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BRINGING UP MONEY SMaRT KiDS

Our children today have more money than in all of history. They face more pressure to spend and to keep up with their friends. The challenge for parents and guardians is to teach restraint and responsibility when our society may not put much stock on such values.

Written by well known entrepreneur Adam Khoo and estate planning specialist Keon Chee, this book will teach you *what* to tell your children about money and *how* to tell them. Good money management tips are put forth in a practical, humorous and easy-to-follow manner. Learn to answer all the difficult questions posed by your children and set them off with good money habits to take into the future.

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ADAM KHOO & KEON CHEE

BRINGING UP MONEY SMaRT KiDS

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ADAM KHOO

author of the bestselling *I Am Gifted, So Are You*

KEON CHEE

author of the bestselling *Make Your Money Work For You*

— BRINGING UP — MONEY SMaRT KiDS

**ALLOWANCE + OTHER INCOME
= SAVING + SPENDING + SHARING**

Using the authors' proven formula to help your child to become money smart, this book will:

- Establish the importance of giving your child an allowance.
- Help your child to plan and keep to their budget.
- Provide a framework for spending and saving wisely.
- Highlight the need to share with others.
- Introduce new ideas to help your child to generate their own income.
- Illustrate how to avoid or eradicate bad money habits
- Teach you to help your child to deal with the unexpected—such as a loss of income or divorce.
- Jumpstart your legacy planning—to cushion the blow of sudden death.

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FOREWORD

In a dynamic and competitive economy like Singapore, financial literacy is extremely important, although it is not easy for a layperson to master. Parents are faced with an overabundance of economic choices daily—which is the best choice for their children?

Should parents buy branded shoes when a good quality non-branded pair is available? Should they give their children an allowance or should they be paid for performing household chores? How do you help your child to be grateful for what he has when his friends and classmates seem to have more?

It is indeed a blessing that Adam and Keon have written a book based on their own experiences. *Bringing Up Money Smart Kids* gives practical guidance to all types of parents—married, divorced, rich, poor—on how to raise financially responsible children in a time of plenty.

This book also addresses areas that parents may neglect, such as teaching their children the importance of giving and sharing, how to deal with unexpected events like death and serious illnesses, and how to leave an inheritance to your children that would not destroy their desire to work and promotes family values that are important to you.

The life experiences and personal stories of these authors are invaluable, because no theory or textbook can speak louder than real life stories.

Every parent should read this book.

JAMES SIM

Past President, Financial Planning Association of Singapore

INTRODUCTION

Bringing up Money Smart Kids is written for parents and caregivers of preschoolers to teens—namely kids between the ages of five and eighteen. These parents face the challenging issue of teaching their children how to manage their money in an era where time is scarce and more money is available.

This book is written by parents for parents. Adam and Keon are wealth experts and parents themselves. They also run regular courses on money management for other children.

ADAM KHOO

Adam is the executive chairman of Adam Khoo Learning Technologies Group, one of Asia's largest training companies. A self-made millionaire at the age of 26 and financially free at 33, Adam teaches personal financial management and investing at the renowned Wealth Academy in Singapore, Malaysia, Indonesia and Vietnam.

Adam also trains students and their parents in personal development, learning and life skills. For the past 21 years, he

has reached out to over 500,000 youth in seven countries. Adam's much sought-after programmes are conducted in over 120 Singapore schools, international schools around the Asian region as well as at his Adam Khoo Learning Centres. Financial literacy is an essential component of the twenty-first century learning competencies that he teaches to youth as part of their holistic education.

Adam has two daughters, Kelly (ten years old) and Samantha (eight years old). Adam is proud that his daughters have learnt the value of money. Once, Kelly was asked to pick her own birthday present at Toys R' Us. After spotting a doll that caught her eye, she looked at the price tag and said, "It's too expensive. It's not worth it." Adam could not have been more proud as a father.

What Adam hopes to achieve

It is his aim that through this book, parents will learn the importance of, and gain the knowledge on how to bring up financially responsible children. Through the course of his work, he has seen many parents spoil their children and unknowingly instil destructive financial habits in them. For example, they buy their children whatever they ask for and throw them lavish thousand-dollar birthday parties to impress their friends. Their children may score good grades and land well-paid jobs when they grow up. However, they may inevitably end up struggling financially and even get themselves into serious debt if they carry such poor overindulgent money habits into their adulthood.

Being born into a wealthy family can be both a boon as well as a bane to a child's future success—personally and financially. While being born into a privileged family has obvious advantages, it can also lead to children lacking personal drive and developing poor money habits if they are given things too easily. Like the old saying goes, 'the first generation builds the wealth, the second generation enjoys the wealth and the third generation destroys the wealth.'

If children never go through the experience of having to struggle and work hard for money, they will never develop the persistence, tenacity and self-motivation to build their own wealth and success. This is why many tycoons are now insisting that their children work at minimum wage jobs and pay for their own college education even though they can give their children an easier way out. They recognise that by helping their child in the short term, they are actually doing more harm to their children in the long term. Recently, it was reported that the son of David Beckham (the famous football star who is worth £165 million), fifteen-year-old Brooklyn Beckham has started working a weekend job at a West London coffee shop where he is paid £2.68 an hour. They encourage their children to get part-time jobs to pay their own expenses to teach them the importance of hard work and appreciate the value of money.

The best way to destroy your children's hunger for success and money values is to give them what they want.

KEON CHEE

Keon works in an estate planning company that specialises in wills, trusts and corporate services. He is a firm believer of lifelong learning for everyone. After graduating from Columbia University and working in finance for many years, he obtained a law degree from the University of London at the 'ripe' age of 53. To encourage his daughter Sarah to learn the violin, Keon started learning the piano at 39 and has passed his Grade 7 albeit after a few tries.

Sarah is 21 years old and is studying fashion merchandising and music at the University of Arizona. Keon is proud of Sarah for her thoughtfulness—even though Sarah had a music scholarship, she insisted on working as a waitress in the school cafeteria and as a salesgirl at Macy's while studying to pay for her own expenses.

What Keon hopes to achieve

Kids need to learn that having sufficient money is necessary for a comfortable life. Living in fear of being broke all the time can be miserable. There are important money management lessons like saving, investing and borrowing that everyone, including parents, can master to become financially successful. Secondly, kids need to practise gratitude each and every day, whether it is in giving or in receiving. Being grateful is a goal higher than achieving a comfortable life. It makes for a happy and fulfilling life.

WRITTEN IN A SIMPLE, PRACTICAL WAY

No one likes to hang around naggy people, not even naggy people. They repeat themselves and are tiring to listen to. We want to give you simple advice that works and does not require tons of effort to implement. Time-constrained parents want to be able to do something right away. This book will equip you with simple but important money management habits that you can apply to help your child to achieve financial success in their future.

CHAPTER 1
MORE THAN JUST MONEY

PARENTS NEED MORE GUIDANCE

Children today have more money of their own and the added pressure to spend it than in all of history. Most parents work, and with mounting chores and responsibilities are often stretched for time. Living in a day and age where time is scarce and money is not, parents need more guidance than ever on how to teach their children to handle their money in a responsible manner.

POOR SPENDING HABITS CAN BE DISASTROUS

Money is an essential tool but it can also confuse and hurt. It is earned to feed and clothe, or to save or invest for future needs. But many children today—from both wealthy or middle class families—grow up not having to worry about money, not having to support their parents or save for college. They develop huge appetites for spending and bring these habits into their adult lives, sometimes

with disastrous consequences. These children then grow into adults who are incapable of managing their money.

Many parents have poor money habits too. They overspend on their children and work till their senior years to send their children to college, neglecting their own retirement needs. You do not want to be one of the thousands reaching their retirement years who cannot afford to retire. And you do not want to be one those hapless parents whose children develop self-defeating lifestyles because they didn't pick up good money habits from a young age.

DO YOU OVERSPEND ON YOUR CHILDREN?

Let's start with you. Are you allowing your children to overspend?

- Do you gripe about your child's mobile phone bills but pay them anyway?
- Does your son regularly drink gourmet hot chocolate that is many times more costly than a cup of Milo?
- Are there half a dozen dresses that your daughter owns that she has not worn?

You need to be putting at least 10 to 20 percent of your income into a retirement plan. If you are nowhere close, you may be spending too much on your family and child-related expenses and too little on yourself.

Spending less on your kids is not a crime

Spending less on your children is not a crime. You are not being cheap. It's plain smart:

- You can spend sparingly on infant and preschool items because kids at that age outgrow things very quickly.
- You can find good and lightly-used toys and books at low prices on websites like eBay, Gumtree and Locanto.
- You can simply say "no" to unscheduled purchases.



When you consciously spend less, prepare yourself for some whining. It can be hard to say no to kids but don't waver. In the end, your kids will thank you for the lessons learnt while you work your way to a financially comfortable retirement.

Be confident about being a good money teacher

Are you a good money teacher? You must feel confident of yourself. Confidence is the foundation of personal success. People (your children included) have a natural tendency to trust you more when you are confident. Would you see a doctor who doubts his own abilities? Would your kids look to you as a money manager if you are not confident?

If you are not confident, this is an opportunity for you to learn along with your children. No matter how much money you have, you need to be confident about managing money.

Start with a seriously positive attitude

“The greatest discovery of all time is that a person can change his future by merely changing his attitude.”

—OPRAH WINFREY



Whether it's about money or your job, avoid negative thinking. Negative thinking is powerful and detrimental to our selves, our families and our marriages. It sucks the life right out of us. If you frequently talk about how boring your job is, your children will not look forward to working in the future. So you have to live proactively and your children will learn from you.

In the UK, the education minister Elizabeth Truss warned that parents who say “I cannot do maths” are harming their children and Britain’s long-term economic prospects. She said that a damaging anti-maths culture must be reversed to stop the country and its students from slipping further behind their international rivals. She condemned adults who chuckle at their own ineptitude at basic arithmetic, claiming they are giving their children a dangerous message that maths is unimportant.¹

1 “Parents who say ‘I can’t do maths’ are harming pupils and Britain’s economic prospects, minister warns,” *The Daily Mail*, 3 January 2014.

Being positive is easier than you think. If you don't have enough money for a sought-after vacation, talk about the highlights of the modestly-priced vacation you signed up for or say that when you have more spare money the next time round, the family will get to go for a longer vacation.

Quiz

Before we leave this chapter, let's see how well you handle some typical questions that children ask. If you find these questions tough, you're not alone. That's because kids have a gift for getting into situations that challenge the best of us. Take the test and see how you score.

1. **Your ten-year-old has been saving his school allowance for a Teksta T-Rex that walks sideways and burps. He's saved enough and he now wants to buy it. You:**
 - a. Allow him to buy it.
 - b. Tell him he can't touch his savings.
 - c. Say no and offer him a talking dictionary.
 - d. Buy it for him so he can keep his savings.

(a) 3 (b) 1 (c) 0 (d) 0

If your child has been saving for this toy, then letting him buy it is just reward for his efforts. Of course the toy should be a planned purchase, something he had been saving up for the past two months or so. The worst thing to do is to stop him from buying the toy when you and he had planned beforehand that he would be allowed to.

- 2. You usually pay \$40 for jeans for your son. Now he wants \$120 for a branded version. You:**
- Flatly say the \$120 pair is out of the question.
 - Give him \$40 and let him come up with the rest.
 - Buy him the branded jeans because it's time to give him a nice pair.
 - Say you will buy him a \$40 pair or he'll just have to keep wearing his old jeans.

(a) 1 (b) 3 (c) 1 (d) 2

This would be a good lesson to teach the difference between needs and wants. For a young child, a pair of \$40 jeans is plainly adequate if that is the general price for a good and comfortable pair of jeans. If he really wants the \$120 pair, then he has to use his own savings or save for it. You may also consider flatly refusing to allow him to buy the \$120 jeans even if he has the money. There is a limit on which a young person should spend on basic goods like a pair of jeans.

- 3. Your twelve-year-old gets an allowance for mopping the floor. She recently stopped mopping. You:**
- Stop the allowance to punish her.
 - Get a part-time maid to mop the floor.
 - Continue the allowance to keep your side of the deal.
 - Make the household chore a separate issue from the allowance.

(a) 0 (b) 0 (c) 0 (d) 3

Kids need a regular income in the form of an allowance to teach them essential money skills—saving, spending and sharing. If an allowance is tied to chores and those chores are not performed, then your child would be receiving an irregular allowance. As adults, we know that an irregular salary makes it more challenging to plan. What's more for kids?

4. **You are at the toy store with your daughter and she's pleading for a Cayla doll, an internet-connected doll that can answer questions using Google software. You:**
- Buy it to avoid a scene.
 - Buy it but tell her you'll be deducting her allowance for it.
 - Don't buy it and tell her next time she has to use her own savings.
 - Ask her to play with the doll at her cousin's home to see if she really likes it.

(a) 0 (b) 0 (c) 3 (d) 3

You should not buy the doll if it is an unscheduled purchase. She should be encouraged to save for it if it takes no more than about two months to do so. Just to be sure, have her play with the doll to see if her interest is sustained.

5. **Your eight-year-old Ellen loses the \$20 Grandma gave her for school. You:**
- Tell Ellen to ask Grandma nicely for another \$20.
 - Tell Ellen she should have been more careful.
 - Let her do extra house chores for a week to earn \$20.
 - Tell her she should have put the money in her piggy bank.

(a) 0 (b) 3 (c) 1 (d) 1

You receive a \$10,000 bonus from your company and you go to the casino to bet. You lose every cent. You realise that you should have been more careful. This is the same lesson that Ellen must learn. There is no way for her to get another \$20 and Grandma should be told not to make the same gift twice. Ellen could work extra chores but that could have a negative spillover effect to her homework time and her normal household chores. Best that she learns to be careful from now on.

6. After telling Samuel he absolutely cannot have the latest Sony PlayStation, Grandpa suddenly shows up with one for him. You:

- a. Tell Grandpa Samuel can't accept the gift.
- b. Accept the gift and keep it unopened till Samuel's birthday.
- c. Give the console away to teach both Grandpa and Samuel a lesson.
- d. Accept the gift but tell him to discuss with you before buying expensive gifts for the kids.

(a) 1 (b) 2 (c) 0 (d) 3

Grandparents are wealthier today than ever before and they are notorious for spoiling their grandchildren. They give gifts at unexpected times and cannot wait for special occasions because spoiling the grandkids is a time-honoured tradition of every grandparent. You have to step in to 'discipline' Grandma and Grandpa. Tell them your kids should not receive anything expensive unless you have approved of the gift. And if they did, keep it unopened until an occasion such as Christmas, your child's birthday or when he receives good grades in school.

7. Uncle Charlie gives nine-year-old Eileen \$100 when she visited him. You:

- a. Let her spend it as she wishes. It's a gift.
- b. Deposit the money into her piggy bank.
- c. Let her spend \$20 and tell her to save the rest in her long-term savings account.
- d. Tell Uncle Charlie not to give such a large sum to Eileen.

(a) 0 (b) 1 (c) 2 (d) 3

If Uncle Charlie had given just \$10 or \$20, then it would be alright for Eileen to spend the gift as she wishes. But \$100 is a lot of money for a nine-year-old, especially when it's an unscheduled gift. Giving a child \$100 is like an adult winning the lottery. Studies show that people who do not work for the money and who suddenly receive a windfall tend to swing from one extreme of joy and excitement to emptiness and even despair.² Uncle Charlie needs to fall in line with your wishes. If Eileen does receive a large gift, insist that a large part of it goes towards her savings.

8. David, your seven-year-old, usually gets too many presents on his birthday that he gets bored after opening a few gifts.

You:

- a. Give the remaining gifts to charity.
- b. Keep the remaining gifts to open another time.
- c. Open the rest of the presents to complete the task.
- d. Open a kids savings account and tell your relatives to contribute to it for his college tuition.

(a) 0 (b) 2 (c) 1 (d) 3

If you love to eat shrimp and you go to an all-you-can-eat shrimp buffet, you know that after gouging on fifty shrimp, the ones afterwards don't taste as good anymore. So if your kid receives ten presents, let him open five first and then open one every Sunday for the next five Sundays. Or better still, open a kids savings account for college. Encourage his relatives and friends to contribute to the account. Any sort of savings for college will help your kids learn about postponing instant gratification.

2 Robert Pagliarini, "Why playing the lottery is a good investment", *Forbes*, 17 December 2013, www.forbes.com/sites/robertpagliarini/2013/09/27/why-lottery-winners-crash-after-a-big-win/

9. You bring four-year-old Cindy to the candy store and she wants all the chocolate she can put into the basket. You:

- a. Let her choose one item.
- b. Leave the store and return home.
- c. Buy what she wants to avoid a scene.
- d. Put on your ear plugs and let her scream.

(a) 3 (b) 2 (c) 0 (d) 2

Tantrums aren't fun for parents, particularly during an outing or a trip to the store. If your kid cannot calm himself in public, you may need to leave the area to give them an opportunity to calm down. When you give in to her demands, she learns that the behaviour can be used as a tool for manipulation. Let her have a choice and be firm about it. Just one piece of chocolate and no more.

10. Matthew, your five-year-old, asks what would happen to him if Mummy and Daddy died. You tell him:

- a. You won't die (he's too young to understand death).
- b. He would live with Aunt Mary (your will specifies Aunt Mary as guardian).
- c. Someone in the family would look after him (you and your spouse are young and feel it's too early to discuss this matter).
- d. You would speak to his favourite Aunt Mary about her looking after him (you and your spouse will appoint Aunt Mary as guardian in your wills if she agrees).

(a) 1 (b) 2 (c) 1 (d) 3

Up to three years of age, kids have no understanding of death. Up to six years, they believe death is reversible, like going to sleep and waking up. Kids begin to understand the finality of death between the ages of six and nine.³ Parents need to prepare for the possibility of both parents passing away when the kids are still young. Appointing a guardian that parents agree on is a way to ensure your kids are looked after by someone you trust when you are no longer around.

Here's how you did:

- 0–10 Keep this up and your kids will still be staying with you when they are 35.
- 11–25 Not bad but you still have some way to go.
- 26–30 You and your kids are on the right track. Use this book to sharpen your money-smart skills.

3 “Children’s understanding of death”, hospicenet, <https://www.hospicenet.org/html/understand.html>; Virginia Hughes, “When do kids understand death?”, *National Geographic*, 26 July 2013, <http://phenomena.nationalgeographic.com/2013/07/26/when-do-kids-understand-death/>