

MONEY MANAGEMENT

Family Communications about Money

Why should families talk about money? Arguments over money are a common problem in many families, regardless of income, age and education. Sometimes a lack of income to meet basic needs is the cause of the problem, but many times inadequate communication about money is the reason for arguments.

Many financial problems occur because family members do not understand their money situation. If family members don't talk things over, even the most workable spending plan is doomed.

Values

Values are the basic reason behind everything we do. Values represent what is the "good life" to each of us. Values shape our standard of what we want our life to be. We show our values in the way we talk and act, in how we spend our time and effort, in our actions at work and leisure, and in our spending choices.

Knowing what is important to us helps us understand ourselves better. Knowing another person's values makes it easier to understand that person and why they do things as they do. Living and working becomes easier when values are understood.

As individuals, we all have different values and attitudes toward spending and saving money. These differences make each of us unique. When the values of family members differ, there is potential conflict. What is important to you? What are your values? It may be helpful to list them from the most valued (1) to least valued (5). The following questions will help you decide what values are most important to you.

My values list in order of importance

1. _____
2. _____
3. _____
4. _____
5. _____

Couples. Do you want to have children? If so, how many? What type of family life would satisfy you most? Are you prepared for the financial responsibilities of a family?

Work. Are you satisfied with your job? Do you make as much money as you would like? How do you feel about both husband and wife working outside the home? Are you willing to move for job advancements? Are you willing to move for your spouse's job advancements?

Home. Do you want to rent or own a home? Can you afford to furnish your own home as you would like?

Transportation. Could you get along without a car? Could your family get along with only one car? Would you be willing to drive less? Would you be willing to join a carpool? Would you be satisfied with a smaller car?

Recreation. What do you do for recreation? Would you be satisfied spending less on money on recreation, entertainment, eating out, or hobbies?

Future Security. Are you comfortable buying now and paying later? How important are savings? Have you started to plan for retirement? How would you provide for your family in case of death or disability?

Unrealistic Values

Financial disaster is sometimes the result of wanting more than you can afford. Young families often have money problems because they expect to immediately have the things that took their parents years to acquire. Social pressure may lead families to buy a car, a home, or expensive furnishings. Media advertising encourages us to overspend. For all of these reasons, families may find themselves with money problems.

Value Conflicts

Each of us has our own set of values. When there are differences in values within the family, efforts must be made to agree on common goals.

Talking about money is not always easy. However, the more open your family is about “money talk,” the more satisfied all will be with how family money is spent.

Family Involvement

In some families, one person makes all the decisions about money. This person is often the money earner. Families who believe that whoever earns the money decides how it is spent often have problems sticking to a spending plan.

If both husband and wife work together to make money decisions, there are fewer arguments. If parents openly talk with their children about finances, their children are usually more willing to carry out decisions. These are strong families.

Breaking the Ice

Keep the following guidelines in mind when talking with your family about money.

- ◆ Be honest about your money situation.
- ◆ Know that each family member will have different values and goals.
- ◆ Know that conflict may arise. Don't avoid it. Learn to manage conflict. Respect family member's differences. Work toward a decision agreeable to all.
- ◆ State your wants, needs, feelings and thoughts. Allow family members to do the same.
- ◆ Allow time. Don't rush the person talking.
- ◆ Use “I messages” (“I think,” “I feel”). Avoid “You-messages” (“You always,” “I feel like you never”). “I messages” state your own reactions. “You messages” blame the other person and say “I'm right”.

- ◆ Listen to one another. Tell each other how you feel and what you think about what others are saying.
- ◆ Be sure you understand what others are saying. Say, “Do you mean...” and then say back in your own words what you think they are trying to say.
- ◆ Be flexible. If necessary, compromise your wants for the good of the family.

Involving Children

Children learn about money by watching their parents. They also learn by practicing money management. Children who take part in regular discussions about using the family income learn how to make decisions. Children influence the family's spending even if they do not earn money. The wants and needs of children are a part of the family budget.

So, how can a parent help a preschooler, a school-ager, or a teenager to become responsible with money?

Tips for Parents of Preschoolers

Small children learn by touching, not just talking. Provide your child with a choice among three items in a store. Accept the child's decision. Then, let your child hand the sales clerk the money. Your child has then made a simple decision and spent money. If your child is disappointed with his/her choice don't give more money. We all learn from failures, too.

Help your child understand how jobs and money work together to meet family needs. Members work because the family needs or wants food, clothes, toys, etc.

Allow your child to do small chores, without pay. This teaches your child that he/she is part of the family and therefore shares in the workload.

Tips for Parents of School-agers

Some school-agers hoard money. This means your child is beginning to understand that money resources are limited. Use this time to teach them about wise spending and savings.

Older preteens can understand family spending. Let them make out checks or address envelopes and help with family shopping.

Work together in determining how much allowance your child should receive according to his/her needs. Avoid “paying” for good grades, chores

well done, or good behavior. Your child needs to develop personal satisfaction from good grades, and “payments” interfere. Your child will learn proper behavior best through other people’s enjoyment or irritation concerning his/her actions.

Tips for Parents of Teenagers

Teenagers want and need to decide how to spend their money. Peers may influence their choices. So, provide plenty of practice through the family’s financial decisions in long-range planning, record keeping, and credit. Help your teenager develop his/her own spending plan. Remember, when your teenager makes a poor choice, he or she will learn from that decision, too!

Emotional Uses of Money

Money is powerful. It can bring out the best and worst in people. So, understanding money’s influence can help a family gain control over their finances. Insight into the emotional uses of money can help prepare a family to handle sensitive issues when they arise. Some emotional uses are positive, such as security, comfort, freedom and sharing. Some can work against a family.

Answer the following true or false questions about your use of money. Be honest!

	True	False
1. I buy things I don’t want or need because they are on sale.		
2. I feel anxious and defensive when asked about my professional finances.		
3. I can never have enough money saved to feel secure.		
4. I buy things I don’t need or want because they are “in”.		
5. I overspend regularly on “extras.”		
6. I often insist on paying more than my share at a restaurant or on a group gift.		
7. I spend money freely, even foolishly on others, but seldom on myself.		
8. I feel “dumb” if I pay more for something than a neighbor did.		
9. I don’t trust others in my family to spend money wisely.		
10. If I earn the money, I think I should have the right to decide how it is spent.		
11. If someone in my family acts selfish in spending our money on him/herself, I feel I have the right to do the same.		

If you answered true to any of questions 1-3, you may feel insecure concerning money. Money is a form of security, but not the only one. What reasons other than money or material possessions might cause insecurity? Think about it.

Did you answer true to either 4 or 5? Then you may use money for status. Money sometimes reflects the values of friends rather than our own. What are your values?

True answers to questions 6, 7, or 8 might mean that you use money because your self-esteem is low. Spending on others does not win the affections of family members, friends, or co-workers. Your spending is your business. It has nothing to do with the spending of your neighbors. You cannot buy self-esteem. If yours is low, seek help through reading, therapy, changes in appearance or actions, but not through money.

If you answered true to questions 9 and/or 10, you may use money to control others in the family. In two-earner families, “his/her” money divisions can cause resentment. Not involving family members often results in lack of cooperation. A dictator may secure obedience, but not love. Which do you want from your family?

A true to question 11 may indicate that money is used for retaliation, “to get back at someone.” This often causes fairness to become such an issue that it blocks love and affections. If you need to disagree, do so without using money as your weapon.

When emotional uses of money go unrecognized, trouble brews. Try to prevent it.

Family Council Meetings

One way of ensuring family involvement in money decisions is by holding family council meetings. These meetings help family members explore their own beliefs, values and wishes. They also offer the chance to voice complaints, ask questions, and give suggestions. Plans and decisions can be made in the family council meeting.

Here's how to plan family council meetings:

- ◆ Arrange a regular time and place to meet.
- ◆ Involve everyone old enough (older preteens and up, and some younger children if they show signs of understanding the idea of “family money”).

How do you start? What happens at the first meeting? You might begin by using the worksheet provided on the last page of this booklet. Take a minute to look at the worksheet now. You may find that you need more than one meeting to discuss the worksheet.

How do you ensure success? Following are some guidelines:

- ◆ Identify issues and stick to the subject! Example: Is the problem one of spending too much, spending at the wrong time, or spending on something another family member considers unimportant?
- ◆ Work for consensus of opinion. Try to work out a solution that is agreeable to everyone. Voting is competitive. Losers may resist carrying out the decisions. If consensus seems impossible, try to postpone the decision for time to think cooperatively.
- ◆ Once a problem has been solved, a written agreement of what each person has agreed to do may help avoid misunderstandings later.

How does it work for a single parent or step-parent? The meetings and decisions made should involve only those living together. We may not like decisions made by family members living in another household (ex-spouse, grandparent, stepparent), but we can't make their decisions. If two ex-spouses get along well together, then including children in discussions involving both households may be appropriate.

Talking About Money Worksheet

The Talking About Money Worksheet (page 6) may be used to help your family start a discussion on money. The worksheet will help you identify values and set financial goals. Each capable member should complete the worksheet separately. Be specific and honest with your answers. Parents may need to define some of the terms for their school-aged children.

After completing the worksheet, compare your answers. Discuss how you agree or disagree. Are you able to pinpoint the conflicts?

Starting with the points of agreement, begin to write down some short- and long-term goals. This will help you develop a spending plan so that your family can begin saving for the things you want.

If you have items of disagreement, the following decision-making steps may help you arrive at an acceptable solution.

Step 1. Define the problem. Be specific. List only one problem at a time.

Step 2. List all ways the problem could be solved.

Write down all possible solutions that come to mind. Don't make judgments at this point.

Step 3. Evaluate each of the solutions in Step 2.

Are they workable, practical, and agreeable to everyone?

Step 4. Select one solution. Outline the steps necessary to arrive at this solution.

Step 5. What could prevent you from reaching your goal? How can you avoid these obstacles? Are you willing to sacrifice to solve this problem? Whose support do you need?

The Family Spending Plan

Impulse buying, daily trips to the store, inadequate insurance and poor saving habits are the result of a lack of financial planning. Families cannot afford not to plan. A spending plan can help relieve stress. It is not a strict rule. It is a guideline open to change when needed.

Setting goals and seeking alternatives are basic to successful financial planning. Family members are more likely to cooperate in saving money when they see a way to reach both short- and long-range goals. Family members will always have differences in goals, especially the short-range ones. But these problems can be eased through family involvement and planning.

A goal-setting worksheet may be used in setting short- and long-term goals and in planning how to reach these goals. This worksheet could be used for a family council meeting. Assign a dollar amount to the goals on which your family agrees. Set a date when the money will be needed. Then decide how much money needs to be set aside each year and each month to reach that goal.

Living With Change

Family situations can influence, disrupt, and change family finances. These include divorce, remarriage, an adult child moving home, an aging parent needing help, unemployment, and a medical problem of a family member. In each of these cases, all persons who are capable of being involved in the money decisions should be. This allows all to grow and understand.

Change, confusion, and conflict are part of everyone's life. Changing jobs and roles for men and women, along with the changing economy, have caused all of us to re-think how we earn and spend money.

To predict and deal with change as it affects the way money is used is a challenge to financial management. Clarify values, analyze potential causes of money problems, and develop communications skills to make your money management a satisfying experience for your family.

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Talking About Money Worksheet

Directions. Family members should answer these questions separately, then compare answers. The similarities and differences that turn up can spark a discussion of family money attitudes and practices.

1. If you received \$5,000 tax-free, what would you do with it?

\$ _____ for _____ \$ _____ for _____
\$ _____ for _____ \$ _____ for _____
\$ _____ for _____ \$ _____ for _____

2. Rank the following activities. Use 1 to indicate what you would enjoy doing the most and 6 to indicate what you would enjoy least.

_____ An evening at home with the family _____ Some quiet time to myself
_____ A night on the town _____ Spending time with friends
_____ A few extra hours on the job _____ Involvement in physical activity

3. If you had to make a major cut in your current spending, what area would you cut first?

4. Do you agree (A) or disagree (D) with the following statements?

A D I'm basically too tight with money.
A D My spouse/parent is/are basically too tight with money.
A D Equality in family decision-making is important to me.
A D I feel good about the way financial decisions are made in my family.
A D Sometimes I buy things I don't need just because they're on sale.
A D I believe in enjoying today and letting tomorrow worry about itself.

5. I'd like to see us spend less money on _____ and see more dollars go to _____ .

6. What money problem is the most frequent cause of argument in your family?

7. What was the most sensible thing your family has done with money?

The most foolish? _____

8 Do you know the dollar figures that go into the following blanks?

Family take-home income \$ _____ Money spent on food each month \$ _____
Rent or mortgage payment \$ _____ Monthly car payment \$ _____

9. Buying on credit is _____ .

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