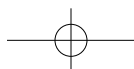


The Prosperity Factor for Kids

Also by the author

The Woman's Guide to Money



The Prosperity Factor for Kids

A comprehensive Canadian parent's guide to
developing positive saving, spending, and credit habits

Kelley Keehn



INSOMNIAC PRESS

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Library and Archives Canada Cataloguing in Publication

Keehn, Kelley, 1975- The prosperity factor for kids : a comprehensive Canadian parent's guide to developing positive saving, spending and credit habits / Kelley Keehn.

Includes index. ISBN 978-1-897178-35-5

1. Children--Canada--Finance, Personal. 2. Saving and investment--Canada. I. Title.
HG179.K428 2007 332.0240083'0971 C2007-901108-X

The publisher gratefully acknowledges the support of the Department of Canadian Heritage through the Book Publishing Industry Development Program.

Printed and bound in Canada

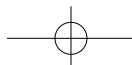
Insomniac Press, 192 Spadina Avenue, Suite 403
Toronto, Ontario, Canada, M5T 2C2
www.insomniacpress.com

Canada

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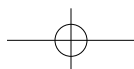


To my amazing mother, Kathleen.
You are my best friend, confidante,
and a consummate financial guide.
Thank you for always believing in my dreams and me.
I love you with all my heart.





Knowing is not enough; we must apply.
Willing is not enough, we must do.
—Johann Wolfgang von Goethe





Contents

Preface	15
Introduction	21
Section I: Ages Two to Five	
Chapter One: Learning about Money	33
Determining Early Money Memories	33
Self-Assessment Questionnaire—Where Did You Come From?	36
The Banking Game—Ages Two to Five	44
The Currency Game	47
<i>Foreign money</i>	48
<i>Finding money</i>	49
Prosperity Pause	50
Spending Money	53
Gift Giving	54
Prosperity Recap	55
Your Child’s Prosperity Action Steps	56
Chapter Two: Paying for Your Child’s Education	57
<i>Should You Save for Your Child’s Education?</i>	57
Examining Canada’s Child Benefits	59
<i>Universal Child Care Benefit (UCCB)</i>	60
<i>Canada Child Tax Benefit (CCTB)</i>	60
<i>National Child Benefit Supplement (NCBS)</i>	61
Where Should You Invest Your Child’s Education Savings?	61
<i>Education by the Numbers</i>	62
<i>The Registered Education Savings Plan (RESP)</i>	63
<i>Contributing to an RESP</i>	64
Going to School	66

What Happens If Your Child Doesn't Pursue Post-Secondary Education?	67
RESP Choices	68
Why Not Just Set Money Aside in a Separate Account?	69
Establishing a Formal Trust	69
Investment Solutions	71
Committing to Your Child's Future	73
Online Monthly Purchase Plan Calculator	74

Section II: Ages Six to Ten

Chapter Three: Motivation and Earning an Income

an Income	77
The Banking Game—Ages Six to Ten	77
<i>Introducing the Targeted Savings Account</i>	77
<i>Positive Saving and Spending Lessons</i>	80
<i>Dividing Your Child's Income Between Two Accounts</i>	82
<i>Setting Up the Targeted Savings Account</i>	83
Your Child's Motivational Styles	84
Money As a Medium	86
Should You Pay Your Child an Allowance?	87
<i>Remuneration for Household Chores</i>	88
<i>Using Money As a Punishment or Reward</i>	89
Your Child's Income Sources	90
The Family Money Meeting	91
Lessons in Kindness	92
Your Child's Prosperity Action Steps	97

Section III: Ages Eleven to Fifteen

Chapter Four: Building a Money Mindset	101
The Banking Game—Ages Eleven to Fifteen	101
<i>The Pleasure Account</i>	102

<i>Introducing the Long-Term Savings Account</i>	103
Finding More Money	107
The Art of Negotiation	116
A Brief History of Money	119
<i>Bad Money Drives Out Good Money</i>	120
Definitions for Life	121
A Lesson in Money, Hollywood Style	123
What You See Is What You Get	124
The 30-Day Mental Cleanse	127
The Importance of Gratitude	131
Financial Goal Setting: The Seven Steps	133
Your Child's Prosperity Action Steps	142
Chapter Five: Financial Basics	145
What Are GICs and TDs?	146
What Is a Bond?	147
What Is a Stock?	148
What Is a Recession?	149
What Are Bulls and Bears?	150
What Are the NASDAQ, Dow Jones, and TSX?	150
What Is a Mutual Fund?	151
What Is an RRSP?	156
Why Are Interest Rates Important?	157
What's Better, a Mortgage or a Secured Line of Credit?	159
Compound Interest	159
Using Lending Products	161
<i>Bank Loans</i>	161
<i>Credit Cards</i>	162
<i>Mortgages</i>	163
<i>Secured Lines of Credit (SLOC)</i>	164
<i>Equity Takeouts</i>	165
<i>Unsecured Lines of Credit (USLOC)</i>	165

Section IV: Ages Sixteen to Eighteen

Chapter Six: Paying Bills and Using Credit 169

The Banking Game—Ages Sixteen to Eighteen 169

Introducing Your Child's Credit System 170

What Are Your Child's Credit Usage Rules? 171

Income Split Between Accounts 174

The Importance of Healthy Spending 176

Money Makes the World Go Round 176

Paying the Bills 178

What If You Can't Pay Your Bills Fully? 179

When Bad Credit Happens to Good People 180

What Is a Credit Report? 181

Where Did Credit Come From? 184

Money vs. Finance 188

Advanced Goal Setting and Manifestation 193

The Six-Degrees Game 193

Your Child's Six-Degrees Game 198

Strategic By-Products 201

Your Child's Prosperity Action Steps 203

Afterword 205

Your Prosperity Action Steps Checklist 207

Notes 211

Index 213

Acknowledgements 219

About the author 223

Preface

When Johann Wolfgang von Goethe claims, “Knowing is not enough; we must apply. Willing is not enough; we must do,” he assumes that we actually *know*. His sage advice can be followed on this assumption. Using these words as a basis for the teachings in this book, keep the “knowing” in mind; knowledge is certainly the key to progress. And as Goethe advises, you will apply your knowledge by doing the exercises contained herein that will benefit both you and your child.

I know you want more for your child; it’s a natural inclination of a parent to desire a better life for their young. I applaud you for your interest in learning more about the foundational aspects of a healthy relationship with money, and I don’t take lightly the opportunity to be your coach over the course of this book.

What This Book Is About

The Prosperity Factor for Kids is written for you, the parent. It’s a guidebook for working with your child at a pace at which you know they’ll best absorb the financial teachings—at a pace that you, as a parent, are comfortable teaching them this information.

I am, however, at the disadvantage of not knowing you

16 — Kelley Keehn

personally or your family situation. If I did, I would customize these pages to your unique background and circumstances. Unfortunately, my crystal ball has a few cracks in it at the moment, so I must guess, from the plethora of financial information available, what will most benefit you and your child. With many books on the market tackling the same broad subject, I hope you'll enjoy the mix between the psychologies of money and financial fundamentals you'll find here. What *is* distinctively different about this book is its Canadian-specific content. You'll find references throughout these pages that are explicit to our country and its national nuances. You'll also find relevant information about RESPs, Government of Canada child benefit information, and much more.

There's no need to worry if your experience with investments, finance, and money management are novice or non-existent; that's why you are reading this book. If you're a seasoned investor and have a strong background in areas of finance, the material may be familiar to you; however, I think you'll find it's presented in a distinctive child-friendly format. I suspect you're somewhere in the middle. Whatever the case, my focus on the subsequent pages is on the experiences of your child. It doesn't matter what age they are when you pick up this book. The exciting part is that they have a clean "money slate" to build on. They, unlike we adults, have not yet been filled with the problems and stresses some find that money can bring. They also don't have debts to repay or investment losses to recoup. This is your chance to set your child on firm financial footing so that they might learn from both your success and any mistakes you may have made along the way. These teachings can help them avoid the common mistakes so many Canadians make.

As you work with your child, it is my aim that you benefit

Prosperity Factor for Kids — 17

as well. Don't worry if you're not good with money. Picking up this book is the first step and I promise that you'll feel more confident and knowledgeable once you've completed it.

What Is the Prosperity Factor?

The Prosperity Factor is a series of tools to identify your family's relationship with money and prosperity as a whole. These tools will help you identify your key beliefs, values, and conflicts and give you new choices about how you relate to prosperity in your own life, while giving the same opportunity to your child.

I believe that there are two key elements to your child's successful future with money: 1) the nuts and bolts of financial matters and 2) psychological factors. This book deals with the fundamental financial teachings that will fortify your child with the money management tools in positive saving, spending, and credit habits necessary for an adulthood of financial ease. What you will also find within each lesson and accompanying exercises is the importance of the psychological elements of finance. As important as numbers and uncompromising money management tools are, my experience with adults reveals that how we feel about money is as central as what we know about it. My goal is to help you and your child feel good about money while understanding all that you need for the underpinnings of financial self-esteem and well-being.

I often like to compare money and finances to health. Losing weight or maintaining a healthy body is really a simple notion. In most cases, just two simple principles need to be applied: eat less, exercise more. Unfortunately, we're facing an obesity epidemic in North America. But why, if it's so simple to choose health? There are a number of emotional issues as to why someone overeats or chooses not to workout or take care of their body. One can spend the rest of their life

18 — Kelley Keehn

trying to determine where their habits and body problems came from, but I believe a more elegant solution would be to fill one's life with enough positive reinforcements, exercise, and new health goals until the old issues are taken over by the new positive choices.

The awareness of knowing something needs to be done is only the first step. As Goethe implies, we may *know* that we need to eat more vegetables and do more weight training to help sculpt our bodies, but *knowing* on its own is never enough. *Doing* must follow, and that is just what you'll experience in the following pages.

The principles of health work similarly with wealth and prosperity. The simple principles of spend less than you make, always save 10% of your income, and so forth, are sound but aren't practiced by the average Canadian. Whatever the age of your child, as you read this book, you have the opportunity to build a solid foundation for their future financial well-being. As you instill the good eating and exercise habits throughout their childhood, you'll now be equipped to do the same with their money habits.

My Hope for You and Your Family

It's my honour to be your coach as you teach your child the financial lessons contained in this book. I have tested my material with children and adults alike and have perfected much of it during my financial career. However, you and your child are unique. I want this book to change your child's life and I invite you to contact me personally should you be left with any lingering questions upon completion of this content. It's my hope that you will start, finish, and apply the information in *The Prosperity Factor for Kids* and that it will benefit you and your family immensely.

As your coach on this journey, I am a financial expert

Prosperity Factor for Kids — 19

with nearly fourteen years of experience. I've had the unique opportunity to learn from the mistakes and successes of the thousands of adults I've counselled over the years. Understanding their achievements, failures, and lessons learned, along with an introspection of your own, will provide a solid foundation for your child.

As a parent in the hectic society we live in today, your job is the toughest of all. There are few manuals on how to raise children—what to teach them, when and how to instill the values you were brought up with, and how to select the values you'd like to correct. I admire the contribution of each and every parent in the world. It is not a job that I have been blessed with as yet, so my contribution at this point in life is to assist parents with what our school systems are neglecting to teach. With government budgets squeezed tighter each year and parents responsible for so much more of life's lessons, one must seek beyond our children's education for lessons in money, finance, and prosperity.

How to Use This Book

The Prosperity Factor for Kids is laid out in four sections. The first addresses children from ages two to five, the second from ages six to ten, the third from eleven to fifteen, and the last from sixteen to eighteen. The divisions of age groups are designed to build upon each other. Should you start this book with a child over the age of five, I would recommend that you still start at the beginning because there are timeless lessons in every section.

You may choose to first read this book in its entirety and then go back each year with your child and complete the prescribed exercises in each section. The choice is yours. Only you know your child, their learning style, their and ability to absorb the financial lessons in each chapter. If you find your

20 — Kelley Keehn

child is precocious and you'd like to skip ahead to more advanced sections, feel free to do so. If your child needs more time in absorbing the teachings, please move slowly. There are no right or wrong lessons for your child. My segmentation is simply a guideline and, as I know, your child is anything but average. Please custom tailor the use of this guidebook to their exclusive needs.

Introduction

I was blessed to be raised by one of the most well balanced financial teachers I've had the honour of meeting: my mother. As an adult, I look back at the lessons she imparted to my two brothers and me during our childhood. As a single mother raising three children, my mom did everything she could to afford us the best life possible. Foregoing her university education to work with my father's entrepreneurial efforts, she divorced at an early age and was left with no real experience or education. She did have the strong will of a loving parent and spent the remainder of her working years perfecting her art as a waitress.

Looking back, I'm not really sure how my mom maintained our household, paid off her mortgage, and never got herself into debt, all on a single parent's salary as a server. Had I heeded her advice and followed her financial examples, I suppose I wouldn't have embarked on my journey of self-education that would ultimately lead me to write so many books on finance and the psychology of money.

There isn't a concept or exercise contained within this book that will always be true, absolute, or guaranteed regarding your child's financial success. As we age, money and our interpretation of it becomes a touchy subject; it seems more socially acceptable to discuss one's sex life than one's salary

22 — Kelley Keehn

or financial struggles. How, then, do we arm the children of the future, and your child specifically, with sound financial principles to ensure a healthy relationship with money?

My mother had three children. She taught us all the same prudent principles and concepts, yet I chose to ignore much of her wisdom during my early adulthood. My one brother followed almost every teaching she set forth. I suppose some children, no matter how nurtured and schooled, will need to make their own mistakes. The best any parent can do is to set a solid foundation and know that with years of reinforcement during a child's upbringing, some (if not all) of the concepts will seep into their subconscious mind. What you do have control over is your belief in your child to do well and your expectation of them to handle their own finances.

I have just finished a cross-Canada book tour, including a number of American stops, which gave me many opportunities to listen to the feedback of thousands of individuals regarding money and the principles outlined in my last book, *The Woman's Guide to Money*. Many adults have reasons or excuses for not taking charge of their finances. I'm not suggesting for a moment that one needs to have a goal of becoming a millionaire or being aggressive with their finances. Using my health analogy, I also wouldn't suggest that someone serious about their body choose the path of a marathon runner or bodybuilder. With matters of your money and health, you must ensure your own success. You need to empower yourself and your child enough to understand which professionals to choose to make financial issues a priority for life.

You may have heard of the Pygmalion effect. Researchers Robert Rosenthal and Lenore Jacobson observed that when a teacher is told that a student is exceptional, even when they're not, the teacher's belief in that child will positively influence the results of the child's schooling. Consequently, when a

Prosperity Factor for Kids — 23

teacher is told that a child has done poorly in the past—in a particular subject, for example—that belief in the child will have an adverse effect and, in a sense, is a self-fulfilling prophecy.

The effect was also seen by another study done by Jane Elliott's blue-eyed versus brown-eyed discrimination exercise. The experiment was to illustrate possible effects that racism has on different children. A classroom was divided into two groups of children based on their eye colour. The first group was told that their eye colour was superior; the others were told they were the inferior group. The next day, the groups were switched and the ones who were told they had the superior eye colour were now told the opposite. On both days, students were given a number of tests. As you can imagine, the children who were told they were more advanced or unique scored better that day. The very next day, when they were then condemned for that eye colour, their test scores dropped dramatically, and the new group that was now praised saw theirs increase dramatically.

You might extract from the Pygmalion effect that you as a parent have a great deal of control over how your expectation of your child to do well can create a positive self-fulfilling prophecy. Many young women I counsel and meet across the country tell me that they aren't "good with numbers" or don't have an affinity for math, which explains their unsuccessful financial lives. Sadly, my conversations with young men are starting to echo this belief. Where do such beliefs originate? Your utter will and expectation of your child to naturally have a strength for numbers and financial concepts could assist in their future success.

If you doubt your awesome power and influence over the ability to shape your child's destiny, career choice, and financial success, consider the following story. In his timeless classic *Think and Grow Rich*, Napoleon Hill tells of his son being

24 — Kelley Keehn

born deaf. At the time of his writing the book, advanced hearing aids or supports of any type were yet to be designed. Hill's relentless desire to have his child hear and his expectation of it was enough for his child to hear some sounds, to help design a hearing aid prototype, and to have an otherwise normal life.

You may have also heard of the placebo effect. This assumption states that when a patient is given a sugar pill, unknown to them, their belief in the pill's ability to work is enough for their body to create a biochemical reaction to whatever physical ailment needs repairing. You might not be as familiar, however, with the nocebo effect. This hypothesis assumes the opposite of the placebo effect because it represents the ill result that can be caused by the suggestion or belief that something is virulent. It's only been since the '90s that the term *nocebo* became popular. Before then, both pleasant and harmful effects thought to be resulting from the power of suggestion were commonly referred to as being part of the placebo effect.

The issue with suggestion—whether positive, as with the case of a placebo, or negative, as with a nocebo—is that individuals, and certainly children, are affected by the prospects set out for them. When it comes to issues of health, good grades in school, or a future of financial security, your child is profoundly affected by expectations—primarily yours as a parent.

Whether your child has an aptitude for genius, financial fortune, an affinity for the arts, or none of these talents, your gentle expectations and positive reinforcement of their ability to create a successful life starts with your belief in them.

Lessons I've learned

In my career of over a decade in the financial industry, I've had the privilege of getting to know hundreds of indi-

Prosperity Factor for Kids — 25

viduals and work closely with them on matters of finance. I've learned that people act and think strangely when it comes to their money. I've counselled clients with multi-million-dollar portfolios who lived as frugally as though they were flat broke. I've also counselled clients who seemed wealthy and financially free of worries, only to discover that not only were they penniless but they were hundreds of thousands of dollars in debt. My clients seemed to be struggling with money issues regardless of whether they had lots of it or needed much more of it. They didn't know how to spend it without guilt or how to stop spending and still feel like a success. So if just having more money isn't the answer, what is? Since I knew my clients needed more, I started advising them on what I call "foundational" financial planning, which is the basis of my last book, *The Woman's Guide to Money*.

Although *The Prosperity Factor for Kids* is laid out with concrete financial lessons contained within each section, you will also find complimentary "foundational" teachings. The prosperity-based content is intended to get to the root of any money-related issues your child might have already developed and set them on a positive path to prosperity.

Each year, many children are born with fortunes inherited from their families, but we have also read at least one major news story about how unsuccessful some of these children are (as defined by most North Americans), given their inherent blessings. Conversely, one might cite the countless examples of immigrants who came to this country without more than a few dollars and a barely functioning level of the English language only to create their own success stories. Compared to what you *give* your child, what you *teach* them is worth much more.

26 — *Kelley Keehn*

Two Life Stories to Avoid Living

Two of my past clients who were an impetus for studying the principles of prosperity and balance with money were two gentlemen: “Bob” and “Tim.” For you to understand their impact on my research and course of study, I must give you a brief background into their lives and their net worth.

Bob is in his mid-eighties. He never married, he never had any children, and he’s worth millions of dollars. The unfortunate fact about Bob is that he lives as though he’s utterly impoverished. Bob’s age should provide you with a clue to some important background details. He obviously felt the impact of the Great Depression; if you could see him now, you’d see that he still lives in a state of fear that one day, no matter how great today is, his wealth could all disappear.

Bob, as many millionaires do, made his money very slowly over the course of his long life. He sacrificed greatly to build what he has today and never celebrated or acknowledged his successes along the way. A life of scrimping and saving and investing wisely did afford him the title of ultra-wealthy, but merely on paper.

The main issue with Bob is, as a result of growing up during the Depression, he’s held on to the scarcity consciousness that he was born into. If you witnessed him on the street, you’d fish deep into your pocket for a few coins to help him out, no matter how broke you might be. He truly goes beyond the millionaire-next-door description. He wears only used clothing—generally, articles that are torn and tattered and fit poorly. On cold winter nights, he’ll double up on sweaters and socks before turning up the furnace as a last resort.

You might be questioning what is wrong with Bob. He doesn’t have children or a wife to provide for after his death, why not spend a little as his family, friends, and advisors have urged him to do so that he can enjoy his life?

Prosperity Factor for Kids — 27

Moving on to the second client, Tim, who happens to be the antithesis of Bob in almost every aspect of his life. Tim is in his mid-fifties, is a professional, and has been earning nearly a million dollars net per year for almost ten years. Many find this fact impressive. If you do, read on.

Unlike Bob, Tim loves opulence and has, not one, but two very expensive luxury cars, spends time pampering himself at the spa several times a week, loves to eat out most days, and is closing his fourth divorce. Tim loves to live large. Tim's net worth, you ask? Close to three-quarters of a million dollars—in the hole. I hope you find it shocking that he's been earning nearly a million dollars a year and has almost a million dollars of debt. Tim has made many poor investment decisions over the years, and these, coupled with an ego that demands attention, have created a massive amount of debt. His goal to retire comfortably in a few years obviously won't happen.

I illustrate the stories of Bob and Tim for a few reasons. First, it's important to recognize what created the mess both these gentlemen have created with their financial lives. In the case of Bob, he never stopped to check-in with himself and recognize when enough was enough. He failed to strike a balance between saving and spending, and as a result, his fortune has mostly amassed grief in his life.

Studying Tim, his childhood was that of a typical baby boomer until the age of sixteen when his father passed away. As the newly named man of the household, he had to support his family at a young age. He lived in a neighbourhood and attended school with wealthy children, but his family always struggled to make ends meet. Giving up his childhood prematurely to support his family, he watched what others had and what he was forced to give up. Tim vowed to have everything he wanted, whenever he desired it, when he grew up. The

28 — Kelley Keehn

problem with Tim is that he never really grew up. He failed to pause in his adulthood and define his worth other than in a material fashion.

The stories of Bob and Tim also influenced me (and I hope you as well) as to how I would forever define *wealth*. If you simply looked at Bob's net worth, you might assume him wealthy and financially successful. But I think that you'll agree that living as if one were totally impoverished while having many millions in the bank is not a sound definition of wealth. I hope you'll also agree that consistently earning in excess of a million dollars a year only to blow every dime and delve deeper into debt isn't the ideal concept of wealth either.

So what is the meaning of prosperity, wealth, and abundance? I believe that it's an internal definition and should be discovered and refined between you and your child over time. What's true and right for me, Bob, Tim, or anyone else differs from what's right for you and your family. To be sure, Bob is a great teacher of holding onto money and amassing large quantities, unlike Tim. On the other hand, Tim enjoyed his money immensely, while Bob could barely take care of his basic needs.

Defining Wealth

While on tour for *The Woman's Guide to Money*, the media often asked if my book would make readers into millionaires. I always responded the same way: only if they want to be. Too many people lack the understanding of the continual effort and forfeit it takes to be ultra-wealthy. These people often don't take the time to investigate what is necessary to achieve such lofty financial goals and, consequently, don't realize what other parts of their lives might then fail. As the saying goes, "You can do anything, but you can't do everything." If one desires to be a multi-millionaire, for example,

Prosperity Factor for Kids — 29

such a goal will require great sacrifices and, I might guess, a challenged family and social life. I don't suggest assisting anyone, including your child, on the path to becoming a millionaire, billionaire, or any other dollar figure unless it is what one wants. The key is identifying what wealth means to your family and what your child's goals are for the future. The choice is as individual as the clothes we wear and the dinner we might order at a restaurant, but realize that conscious choices should be made. Those desiring to become ultra-rich but never take the time to discover what that means and what effort is involved will feel like a failure until they learn otherwise. One needn't fail before even starting.

Comparison Shopping

There will be times when you observe, alone or with your child, others that are seemingly wealthy. For many, it's within our human nature to compare ourselves to other's successes and possibly even show signs of envy. I hope the stories of Bob and Tim will flash back across your mind so you might impart the lessons to your child.

It is of great concern to me that in today's society, it's quite impossible for us to compare ourselves to others as we might have been able to do not so long ago. Many children and teens, not to mention most adults, really don't know what another person is worth without being privy to their financial statements. One can only assume. I had the good fortune at a young age to work for a bank. Although I held the position of an investment manager, if my client had debt with the bank, their financial statement was within their file. I learned early in my adulthood that someone could seem wealthy even though their bank file states the contrary.

Think about just a century ago. If you didn't have the money to build a house, you didn't have one. If you didn't

30 — Kelley Keehn

have the money to purchase a lavish lifestyle, you had no choice but to live within your means. Today, with the advent of credit and the ease of purchasing far more than beyond our means, it will be a difficult task for you to help identify with your child who is wealthy and who has great credit. Even as the Bible teaches us not to covet that of our neighbours, how do we teach our children not to covet that which our neighbour doesn't even own?

I will attempt to provide you with the material necessary to develop healthy spending, saving, credit, and prosperity habits on the pages that follow. I hope you enjoy the journey and connect with your child in new and empowering ways.