



Laws of Money & Teaching the Next Generation

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The Spiritual Laws of Money

1. Money and Value are Narrative Fiction

A Banksy painting was sold at auction for \$1.5 million a year ago. There was a device inside the frame that was triggered to rip the painting as it was sold. A year later the ripped painting has sold for \$25.4 million. The object itself has deteriorated but the value and price have gone up due to the narrative fiction or story. Money and value is a mix of reality and illusion. Unless you have a lot of money focus on paying for the reality of objects and not the illusion or narrative about the object. Buy the shirt that looks good on you not the brand which is an illusion.

2. Extend financial horizon beyond now to build greater wealth

Who do you wish to be financially in 5-10 years? What is your desired Net Worth? Have a specific \$\$\$ number in mind! Clear objectives have a better chance of success! What's your pathway to achieving it? How much must you put away and invest each year to achieve your financial goals? If you do not have a clear path then you are just dreaming not making progress.

3. Money comes to those least interested in things money can buy

Dream of a future as Assets Invested, not as a Consumer. If you value money over things, then money rather than useless things will fill your life. Let your lifestyle lag your income and do not let your income lag your lifestyle. Live **BELOW** your means. If you keep pushing your lifestyle ahead of your income, then things will choke you physically and psychologically. The money paradox is that the less things you want, the wealthier you will be.



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4. You cannot work your way into wealth, you can only save or invest your way into it

Save before you spend. 15-30% of whatever you receive, or your after-tax income should be a gift to your future self. The Time Value of Money means the earlier and the higher the amount you save or invest will create more wealth in your future.

Compound interest is interest earned on interest. If you save today and earn interest by the end of this year, next year your interest earned will be both on the initial savings as well as the interest earned in the first year, then second year, then the third year and so on. This is called compounding. Start early with a high savings amount and your financial future will be bright.

Thinking about savings vs a balanced investment portfolio is important. Money in savings accounts is often eroded by inflation versus investments through the ups and downs of the market beat inflation and ensure you maintain purchasing power and build more capital for your goals. How do you achieve that? With a diversified portfolio of either direct investments or through collective investment schemes.

People earning the same income but with divergent attitudes towards money end up in very different places in 5-10 years. Ensure you have passive income; things that earn you money while you sleep.

5. Financial Independence is a leading source of peace of mind

The ability to walk away from any situation is one of the greatest powers in life. Make it a priority to build a “walking fund” so you can leave parents, spouses or jobs with your dignity intact. Build your own financial base so no one can own you. Overwhelming debt can rob you of inner peace; the psychological weight of debt is never discussed but it is very real.



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6. The wealth of a community begins with understanding the difference between good debt and bad debt

Good debt is where you borrow to invest in an appreciating asset like a growing business. Bad debt is where you borrow to buy consumer items. It is better to save towards a vacation, than to borrow for a vacation. It is better to buy clothes with cash than borrow to buy clothes. Multi-year credit card debt is multi-year disaster.

Immigrating Jews, Arabs and Chinese often arrive in a new country like Jamaica or countries in Africa and in less than two generations control significant wealth in their new country. Why? A community that borrows primarily to buy cars/clothes will eventually work for a community that borrows primarily to start and grow businesses. Be primarily a producer/earner not a consumer/spender.

7. Respect money and it will respect you

Know your own strengths and weaknesses when it comes to money and things. Track your money inflows and outflows. Always know your investment balance. The money you earned last week. The money you spent last week. Respect and understand your financial state.

Determine weekly the planned maximum you have to spend. Leave the credit card at home if you are not disciplined. The Bible makes it clear: *“A fool and his money will soon depart”*. It is easier to earn money than to hold on to it. Learn to hold on to it.

8. Socialize across the financial spectrum

Following the rich and famous on social media is destroying your relationship with money. All this IG following is doing is teaching you to see and feel lack. Open your awareness to those who have achieved happiness with less money than you have, and you can see that you are more than enough. Gratitude for what you have will serve you better than envy for what you do not have.



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9. Get a handle on your (and your kids) money shame

There is power in being able to utter the words “I cannot afford that.” Do not let other people’s opinion about your money situation destroy your relationship with money. When asked to participate in something you cannot afford do not make up another excuse; simply say I cannot afford to do that.

10. Give, do not lend, money to family and friends

Even if you agree to lend, simply be prepared to never get it back. This way you will only lend that which you are prepared to lose. Be happy if you do get it back obviously but do not lose friends and family over money.

11. Create an emergency financial plan before a crisis happens

This way you already know what you will do before you are facing a financial crisis like sudden job loss. Do a rapid lifestyle leap backwards to minimize the bleed. Move back home, find a room mate, stop going out on the weekends until you can see your way clearly. So pause and think for a minute what would you do right now if you lost your job next week or your business burned down? Covid-19 forced many of us to live through the unexpected. Be fully prepared for the next time.

12. Cultivate a true interest in money matters

Make the time to make a financial plan. Read up on savings and investing! Keep track of your money flows. There are lots of helpful training videos on YouTube. Speak to experts to optimize your financial future.



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Teaching the Next Generation - Teaching children about the value of money is best done in a practical, hands on way. No theory or lecture. This 7-Step guide is best suited to children 4-12 years old.

1. Learn to Save for the Things You Want

All children want things - especially in today's material-driven world.

Tap into that. Ask them what would they want for Christmas...for their Birthday...what they want... period.

Help them find the price online or in the store. Have them write it down and the date they are going to buy it. That's their goal.

Agree on ways they can work hard or EXTRA chores they can do at home so she/he can earn some money and SAVE.

If they can do basic math have them write out a basic budget by week with 'earnings' and 'savings' until they reach their goal.

Remember if they spend money out of their savings and do not work to replace it they cannot buy their big goal. If they mess up, do not just make it up for them. They must feel the consequence of their choices and learn.

Set up a rewards system - 1 star per day for washing the dishes every day or taking out the garbage etc. - Agree that X number of Gold Stars or Fun Stickers equal Y \$. You want to build up the habit of consistency, delayed gratification and understanding that it takes work to earn.

When they earn enough stars and enough money, time to cash in for achieving their goal! Remember make it fun and rewarding so they keep motivated!



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2. In-App Spending

Many parents and kids get caught here as some do not have control on their credit cards on their Apple or PlayStore accounts. Put on a password that only you know or is only activated by your fingerprint recognition.

When the kids come wanting a game, discuss it in context of the budget and have them 'pay' for it by deducting from their savings or they can work for it and then buy it from 'stars' earned for extra chores.

Build self awareness and self discipline.

3. Wasting Money at Home or Helping to Make Savings

Show your child the light bill and walk through a plan as to how everyone can be more aware and turn off lights when not being used and switching off appliances that are not being used. Show them the bill the following month and discuss. Hopefully, they will see the results of their actions.

4. Saving in a Money Box/Piggy Bank or a Bank Account

Start them off in a Money Box/Piggy Bank but as soon as you have a minimum take your child to open a Bank account. Have them sit through the process with you. Ask the Bank rep to explain everything to the child and check on their understanding.

The monthly statements can be sent to their email and yours or be sent by hard copy. Ask them from time to time how their savings is going. What do they see on the statement - see how much you can both understand (do not pretend to know something you do not know as a parent, we know statements can be confusing). Ask if they see something with a percent on it. Use that to discuss interest and how different banks and accounts pay differently.



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5. Poor Value and Good Value for Money

If you have more than one child this works better as the comparison and lesson is there immediately but it can work with one child too. Every time you go in the Pharmacy or any store children tend to want something. As a parent, I often say no. But sometimes, you can say ok each child gets to choose something for maximum \$1000 or \$500 or \$100 - all depends on your budget. Tell them to go scour the store until they find something or somethings that fit within the limit.

You may see differences in your kids here – one may come back with 2 things totalling less than the limit, another may come back with a toy that's over. Then you all have to decide. One gets approved immediately. The other has to 'get an advance from his/her savings' or write down how much it costs and go work for it (Step 1) or go find something else within budget.

Have a discussion on what each child got and how long it will last for - they will begin to understand the value of money and the different things we buy. Build the understanding of the link between money, things and investing for the future.

6. Having Respect vs. Carelessness

Sometimes our children will borrow a toy, bicycle or something of a friend and it gets destroyed or mashed up a bit. Do not just replace it right away - let the other parents know the lessons you're trying to teach.

Have your child save up pocket money (using Step #1) until they replace or fix their friend's toy. They will learn to respect and take better care, and also understand the value of money - it's hard to earn for most people (despite the phenomenon of Youtubers nowadays seeming to make lots of money easily).



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7. Cultivating Empathy and a Sense of Charity

There are enough charities and people in need in Jamaica. Ask your child to do some research on Children's homes or other charities and choose one that they feel moved by. Ask them why that one - really get the heart connection with them on their choice. Then ask what they want to do for that charity.

Based on what they choose, make a fundraising plan with them. They could donate gently used toys and raise money by baking cookies and selling them to family and friends. They could plant Callaloo in the home garden to sell in their neighbourhood. Have fun looking up ideas on the internet that's age-appropriate and that would culturally work in Jamaica.

Then have them go and donate it and spend some carefully managed Covid-19 friendly time seeing that people live in many different ways in our country. Let them understand we have a duty to care for each other as best we can!

This can become an annual Christmas or Summer activity for you and your children.



RESOURCES



The Paradox of Choice by Barry Schwartz

- <https://www.youtube.com/watch?v=VO6XEQIsCoM>

The Invention of Money

- <https://www.thisamericanlife.org/423/the-invention-of-money>

3 Psychological Tricks to Help You Save Money

- https://www.ted.com/talks/wendy_de_la_rosa_3_psychological_tricks_to_help_you_save_money?language=en

Jacob Needleman – Money & The Meaning of Life

- <https://www.youtube.com/watch?v=TW18pQFd82s>

Compound Interest Calculator

- http://www.moneychimp.com/calculator/compound_interest_calculator.htm

How to Manage Your Money Using the 50/30/20 Rule

- <https://www.youtube.com/watch?v=HQzoZfc3GwQ>

How to Manage Your Money: Six Principles of Personal Finance

- <https://www.youtube.com/watch?v=vl2sasYSY4E>



RESOURCES



Tips and Techniques for How to Manage Your Money

- <https://www.youtube.com/watch?v=r5lw-k0KT98>

The 9 Steps to Financial Freedom: Practical & Spiritual Steps So You Can Stop Worrying

- <https://www.youtube.com/watch?v=fBqoWuiKB4c>

Resources for Teaching the Next Generation

The Best Ways to Teach Your Little Kids About Money

<https://youtu.be/bmyzRf3bV3k>

The Children's Book of Money Sense, Sophia Giles

- <https://www.amazon.com/Childrens-Book-Money-Sense/dp/178270065X>

Finance 101 for Kids: Money Lessons Children Cannot Afford to Miss

- <https://www.amazon.com/Finance-101-Kids-Lessons-Children/dp/1634139437>

Make Your Kid A Money Genius (Even If You're Not): A Parents' Guide for Kids 3 to 23

- https://www.amazon.com/Make-Your-Money-Genius-Youre/dp/1476766819/ref=tmm_pap_swatch_0?encoding=UTF8&qid=1634612192&sr=1-1