

Praise for the book

'Piggy Bank to Portfolio fills a huge lacuna – something that was clearly missing in addressing financial literacy. Often, parents are reluctant or miss the opportunity to talk to their children about financial education. This easy-to-read book will go a long way in aiding our future generation appreciate the value of money, understand the benefits of savings and make sound investment decisions. I highly recommend this book to every parent. As it is rightly said – an investment in knowledge pays the best interest.'

– **Deepak Parekh, Chairman, HDFC Ltd**

'As a parent to young children I hope to impart to them wisdom about the role of money in life as well as the importance of managing their finances properly. This book provides a great recipe on how to raise financially literate and responsible kids.'

– **Kunal Bahl, Co-founder & CEO, Snapdeal**

'The pandemic has made us revisit our mental and physical practices. But an often overlooked aspect that is as crucial is financial literacy. Families provide the first classroom for their children, and financial literacy must be an integral part of that curriculum.

There is a plethora of free tools and resources from Investopedia to Varsity. While these tools are indispensable for adults, the technique to teach children is most effective when practical. For example, when teaching budgeting, instead of presenting theory through excel sheets, a simple practical example such as providing a child an allowance and asking them to manage it for their expenses like ice-creams or bus fares not only boosts their self-

esteem but also encourages them to become curious at an early age on educating themselves.

Binal and Soneera's initiative to inculcate these habits early is crucial now more than ever. We must collectively create a culture where financial literacy is embedded as a priority.'

– **Nikhil Kamath, Co-founder, True Beacon and Zerodha**

'An excellent book to teach your child financial responsibility.'

– **Rakesh Jhunjhunwala, Founder, Rare Enterprises**

'Today a kid finds all her answers online. But it is the parents who need to help them tackle the biggest puzzle of all, finance. Once a child understands the value of a piggy bank and expands it to a portfolio, India will be a strong nation. *Piggy Bank to Portfolio* is a must for every parent. It is a beautifully written, easy-to-understand book that will help parents talk about money to their kid. It might teach them a few things too!'

– **Vijay Shekhar Sharma, CEO, Paytm**

'This book is bursting with practical ways to incorporate money lessons into your child's upbringing. Binal and Soneera's easy-to-read, conversational style will have you thinking about your own money values and help you raise financially confident and compassionate kids.'

– **Zarin Daruwala, CEO, Standard Chartered Bank, India**

Piggy Bank to Portfolio

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How to Raise Financially Smart Kids

Binal Gandhi and Soneera Sanghvi

 Juggernaut

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Dedicated to our children
Annika & Ansh
Mira & Riya

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Why Talk to Kids About Money

Mom: 'What do you think I am, made of money?'

Child: 'Isn't that what MOM stands for?'

- Can you buy me a new game/Lego set/doll house?
- Why do you work? Why can't you spend more time with me?
- Why can't we go for an international vacation?
- Why is that man poor? Are we rich?
- Why can't I have a new smartphone? All my friends have one!
- Can I take my friends to (insert really expensive place) for my birthday?
- Where does the money we put in the bank go?
- Why do we have to wait to buy a new car?

Do these questions sound familiar? If you are like the many parents we interviewed for this book, your child must've asked you at least one of these questions. Money is not an easy topic to discuss. When we raise our kids, we focus on good manners, values, education and exposure, but we often avoid talking to kids about the basics of money – how we earn it, spend it, save it, invest it and, most importantly, how we value it.

Parents put off talking to children about money for various reasons. Some worry that their children are too small. As a parent put it, ‘They have to grow up and deal with that anyway, why ruin their childhood now?’ Some think that talking to children about money will make them money-minded. Other parents don’t know what to tell their kids about money.

Our survey of over 500 parents shows that 41 per cent feel that they do not know enough about money themselves or they do not know what to teach their kids about money. Another 31 per cent feel that the kids could learn about money on their own when they grow older.

The reality is that money-related habits in children start forming at an early age – by age 7, as shown in a Cambridge study.¹ And parents are the biggest influencers when it comes to good money habits in their children. So, if you have any doubts on when to start talking to children about money the answer is now. If your children are older and you haven’t started discussing money, it’s never too late to start.

‘Sometimes parents wait until their kids are in their teens before they start talking about managing money – when they could be starting when their kids are in preschool,’ says billionaire investor Warren Buffett. In fact, he says, the biggest mistake parents make when teaching kids about money is that they start too late.²

As parents, we do not want our children to make the same mistakes we did – be it saving too late, investing too little or borrowing too much or even paying interest and

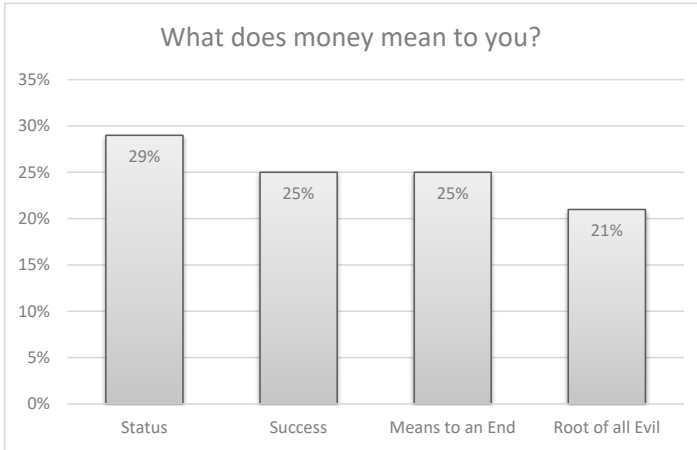
late fees. Our survey for this book shows that 62 per cent of parents wish they had learned more about money when they were younger.

Your child's attitude and money habits when they become adults will play a large role in their life. Their ability to make sound financial decisions will give them the freedom to choose what they want to do with their lives, which is the key to happiness.

Financial education isn't about teaching kids financial theories every day and giving them homework. It is about being a good role model, talking to them about some of the money-related decisions you make and giving them enough opportunities to gain practical experience with money. Conversations with children about money are opportunities to help them understand and develop healthy financial habits. It's a chance to help them understand your family values and views about money.

Teaching children about money is tricky because money means different things to different people. One's luxury may be another's necessity and a third's frivolity. Some parents equate money with security, some with luxuries, some with hard work and a few even view it as a necessary evil. Our survey reveals the disparity in parents' feelings towards money (see figure on the next page).

So how do you talk to your child about money and how do you teach children the value of money? These are the questions we tackle in this book. We wrote this book with one aim – to help you raise financially prudent children who



Source: *Piggy Bank to Portfolio Parents' Survey*

are comfortable handling money. Every chapter includes age-appropriate activities and worksheets for children under 12. For teenagers (because they're not going to sit and do worksheets with you!), we have small tasks built into everyday routines. These tasks will help them gain hands-on experience with money and make learning fun and practical. The Money Talks section, at the end of every chapter, answers commonly asked questions that parents can use as conversation starters when discussing money with their children. Think of this as our curation of Financial FAQs.

Your children will grow up (too quickly) and spend your money (even quicker), they will earn their own money, decide what career path to take, and eventually start saving for their own future. Whether we like it or not, all aspects of our lives

have something to do with money. And whether we have a lot or a little, core financial values don't (and shouldn't) change with financial means and status.

We discuss these core values in-depth in each chapter.

There is no money tree

Money, for 99 per cent of us, is a finite resource. We work hard, make sacrifices, and take risks so we can have enough money for our needs and wants. Chapter 2 discusses the pros and cons of pocket money and the importance of self-control and budgeting.

Spending–Saving = Yin–Yang

Spending and saving are best done when balanced with each other. Spending is about happiness now and saving is about happiness in the future. Chapters 3 and 4 give you tools to help your children balance this see-saw.

Money doesn't equal love, happiness or self-worth

Money cannot buy happiness. Research shows that after a certain income level, more money does not make a significant difference in a person's life satisfaction.³ Children must learn that a fancy brand or car is not what defines them, or their self-worth. Chapter 4 addresses peer pressure and discusses how to instil good spending habits from a young age.

Creating wealth

Rs 10 lakh saved today when your child is 5 years old will not be worth the same when your child is 20 and wants to do an expensive postgraduation course. Chapter 5 discusses the significance of inflation, passive income, and the importance of investing early. Our anecdotes and tips will help you encourage budding Jhunjhunwalas and Buffetts.

Living within our means

When we grew up, our comparisons were restricted to our social circle, not social media. Lifestyle upgrades and consumerism have changed the way Indians look at borrowing. Chapter 6 discusses how to teach our children the cost and consequences of borrowing.

Giving back

As incomes grow, parents are concerned about raising entitled children. Chapter 7 discusses how to instil the practice of gratitude and the importance of giving from a young age.

Planning for the future

‘What do you want to be when you grow up?’ Chapter 8 discusses how to help our children explore different career paths and choose a career that is fulfilling emotionally and financially.

Our children will have a healthy, productive relationship with money if they can master these values. As parents, we can give our children all the financial wisdom in the world but it will mean nothing if we don't practise what we preach. So before you embark on this financial journey with your child(ren), be mindful of the following:

Be a good role model

Kids learn by watching you, your behaviour and how you deal with money. If you're a compulsive shopper don't expect your child to be thrifty. If mom or dad routinely go over budget, the children will think – why budget?

Be consistent

Before you talk to your children about money, your partner and you must be on the same page (easier said than done, we know). The quiz at the end of this chapter is a good starting point for your partner and you to discover your financial values and how to approach your child's financial education. Consistency will ensure that the financial lessons you want to teach are not lost.

Show sensitivity and patience

Your children will make mistakes. That is the whole point of starting early. Allow your children to make these mistakes and let them learn, instead of scolding them and making them wary about handling money later.

Age-appropriate teaching

When children ask their parents ‘Do we have a lot of money?’ or ‘Why can’t we have xyz?’, they’re not always talking about money. The younger children are wondering why they can’t have a toy or a vacation; the older children are wondering why their friend gets to do things they don’t. Parents need to think about the question from the child’s point of view, empathise and give an age-appropriate response.

Gender sensitivity

Children are also sensitive to gender biases. In many families, girls are taught about saving and budgeting, while boys are taught about investing and growing money. Most parents we interviewed stated that the husband makes the major financial decisions in the house. We often meet women whose husband, father or brother manages their investments. We can end this disparity by treating our children the same and ensuring that our daughter is as comfortable handling money and investments as her brother.

Now you’re set. Good luck. Here’s to raising financially independent children.

Parents' quiz

You and your partner should take this quiz separately and discuss your answers to develop a consistent approach to your child's financial education. The more aligned your values are, the more effective the message.

1. At what age should we start talking to our child about money?
 - a. 6–10
 - b. 10–12
 - c. 13–16
 - d. 16+
 - e. When they become adults
 - f. Talking to our child about money is not necessary, the child can learn on his/her own when he/she grows up.

2. What money-related mistakes did you make when you were younger that you do not want your child to repeat? (You can choose more than one answer.)
 - a. Saving less
 - b. Not investing
 - c. Not paying my bills on time
 - d. Taking on too much debt
 - e. Spending more than my income
 - f. Living too frugally
 - g. Not giving back to the less privileged

- h. Other (specify)
 - i. All of the above
 - j. None of the above
3. What should we be teaching our child? (Select the ones you think are important.)
- a. How to shop for the best deal
 - b. How to save regularly
 - c. How to budget money
 - d. How to protect personal financial information online
 - e. How to pay bills
 - f. How to check your bank statement/balance your chequebook
 - g. How do credit cards work
 - h. How taxes work
 - i. How to invest and grow your money
 - j. Giving to the less privileged
 - k. All of the above
 - l. None of the above, the child can learn on their own when they grow up
4. At what age should we share our income details with our child?
- a. < 10
 - b. 10–18
 - c. 18–25
 - d. 25+
 - e. Never

5. Should we involve our child in family budgeting/spending decisions? (Discuss specific examples, if that is helpful.)
 - a. To a great extent, so that they can learn by doing
 - b. Occasionally, when it makes sense
 - c. It never occurred to me
 - d. It is not appropriate

6. Should we give our child a monthly spending budget?
 - a. Yes, that is how we plan our expenses and spend our money
 - b. Yes, we don't have a household budget, but our child should learn
 - c. No, our child can budget their expenses when they are older
 - d. No, we should give our child everything we did not have when we were growing up

7. What should we do if our child asks for an expensive game that we know they will not use for long?
 - a. Buy it. We should give our child everything we did not have when we were growing up
 - b. Ask our child to justify the purchase and buy it if they have a good reason
 - c. Don't buy it, but explain your decision to them
 - d. Don't buy it and don't give an explanation

8. How should we deal with overindulgent grandparents who cannot say no to their grandchild?
 - a. Do nothing. Grandparents should always be allowed to indulge their grandchild
 - b. Talk to the grandparents and ask them not to overindulge their grandchild
 - c. Talk to the grandparents and ask them to check with you before they buy anything expensive for their grandchild

9. At what age should we give our child a smartphone?
 - a. 6–10
 - b. 10–12
 - c. 13–16
 - d. 16+