# Fiscally Fit Children & Grandchildren

– L. Daniel Akers, Jr., CPA, CFP®

Joline Godfrey, author of *Raising Financially Fit Children*, believes everyone is born with a "money temperament." Often children (and grandchildren) differ greatly from their elders when it comes to how they naturally deal with money. This leads to labels such as the hoarder, spendthrift, giver and beggar.

As a parent, you have tried to do everything right. You started talking with your children early on about financial subjects such as saving and giving back to less fortunate others. Did those discussions also include creditworthiness? Discussions about borrowing are generally more important than discussions on investing for young adults.

Long gone are the days of paying cash for everything. Your child's fiscal personality is shaped early on, often based on either the guidance you provide or worse, retail marketing pressure to which they may succumb. For young adults, starting life with a sterling credit record opens opportunities to grow financially.

As a parent or grandparent, learn the ways you can help ensure a good start:

## BEGIN EARLY

Start the process as your child heads off to college, if not sooner. Credit bureaus look for a history with a minimum of 12 to 24 months of using credit responsibly when evaluating a young person's ability to repay debt. Establishing and managing credit properly will help her/his credit look more attractive to a lender for those first purchases such as an automobile and eventually a home.

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## UNDERSTAND THE INNER WORKINGS

As your child begins to apply for credit, be aware of subtle differences. A retail charge card is not viewed the same by a credit bureau as a bank-issued Visa. Also, co-signing a credit card account with a child may help him learn how to be financially responsible, but does not count toward establishing a credit record in his name.

## RECOGNIZE YOUR CHILD'S MONEY TEMPERAMENT

Children's different personalities are apparent early on. Your daughter may be a hoarder, unwilling to part with allowances, whereas your son may be more of a spendthrift, with money burning a hole in his pocket. Likely, your daughter may be ready to responsibly use credit sooner than your son. Your son may need more practice before he can be left to his own devices.

## PRACTICE MAKES PERFECT

Begin by making your children authorized users on your credit card. Supervise purchases and let them participate in making payments. Next, help them apply for a secured credit card with your local bank. The credit limit is a few hundred dollars and secured by funds in their savings account. Later, they can apply for additional cards, which if managed properly, results in a more robust credit score.

In the end, if you are patient and teach your children or grandchildren the value of working toward a financial goal, it will pay off. It may take a few years, but it will feel great when you're sitting in the family room of your daughter's first home knowing only she is footing the bill.