

## Learning Financial Education by teaching our children

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They say that the first financial education book was *The Richest Man in Babylon* by the American writer George S. Clason, written in 1926. There have been some twenty editions of the book and it has been read by millions of people. Born in 1874, Clason set out to explain simply through the use of parables the basic decisions that led a man called Arkad to become the richest man in a civilisation which, more than 8,000 years ago, was the economic capital of the world as New York is today: Babylon.

As the famous investor Warren Buffet, who made his fortune by taking good decisions, used to say: "You only have to do a very few things right in your life so long as you don't do too many things wrong." Let's go back to Mr Clason. He teaches us in an entertaining way about 7 basic principles that we need to learn. And I will only touch on the first two (you can buy the book to read the rest if you wish).

1. If you earn 10 coins, always keep at least one
2. Distinguish between your fixed costs and your discretionary expenditure

We are living through extraordinary times with few parallels. Full of possibilities. Everything is set up to present us with easy decisions. Carpe Diem. Everything is just a click away. We don't just want things quickly, we want them instantly. And these are the times that our children must navigate. Have you seen the face they pull sometimes when we talk to them about the future? And I'm not talking about years, just thinking about or planning for next month.

How can we as parents deal- with the invaluable support of school - with this all-pervasive need for immediacy and urgency? It's not at all easy. These days, values such as perseverance, hard work, setting medium-term objective and taking steps to achieve them, are not at all fashionable

Despite that, everything can be learnt through education. Yes, education, which is not just the subjects they teach you at school or education understood as good manners. I'm talking about the vital role that improving our financial education can play in every home. Our children learn soon enough what money is, but most of the time they think it's just for (mis)spending.

Look, did any of you have a subject at school called Financial Education? Who taught you to understand money when you were children? Was it discussed at home, or was it "just not talked about"? If we're honest, 'money' was not something that was easy to talk about in every home.

Most of us learnt by observing our environment. As human beings, we accept as reasonable and normal what is happening around us. But is that enough when it comes to financial education? Perhaps one problem is that the knowledge that families have is not very broad. What can we do? An easy one to start with. They say that the best way to learn is through play. Where money is concerned, who hasn't had a good (or bad) time playing Monopoly? Values like saving a little each time you pass Go (end of the month), seeing how good and bad Chance cards come up - as in life - and that you have to cut your coat according to your cloth (because if not you can be left with nothing), are great fun to learn when we're using "pretend" money. How long is it since you played it at home?

Another good way of learning is when you have to explain something to someone else. For example, teaching our children to save will surely enable us to learn to save more at home. If we make it a family challenge, where the thing we're saving for is something for everybody (a holiday, home improvements, etc.) the chances of everybody learning successfully will be that much greater. Saving will teach our children self-discipline and to prioritise and manage the things they want, and they will be able to see that what started out as a small amount has grown over a (reasonable) period of time to something much larger. Their savings have to come out of their pocket money (or allowance). But let's pay them that money in exchange for something, as perhaps the most famous author of financial education books, Robert Kiyosaki, author of the (for me highly recommendable) best-seller, *Rich Dad, Poor Dad*, used to say. Just giving our children money without getting anything in exchange is not good financial education for the future and won't help them to lay the foundations for good management of their own finances.

The financial crisis that we have now (it seems) overcome, taught us that the world has changed and that we cannot put off improving our own financial education and that of our children any longer. Even so, in school and at University there is still no subject called Financial Education, and there are no educational programmes on the television and there are very few lectures or courses available. But that does not excuse us as parents from teaching it ourselves. And in teaching it we will learn. Let's start with two observations that George S. Clason shared in 1926:

1. Faced with a choice between learning to understand and manage money and having more money right now, the overwhelming majority would prefer to have more money now. What would each of us choose? Everything that we normally learn is not lost. The rest ...
2. When you're paid at the end of the month, first pay yourself (savings) at least 10% of what is left after your fixed costs and then prioritise the things you want to (or can) afford.

Teaching our children to save and to respect money will teach us all in our homes something too. Teaching and learning take effort and are expensive, but as an ex-President of Harvard University used to say, *if you think education is expensive, try ignorance*.

So let's make ourselves learn financial education by trying to teach our children. It's up to each of us to take a step in the right direction.