast.

And be realistic about your costs. Put aside \$600 a year to cover car repairs instead of hoping your car will go forever.

**GRAPEVINE:** If you feel you're not

budgeting well, where can you go for help?

**SYLVIA:** One mistake people make is they go and ask their friends – who are often in the same financial situation.

When I was budget-advising, someone told me they'd just got a loan at 23% interest for a car. It was the classic story of, "Oh, my mate down the road told me about this good deal. I didn't need cash. He just introduced me to this car salesman ..." Anyone with a bit of money-sense could've told him, "That \$8000 car is going to cost you \$12,000 with interest!"

There's a wonderful saying: "Let your emotions subside before you decide!" And that's especially true about spending your money.

**GRAPEVINE:** This subject can easily sound really boring. How do you make it fun for kids?

**SYLVIA:** I've invented a little character for the book called Silbo the Squirrel. He leads you through the money principles and ways to teach them to your kids. I introduce funny sayings to lighten things up – like, "It's better to tell your money where to go instead of wondering where it's gone."

You can also get kids to spot the real messages in ads on TV – like "Buy now, pay later!" and "You need this, and you need it now!"

**GRAPEVINE:** Does one size fit all when it comes to money education?

**SYLVIA:** No. I remember being interviewed by this guy on TV who said: "Well, my mum and dad were good money-managers, and my brother's really good – but I'm actually hopeless!" Some children are naturally more influenced by TV and keeping up with the Joneses – and they need to be taught how to resist buying-pressure.

On the other hand, some mums and dads are forever rescuing their kids. If their teenage son can't afford his car registration, they worry he's going to get a fine – so they pay the bill.

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### **BUT WAIT, STOP, THINK:**

*Before leaping to the rescue, parents need to ask: what's he learning from this? He's learning to not plan for the future. And he may end up blaming mum and dad: "I'm in court because they wouldn't pay the bill!"*

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**GRAPEVINE:** How about a quick review of your recession-beating tips?

**SYLVIA:** Stay away from hire-purchases and personal loans. Ask yourself, "Can I live without this?" Get advice from good money-managers – not your all-too-often-broke mates. Make a cash budget. Withdraw your food money in one hit and only spend that amount. Leave your EFTPOS card at home. And talk to your kids about your finances and why you've made certain decisions.

Being broke won't last forever. Being poor is a state of mind. Making more money is only part of the answer: it's what you do with what you earn that matters. ❁

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ASK AT ANY GOOD BOOKSHOP FOR SYLVIA'S BOOK ... OR ORDER THE BOOK (AND CHECK OUT RELATED ARTICLES) AT [WWW.SILBO.CO.NZ](http://WWW.SILBO.CO.NZ).

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