Your Kids, Their Money: Teaching your kid to be future money managers– Transcript

CPF Board 00:07
Hey and welcome to Let's Talk CPF a podcast where we bring conversations on CPF to your years, brought to you by the CPF Board. This podcast will answer common questions, offer tips, and feature interviews with industry experts on CPF and financial planning. Thanks for listening, and let's get straight into today's episode.

Lyndis Kang 00:33
Of late we've seen not only adults but youth and children vying for tickets to famous artists concerts, with millions or even billions of dollars being spent on marketing to catch the attention of the younger audience. How can parents teach their children to be the next generation of consumers? Hi, and welcome to Let's Talk CPF I'm Lyndis and today we will explore how parents can inculcate money sense in their children, how they can address their children's sense of entitlement, and practical tips on how children can be empowered to be the future money managers. I have Ferris Wee, master trainer at the Institute for Financial Literacy here with me. Over the past 10 years, Ferris has conducted over 900 talks and workshops to corporations, tertiary institutions and the public on topics such as money management, insurance, investing, and retirement planning. Hi Ferris. Welcome.

Ferris Wee 01:30
Hi, Lyndis, happy to be here. So just to share a little bit more about the Institute for Financial Literacy, a collaboration between MoneySense and Singapore Polytechnic International. The Institute for Financial Literacy, also known as IFL, for short is the outreach arm of MoneySense, which is Singapore's national financial education program. And its aim is to help Singaporeans manage their money well, and make sound financial decisions on their own. So MoneySense, IFL and CPF are close partners in the promotion of financial literacy to Singaporeans.

Lyndis Kang 02:03
Yes, so Ferris, tell me a little more about yourself. Do you have any kids?

Ferris Wee 02:08
I'm a father to two young children, a son and a daughter. My son is currently in Primary One while my daughter is turning nine months old.

Lyndis Kang 02:17
Congrats on your second kid and I do hope she settled into a routine by now.

Ferris Wee 02:22
Yes, but as the listeners can't tell, I'm very sleep deprived.

Lyndis Kang 02:27
That's very natural. So you were previously a financial planner? How did you then stumble into the world of financial coaching?

Ferris Wee 02:34
I joined the Institute for Financial Literacy in October 2012. Prior to that, I was a financial planner for over four years. I had an interest in training, it started somewhere in 2011. And from beginning of 2012, a series of interesting things started happening. For example, an ex- colleague approached me to ask me if I'm interested in conducting financial literacy training for schools. A friend was asking me if I would like to join her and a team to Indonesia Pekanbaru to train villagers on how to improve their financial literacy. As they were looking for a trainer who can teach them about money matters. Then I was also asked to conduct a biblical financial literacy program from the US for a group of participants by a parachurch organization. So when these opportunities surfaced, it was like them reading my mind without me telling them my heart's true desire.

Lyndis Kang 03:27
Wow, I'm sure that those opportunities really solidified your passion and interest in training.

Ferris Wee 03:32
Indeed, it was an enriching experience. So after accepting those requests, and getting more exposure and training, my ex-girlfriend who is now my wife, came across an advertisement. It was by the Institute for Financial Literacy, recruiting for their pioneering batch of trainers. She encouraged me to apply and I did. Time really flies, and I had been with them for more than 10 years now.

Lyndis Kang 03:55
That's amazing. So as a master trainer, people expect you to be financially aware and expect you to be in control of your finances. Has this always been the case? Or looking back, were there any mistakes you made with money when you were younger?

Ferris Wee 04:10
I was drawn to get rich quick schemes, and I was clueless about investing. Thankfully, I learned from my mistakes. And now I'm more aware of my emotions that affect my financial decisions such as greed and fear. To share further, there were two incidences that stuck with me. The first is to do your own research and not to follow others blindly. For this case, I was in my teens, probably about 16 or 17 years old. I remember I told my parents that I wanted to invest in the stock market. This was because I overheard them talking about the profit they made in the stock market with family and friends. And what I do? I put in a couple of 1000s of dollars, and to a 16, 17-year-old back then it was a lot of money. Looking back at it now they were not investing, but rather speculating in penny stocks in the 1990s, they initially made some profit. But when trading of the shares were suspended, they lost quite a bit of their money, which included my savings. It was painful, as these were my hard earned savings from my ang baos and part time jobs. The moral then was to not be focused only on the upside, but to be aware of the potential downside risks too. And not to follow others blindly even though they may be your role models, it is important to seek out good financial guidance.

Lyndis Kang 05:32
That's really true. So what was the second incident?

Ferris Wee 05:36
The other incident was due to my own greed, which I have seen many others struggle with as well. I'm not sure about your Lindys, but I struggled with it, too. In my Polytechnic days, I had friends who introduced network marketing deals to me. I remember using a chunk of my savings and got involved in this scheme, because I saw the potential money that could be made. Do you know what happened? My savings went up in smoke. I really regretted it. This was a typical get rich quick scheme that used a FOMO, Fear Of Missing Out, YOLO, You Only Live Once marketing approach and I fell for it. These days, I told myself, it's better to adopt the JOMO perspective.

Lyndis Kang 06:17
Wow, what's JOMO?

Ferris Wee 06:20
It's the joy of missing out. I tell myself, it's okay to miss out on deals. When I'm not familiar with the product, or am uncomfortable with the risk involved.

Lyndis Kang 06:28
Guess you could say these experiences were like hefty tuition fees paid along the way. And these hard knocks have definitely made you wiser. Another great outcome for this is that we can then teach others including our children, the importance of inculcating good money sense from young so that they don't have to pay these tuition fees again.

Ferris Wee 06:47
Yes, I agree.

Lyndis Kang 06:48
So Ferris, now that you're a parent yourself, How can parents start teaching their children about money?

Ferris Wee 06:54
So parents can start by using developmentally age-appropriate moneysense, something that children can relate to. Personally, my first experience of teaching my son about money and savings was when he was three years old. He has a habit of eating snacks on his way to school. And one day, my wife and I decided to teach him about savings, using his favourite biscuits as an example, since he loves so much. We told him, if you save some of his biscuits, for later, he could have his favorite nuts. In the beginning, he ate everything, and didn't leave any biscuits left over. He will then cry and scream, as most toddlers do. What we did was to tell him, he could have his nuts when he saved his biscuits tomorrow. It was really a struggle with him for two weeks, when suddenly he said, Papa, I want to save my biscuits for my nuts. It was a proud moment for me. So this made me see that to help my son learn,

I had to help him connect the dots to the concept of saving. In this case, it was teaching without the use of money by using things that he loves and knows.

Lyndis Kang 08:01
That's great. So would you say there's any recommended age that we can start teaching our kids all this?

Ferris Wee 08:07
It's always good to start them young, you can start teaching them from as young as a pre-schooler. The example I gave above, it was a three-year-old. But there are many ways you can engage and introduce money concepts to your child. At the Institute for Financial Literacy. We have an online module money sense for your child, where it covers profit concepts for different age groups, from preschoolers, primary school, and those in secondary school.

Lyndis Kang 08:35
So after introducing the concept of money to children, it's also important that they learn to differentiate between needs and wants, right? This is an intangible concept. So how can parents help their kids with that?

Ferris Wee 08:48
Essentially, a need is a must have, while want is a wish to have. Parents can make use of daily household items to show the difference between a need and a want, such as using toys that they have at home, or asking them what are the things they need, or want when shopping for groceries in the supermarket. Our children's perspectives or needs and wants may be very different from us. And as parents, we can find out more by discussing with them why the items they have identified is considered a need or a want.

Lyndis Kang 09:19
Yeah, you're right. Children can certainly have a very different view of what is a need and what is a want. Everything sometimes seems to be a need to them, even though we try to explain to them that these are really wants. So how do you think we can help them further with that?

Ferris Wee 09:36
One possible option is to design a simple shopping list with them. You can get them to choose what is the need or a want and begin with simple and obvious examples through comparison. For example, a toy car versus a fruit, a chocolate bar versus a tin of milk powder, potato chips versus vegetables. Once they are made their choices allow them to experience the natural consequences that comes along with it.

Lyndis Kang 10:04
Could you explain a bit more to us on what you mean by natural consequences?

Ferris Wee 10:08

For instance, when they choose to buy something from the bookshop versus using the allowance for food during recess, they will then realise the trade-offs that comes along with this decision. Buying something that they want from the bookshop will cause them to go hungry, as they do not have enough money for food, which is a need. So this is an experiential way to allow them to experience the natural consequences of their choices.

Lyndis Kang 10:33
Thanks. That's a really practical way of explaining this. For myself, my kids usually window shop at the school bookshop, and sometimes they discuss with me before buying something they need. But I have heard from other parents that sometimes kids will squander their allowance at the bookshop, and not have enough money for recess, and then they will borrow from their friends. What are your thoughts on borrowing money from friends at this age?

Ferris Wee 10:58
Personally, I'm concerned that this will become a habit. Because saving and spending our habits and borrowing is also a habit. So the inability to control spending usually has to do with instant or impulse gratification, they are unable to control their urges. The habit of borrowing usually has to do with the habit of credit gratification. In short, it's like borrowing your future income allowance to meet your present desires or wants. If it's a pattern, it is good to understand why are they borrowing. One solution is where tracking your expenses, and having a budget will help to identify their spending patterns, which will also help us discover their borrowing patterns.

Lyndis Kang 11:39
That will certainly be helpful. And I think what's very important is going to the root to understand why they are borrowing. It is really a matter of wanting that kind of instant gratification. I'm sure you've also heard about the recent buzz over the sale of concert tickets for popular artists and pop bands. I've seen and heard the lengths that other parents went through to purchase tickets for their children who are fans. Some people may say that children these days are so entitled, they believe that they will be able to get anything that they ask their parents or grandparents for, which includes highly expensive concert tickets. So what are your thoughts on this? How can parents best address this sense of entitlement?

Ferris Wee 12:22
Honestly, this is a difficult question as me being a parent and my wife are also worried about it. I believe most of us who are listening and our parents know that the answer is that we should not give our children everything they want. On the other hand, is difficult to not succumb to it when they ask for things. This is because of our love for them. So the questions we need to ask ourselves is something I always need to be conscious of too. And that is by buying them everything they want. Are we helping or harming them?

Lyndis Kang 12:55
That's a really good question. Because by getting everything that they want in future, they will also need to struggle hard to find ways to sustain that lifestyle. What do you think are some practical ways we can address this?

Ferris Wee 13:07
Oh, there are three ways. First, practice waiting. Second, practice budgeting. And third, practice having a savings goal. The first, to practice waiting, for instance, my boy loves snacks, and my family has agreed that snacks or treats are meant for the weekends, public holidays and special occasions. This means that my boy has to wait till weekends, public holidays and special occasions to enjoy his snacks. He's learning to be patient, exercising self-control, and practicing delayed gratification. Second, practice budgeting. For example, if your child loves watching TV, using the computer or mobile, you can consider implementing screen time tokens. In a nutshell, they are given a screentime budget for the week, which they have the power to decide when they want to use it. This can be used to help them practice budgeting and delayed gratification. Lastly, practice having a savings goal. For example, if a child wants a toy or a concert ticket, help them see that it is their personal goal that they will need to work towards achieving. This means that they will need to plan ahead and save a portion of their allowance to buy something that they desire.

Lyndis Kang 14:25
And is there a good way to tie that with having kids understand the importance of growing their savings instead of just hiding it under their pillow?

Ferris Wee 14:33
Yeah, to be honest, my boy is still young, and it's not easy explaining the concept of inflation to him. But what has been successful is that we have introduced the concept of investing to my boy. He is able to understand and willing to try. So how my wife and I do that is that we save his ang bao money, gifts from relatives and savings from his allowance. And we asked him how he would feel if he could see his money grow. Of course he was excited. And I gave him two options. One is a product that can potentially earn more money. But it comes with a risk that he may lose money. The other option is guaranteed to grow , but he earns lesser than the first option, given that is risk free. Do you know why he told me, he said that? No, I don't want to lose any money and prefer something safe. With that, we started him with Singapore Savings Bonds. So a good way to help our kids understand the importance of growing their savings, first of all, is they need to start somewhere And it's also helpful to involve them in the decision making process.

Lyndis Kang 15:38
Wow. Now I know of a seven year old that has Singapore savings bonds. And I actually have some friends who do invest their children's monies and SSPs on their behalf. But I think it's invaluable that you actively involved him in the conversation, so that he's aware and also personally invested in the process of what happens to his money, and understands the whole idea of risk and return. And I guess about inflation, we could take the chance to describe what's going on in the world in an age-appropriate way, like about how there are wars going on, and how these wars disrupt the supply of food. And then we could introduce the concept of scarcity in a simple way by explaining that because there's less food, this leads to higher demand, and thus higher prices. But I guess it's really not so simple to explain it in a way that primary school kids can understand. And overall, it's just not easy being a parent these days, especially when it comes to teaching financial literacy. So Ferris, we're almost at the end of this podcast. Do you have any final pearls of wisdom that you'd like to leave us with?

Ferris Wee 16:45
Yes, I have two points. First, as parents, we need to be aware of what we do and how our attitudes influence our children. Skills and knowledge are picked up by them when we teach or talk to them. However, attitudes and habits are picked up by our children simply by watching us. We can teach them how to cross the road when the light is green. But if we jaywalk, what do you think that your children will pick up? Wait for the green light, or Jaywalk? Attitudes are caught and not taught. And lastly, for listeners who have personal questions on money matters, such as how to grow your savings, or start investing or wondering if you are well prepared for retirement, you can sign up for a complimentary unbiased, one to one digital financial health clinics via the Institute for Financial Literacy website. The digital financial health clinics will guide you to take practical steps to address gaps in your financial planning to build financial resilience and preparedness for the future.

Lyndis Kang 17:47
That's a really great opportunity. And I agree with what you said attitudes are caught and not taught. And in life attitude is also altitude. Thank you Ferris for sharing such useful tips and information

Ferris Wee 18:01
You're most welcome.

Lyndis Kang 18:03
In this episode, we've discussed how parents can help empower their children as future money managers, and practical tips to help your children understand money concepts. And with that, we've come to the end of this episode. If you like our content, follow us and give us a five-star rating on whichever platform you're listening on. I'm Lyndis, and you're listening to Let's Talk CPF.

CPF Board 18:28
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