Elisabeth Donati on the Good News—and Bad—About Money and Young People

by Shelley A. Lee

Who: Elisabeth Donati
What: Founder and executive director, Creative Wealth International
What's on her mind: "The statistics on financial well-being and young people are alarming. There's a rise in college suicides because of credit card and student loan debt, young adults under 25 are now the fastest-growing age group filing bankruptcies, and more kids now see their parents file for bankruptcy than file for divorce. Less than 10 percent of our high school graduates take any courses on money management or wealth creation. Most of our country's social problems stem from financial problems."

Schools are largely failing to teach our children what they need to know about money, and parents often find it a more difficult conversation than the ones about sex. According to Elisabeth Donati, more kids are now dropping out of college because of money problems than because of academic problems. Those under 25 are the fastest-growing age group filing for bankruptcy.

In 2002, Donati founded The Money Camp after realizing that her own childhood lacked the financial education to prepare her for the real world. That first summer of 39 youngsters enrolled in The Money Camp taught her a few lessons, too: "It has to be fun! I probably bored them with the classroom setting in the first camp." Renaming her company Creative Wealth International, Donati now uses interactive, hands-on, accelerated teaching techniques in her summer money camps and is busy licensing the program worldwide and conducting train-the-trainer programs for financial advisors. We recently visited with Donati and talked about "the ultimate allowance," letting kids manage that $270,000 cost to raise them (okay, not all of it), and her goal of creating kids who can move out on their own and stay on their own.

1 *Tell us how and why you got interested in financial literacy for kids.*

I have to go back in time. I was smart and an excellent student, and although I never struggled to make ends meet as a young adult, I never had quite enough and never knew how to handle money. When my husband—we're now divorced—and I paid off a significant amount of debt, we just didn't know what to do with the money we then weren't spending on debt service. At some point, I became acutely aware of the pain of not having learned about money and investing and creating wealth while I was growing up.

I remember my father always saying that rich people were greedy. I didn't understand what he meant. It dawned on me finally that what was holding me back as an adult was what I hadn't learned as a kid. So I had this wild idea to start a money camp for kids. I immediately reserved a location near Santa Barbara, which cost $15,000. And then I realized that the kids I wanted to teach about money don't have families who can send them to a $500 camp. Suffice it to say that serendipity played a role in a new, less costly location. The local newspaper ran an article about the camp and in less than a week I had 39 kids signed up. That was the summer of 2002.

2 *What did you learn from that first money camp for kids?*

Oh, it was way too much like school! We used desks, the space was too small, and there wasn't enough activity-oriented learning. My background is in fitness and nutrition, so I should have realized the camp needed more activity and fun. But it was an incredible first step. The kids were probably a little bored, but the parents were ecstatic because the kids had to go home every night and ask their parents questions: Who taught you about money? What was your best investment? What has been your biggest money mistake? It started some good family conversations.

3 *What is the state of financial literacy for young people today? Is it better, or worse, than we think?*

It's both. It's worse in that the cost of college and other everyday items are so high, and many young people are leaving college with enormous amounts of debt. Students are getting into the credit card habit too young and using credit cards for the wrong things. I'd hate to know what percentage of spring break trips are being funded by credit cards. The statistics are alarming: a rise in college suicides because of credit card and student loan debt, young adults under 25 the fastest-growing age group filing bankruptcies, and the fact that more kids now see their parents file for bankruptcy than file for divorce. Less than 10 percent of our high school graduates take any courses on money management or wealth creation.

Talking Point:

Just Give Them the Money!

- Is Elisabeth Donati, founder of The Money Camp, on to something when she says parents should "run the money"—the cost of raising a child—through their children for decision-making?
- What involvement do you have in helping your clients raise financially literate kids?
- Is this part of the financial advisor's role?
- Are your clients asking you for this service?
- If so, how are you helping?

Discuss it with your colleagues: **www.journalfp.net** and go to the June Talking Point in the Community Forum.

4 *Okay, depressing. So how is it better?*

Financial literacy is becoming a hot topic. More high school math teachers are now teaching their students about money. The media is more focused on financial literacy now, too. One of the problems in schools is that the No Child Left Behind Act has left a lot of kids behind in knowledge they really need. Schools are having to focus on standardized testing, not real-world knowledge. But I do believe that kids ages 10 to 16 are going to have more opportunities to learn financial literacy because parents now realize it's as essential as teaching about drugs and sex. Maybe the new group at the Treasury [the Financial Literacy and Education Commission] will help.

5 *What camps do you now offer young people?*

We re-named the offering—it's now Camp Millionaire. It's the old marketing adage that says to "sell them what they want but give them what they need." We offer several different summer programs—a teen coed camp for ages 13 to 17 and both an all-girls and all-boys camp. We found that at younger ages, 10 to 12, the boys and girls don't work as well together. The new curriculum, which will be introduced this summer, is called "Moving Out!" The kids will walk in on Monday and be told that their parents signed an agreement for them to be out of the house and on their own by Friday. They'll have to get into teams and figure it all out—the budget, the job, the applications to buy a car or insurance.

6 *You obviously can't build a business around only several summer camps with several hundred children.*

My goal all along was to replicate what we were doing by training others around the country and the world. We now have creative wealth coaches who are bringing the programs into schools, after-school programs, and to their clients. We're getting more and more financial advisors coming through our train-the-trainer program. They realize this is a great opportunity to offer a value-added program for their clients' children. And the parents are incredibly happy that somebody else is teaching their kids.

7 *Describe the training program for financial planners.*

We run the training program every three months in Santa Barbara. It's five days long and goes from 9:00 a.m. to 9:00 p.m. But ask planners who have attended and I believe they'll say they had no idea how fast the time would go. It doesn't seem like as long a day as it is. The program is as much about *how* to teach as it is *what* to teach—they become better presenters and educators and any financial planner worth his or her salt spends an incredible amount of time teaching clients. Rule number one for how to become more effective: stop using boring PowerPoint presentations! Rule number two, the most important: stop trying to sell them products at the same time as you're supposed to be giving them knowledge. We try to get them focused on belief systems as well as practical information.

8 *How do you describe belief systems, especially for young people?*

Most kids grow up thinking about money as a result of putting in time and energy in the form of a job. We teach them to think more creatively—instead of making a lot of money for your employer, why not aim for financial freedom by finding a way to get paid more than once for every hour you work? For example, write something you could sell to multiple people. Start your own business and get people to do the work for you. It's about leverage and creativity, and we need to expose children to that at a much younger age.

Another large part of our program is about doing good. Those with the "monk" money personality think money is beneath them and that it's not necessarily a good thing. But most of them love to help people. I always ask them, "Couldn't you help a lot more people if you had a lot more money?" It's simply about helping them use their belief systems to better interact with money.

9 *Your literature says that having money is simply a matter of choice. Isn't that a bit misleading or simplistic?*

In camp, we do an exercise and ask the kids to choose from three options when they're grown up: not having enough money to live comfortably and do for others, having *just enough* to live comfortably and do for others, and having more than enough money. The point is, if you never choose that third option, you'll wind up as one of the other two. We all want things and we all make choices, but there has to be some fire in our choices.

10 *Your forthcoming book is called* The Ultimate Allowance. *So, how* do *you feel about allowances for kids—is an allowance a totally outdated concept?*

In my opinion, children should not be paid for being a contributing member of the household. No allowance for chores. I suggest to parents that they actually "run the money" through their children. It costs something like $270,000 to raise a child to age 18. Why not let them make decisions on half that money? The clothes, the music lessons, the trips, the books, the school decisions. You need new soccer shoes to further your athletic goals? Oh…but you just spent that money on a new outfit. It's essentially saying to kids, "We want you to be financially responsible and now—guess what—you'll never have to ask us for money because we're going to give you what you need and let you budget it on yourself." What an incredible experience that would be.

To find out more about training programs for financial planners, visit the Web site: **www.creativewealthintl.org.** Since 1984, the National Endowment for Financial Education has been offering the NEFE High School Financial Planning Program (HSFPP) for teachers and students. For more information about whether the HSFPP is available in your local schools, visit **www.nefe.org**.

Shelley A. Lee is a writer and senior communications executive with AIG Advisor Group in Atlanta, Georgia. She has written the Journal of Financial Planning's *"10 Questions" feature since its inception in 2001 and has been involved in financial services for more than 20 years.*

Coming Soon in

10 Questions

WITH NOTEWORTHY PEOPLE

We'll also speak with Dallas Salisbury, who has served as president and CEO of the Washington-based Employee Benefit Research Institute since its founding in 1978. Among other topics, Salisbury will offer his perspectives on the distinct roles of financial planners and employers in helping Americans achieve a financially secure retirement.