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Rethink What Money Can Buy

"We can choose to become never-satisfied janitors of our possessions, or we can use our money in ways that improve our worlds and, as a bonus, supply us with genuine and lasting well-being."

In their 2010 consumer sentiment report, the Boston Consulting Group (BCG) concluded, "Recession anxiety has triggered a clear shift back to basics in what consumers say they value most."

The BCG researchers found, for example, that home and family, stability and calm, saving, and the environment have all increased in importance while luxury and status are becoming less and less of a priority.

For many individuals, this change in focus will not only lead to wiser financial decisions, but to greater and longer lasting happiness as well. The truth is money can buy happiness, if we spend it on the right things.

There is now a growing body of research that has identified what types of purchases give us the biggest bang for our buck. Based on mounting empirical evidence, Dr. Sonya Lyubomirski, a leading happiness researcher, describes the types of expenditures most likely to increase life satisfaction:

1. Activities that will help us to grow as individuals, strengthen our connection with others, and/or contribute to the well-being of our communities.
2. Experiences that will provide lasting memories (such as a rock climbing expedition, a wine tasting tour with friends, or a destination family reunion) rather than material possessions.
3. Many small pleasures (such as regular massages, a weekly delivery of fresh flowers, or frequent lunches with your best friend) rather than on one big-ticket item like a new car or super sized flat-screen TV.
4. Purchases that represent something that you have worked very hard to earn or to achieve will make the item or experience seem all the more valuable and rewarding. In addition, scholars have found that anticipation increases happiness.

More importantly, Lyubomirski reminds us that happiness is a choice. She writes, "We can choose to become never-satisfied janitors of our possessions, or we can use our money in ways that improve our worlds and, as a bonus, supply us with genuine and lasting well-being."

Sources: "But Will it Make You Happy?" by Stepanie Rosenbloom, New York Times; A New World Order of Consumption, Boston Consulting Group; and "Can Money Buy Happiness" by Sonya Lyubomirski, Scientific American.

Financial Hand Up, Not Handout, for Adult Children: By Rick Kahler, CFP®

"Boomerang Kids." It sounds like a TV reality show: Kids grow up, kids move out, kids get into financial trouble, kids move back in with Mom and Dad. In real life, there's nothing particularly entertaining about adult children moving in with their parents.

The situation is often a response to a financial or life crisis, and it can result in family tension and conflict that is anything but funny. For anyone considering this option, here are some important points to think about and discuss ahead of time:

1. Have a clear end in sight

Don't allow a child who is in financial trouble to move in "just until she gets back on her feet." This vague arrangement is asking for trouble. Instead, assess the child's circumstances together. Agree on clear goals like paying off credit card debt or finding a full-time job. Establish a clearly identifiable trigger for moving out, such as "three months from the date you find a full-time job." An open-ended agreement based on paying off debt or accumulating a certain amount is too easy to extend indefinitely.

"Help the child create and agree to follow a bare-bones budget. "

2. Charge rent

If the goal is to help your child save money, charging rent seems counterproductive. Yet it is important for the child to contribute to the household expenses, and even more important for them not to get used to a budget that doesn't include rent. Check local ads to find out how much rent is fair for a sleeping room with kitchen and laundry privileges, then add in a reasonable amount for groceries and other expenses. This ought to be less than the cost for a one-bedroom apartment.

If you can afford it, you could even stash the rent in a savings account and give it back to the child as a surprise moving-out gift. If the child is in such financial crisis that paying rent is simply not possible, agree on services like cooking, yard work, and housecleaning in lieu of rent.

3. Agree on a recovery plan

Help the child create and agree to follow a bare-bones budget. It might include commitments to buy clothes at second-hand stores, get rid of car payments by replacing a more expensive car with a clunker, and spend only a very small allowance on entertainment. It's also essential to agree on consequences for not following the plan.

4. Focus on learning and changing behavior

If the child is in trouble because of destructive financial behavior, it may be appropriate for parents to monitor spending and make sure commitments are being kept.

Do your best to do this as a mentor and teacher rather than being punitive. Focus on one issue: How can this experience help you learn to manage money differently?

5. Put it in writing

Beware of unvoiced expectations and unwritten "contracts." Have your agreements in writing—everything from moving-out deadlines, to use of the parents' cars, to rules about entertaining and overnight guests. Include the same issues you would cover if you were renting space to a stranger.

6. Don't give until it hurts

Be realistic about what you can afford. Don't spend your retirement fund or borrow to help an adult child. In the long run, sacrificing your own financial health is harmful for all of you.

All too often, parents who allow an adult child to move home end up enabling the child to continue destructive money behavior and postpone learning important financial lessons.

Sometimes it's better to offer counsel instead of living quarters. This is a very individual decision. Finding the right answer means focusing on how to provide a helping hand rather than a handout.

Editor's Note: Rick Kahler is a Certified Financial Planner™ , speaker, columnist, educator, and the co-author of four books: Conscious Finance, The Financial Wisdom of Ebenezer Scrooge, Facilitating Financial Health, and Wired for Wealth. For more information, visit Rick's blog at http://financialawakenings.com

The Top 5 Things You Need to Teach Kids About Money

What if there was mandatory money instruction for every child in America from kindergarten on up and every adult was required to take an annual test confirming those concepts well into their senior years?

It's a nice fantasy. But in reality, the first money lessons a child gets come from their parents, and experts agree that the way parents teach and reinforce those concepts will have a major impact on their kids avoiding major financial problems later in life.

So, a question for parents: How equipped are you to teach your kids about money?

If you don't feel confident about creating a money curriculum for your child, don't worry, there's help. Start by planning your own financial future with a qualified financial planner. You can take a close look at where you need to be with your finances and gather ideas to teach your kids about money as well.

However you personalize the lesson, every parent needs to involve these five basic concepts in a child's money education:

1. Work: It's true. The first great lesson isn't so much about money as what it takes to earn money. As early as kindergarten or first grade, your kid is going to have to start paying for things. Children need to understand as early as possible that a good day's work should deliver a good day's pay, so it's a good idea to come up with age-appropriate chores in exchange for an allowance. The best place to start is with simple jobs like setting the table and making beds. For older kids, yard work, laundry and housecleaning are good to add to the list.

How big should that allowance be? Try to match the allowance closely to the expenses you want your child to cover and leave a little wiggle room for treats. That way, the child begins to understand choice while learning that spending requires limits. Also offer options that allow children the opportunity to earn additional money for extras -toys or privileges, for instance - then stress why working for treats is important. When kids are younger, you should keep a frequent watch over how they're handling their cash - checking in every day or so -and then allow them more leverage as they demonstrate wise decisions.

2. Saving: Once you teach your kids about spending, help them identify larger goals they have to save for. Buy a piggy bank - young children relate very well to this tried-and-true symbol of saving. It gives them someplace to put money out of sight so they don't spend it, and you should impress upon them that they are free to tap into it only to accomplish a goal that the both of you initially discuss. Again, as they make smarter decisions, let them have more responsibility. And this lesson shouldn't just be about buying stuff - kids need to learn how money can be used for setting and accomplishing goals.

"If budgeting and savings are going to work, kids need to know they can't spend their money whenever they feel like it."

If it makes sense for you, you can also add incentives to save. One idea: Tell your son or daughter that you'll give them $1 for every $5 or $10 they put in the bank. It will definitely make them think twice about an impulse purchase.

3. Budgeting: Budgeting is one of the most universally misunderstood money concepts for children and adults. That's why it's so important to make sure a child understands why it's so important to write down money priorities and keep track of whether those priorities are being met. When a child gets a little older, it might be a good idea to help them establish a budget for everyday expenses with an important side goal, such as accumulating spending money for a much-anticipated family vacation. Parents might show kids a similar exercise for how they're setting aside money for the trip.

For younger kids, it might make sense to turn the budgeting process into a game. Parents might take a stack of fake money, give it to the child and ask what they would spend it on. The child would write down each purpose -toys, school lunches and special things they need to save for -and get them to write down how they'd allocate the cash. This can turn into a real exercise later.

4. Delayed gratification: If budgeting and savings are going to work, kids need to know they can't spend their money whenever they feel like it. Parents need to lead by example here. If kids always see you paying with plastic and bringing home carfuls of shopping bags each week from the mall, they might get a sense that money is limitless. On the other hand, if they see you making lists, tearing out coupons and talking about saving for particular goals over the long term - they might start to mimic that behavior,

5. Helping others: It's important for children to know that

The Top 5 Things Cont...

there is always someone less fortunate than themselves and it's important to help, even in a small way, Increasingly, kids are involved in charitable and community activities as part of their educational process - such work even figures into college applications. Teaching your children to set aside a little for those who have less might be a good first lesson in what should be a lifetime of sharing with others, Also, don't forget that charity isn't always about money, Kids should also learn the importance of giving their time and labor to important causes and people in need. And if they think of unique and effective ideas to help, by all means, praise and encourage that activity.

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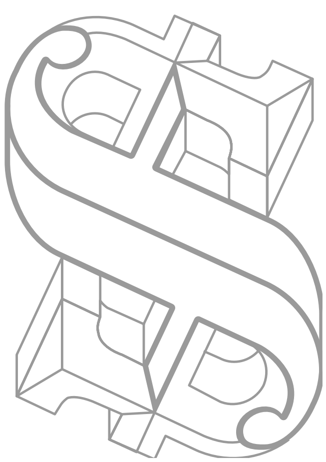

In My Opinion…

Robert J. Cole, Jr., CLU, ChFC, CASL, CFP®

Plan - Organize - Execute

I guess the way I should start this column off is with a disclaimer. I am a planner. Since adolescence (which is another story), I have always approached my life methodically. Those of you who know me socially know I like to have fun; but it is always within the context of the "big picture". Having made that disclosure, I wanted to make a few observations.

If you ever spend anytime at a cemetery, you will note that most tombstones read like this: Joe Smith 1875-1920 or Jane Doe 1935-2001. What many people don't see is that the little line between the dates represents that person's entire existence in this world. It continues to amaze me how many people just "wander" through that life. Most of these wanderers' "little lines" are directed from external sources. Because of this, they see themselves as the object of the sentence of their lives. They never realize that they can become the subject of that sentence, acting on life's events rather then the other way around.

I have said many times that the true benefit of Financial Life Planning is that it gives one a sense of confidence about the future. By organizing your resources around the execution of a well thought out plan, one feels that they are moving with success towards significance. Stephen Covey says that "it is easy to say 'no' when there is a larger 'yes' burning inside you." What are your "yes's"? Do you have a Mission Statement that outlines the principles for which you stand? Is it written down so you can share it? Without it, there can be no plan.

Taking inventory is the next step. Evaluating what is available and organizing it for the execution of the plan is essential for achievement. Some items (like assets) are tangible. Others (like energy) are abstracts. All must be accounted for and filling in the gaps is the first order of business.

Finally, there is discipline. Without focused, consistent execution, the result will be failure. The big plan is broken down into daily goals and distractions are not permitted (for long). Soon, success begins to manifest itself and momentum becomes an ally.

It's that simple. Yet, doing it is incredibly difficult --- which is why most people fail to maximize their potential. I, personally, feel that having a Life Coach to help is of tremendous value, but there are those who can pull it off on their own, and I say more power to ya!

So, there it is --- my holiday gift to you --- a simple formula for adding confidence to your life. The New Year is upon us. Why don't you give it a try???

Plan…Organize…Execute

Until next time, that's my opinion.

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