How to Instill Personal Finance Values in Millennial Kids

They're doing okay, but they still face big challenges. Here are six tips for talking to your kids about saving.
by Suzanne Gerber

Fact: Kids today have inherited a very different world than the one their parents grew up in—whether we came of age in the 1960s, '70s or '80s.

Fact: Despite their progressive social attitudes, Millennials (generally speaking, those born in the '80s and '90s) are financially conservative capitalists who plan on owning homes, vacation homes and even boats.

Fact: While plenty are on the right track with their investments, 56 percent report living paycheck to paycheck, and 43 percent describe their debt as "overwhelming."

Believe it or not, parents actually can help get them back on track—or start them off on the right foot. And before you pooh-pooh my optimism, you should know that I have a twenty-something kid who knows everything, too.

Not All Bad News

The good news, according to reams of research from banks, investment companies and insurance agencies, is that a large percentage of Millennials do understand the value of a buck, as Dad might've said. And they not only appreciate the finer things in life, but they want their own, not just to keep borrowing ours.

While many young adults report the desire to save and invest, many simply can't. Nearly half of Millennials spend up to half their paycheck chipping away at crushing debt. (Hello, Sisyphus.) And this isn't just unavoidable college debt. A big chunk of what's dragging our kids down is *avoidable* credit card debt. Part of the problem is that many of these kids grew up watching their parents spend freely without realizing all their earlier sacrifices. Most baby boomers didn't have credit cards in college: We paid as we went. Today Millennials don't think twice about "paying with plastic"—not quite grasping how fast debt grows or how hard it is to bail yourself out once you're underwater.

How to Instill Good Fiscal Values

Even when our "kids" have kids, if we did something right, they still turn to us for advice. It's never too late to become responsible about money (though earlier is indisputably better). Here are some tips for inculcating good financial values in your children.

*** Go back in time.** Start teaching them the value of money—and of working for it, saving it and giving to charity—when they're in grade school. If your time machine is on the fritz, start where you both are. Have regular conversations that don't put them on the defensive. Your best intentions will backfire.

*** Model fiscal responsibility.** If your kids observe you being careful with money, especially if income is tight or you're saving for a goal, they're more likely to adopt that behavior. If, however, you spend beyond *your* means, they may never learn the value of earning and saving.

*** Talk to them on their terms.** However tough it is to imagine yourself at 80, it's even harder for your kids to picture themselves at your age. Always start a conversation by acknowledging their values, even if you don't agree with them.

*** Keep it simple.** If you can get just a few points across, emphasize these six:

1. Save till it hurts. Millennials have a distrust of the stock market, having been burned by the Great Recession of 2008. But over time, it's still the best game in town. And a key factor in that game is compounded interest, which is not only about growth, but is also a hedge against inevitable inflation. Show them this chart.

2. Risk is not bad, and there are ways to be smart about it—hedging your investments with a diversified portfolio, for starters.

3. Credit card debt *is* bad. Sometimes debt is a necessary evil, like when you're buying your first home or paying for grad school—both of which are smart investments in your future. A general rule is that loans should be paid off as quickly as possible—especially high-interest ones.

4. Technology is their friend. Millennials may be disinclined to talk to a banker in a suit, but they'll readily turn to digital resources to research opportunities and manage their investments. And they can probably show *you* the coolest mobile finance apps.

5. It's hip to be square. Little things add up and detract from savings, like too many expensive dinners, clothes and vacations. It's okay to be frugal. And it's way cooler to have a mad loft when you're 35 than memories of the country's best restaurants.

6. Take your credit seriously. Like a good first impression or your virginity, it's something that can't easily be restored.