

BOOK
SAMPLE

THE
ART
OF
ALLOWANCE™

A short, practical guide
to raising **MONEY-SMART,**
MONEY-EMPOWERED kids

JOHN LANZA

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SAMPLE**

The Art of Allowance

A Short, Practical Guide to Raising
Money-Smart, Money-Empowered Kids

John Lanza

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*“Any man who does not think that what he has
is more than ample, is an unhappy man,
even if he is the master of the whole world.”*

— Seneca (Greek Stoic)¹

For Robert Day Thomas, My Granddad



With Granddad in 1978

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Introduction

Black Beauty

My grandfather carefully inspected “Black Beauty,” his first “horsey” bank. The bank was small and sleek with a two-inch hole in the top to receive coins.

“When did you start saving in it?” I asked.

“I can’t remember not saving.”

Growing up amidst Depression-Era breadlines and financial uncertainty had its silver lining.

Michael Pollan, author of *The Omnivore’s Dilemma*, has a simple guideline when it comes to eating: “Don’t eat anything your great-great-great grandmother wouldn’t recognize as food.”² Similarly, my grandfather’s advice when I graduated college and headed off into the world was simple: “Understand compound interest, and live beneath your means.”

My grandfather was probably the most money-smart, money-empowered person I’d ever met. He lived the advice he gave me. We can all learn from him.



"Black Beauty"

A Simple Mission

“My view of human nature is that all of us are only just holding it together in various ways,...and we just need to go easy with one another, knowing that we’re all these incredibly fragile beings.”

—Alain de Botton

If you’re a parent like me, then you can probably relate to Alain de Botton’s quote. Just trying to keep it together. Last night after dinner, my wife and I high-fived each other for our *remarkable* achievement...we fed our kids! As comedian Louis C.K. noted, “When you’re a parent,...it’s impossible. You make HUGE mistakes constantly. Like ‘Oops. Irreversible damage, there.’”³ These trials underscore the difficulty of a pretty simple mission—to raise good kids.

If you’ve ever thought about why raising a child to be money-smart is so hard today, then you’re in good company. There are strong forces working against it: omnipresent marketing, societal reluctance to discuss money openly and a feeling that there’s just not enough time. Concurrently, with the fraying social safety net, disappearing pensions and the growing gig economy, we all must bear greater responsibility for our own financial well-being. Our children’s responsibility will inevitably increase. Our kids will *need* financial smarts to thrive.

In reading this book, you’ve made an important decision to begin teaching your child money smarts. I don’t take your choice lightly, and I’m here to help. When you consider the societal stressors associated with money troubles—indebtedness, relationship strain and less freedom, to name a few—what could be more important than choosing to teach your child money

smarts? Being in control of money does not ensure happiness, but a lack of monetary control often leads to misery.

I wrote this book to help you raise a money-smart, money-empowered child. You will create an allowance program to help your child learn the real-world, core money-smart skills: *distinguishing needs from wants, making smart money choices and saving for goals*. You and your child will develop your own *Art of Allowance* as she takes control of her money and learns to use it as a tool. I use “she” or “he” interchangeably throughout this book, as *The Art of Allowance* applies to both your daughters and your sons.

Becoming money-empowered will be a journey for your child. First, she will learn money smarts, the building blocks for a money-empowered foundation. A money-empowered person knows money is a tool and uses it to craft a meaningful life. A money-empowered person thinks through purchases and spends intelligently on items of value and meaning. She gives to charity—or, in the parlance of this book, she “shares” her money with those less fortunate than herself—at the level she finds fulfilling. She also saves for bigger-ticket items. This plan of action includes her having enough money to enjoy all of life’s phases, from young adulthood through retirement. She puts needs first and compartmentalizes her indulgences in keeping with her beliefs.

Nobody’s Perfect

Before we take these first steps, please know that I am not a paragon of perfection when it comes to teaching our own kids to be money-smart. Sure, my wife and I got them started early. From a young age, our children learned to employ the goal-setting and visualization techniques I’ll discuss later. Like any

parent, however, I get lazy from time to time. You will too, and that's okay.

Raising a money-smart child is a bit like meditation. You're not looking for a 100% clear mind. That's impossible. You're building mindfulness in bits and pieces. You may be distracted at first before you settle in and find more mental stillness as time goes on.

Starting a dialogue about money with your child is a huge step forward in the journey you will take together. Be kind to yourself if you 1) miss a week of allowance payment, 2) let him lose track of a savings goal or 3) allow him to forget completely about one of the jars I'll help you set up. We'll discuss how to avoid these issues, but life happens. When you hit a bump in the road, always try to keep the big picture in mind—your intention to raise a money-smart, money-empowered child.

We'll get into bigger issues like protecting ourselves and our families from the invasion of *stuff*. Many parents have asked me how they can raise less materialistic kids. This book is in part an attempt to help you do that. *Stuff* is at the core of materialism, and this book addresses this issue head-on. Similarly, we'll discuss how money should not be used as a metric to determine societal value.

Although we may want to believe that giving a periodic sum of money called "allowance" is the magic dust to help grow a money-smart, money-empowered child, the truth is that there is no magic dust. In fact, starting an allowance is where this process gets real. You will replace abstractions like "saving for a rainy day" with saving for actual goals.

Armed with money, your child will begin to make tangible choices. She'll make mistakes, and the small error now will

help her avoid the big blunder later. You'll want to give her some autonomy, and now is the time for you to step up as her guide rather than to step back entirely. Passivity is where many allowance programs go awry. You are her active guide. This book is your manual.

While I can help you on this journey, this book is called *The Art of Allowance* because you will apply your own parenting skills and understanding of your unique child to craft your own program based on the guidelines presented in this book. You'll get the tools you need to help your child along the path to becoming money-smart and money-empowered.

You're making an important choice—that you will be the one to teach your child about money. You're also making an investment of time—your most valuable asset—to motivate her to move towards this goal. I want to help you get there.

Our Story

Our own journey began innocently enough. My wife and I were driving with our then six-month-old daughter to Big Bear, an idyllic little getaway just outside of our Southern California home. Naturally, we talked about our family plans, and the discussion soon turned to how we might raise a money-smart child.

My wife had always been money-smart. She saved for and bought her dream car, a Jeep Wrangler, in her early twenties. Paid for in cash. No debt. As you'll read shortly, I took a little longer to figure things out. We wondered how this disparity happened. Both of us came from frugal families. My dad was even a banker!

We set a goal to actively raise money-smart, money-empowered kids. We didn't want to leave the results to chance, and our goal inspired us to conceive *The Money Mammals* program. I knew that we needed to engage kids—to get them excited—to become money-smart. Not an easy task.

As we developed materials and programs to support this initial mission, I began to realize fully the importance of parental involvement in the process. After creating a DVD, three picture books, mobile apps and more materials designed to engage kids, it was time for me to write my first book for you, the parents.

Why This Book Is for You

As a fellow parent whose time is in demand, I tried to make this book a quick, easy read. Sure, learning *The Art of Allowance* takes time, but doing so should not be a *major* time burden.

Although I believe this book is appropriate for folks of all means, I know that our family is incredibly fortunate not to want for the basics. Yet, the importance of raising a money-smart child is independent of economic class. Families rich, poor and in-between can benefit from this book with gratitude for what they have.

With fair warning, the ideas presented in this book may challenge you as they have many families, including mine. You may have developed some unhealthy money habits over the years that you want to change. For example, I became much more aware that the rush of an “exciting” purchase was fleeting when I observed that feeling repeated in our own children. Engage your curiosity, and be kind to yourself. Reflect upon, but don't dwell on, the past. I've found my own personal change in this

process to be rewarding. If you're open to change, I believe you will be rewarded too.

Wanting your kids to do right where you went wrong is normal. At times, I felt ill-equipped to teach our kids money smarts, especially about investing, which I discuss. That notion hasn't prevented me from talking with them about investing basics and those core money-smart skills to provide them a solid foundation to become money-empowered and perhaps better investors than their parents.

The Art of Allowance is a team game. Engage your child-rearing partner if you're fortunate enough to have one. This action may lead to some difficult discussions. *Have those discussions.* Work to resolve whatever money disagreements you may have. You don't have to agree about everything, but a united front makes this process much easier. The *more* of your family you involve, the better (and easier): mother, brother, grandparent, sister and even mother-in-law!

Still, you may be wondering if this book is for *you*. I have yet to meet someone—seriously, *anyone*—who doesn't think teaching his own kids to be money-smart from an early age is a great idea. I wrote this book to fill the void between agreeing with and executing on this idea. I'm confident there will be at least *something* in this book you'll find useful. If not, contact me, and I'll give your money back.

How This Book Works

I've attempted to synthesize my direct experiences with our kids, other families and current research on parenting, children, money and motivation. I discovered that there are many opinions about allowance (Just ask the next person you meet!), and most of them are uninformed and based on whatever we may or may not have learned from our parents.

This book will continue to emphasize the core skills I mentioned early on: *saving for goals*, *distinguishing needs from wants* and *making smart money choices*. I'll walk you through setting up an allowance with your child. You'll learn about the weekly distribution into the three jars—*Share*, *Save* and *Spend Smart*—and tactics to deal with bumps along the way.

Your maturing child will be ready for more money responsibility as she grows. I'll outline how you can “upgrade” her allowance to move her along the money-empowered path. I'll touch upon opening up bank accounts, offer you some thoughts on investing and discuss how early money failures may help your child avoid larger financial catastrophes down the road.

Along the way, you will develop your own allowance program that works for your specific child. This book is less about telling and more about guiding you. By working with your particular parenting style, you'll learn to master *The Art of Allowance* and to raise your own money-smart, money-empowered child.

Throughout the book, I will address “bigger picture” topics to provide a broader context for the journey you and your child are beginning. As some of these sections may feel like tangents (sadly, it's hereditary), you can consume this book the way my little brother used to prioritize his dinner plate. Meat and carbs

first. Veggies? Only if you're in the mood!

Start with the meat—the allowance lessons—if you like, or eat a more balanced meal as you go. Either way, I think you'll be satisfied with the fare. I've marked these special “veggie” sections as “Memos from the Chief Mammal.” While I think they make for a tasty narrative when read as presented, feel free to leave them on your plate if you wish.

Why am I the Chief Mammal? As I mentioned before, I created *The Money Mammals* program. I never liked the term CEO. Too corporate. I remembered that Maxine Clark, CEO of Build-A-Bear Workshop, called herself the Chief Executive Bear. Until I had my own business, I thought the concept a little corny. However, I realized that I never forgot her title, *and* it always made me smile. That's why I'm the Chief Mammal.

Ready for your first serving of veggies?

¹ This statement has been attributed to both Seneca and Epicurus. For more information, please reference Seneca's “Letter 9: On Philosophy and Friendship” in *Letters from a Stoic: Epistulae Morales ad Lucilium*.

² Pollan, Michael. “Six Rules for Eating Wisely.” *MichaelPollan.com*, June 4, 2006, www.michaelpollan.com/articles-archive/six-rules-for-eating-wisely.

³ C.K., Louis. “Opiate Suppositories.” *Late Night with Conan O'Brien*, Television Broadcast, NBC Universal Television, 14.173, 2007.

Memo from the Chief Mammal:

Beware of *Stuff*

"We amass material things for the same reason that we eat—to satisfy a craving."

—Marie Kondo

Stuff. It's the elephant in the room. In some cases, this metaphor is almost literal.

Psychologists Edward Deci and Richard Ryan noted in their self-determination theory that three human needs are required to live a fulfilled life: autonomy, competence and relatedness.⁴ If we are in pursuit of or have lives filled with appropriate amounts of each, then we are much more likely to be happy, fulfilled or, as Krista Tippett of *On Being* prefers to say, "flourishing."⁵

Autonomy is essentially freedom. (We drive the car.) Competence refers to our ability to be experts at something. (We fix the car.) Relatedness is genuine human interaction. (We drive our fixed car to a friend's house to sing karaoke, bake cookies and play Settlers of Catan.)

Did you notice what is missing from Deci and Ryan's imperatives? *Stuff*! How many of us recognize the inability of *stuff* to provide fulfillment as we find ourselves at the mall with shopping bags in hand? I'm from New Jersey.

We know malls. We know *stuff*. If a boy from Jersey can learn that *stuff* is not fulfilling, then anyone can.

Stuff can provide only momentary jolts of excitement—not happiness in the larger sense. Understanding the power that *stuff* holds over us is critical as we begin the process of raising money-smart, money-empowered kids.

We don't need to feel guilty for wanting. We do, however, need to know exactly *why* we want. Is it a desire planted by marketers? Or is it something that saves us time, our most precious resource? Are we engaging in "retail therapy" to heal emotional wounds?⁶ If we're fulfilling an emotional void with *stuff*, then we probably want it for the wrong reasons. The rush we receive from *stuff* is *always* fleeting.

A restaurant that makes our taste buds sing may be a fulfilling *experience*. My wife and I enjoy going out to dinner. We love food. Plus, it gives us a much-needed respite from the kids. (And if you go on half-price Monday, then hooray for you!) Experiences matter.

My dad keeps a lot of memorabilia he's collected through the years and gets a lot of enjoyment sharing it with old friends. In a sense, he's creating new experiences, and I wouldn't typically classify these mementos as *stuff*. In the words of Marie Kondo, author of *The Life-Changing Magic of Tidying Up*, these

items “spark joy” for him.⁷

Thinking about what experiences and items are meaningful to you is worthwhile. Understanding what drives us makes it easier to help our kids learn to avoid the scourge of *stuff* perhaps earlier than we did.

⁴ Ryan, Richard M. and Edward L. Deci. “Self-Determination Theory and the Facilitation of Intrinsic Motivation, Social Development, and Well-Being.” *American Psychologist* 55.1 (2000): 68. See also: Pink, Daniel. *Drive: The Surprising Truth About What Motivates Us* (New York: Penguin Group, 2011), 71-73.

⁵ “Calming Philosophies for Chaotic Times—Krista Tippett.” *The Tim Ferriss Show with Tim Ferriss*. *The Tim Ferriss Blog*, February 21, 2017, <https://tim.blog/2017/02/21/krista-tippett/>.

⁶ Plastow, Michael. “Retail Therapy: The Enjoyment of the Consumer.” *British Journal of Psychotherapy* 28.2 (2012): 206-07.

⁷ Kondo, Marie. *The Life-Changing Magic of Tidying Up: The Japanese Art of Decluttering and Organizing*. Berkeley: Ten Speed Press, 2014.