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‘Daddy, Are We Rich?’ and Other Tough Questions

By **RON LIEBER**



Your Money

Ron Lieber writes the Your Money column, which appears in The Times on Saturdays.

There is nothing like an inquisitive child to make you realize just how complicated the topic of money is. That’s what I ended up thinking after my 4-year-old daughter a few weeks ago stomped her feet, turned red and demanded to know [why we did not own a summer house](#).

It might have been funny if it hadn’t totally knocked the wind out of me. My wife handled it better, noting that if we had spent money on a second home, our daughter wouldn’t have been able to go to the New Orleans Jazz and Heritage Festival this year or on a beach vacation. My wife also pointed out that it was generous of our friends to share their weekend home.

But it reminds me that while it may be possible to dodge the subject of money in polite adult company, there is no denying children and their often relentless follow-ups.

Children ask tough questions — whether their families are rich, why they can’t have an [iPod Touch](#) like their friends do. So below you’ll find an introduction to five of the most difficult questions.

There are many more where these came from, and we’ll be discussing them one by one in a series of posts on [our Bucks blog](#) this weekend and for the rest of the month. Please join us there to improve upon anything you see below or to suggest new questions.

HOUSEHOLD INCOME [How much money do you make?](#) As with any financial question, your first response ought to be, “What made you think of that?”

Your children may not be looking for a number, especially if they’re young and have no context for five- or six-digit figures. They may just be worried about running out of money or wondering why you don’t live in a mansion.

Also, asking the nature of the inquiry gives you time to compose yourself if you’re rendered speechless or haven’t prepared for this query.

Brent Kessel, a [financial planner](#) in Pacific Palisades, Calif., and the author of “[It’s Not About the Money](#),” says he believes that most questions about salary spring from the schoolyard. “There is so much comparison going on there,” he said. “Who is best looking? Who is most popular? And money just plugs right into that system. Who has the richest parents?”

He has not yet answered his oldest child’s question directly. Why not? “The honest answer is my own fear about my son sharing it with his friends and it creating pain for them or emotional shame for their parents,” he said. “Why is Brent telling my kid that he makes that much? Does Brent’s ego really need to rub it in?”

Indeed, the problem with disclosure in this context is that many younger children will immediately tell someone (or everyone). And the automatic social reflex is often a flash of shame among people who hear the number and make less, Mr. Kessel noted, or arrogance among those who make more. Who truly wants to put others in either situation?

If older children persist with their questioning, try instead to use this as a lesson in budgeting. Gary Shor, a financial planner with the [American Economic Planning Group](#) in Watchung, N.J., breaks down household expenses like

mortgage payments, electricity and food costs. He and his wife help their children add other discretionary items to the list.

“They then get a sense of how much income someone needs to support this lifestyle,” he said. “We then discuss occupations that bring in that kind of income and the path to that career.”

A RICH LIFE Questions about income are often about something larger: *Are we rich?* But younger children are often merely trying to figure out a definition of the term. So you could start by suggesting one, reminding your children that they are rich if their family loves them and that they are better off in many ways than much of the world’s population.

This may not work as well for teenagers, who care mostly about whether they have as much stuff as their friends. **Susan Beacham**, who lives in Lake Forest, Ill., and runs the educational company for children **Money Savvy Generation**, invited her 16-year-old daughter to sit in on a financial planning meeting with her and her husband.

And her daughter’s observation at the end of that first meeting? “She said she learned that if you want to live it up later, you can’t really live it up now,” she said. In other words, if you want to be rich one day, you may have to sacrifice now.

THE MOST TOYS Younger children, however, may not grasp the idea of delayed gratification when asking *why the family doesn’t have a second car or take nicer vacations.*

Jonathan Katz, a father of five in Clayton, Mo., answers simply: the family is saving money so the children won’t have to borrow to pay for college. “They seem to accept this, perhaps because it tells them they are the beneficiaries,” he said.

Given a particular request to return to a beloved but expensive vacation spot, David Blackburn of Montclair, N.J., stole a lesson from kindergarten class, where his son had been learning about bar charts.

The two sat down and sketched out some things the boy was familiar with, including one week’s allowance (\$1.25), a Lego set (\$20) and sushi for the family (\$60). But a night for four at the Mohonk Mountain House in New Paltz, N.Y., was so expensive that it required a few extra pieces of paper to graph it in proportion. “His eyes got big,” Mr. Blackburn said. “And he asked a lot less about going to Mohonk.”

CUTTING BACK When families must make do with less, children may not be able to grasp the bigger picture, or *they may be frightened by it.*

So how best to handle it when they ask why they can’t do things or go to places that they could just a few months ago? “Money is very abstract to kids, and you have to make it concrete,” said Ms. Beacham. “Yes, mom lost her job, but it doesn’t mean we won’t have groceries. It may mean we won’t eat out.”

With older children, you might involve them, letting them choose where to scale back or asking for help planning a vacation that costs half of last year’s. “A lot of parents just try to take care of it for them,” Ms. Beacham said, simply making arrangements without consulting the children or explaining the decisions.

THAT SUMMER HOME While my wife and I managed to placate our daughter, those of you who own second homes may be faced with far more complicated questions from older children.

Doug Garr, who lives in Manhattan, said that once his son was old enough to understand that the family had two homes, his son suggested giving one to a homeless person. “His logic was sound,” Mr. Garr recalled. “Why should we live in two homes when so many live in none? I had no answer for that one.”

Or your child may wonder why you have twice the home you need. Kevin Salwen and his wife were so taken by their daughter's conviction in this particular matter that their family of four decided to sell their 6,500-square-foot home. They bought a new one less than half the size and are giving away about \$850,000, more than the price difference between the homes.

And what if your child gets an idea like that? If you're not ready to uproot, encourage them to think of other things they can give. "We never encourage anybody to sell their house," said Mr. Salwen, who wrote a book with his daughter called "[The Power of Half](#)" about the family's experience. "That was just the thing that we had more than enough of. For others it may be time, or lattes or iTunes downloads or clothes in their closet. But everyone has more than enough of something."