

Planting The Seeds For A Financial Harvest



Since the age of 16, my daughter has worked summer jobs. She's been a waitress, a hostess. A cashier at the local HEB supermarket. This isn't a topic we've discussed formally, so it made me curious as to her motivations at the time. Sure, we've had countless small money moments as early as age 5. Formal conversations have been granular covering specific topics such as payroll tax withholding and where to invest her money. On a side note, money discussions with your kids should be casual and occur in brief but impactful moments. A discussion over the price on a BRATZ doll at Target; is it worth spending the cash? How much to save, share and spend from a weekly allowance. You see, anytime is a good time to talk money with children. The casual the better. Over time, parents gain a sense of their children's money scripts or how they're wired. Are they ambitious savers or profligate spenders? I recall my first job delivering *New York's Picture Newspaper*, *The Daily News*, at 14 years-old. The route was one of the largest in my Brooklyn neighborhood. The lessons were indispensable and remain with me today. **Selling, customer service, handling complaints, the discipline to wake before 5am including weekends, to make sure papers were delivered before morning coffee, and the financial reward I earned sacrificing hours of my weekend to collect payment from subscribers.** It was a challenge, yet I remember how the job fostered feelings of well-being through a challenging childhood. I asked people through social media about their summer employment and what motivated them to take on the responsibilities while their friends were on vacation or at camp. The

positive responses were overwhelming. People couldn't wait to share. The exhilaration was contagious. **Many were vocal about how the qualities they developed working as teens, were unequivocally linked to prosperity, financial and otherwise, as adults.** First, you're proud. Yet, there's something strangely sad about the milestone. Perhaps your teen is embracing maturity with gusto, motivated to take on new responsibilities and taking a big step to adulthood, to independence, which makes you feel vulnerable, uncomfortable. **Old.** *Ok, so that was MY issue.* So, you have a teen or grandchild who is wrapping up a summer job? Don't let an opportunity to make the most of the experience fade away before the new school year starts. What can you try? **Celebrate the ?wrap up? from payout to paycheck.** Most likely, there's been a long-standing allowance agreement at home. Sure, you taught the basics of save, share and spend early on, helping your child formulate a simple yet impressionable strategy of monetary discipline. It's time to re-visit the discussion. The addition of sweat equity adds another dimension to save, share and spend. Have a ?big picture? talk and explore how take-home pay was allocated. Celebrate the wrap-up of such an accomplishment at a special yet informal setting ? Allow your child to share deeper thoughts around save, share and spend. Guide the conversation, provide reinforcement for good ideas and create positive memories around how proud you are of the transition from payout to paycheck. My daughter and I held our celebration at a pizza establishment named Mellow Mushroom. **Initiate the ?Level 2, Triple S? protocol.** No, it's not the title of the new *Mission Impossible* movie. It's how save, share and spend takes on renewed relevance in proportion to the past. It's the ?Triple S, Level 2? rite of passage. As a child, allocating an allowance or cash for chores, was important. With a summer job, parents and kids make allocation decisions with greater impact. Oh, there's another interested party looking to share in your child's success: It's the IRS. Taxes are now a consideration. As an employee, your child was to complete a W4 form to indicate the correct amount of tax to be withheld from each paycheck. For 2018, a dependent youth doesn't require a tax return filed if earnings do not exceed \$12,000, the standard deduction amount. In my case, we felt comfortable writing ?EXEMPT? on line 7 of the W4; as a dependent, my daughter will most likely not exceed \$12,000 in earnings for 2018. I find most parents will recommend their children withhold taxes and receive a refund. I don't think this is a good lesson as a refund is an overpayment of taxes, an interest-free loan to the government. Parents are unsure how to advise their kids, so they have them withhold taxes ?just to be safe.? Again, not an optimum financial decision and example for young adults. **Fund a Custodial Roth IRA.** Working leads to new investment vehicle opportunities. Fund a Custodial Roth IRA with a savings allocation of at least 30% of summer earnings directed into a Roth as a contribution. For 2018, the maximum that can be placed in an IRA is \$5,500. Even invested conservatively, a \$1,500 deposit, earning annually at 4% has the potential to be worth over \$11,000 tax-free by the time your teen reaches 67 years-old. Time is your child's greatest ally; part-time employment provides the opportunity to jumpstart full-time retirement. At the least, they may tap into contributions in later years to fund a down payment on a primary residence. Not an optimum solution however, it's better than tapping into a pre-tax 401(k) or traditional IRA and shelling out ordinary income taxes and possibly, early withdrawal penalties. For example, [roughly 1 in 3 millennials](#) withdraw or borrow from their retirement accounts to purchase a home. **Start a cash-flow discovery exercise.** As my girl had additional money to spend, we emphasized budgeting in our discussions. It's crucial children maximize what's left of a paycheck after taxes and savings. Teach kids to make saving a priority and to pay themselves first. It's one of the best financial habits you can instill as parents. My daughter's two biggest expenses ? clothing and music downloads were monitored using a free Smartphone budgeting application she selected. Set aside 20 minutes, initiate a ?cash flow discovery? exercise to review expenditures and the overall work experience. I seek to learn the pros & cons of my daughter's summer jobs. I want to hear how she handles customer complaints, interacts with other employees and working makes her feel. After all, earning a pay check is exciting. Some kids get carried away and go through what I call an ?independence splurge? where spending increases along with the first paychecks. Ironically, I've observed most of the spending is done at a teen's place of employment as employer discounts are considered a ?benefit.? **As a**

parent or grandparent, what have you lost and found again? At our personal summer-job celebration, I shared my early work memories good and bad. I opened up about the time I got fired from Stern's Department Store. Not my proudest moment. Overall, my daughter helps me re-live the best of my work habits and reminds me of why I've been motivated to succeed for so many years. And teens? Your family finds your initiative admirable; also, they're observing how you handle multiple responsibilities outside of home and school. Your work efforts are forging their confidence in you to handle future fiscal responsibilities. The disciplines that begin as a working teen will sharpen and live on in you for many generations. **The financial seeds planted today have potential to grow large.**