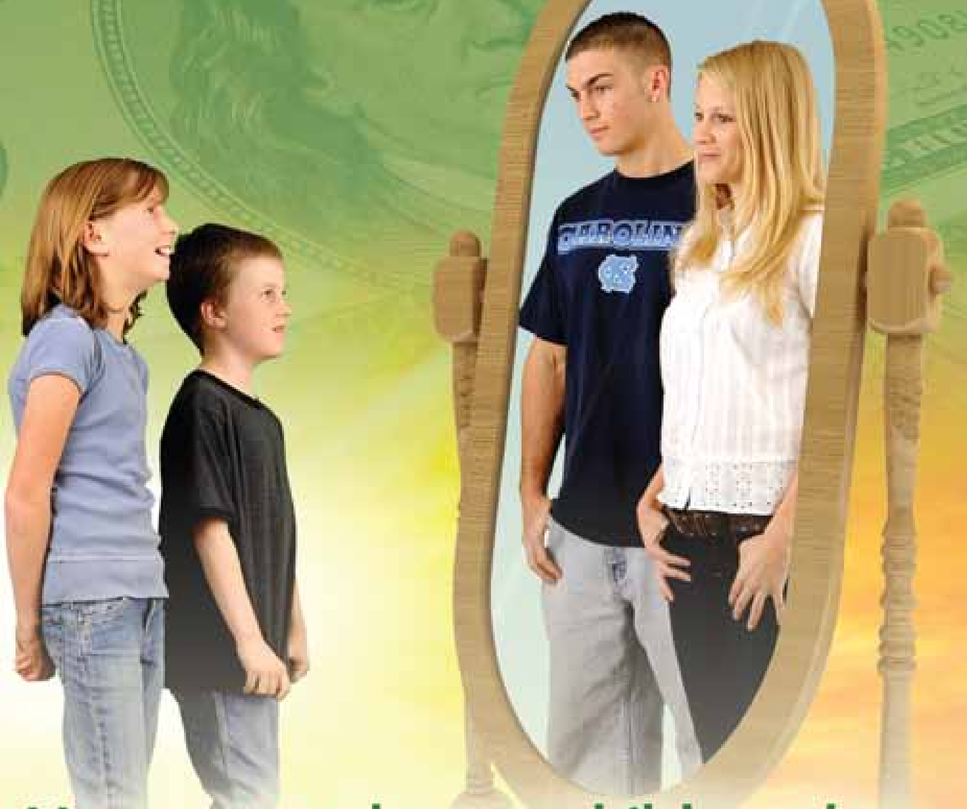
A Step-by-step System to Raise Money Savvy Adults!

THE Ultimate Allowance



How to teach your children the 'wealth rules' they need to grow up happy, healthy, wealthy and wise.

Elisabeth Donati

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First Edition

InnerWealth Publishing Co.

A Division of Creative Wealth Intl., LLC

Santa Barbara, California

THE ULTIMATE ALLOWANCE

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First Edition

Endorsements

"Most schools are not teaching children about money, and that concerns me. The Ultimate Allowance teaches kids how to be with money and make a difference at the same time. A 'must-read' for parents who truly want a bright future for their kids."

~MANNY GOLDMAN, AUTHOR, ***THE POWER OF PERSONAL GROWTH***
FOUNDER, PERSONALGROWTH.COM

"Teaching kids that money doesn't just appear from the magic money machine (ATM) is a formidable lesson. By teaching children how money works, this invaluable lesson will stay with them for the rest of their lives. The more they learn, the less money mistakes they will make."

~DARA DUGUAY, DIRECTOR, CITI OFFICE OF FINANCIAL EDUCATION
FORMER DIRECTOR OF THE JUMP$TART COALITION FOR PERSONAL FINANCIAL LITERACY

"The foundation of success is understanding money management. Finally there is a place for our children to go to learn about managing their money and building a foundation and psychology for wealth. This system can be a major factor in turning our younger generation into smart, financially-savvy business owners to build a solid foundation for future generations."

~CLINTON SWAINE, FOUNDER, FRONTIER TRAININGS

"The Ultimate Allowance is one of the most practical and life changing financial books any parent can read. If you want to learn a simple system that will transform your child's values around money, this is the # 1 resource for parents!"

– KIM DEEP, CMA, AUTHOR OF ***CONDUCTOR KASH AND THE PROSPERITY EXPRESS*** AND OWNER, KIDZ MAKE CENTS

Endorsements (cont.)

A Salute to an extraordinary leader, dedicated humanitarian and a very special friend.

Elisabeth Donati has been a friend, mentor and blessing to me for almost seven years. Her dedication to the Financial Empowerment and Education of youth and adults always has me speechless and in AWE. For those who know me, being speechless for me is a rare experience. Miss E gives 150% of herself and draws that level of commitment from the hundreds of dedicated advisors, teachers and coaches who use the Creative Wealth and Camp Millionaire Curriculums across the nation and around the globe. The mission of Creative Wealth International is to teach thousands of people to take control of their financial lives and REACH FOR THE STARS!

The Ultimate Allowance will bring new insights for young people who are confronted every day with significant financial challenges but lack the knowledge and SKILLS to meet them. With the help of this insightful book, parents everywhere will be able to help their students gain the tools they need to "grow up happy, healthy, wealthy and wise." Thanks Elisabeth for another blessing.

~WILLIAM PROUTY, CBC CEC CLU RHU MBA PHD, DIRECTOR GLOBAL ECONOMIC & WORKFORCE DEVELOPMENT COALITION

"The Ultimate Allowance is a must read for every parent who wants to see their kids succeed when it comes to money issues. My wife and I have 5 kids and we've really struggled with allowances over the years- nothing has ever seemed to really work. This book gives us renewed hope that we will be able to leave an amazing legacy for our kids and for future generations to come, which is really exciting to think about!"

~ CURTIS ARNOLD, FOUNDER, CARDRATINGS.COM, AUTHOR OF ***HOW YOU CAN PROFIT FROM CREDIT CARDS***

"The Ultimate Allowance shows parents how to turn powerful wealth creation skills into fun activities for kids. This book make lifelong money principles easier to grasp for the young mind; a fun way to look at the world is a way that sticks."

~ DR. BEN MACK, BEST SELLING AUTHOR OF *THINK TWO PRODUCTS AHEAD*

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About The Author

Elisabeth Donati has a knack for inviting people to think differently, inspiring them to improve the lives of others as well as their own.

Elisabeth created Camp Millionaire (originally called The Money Camp) as a means to give children of all ages the financial education she didn't receive as a child. She started her unique summer camp program in 2002 with the intent of simply teaching a local financial education camp to kids and teens. Yet, after just two years of successful summer programs, she started getting phone calls and emails from all across the US and almost every country in the world. She realized the lack of financial literacy was a global problem and as such, would need a very special type of program to solve.

Elisabeth is an expert in the field of financial education for kids ages 10 and up. Her programs use accelerated learning techniques and an experiential style of programming (i.e., games, activities, role-playing and contests) to keep the participants engaged, increase their retention and ensure that the campers have a great time learning about the often dry and taboo-ladened subject of money. "Financial freedom is your choice" is just one of the many sayings, slogans and principles her programs teach. Elisabeth's programs teach kids and adults time-tested personal money management skills and wealth creation principles in an environment that incorporates thinking, understanding and relevance. Every program begins by exploring how our financial thoughts, beliefs and attitudes relate to our future wealth potential and ends with the idea that investing in assets that produce passive income is the road to financial freedom for all.

Elisabeth graduated from Oregon State University in 1983 with a degree in Commercial/Industrial Fitness. Though the topic of her life's work has shifted from fitness, health and nutrition to money and wealth creation, her passion is still inspiring others to become independent and self-reliant. Her goal is to enlist people and organizations all over the globe to help in her quest to teach kids everywhere how to make, manage and multiply their money wisely.

Foreword

It's one thing to make mistakes with money as a child and be able to learn from them; it's totally another to make the same types of mistakes as an adult because these same mistakes often are accompanied by painful, long-lasting consequences.

This book is my gift to the parents or guardians of the beautiful children in this world who are filled to the brim with potential and just need the tools to let it overflow into their lives.

I wrote this book because no one ever taught me about money, investing or financial freedom. The idea that I would have to grow up and someday be responsible for myself financially didn't occur to me until I was around 30 years old. At that time I remember being angry. Not angry at anyone in particular, just angry that I hadn't been taught about money early so I apply the principles in my life.

Generally, it's impossible to ask for answers to questions you don't know you have, until you trip over them one day. This is what happened to me.

One day, a long time ago, a friend gave me the amazing book, *Rich Dad Poor Dad*, by Robert Kiyosaki. I devoured the book in two days, stunned by what I hadn't been taught, saddened by the financial potential I would never recover, desperate to somehow catch up; and lastly, committed to doing anything and everything I could to make it so kids the world over wouldn't have to experience what I had.

I had a tough time accepting the fact that I never learned about money and investing. Over time, though, I picked myself up, dusted off my feelings and set out to teach myself about this wonderful thing we call money.

I hope you enjoy the book and that it makes a difference in your life and the lives of your children.

Dedications

This book is dedicated to the people who have helped me build Creative Wealth's unique financial education programs beginning with the very first Money Camp for Kids (now Camp Millionaire) in 2002. I'd like to give a special thank you to the people who have helped shape me into the person who could build it and then write this book. This is just a partial list of people I have to thank.

Walt Harasty whose letter to the editor in 2001 showed me a profound way to make a difference in people's lives: teach them how to become financially free. His letter asked "When are we going to start teaching our kids about money?" My answer? "Build the most amazing financial literacy camps for kids and teens the world would ever know!"

Larry Stein, who passed away in 2007 at 58 years old, was my cofounder and sidekick. His own lack of financial education allowed him to grasp the mission (which he helped create) and be supportive even when he became very sick and eventually lost his battle with cancer. I thank him and his amazing partner, Laura, for all their support over the years.

My mom, who taught me to be resourceful. She has no idea how I've depended on this skill during my short time on this earth.

My last husband, John Donati, who encouraged me from the get go and to this day, lends a helpful ear and support whenever I ask. If only all divorces could end this happily.

My best friend and partner, Steve Gordon, who has been supportive beyond belief. He provides guidance when I ask, an ear when I don't, hugs when I need them, distinctions that allow me to see in entirely new ways and emergency infusions of sushi when I'm too tired to cook.

Robert Kiyosaki, who, through his book, *Rich Dad, Poor Dad*, showed me the first glimmer of how to be financially free.

T. Harv Eker for the accelerated teaching techniques that make our programs so amazingly effective and fun; how to coach life into a person, and how to build a kid's seminar business like a pro.

The parents who have so blindly trusted us with their kids' futures. You have shared stories, happy and sad, tales of how our programs have affected your family and more. Thank you so much!

And finally, thanks to all my friends who support, listen, hug, celebrate and just show up when I need them, and even when I don't. I couldn't have done this without you.

Elisabeth, a.k.a., Miss E

NOTE ABOUT NAME CHANGES:

As of January 1, 2008, *The Money Camp* program that I mention throughout the book was renamed *Camp Millionaire* and the name of the Money Camp 501(c)(3) organization is now *Creative Wealth International*. The names were changed for the following reasons:

Though the name, *The Money Camp*, appealed to adults, parents and teachers, it never appealed to kids and teens. So, in order to get kids and teens to buy into the program *before* they attend and to make it easier for parents to enroll their kids in the program, the name was changed to *Camp Millionaire*. It's that age-old marketing idiom: sell them what they want, give them what they need!

The name of the organization was changed to Creative Wealth International to reflect both our international progress and goals and to highlight the fact that we teach individuals of all ages to use creativity and resources to become financially free sooner than later. This way they can live the lives they dream and have plenty of time to do a lot of good in the world.

Allowance Stories from Parents

A couple of years ago, I asked all the wonderful people in my database to send me stories about their experiences with allowances: what worked, what didn't work, etc. I got tons of emails back with a myriad of ideas, stories of things they'd tried, and more. Mostly I got stories of what didn't work. You could tell that most parents were frustrated and had tried many types of allowance ideas, most to no avail. Here are a few of these stories. Read on and see if any of them ring a bell.

My daughter was never motivated with an allowance. We tried giving her one for taking the garbage out, cleaning her room, etc. None of this motivated her. I suppose she knew I would give her what she needed anyway. She never asks for an allowance but takes the garbage out every week without being asked and cleaning her room will never happen. She has gotten a part-time job, puts half away, uses her own money for movies, etc. Rarely does she ask for money. The only motivation was her grades. If she got certain grades she wanted the bucks! You figure it out!

— CATHY R.

My son is 13. He gets $10 a week in allowance (increases $2 with each birthday). We have a "direct deposit" system. He receives $5 and $5 goes into his savings account. He can use his savings for a large purchase and to buy Christmas gifts for family and friends. He spends most of it on the latter and has become quite adept at determining a list, shopping wisely, and still having some money left over.

— DE J.

We have never given our 10-year-old son an allowance. We own an apartment building and have a laundry room with a coin-op washer and dryer. Our son's "enterprise" is to go to the laundry room and make sure it is clean and to keep an eye on it. He gets paid $5 each time we go. If we go once a month, he gets $5 that month. If we go more often, he gets more. We have recently worked out an arrangement for him to own the machines himself. He is paying off the machines (a "loan") with the proceeds from the machines and still keeps $5 for himself. He is learning about leverage because it is the tenants who are paying for the machines when they use them.

He is also learning the importance of keeping the laundry room clean and desirable for the tenants; he sees how people behave (some can be real slobs and don't care much about things they don't own) and he is seeing trends (the machines generate less income over the holidays when people go away).

—WENDY D.

My children did not get allowances, but to earn money for Christmas presents for Mom and Dad, they were paid for different chores. They are now in their thirties and forties and still kid me about how little I gave them for cleaning the bottoms of my Revere Ware copper pans.

—VAL K.

Don't know if this is relevant to USA, but our 12-year-old son receives £25 per month paid into his savings account. He says he is saving for a practice drum kit but whatever he decides, he will have to fund comics, sweets and PlayStation game rentals out of this account. He has to sign a book for any other money owed to him or owed by him (partly because his mother can never remember!). If he wants any extra money, he has to do chores to earn it. He gets an annual raise of £5 per month on his birthday.

Deducting money from his allowance for bad behaviour tends not to work as I cannot keep track of it! More effective is the threat of telling Grandma or confiscating his PlayStation for a set period of time, and being forbidden to go to archery classes!

—CLARE H.

When my son turned 5-1/2, we started giving him $2.00 a week. We also started having him do a couple of weekly chores we thought he could handle. (I know attaching chores to getting an allowance is debatable, so we keep that connection vague but looming.) We make him put $1 in savings (permanent) and the other in a spending jar. He has been saving up to buy something. He was very gung ho at first, but now he is willing to surpass chores and allowance sometimes. It might be time to have him spend his money to see the fruits of his work.

—SUSIE M.

I found when I gave my son an allowance, he 'expected' the money even if he did not do his chores. And it was always a battle, even if I kept a chore chart and proved that he hadn't done the work. So I eliminated allowance all together, BUT he still has chores. I find that I get better cooperation with getting his chores done without an allowance than when he was getting one. I don't know why. Maybe he thinks that I will reinstate it, but I'm not going to. I've decided that part of his [responsibility in] living here *is to pitch in and help, without compensation! This way he will (hopefully) help his wife around the house with things that need to be done, without expecting a reward!*

—DENISE I.

We tried to dole out an allowance and it was too difficult to keep track of the process. My husband thinks that doing chores is part of living and participating in family life. The children should not receive a financial reward for daily tasks.

We tried to tie the allowance to non-chore related things like finishing homework without complaints; adding birdseed to the feeders without being asked to do it; getting all the morning, school-related papers, lunches, and sports gear in the car without being nagged; those sorts of things. Then we had to create a payment schedule that was balanced and appropriate to the task. This was so difficult. Both kids (girl 11, boy 9) felt that their contributions were more important and thus they were due more money. Ugh.

We created a chart/contract that the kids were to complete each week. Well, they'd forget and I'd forget and by Friday we were trying to remember "who did what" and it would become a series of disappointments. The other difficult determination was if a job was well done or not. Did a job that was sloppily completed mean partial payment? That was an argument waiting to happen.

One additional difficulty was having enough cash on Fridays. Some Fridays, I just didn't or couldn't get to an ATM or bank. So, we'd have to wait 'til Saturday. Well, Saturdays are busy and often we wouldn't get cash until Sunday. Then we're back to Monday and it all starts over again. Overall, for our family, it was just too difficult to manage.

One child, my daughter, couldn't care less about money. She has money all over her room. Doesn't care about it at all. It's inconsequential. My son, REALLY cares about money. He's extremely focused on spending, not saving.

So, our compromise is this. They receive money as gifts for birthdays, etc. Half of the money goes into their savings accounts. The other half they may spend. They also earn money in the neighborhood by feeding the neighbor's animals when their owners are on vacation. That money is deposited into savings the same way birthday money is deposited.

This way, they have money to spend, immediately, or later. Those decisions are very instructive. My son bought a mouse, mouse house, water bottle, food, cage fluffy stuff, totalling $45.00. He lost the mouse ($1.29) within the week of purchase. The $45.00 was 2/3 of his savings. That was an important lesson.

—LAURA W.

Definition of Money

Money represents an exchange of energy and/or value. As an example, if I grow oranges and you make chairs and I trade you 100 oranges for 1 chair, we have, in essence, just exchanged each other's energy. We both decided that your chair is 'worth' 100 of my oranges. This is how value is determined.

We trade our time and energy for money and we pay money for things because of the perceived value we place upon those things.

Definition of Financial Freedom*

When the PASSIVE INCOME from your
ASSETS is greater than the
EXPENSES of your chosen lifestyle!

(In other words, when you have more money coming in each month than you have going out and you aren't having to work very hard bringing that money in.)

Do you want Financial Freedom...
...for your children?
...for yourself?

If you answered "YES" to these two questions, then this book is a must for your entire family.

*This definition of Financial Freedom is from the book, *Rich Dad, Poor Dad* by Robert Kiyosaki

Keep your Kids from Becoming a Financial Statistic!

"An investment in education always pays the best investment."
~ BENJAMIN FRANKLIN

We all know that many statistics are made, manipulated and molded to fit the agenda of the person or group creating those statistics. The financial literacy statistics below, however, do shed a light on the serious consequences of a society full of individuals not prepared with basic financial management and wealth creation principles.

- More young adults drop out of college because of financial problems than academic problems.
- In 2000, 78% of undergraduate students had credit cards and the average debt on those cards was $2,748, according to Nellie Mae, a student loan agency. In addition, one out of ten undergraduates owed more than $7,000.
- A recent survey by Sallie Mae found that more than half of all college students accumulated more than $5,000 in credit card debt while in school. Of the 13,000 respondents, one-third piled on more than $10,000. Only 19% said they did not acquire any credit card debt while in school.
- Credit card debt among Americans ages 18 to 24 has risen 104% in the last decade, according to Demos, a nonprofit research organization. (http://www.timesfreepress.com/absolutenm/templates/life.aspx?articleid=19178&zoneid=10)
- There are entire seminars that teach companies to market to your kids!
- The number of personal bankruptcy filings in the United States increased more than fivefold between 1980 and 2004. By then, more Americans were filing for bankruptcy than were graduating from college or getting divorced.

And these are just a few of the scary statistics must change.

THE FOLLOWING IS AN ARTICLE ON WWW.DAVERAMSEY.COM (DAVE RAMSEY IS A RADIO HOST WHO PROMOTES FINANCIAL LITERACY).

Vince called my radio show with a problem that has become a trend. He signed up for multiple credit cards during his sophomore year at college to get the free campus t-shirt. He wasn't going to use the cards unless there was an emergency, but there was an "emergency" every week, and soon he was $15,000 in debt. He couldn't make the payments, so he quit school to get a job. The problem was, without his degree, his earnings were minimal. Worse than that, he also had $27,000 in student loans. Student loans aren't payable while you are in school, but when you leave school by graduating or quitting, the payments begin.

Vince was one scared 21-year-old with $42,000 in debt but making only $15,000 per year. What's scary is that Vince is "typical." The American Bankruptcy Institute reveals that 19% of the people who filed for bankruptcy last year were college students. That means 1 in 5 bankruptcy filings were by very young people who started their lives as financial failures.

A DISTURBING POST ON A WEB SITE IN AUGUST 2007 FROM A COLLEGE STUDENT IN DEBT:

I'm a college student who's being 'pursued' by credit card debt. I have no income, no assets (I do have a car that was valued at $500 when I got it 2 years ago) and am living in my mother's basement, though I will be moving to the house of a friend in a month.

As of now, I only have my college loan money to pay my bills, and not nearly enough to take care of the credit card bills. I'm pretty sure I'm judgment proof, but I have no idea how that will help me when my mother is being harassed by phone calls whenever I'm not home.

I've been dealing with it well the past month since I attempted suicide in June (on my 21st birthday, of all days) after a breakdown over money, but I'm starting to get to that point again. I can't afford a lawyer, my parents are going through a divorce so they are unable to help, I have no other family members with income, and I'm taking care of my partner who's been unable to find work for 2 years.

I live in Michigan, where we currently have the highest unemployment rate in the country. I had a job for a while, until I was being told to work a day though my classes or I would be fired—like an idiot, I quit. I can't quit school without then adding my college loan payments into the equation.

I guess my biggest question would be—how the hell do I get through this without another suicide attempt?

NOTE: *I emailed him to offer suggestions but never heard back.*

My Request for Help

Please don't let your child end up as one of these statistics or the subject of one of these stories. College students would rather jump off a bridge than tell you they are in debt, so pay close attention to your son or daughter's actions and behaviors around money.

It doesn't take much to create this situation. A spring-break trip with friends, a closet full of cool clothes, some high-tech toys and voilà, they are in a financial mess they can't get out of.

It's been said that an ounce of prevention is worth a pound of cure. I'm convinced it applies here and the earlier the ounce of prevention is provided, the better.

We have a lot of work to do, but I have the utmost faith in our ability to turn this situation around.

My thank you for being the type of parent who cares enough about your child's well-being that you'll do whatever it takes to make sure he or she grows up happy, healthy, wealth and wise.

Introduction

"Imagination is the beginning of creation. You imagine what you desire, you will what you imagine and at last you create what you will."

~ GEORGE BERNARD SHAW

In August of 2002, thirty-nine bright, young students, ages 9-14, attended the first *Money Camp for Kids* in Santa Barbara, California. For five days, they learned everything I could teach them about money, financial freedom and life in that hot, crowded upstairs room at one of our local Boys and Girls Clubs.

The Money Camp, now called *Camp Millionaire*, is a unique experience for kids and teens whose chances of being exposed to the essential financial information we teach are slim to none. The information and principles we teach in our programs helps ensure that they are able to live the lives they choose, not lives of quiet desperation, as too many adults live today.

Our Creative Wealth programs for adults are also unique in that we teach adults the same basic information we teach kids but we do it in a way that is fun and engaging and in an environment that is safe and full of encouragement and understanding.

The fact is, a huge percentage of adults have never been exposed to the critical financial information they need to live the lives they dream. Adults are hungry for this information and the skills needed to improve their lives. Men and women alike leave our programs saying they finally have 'hope' for a brighter future.

Even though financial literacy has become a hot topic these days in many state legislatures, it's still not a topic that is widely taught. For financial literacy information, statistics and legislation in your state, visit:

www.jumpstart.org/legislation.cfm

Though many states have passed bills requiring schools to teach financial literacy, finding the funding and training the people to promote and teach it frequently leaves these programs unimplemented or implemented very poorly. And though I am a bit biased, most of the programs I have seen would bore most kids to death.

Happily, more and more programs like *The Money Camp and Camp Millionaire* are popping up each year, as communities begin to address the lack of financial literacy in their schools and neighborhoods. By reading and using the allowance system in this book, you are joining the ever-increasing numbers of parents who realize they can't depend on the 'system' to prepare their kids to handle money wisely. These parents, like you, have made a commitment to do whatever it takes to make sure your kids are prepared for life when they leave home.

WHY I WROTE THIS BOOK

I wrote this book for a couple of reasons. First, because I want to make sure as many kids as possible learn the financial skills they need to grow up happy, healthy, wealthy and wise.

Second, to answer the overwhelming number of questions I've been asked about allowances since starting my financial education programs.

Years of researching what the 'experts' thought and were doing with allowances helped me not only answer all the questions, but develop this amazing system that finally does what it's supposed to: prepare kids to handle money not just wisely, but brilliantly!

This book was written for you, the parent or guardian, for your children and for our nation, because it takes fiscally intelligent people to become fiscally responsible citizens.

HOW TO USE THIS BOOK

First, read the book yourself. Then, once you understand the system and have had a little time to do a bit of planning, share it with your children. This way your children feel like an active participant in understanding how the material in the book and the allowance system are relevant to their success with money, now and later on in life.

Remember, for your child, or anyone else, to be open to learning, the information presented must be relevant. Not only is this information extremely relevant, I've created tools, games, and even scripted conversations for you to use to help you teach your child about money.

Finally, if you have any questions, send me an email at elisabeth@creativewealthintl.org. I promise I'll reply in person.

Why Allowances are Important

"The best defense is a good offense."
~ DAN GABLE, OLYMPIC GOLD MEDALIST
AND MOST SUCCESSFUL COACH IN HISTORY

Imagine that your child wants to be a major league pitcher but you never giving him a ball to throw, a glove to catch with, never giving him time on the field to practice, oh yeah, never teaching him the rules. This is what money is like for most young adults. They are rarely given a chance to learn how to use it wisely. Most of them learn how to spend it really well. Spending it, however, doesn't lead to financial success or freedom!

Learning to do more than simply spend money is why providing your child with an allowance is so critical. Practice is how lessons are learned and habits are formed. One of our Creative Wealth Coaches uses the adage, "Repetition is the mother of skill." If this is true, and I believe it is, then only through the actual practice of using money will a child truly learn to use this resource wisely. That's why allowances are important. No practice, no lessons. No lessons, no skill. No skill, well . . . we know what happens when there's no skill. You have a society like ours that's deep in debt with no knowledge of how it got there or how to get out. I want to change this situation and I need your help!

MY GOALS FOR THIS BOOK

1) Provide you, the parent, grandparent, or guardian with a simple tool to prepare your child to use his financial resources wisely while, at the same time, use it to benefit his family, his community and, to a larger extent, the world around him.

2) Provide you with a way to reduce the stress and number of arguments you may have with your children.

3) Provide you with a way to reduce the amount of money it takes to raise a fiscally responsible adult.

4) Provide you with a sense of security that you are raising an adult (not a child) who will be able to take care of himself and his family after he leaves home. We don't want you to have to provide him with 'adult-child outpatient care.'

5) Provide you with the peace of mind that you're doing your very best to prepare him for a happy, healthy, wealthy and wise life. After he moves out, you can sit back and let him figure the rest of it out on his own.

6) And finally, my biggest goal of all: Provide you with the tools you need to help grow a new generation of adults who value balanced budgets (to become fiscally responsible politicians), a clean environment and opportunity for all.

BOOK NOTES:

1. The commonly accepted pronouns 'he' and 'she' are used interchangeably in this text for simplicity.

2. I use "I" when referring to my own opinions and ideas and "we" when I'm referring to *The Money Camp/Camp Millionaire* programs.

2. The Money Jar system used in this book is taught in Peak Potential's Millionaire Mind Intensive program and T. Harv Eker's book, *Secrets of the Millionaire Mind*.

3. There are many web-related resources listed in the book for more information on certain topics. At the time of this printing, all of the links were active.

4. I've created a place for you to jot down important notes at the end of many chapters for your convenience.

5. While reading this book, if you have any feelings of guilt or remorse, at having done something that may have caused difficulty for your child, or notice where your own parents might have done something differently and produced a different result for you, please vow right now to remember this principle, "People do the best they can with the information they have at the time." With

new information, we can learn, change our beliefs and behaviors and produce new results for ourselves and our children, and even for our parents at times.

CREATIVE WEALTH PRINCIPLES

Creative Wealth Principles are the sayings we use in our programs that represent the rules to the Money Game. To read them all, visit:

www.creativewealthintl.org/creativewealthprinciples.php

The following are a few of the most basic financial principles your kids will learn by using the Ultimate Allowance:

- Life is a direct result of the choices we make.
- Our choices are influenced by our belief systems.
- You are the CEO of your own life.
- Money is a tool to reach your dreams.
- Pay yourself first.
- Save early, save often, invest wisely.
- Put your money to work for you.
- Great money habits create financial freedom.
- If you can't afford it in cash, you can't afford it at all.
- It's better to tell your money where to go than ask it where it went.
- Passive income is the key to financial freedom.

The principles are sprinkled throughout the book like this:

CREATIVE WEALTH PRINCIPLE
People Aren't Judged By Their Abilities, But By The Sum of Their Choices.

The Ultimate Allowance

"Too many people are thinking of security instead of opportunity. They seem to be more afraid of life than death."

~ JAMES F. BYMES

You're torn. Do you give your kids an allowance or not? And if you do give them an allowance, on what do you base it? When do you start giving it to them and how much do you give them?

Do you make them do chores? Do you reward them for good grades? Do you pay them for doing extra work around the house?

Do you let them spend it as they wish, or control how the money is spent, saved, invested or given away?

These are just a few of the many questions parents frequently ask me about allowances. Parents tell me they just want their kids to understand the value of a buck, and the best ways to use it. If you're like most of the parents I talk to, you get a bit tired of your kids asking you for money all the time and wish there was a better way. I'm happy to report that there *absolutely* is a better way!

It is my experience that most parents want the best for their kids. When it comes to money, however, the challenge often lies in the fact that many parents weren't taught about money when *they* were young. If this is you, don't feel bad. You are not alone!

I understand why you struggle with finding the best ways to prepare your kids to handle money. How can you possibly teach something you don't know or aren't very good at yet? If you're struggling financially, teaching your kids is either the farthest thing from your mind or the foremost thing on your mind because you don't want the same thing to happen to them. We don't want our own children to have to learn the hard way.

Parents often say it's easier to talk to their kids about drugs or sex than money. The 'taboo' that shrouds the discussion of money can be extremely nerve-wracking. Just bringing up the subject can set off heightened and uncomfortable emotions of shame, embarrassment, anxiety and more. Your particular discomfort usually stems from how your own family dealt with the topics of money, wealth, paychecks, bills, investments, and anything else money-related.

If you *do* come from a family that had money, and your family has sufficient financial resources now, you may still struggle sometimes when it comes to teaching your kids about money.

My mom used to say, "You can't teach your own kids how to swim." I didn't understand what she meant until, at age 25, I had my son, Andrew (now a college graduate, debt-free and on his way to financial freedom . . . Yeah!). What I realized she meant was that children don't like listening to their own parents and often don't believe a word they say; at least, not until they mature a bit (I see you nodding your head in agreement). But they often believe what someone else tells them. It's amazing how smart my Mom became as I got older!

Regardless of how much they know about money and how it works, parents are often confused about the whole allowance issue for several reasons. First, they often relate back to their own experience of either getting or not getting an allowance as a child. It isn't always true that parents who received an allowance always give their children an allowance or that parents who didn't get one don't give one to their children. I have noticed over the years that what the parent experienced in terms of getting or not getting an allowance isn't always passed down.

It seems to be more about the *experience* the parent had around the allowance that dictates whether they give, and how they give, their children an allowance. Let's explore some of the more common allowance strategies before we move on.

Current Allowance Theories

After doing quite a lot of research and talking to many parents over the past 6 years, I've noticed the following allowance approaches:

THE "NO ALLOWANCE AT ALL" CAMP

In my experience, parents in this camp usually didn't get an allowance when they were young. A common opinion is that if it was okay for them not to receive an allowance, then it's okay for their child not to receive one. Several parents I have talked to who felt this way seemed almost hostile and even angry, when the subject of allowances was brought up. They want their children to have to work for their money just like they did. They view the need for an allowance through their conditioning (in other words, how they were raised to see things), so they often just do with their children as their parents did with them.

Parents who feel this way are sometimes struggling with money and personal finances themselves. They are often very emotional about the financial issues in their lives so just talking about the concept of giving their child an allowance is often more than they can handle. If this is you, it's okay. Just stay with me here and you'll begin to understand.

Children who don't get an allowance sometimes develop a good work ethic, but they learn very little about money. They also tend to think that in order to have money they must always trade their time and energy for it. These children often don't learn how to manage, save or invest their money wisely. They can also grow up with the belief that they have to work 'hard' to make money, instead of learning that they can work 'smart' to make money. In addition, these kids can develop poor buying habits because they have little experience buying things for themselves on a regular basis.

Parents in this camp are often life-long employees or self-employed, always trading their time and energy for money. While there is nothing wrong with this lifestyle, it doesn't teach kids the importance of developing passive income streams by investing their money in assets (business, stock market and real estate). Not giving your kids a chance, from a young age, to take care of themselves financially, limits the amount of experience—positive and negative—they can have with their money. To a great extent, this experience then limits how prepared they are to successfully handle their own finances when they leave home.

THE "DOING CHORES ALLOWANCE" CAMP

Parents who require their kids to do chores around the house in exchange for an allowance tend to think that kids should 'earn' their allowance by 'doing' something. The only trouble with this concept is that it negates the idea that kids should participate as contributing members of the family by having certain duties and responsibilities that go along with being a family member; namely, keeping their rooms clean, helping out in the kitchen and yard, doing laundry, shopping, etc. These parents often provide a little 'extra' allowance for additional duties like washing the car or mowing the lawn.

The main disadvantage to this type of an allowance is that your kids may think they don't need to do their chores if they don't need the money. Paying kids for chores certainly doesn't teach them that making their beds is a great habit to get into every morning. If paying kids for doing chores worked, these kids would all grow up to be great housekeepers, but so far I think the jury is still out on that one! If you have ever visited kids in college and noticed the way they keep their dorm rooms, you might understand what I mean.

THE "PAYING FOR GRADES" CAMP

It's important to understand the difference between intrinsic and extrinsic rewards or motivation. Paying for grades seems like paying the child for behavior that is best for the parent, not necessarily best for the child. For a child who is already motivated to get good grades, dangling a financial reward for better grades may not have much of an effect on behavior. For a child who has no interest in school or getting good grades, the money may either motivate extrinsically and eventually create some intrinsic motivation, or it may cause exactly the opposite result. It may cause the child to become resentful of money in general, which can then lead to long-lasting negative financial beliefs that may affect his financial future. For deeper insight into this topic, please read, *Secrets of the Millionaire Mind,* by T. Harv Eker or visit:

http://tinyurl.com/creativewealthmmi

We tend to equate a child's success in life with how well he does in school. However, there's no proof that this correlation is valid. There isn't any hard core proof that if they attend, or finish, college they will be more successful in life. Some of the most famous people in the world didn't even finish high school.

- Robert Frost was dropped from school for daydreaming. He was probably composing poems during some of his daydreams.
- Frank Lloyd Wright daydreamed so intensely that his uncle had to shout at him to bring him back.
- Thomas Edison was said to be "addled" because of his excessive daydreaming in class.
- Nikola Tesla had such strong visualization abilities that he would imagine the workings of his inventions in great detail without putting anything on paper or conducting any experiments until all of the problems were worked out.

For a more complete list of other famous people who suffered all sorts of problems related to their education and who later found success, visit this web site:

www.familyvillage.wisc.edu/general/famous.html

Traditional schools test for genius in only a few areas, mostly Logical-Mathematical, Verbal-Linguistic and sometimes Spatial-Visual. Genius, however, exists in many more areas. An inspiring book on accelerated teaching techniques, *Quantum Teaching*, by Bobbi DePorter, Mark Reardon and Sarah Singer-Nourie, describes the many varieties of genius.

We share these different kinds of genius with kids and parents in all of our programs because we want kids to know that they are *all* geniuses; they just have to find the genius in them. The main categories are:

- Spatial-Visual—thinking in images and pictures
- Linguistic—thinking in words
- Interpersonal—thinking by communicating with other people
- Musical-Rhythmic—thinking in rhythms and melodies
- Naturalist—thinking in reference to nature
- Bodily-Kinesthetic—thinking through physical sensation and movement
- Intrapersonal—thinking reflectively
- Logical-Mathematical—thinking by reasoning

For more information, or to give your child's teacher this amazing resource, visit:

www.creativewealthintl.org/accellearn.php

There are studies that show that the more schooling a person gets, the higher the salary they command; but remember, this correlation is only true for people who remain employees all their lives.

Nearly one-third of all high school students don't graduate and less than 50% of those that do aren't prepared for college. So the solution for these kids is not to pay them for grades but prepare them to use the one tool we know they'll have to use...money!

ALLOWANCE CONCLUSIONS

After teaching Money Camps for Kids and Teens for six years, and spending tens of thousands of dollars attending train-the-trainer, financial and personal growth seminars, I've come to the following three conclusions regarding kids and allowances:

CONCLUSION #1:

An allowance, just like most things in life, can be a good thing or a not-so-good thing. It can motivate or demotivate. It can be supportive or unsupportive. It can create self-reliance or dependence. It all depends on how you use it, how you and your child interpret it and the experience your family has around it. The end result from any type of allowance varies with each child. Just like no two children are alike, neither is the end result when using an allowance, at least the types of allowances we've talked about so far.

CONCLUSION #2:

Almost all children, regardless of age, understand the difference between spending *your* money and spending *their* money. Yours is generally much easier to spend!

CONCLUSION #3:

If children are empowered with the information, tools and responsibility of learning how money works, along with the encouragement to establish a few simple but powerful money habits, they generally grow up to be much more financially responsible than children who do not receive this education.

Though all three conclusions are important, Conclusion #3 is what led me to develop this allowance system.

If a child isn't given the information, tools and responsibility of handling money when she is young, including opportunities to have success with it, find pleasure in it and make painful mistakes with it, that child often grows up to be an adult who just doesn't have a clue what to do with money when she starts earning it herself. To her, money is just a tool to buy *piddlyjunk** as we call it in our camps (see definition on following page).

If a child has just one negative experience with money, and no structured financial experience or education to offset it, this one negative experience can set him up for a lifetime of financial misery. It doesn't have to be this way! Learning to manage money should not be left to chance and it definitely should not be an elective in school.

If children are exposed to, and practice, positive money habits when they are young, they have a pretty easy time maintaining those positive financial habits as adults. With a few basic, time-tested money-management skills and wealth-creation principles under their belts, they will have an easier time becoming *financially free**!

**Piddlyjunk*: Something you buy that either goes *down* in value after you buy it (clothes, CDs, games, etc.) or has *no* value after you buy it, (e.g., consumables; eating out and buying junk food and coffee fit that bill quite nicely). If you go out every day for coffee, you are literally drinking your retirement and eating up the funds you could be using to create financial security for yourself. For a great book on how a little money adds up to riches over time, read, *Smart People Finish Rich*, by David Bach. Be forewarned you will probably be tempted to give up that morning coffee at your favorite coffee house after you read this book, but I promise it's a good thing.

**Financially free*: You are financially free when the *passive income* from your investments (assets) exceeds the *expenses* of your chosen lifestyle. It's not necessarily true that you have to be rich to be financially free. A better theory, one most people find easier to swallow, is to get free financially first and become rich later! Just imagine how much more *good* we can do in the world and how much more enjoyment we'll get from our lives if we become financially free at an earlier age.

Let's look deeper into my three conclusions.

ALLOWANCE: GOOD OR BAD?

If you give your children money for no other reason than to have money to spend, what do they usually do with it? They spend it! Not always, but more often than not, kids like to spend the money they get (just like we do, or would love to do if we didn't have to be so responsible). There is a certain type of child, however, that won't spend money, no matter how much he has. If you have one of these, don't think you don't have work to do. This kind of child often grows into an adult who hoards his money or who doesn't enjoy his money and that's not healthy either.

Let's talk about the concept of delayed gratification for a bit. In the article, *Why Johnny Can't Save for Retirement,* (Fortune Magazine, April 2004), author Justin Fox talks about two very different brain functions: the primal function of the limbic system, which developed long before there was money, malls, credit cards or catalogs, and the cognitive, contemplative function of the prefrontal cortex, which is always busy calculating and weighing options. A study cited in the article found that when students were given the option of taking a specific sum of money now, or receiving a larger sum of money later, most of them chose taking the money now, and when they did this, their limbic systems (i.e., the primal brain) lit up like Christmas trees!

You see, we are hard wired for survival. This used to mean that we got excited when a deer walked past us because it represented food and, therefore, survival. This doesn't happen much anymore, unless you live in Virginia, where many businesses actually give their employees the first day of deer season off as an 'official' vacation! Generally speaking, Americans are pretty close to a grocery store most of the time. If not, the local 7-Eleven is full of tempting, hunger-satisfying, albeit life-shortening treats.

So there's actually a biological reason why we spend the money we get as soon as we get it, and this may explain why we buy things we may not necessarily need or want. Let's look at ways to teach this ever-elusive concept of delayed gratification, as it appears to be an acquired skill, and a valuable one at that.

In Carla Hanniford's book, *Smart Moves*, she discusses delayed gratification in terms of the developing emotions of a child. She suggests playing a simple time game when children are young (about 3 years old). For example, when a child asks for a snack, say, "Sure, and I will give it to you in three minutes." Then set an egg timer and ask the child to let you know when it's time. When the timer goes off, and the child lets you know, give the child the snack. She says that when children know their needs will be met, they easily develop a sense of time and learn delayed gratification.

What do children learn if you just give them an allowance but don't tie it to lessons, responsibility, choice, self-reliance and more? Absolutely nothing. At least nothing tangible in terms of helping them establish meaningful financial habits that will take them into adulthood.

Again, if you pay your children to do chores around the house, you are in essence paying them to do things that they should be doing simply because they are contributing members of the household. We all want to provide valuable lessons for our children through the activities we have them do. The most this kind of allowance usually accomplishes, however, is to encourage them to be good at making their beds or putting away the dishes.

Making kids do chores for money can also make them resentful because in order for them to get money from you they have to perform tasks that they may not necessarily feel like they should be doing. This type of an allowance, unless there are some rules or guidelines in place about what the child does with the money, rarely teaches the necessary skills or the financial discipline they will need as adults.

If you give your children money for doing chores, and you *do* give them rules about *how* they have to allocate this money, and if you do so without the *why*, your child may also develop negative feelings and emotions about money and this may cause them to be even more resentful. Resentment is not a healthy emotion to have about money yet it is a common emotion that adults feel toward money, and it usually develops in childhood through the experiences a person has with money.

Lawrence Stein, the man who helped launch The Money Camp, always shared his story about why the 'why' is so critical. He said his mother always told him to just put away $50 a month. However, when he added it up ($50 x 12 months x 50 years), it only amounted to $30,000. Even as a teen he knew he couldn't retire and live comfortably on that sum so he just concluded that he'd save money when he started earning more of it. Makes sense, right? It's easy to see how he came to that conclusion.

What his mother left out, however, was the *why*. She never showed him what would happen to his money over the long run if he invested it wisely (put it to work) so that it made money for him. Had she added a simple conversation about compound interest and compound growth, he may have been a bit more motivated to save the $50 every month. He would have had his 'why.'

Let's look at a common example that you could use with your child. If Larry had actually invested that $50 every month in the stock market for 50 years and gotten a 10% return on his investment (also called his ROI), he would have had *$873,488.04*. That sum would have gotten his attention! For a simple chart on how compound interest works, see page 180. For a great simple calculator on the web, visit:

www.planningtips.com/cgi-bin/savings.pl

If, however, you provide opportunities for your child to earn money for doing things that are what most of us consider "above and beyond the call of duty"— things like washing the car or mowing the lawn, cleaning out the gutters — then you are instilling a work ethic that may prove valuable in the future. This is a good thing.

SPENDING YOUR MONEY, NOT THEIRS

Many of you may have already noticed that when you offer to buy something for your child, he or she is usually eager to let you do it. Often this eagerness has little to do with how much the child actually wants the thing you're offering to buy. He is just excited because it's always fun to get new things, especially when someone else is paying.

However, when it comes to spending *their* money, it's a completely different story! If I may, let me tell you how I figured this one out on my own.

Many years ago, when my son Andrew was a teenager, he became so hard to buy gifts for that I got in the habit of just giving him money to buy his own gifts. We'd then schedule a shopping trip so he could buy something he wanted. He usually wanted clothes so we'd end up in a department store or a mall, walking from here to there, comparing

prices, talking about whether a particular pair of jeans was worth $40, whether he wanted or needed new underwear. You get the picture.

One afternoon, a couple of days after Christmas, he and I were having this annual exhausting experience and after a few hours I couldn't take it anymore. He simply couldn't decide what, if anything, he really wanted. I got frustrated, reached into my wallet, pulled out a nice crisp $100 bill and handed it to him. I said, "Here, buy whatever you want." He took the bill, looked at it, looked at me, put the bill in his pocket and replied nonchalantly, "Let's go home. I really don't want anything."

I was speechless! What had just happened? More importantly, what had I just learned? I realized then and there that it's easier to spend someone else's money than it is to spend our own. From that point on, things became much easier financially between my son and I. Today he is financially self-sufficient, uses credit cards wisely (he has one that awards points and he pays it off every single month), and regularly puts money into his ROTH IRA, which his Dad and I helped seed, of course. I'm proud to say, I practiced what I preach with him and, more importantly, I can say that it works.

NOTE: I didn't use this type of allowance with my son since it didn't exist then and I had no idea what I didn't know back then. He did get an allowance, however, and quite a lot of coaching from his father and I, and I know that helped get him to where he is today.

TEACH THEM NOW...OR LIVE WITH THEM LATER

Financial responsibility in adulthood happens quite naturally if sound financial habits are established early in life. According to the National Endowment for Financial Education (NEFE), as few as ten hours of classroom instruction can be enough to persuade students to improve their spending and saving habits. Considering the amount of time most kids spend watching TV in one week, ten hours isn't very much to ask of them.

Current statistics paint a dismal picture in regard to young adults' financial situations, and more importantly, their financial futures.

More college students leave school now because of financial problems than because of academic reasons. Many college students graduate these days burdened with often insurmountable debt, frequently forcing them to move home because they simply can't make it on their own.

These kids can easily fall into depression over the debt they have often unknowingly created and are even committing suicide over this debt. Many 20-somethings are simply unable to cope with the debt they are getting themselves into during college. This is a terrible way to start their new lives after they graduate, *if* they graduate at all.

There is something dreadfully wrong with this situation, but you can prevent this from happening to your child. Simply prepare them now!

NOTES:

Who's to Blame

"To err is human; to blame the next even more so."
~ UNKNOWN

We could point the finger of blame in many directions. Instead, let's look at the question in terms of who is responsible for preparing children for adulthood in whatever area we might choose; money, relationships, communication, job skills, health, social responsibility and more. I'd like to suggest that rather than getting all huffy about what 'should' be, we take a simple look at what *is* and see how we can all help to improve the situation. I once heard a wonderful quotation at a seminar that has stuck with me:

"The world won't change until we stop fighting against that which is wrong and start promoting that which is right." Now, even though right and wrong and good and bad will always be subjective things, we can apply that quotation here and stop fighting but rather begin promoting different aspects of educating our kids about money.

PARENTS

I think we can all agree that the primary responsibility for raising fiscally responsible adults lies with the parents. At least that's where we start. As I've already suggested, the challenge lies in the fact that so many parents simply don't know what or how to teach their kids about money because *they* don't know about money themselves.

SCHOOLS

We could look next to formal education and ask our schools and teachers to provide our kids with a financial education. Even though we'd all love to drop our kids off at school and have them fully prepared for adulthood between the hours of 8 and 3, it simply isn't happening. One statistic I read said that fewer than 10% of our high school graduates receive any kind of financial education, but I've also read that the majority of math teachers were indeed teaching aspects of financial literacy in their classes. Even if they *are* learning something about money in school, most don't learn the critical information they need to grow into financially free adults. In general, our kids are earning diplomas full of irrelevant information that doesn't help them become successful in life. With all the well-meaning government standards, and the requirements that go along with them, there seems little room for essential life-skills information in the areas of financial literacy, communication, relationships, parenting, etc. If you scrutinize the No Child Left Behind Act, you'll see that it has left many a child behind.

Because schools are publicly funded, they have to do what they are told in order to get the money they need to continue operating. Even though financial literacy is included in the No Child Left Behind Act, after all is said and done, it doesn't appear to be included in most school curriculums on a regular basis yet.

Now, add to this equation a nation full of overworked, underpaid teachers who 'do it for the love of teaching' (i.e., not the money) and who also were not raised to be financially savvy; too many administrative staff, who also lack the financial education (and perhaps the will) to change the way they allocate resources and you end up with our current system where kids are not learning the things they absolutely must learn to be happy, successful adults. Bottom line: most schools claim they just don't have the necessary resources to teach kids about money. There are many teachers who *do* see the need for financial literacy and even have the desire to teach it; the system just doesn't make it easy for these teachers to teach it outside the normal curriculum.

When kids do get a bit of financial education, it is usually in the area of saving, writing checks, and perhaps, a little budgeting. There's rarely talk of creating financial freedom. Most financial education is focused on saving, then investing with compound interest (which is rarely how people become rich) and accumulating money over the long haul to retire when they're old. Our current system is set up to create employees and soldiers, not happy, financially free adults who could do a lot of good in the world if they had more than enough money to take care of themselves.

GOVERNMENT

Let's look next at the idea that it is our government's responsibility to make sure we're prepared to handle money wisely. I'm sorry to be so cynical here, but this would be like asking someone who can't swim to stand in as lifeguard at a local beach that's known for its riptides and sharks. Or better yet, asking someone who is petrified of public speaking to get up in front of 10,000 people to do a presentation on a subject they not only don't understand but aren't able to do themselves!

At this point, I'll defer to one of my mother's favorite sayings. Though, as an adult, I've learned that it doesn't always apply to creating success in life, in this case I think it's applicable:

"If you want something done right, do it yourself."

Parents: that means *you*. So, on that note, let's move on. We have adults to grow!

NOTES:

For more ways to teach your children about money and investing, please visit our many financial literacy websites and blogs:

www.Ultimateallowancebook.com/blog

www.CreativeWealthIntl.org/cwi-blog

www.CampMillionaire.com

www.WinTheMoneyGame.com

www.CreativeCashforKids.com

www.FinancialColoringBooks.com

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