BONUS EPISODE

[INTRODUCTION]

[0:00:36.8]

FT: How do we educate our kids when it comes to money? Welcome to So Money, everyone. I'm Farnoosh Torabi. Today is a special bonus episode, part of a four-part series we're doing with Charles Schwab, where we're doing deep dive conversations about really important financial topics.

Earlier this month we spoke with Liz Ann Sonders, chief financial strategist at Charles Schwab, about her perspectives on the stock market. Where are we headed? Also, important steps for first time investors. If you missed that episode, I encourage you to go back and take a listen.

Today we're shifting gears to financial literacy, especially when it comes to our kids. Its' no secret that as a nation, we're a little behind when it comes to knowing just the basics about how to manage money, how to budget.

Our guest today is Carrie Schwab Pomerantz, a CFP and president of the Charles Schwab Foundation. She and I will discuss ways to teach our kids about money throughout the ages. How to support financial literacy in schools and the money lessons she's instilled in her three children.

As many of you know, I'm working with Charles Schwab to help spread financial literacy to the masses, and it's been a really great collaboration so far. I'm a Charles Schwab customer, have been for many years. So before we get started, I just want to thank Charles Schwab for helping get this financial education content to you.

All right, here we go. Here is Carrie Schwab Pomerantz.

[INTERVIEW]

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FT: Carrie Schwab Pomerantz, welcome to So Money. It's really an honor to connect with you after so many years of following your work and being a Schwab customer. Welcome.

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CSP: Thank you, Farnoosh. Of course, we follow you too, and love the fact that you're out there imparting great knowledge to, in particular, young women.

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FT: Well, thank you so much. So, Carrie, you come from a very famous family, an important business, which is obviously Charles Schwab. There you are a CFP and president of the Charles Schwab Foundation. I want to talk a lot about your initiatives and advice that you have for families as they pass on good financial lessons and advice to their kids. That's a huge question that comes up a lot on this show.

But I'd love to go back to you as a child growing up in the Schwab family. That was quite, I guess, a purview, a perspective, an experience. Did you always think that you would enter the family business? I mean, did you feel like you even had a choice?

[0:03:00.1]

CSP: Farnoosh, a lot of people just assume that I grew up with this very successful man, but in fact my dad was a struggling businessman for most of my childhood, and he didn't really become the Charles Schwab that people know until well into my 20s.

But I do remember, Schwab was just a startup and I was 16-years-old, just old enough to legally work. Of course, I had worked a lot of other odd jobs before, but he asked me to come work for the summer. I was basically a file clerk. I got people coffee and filed papers and answered phones, and I remember the company being only maybe two rooms. One room was a big open

room with different sort of old desks floating around where my dad and his president and so forth team would sit.
Then next door was a conference room. Not too big. It was a big overall table. There were financial consultants or broker as we call them around the table with black rotary phones, and then Henrietta was the bouffant in the corner switching in – She was a switchboard operator, switching in the phones calls. Anyway, so long, long time ago.

It was later after college that I came back to Schwab and it was just as Bank of America was buying and fueling capital into it, and Schwab had its first internship for recent college graduates. There was about, I think, 15 of us. Most of the young interns went on to jobs in headquarters. But I remember my dad saying to me, "Carrie, if you really want to understand the business, you really need to go out in the field serving clients and understand client's needs." So that's what I did. So most of my career or half of my career was out there serving clients and helping them with their investments.

[0:05:14.5]

FT: He sort of kicked you out of the nest. Almost like, "Go out, explore the word. Learn the business." That was pretty good advice.

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CSP: Yeah, and I feel really good about that, because not everybody does understand the clients, and that's really kind of what we're all about. My dad starting out with stuffing, what we called leads and marketing material, he started from the ground level too. So it's definitely unique understanding and a sense of empathy that you have for people and their money. I think that's what's really kind of helped me. Obviously, growing up as a child who had multiple jobs and always worked, really understand the meaning of money and how it fuels our confidence and our independence.

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FT: I understand that's a big part of how you're trying to teach your family, your kids' financial literacy. You have three grown children now, but when they were young, there was a – Or a lot of emphasis on working. What are some other good money habits that you think all families can practice to really help shape their kids, create health mindsets around money?

[0:06:32.4]

CSP: Yeah, I don't think it's ever too young to start looking for ways to introduce money to your children. Let's face it, we do live in a culture of a lot of spending, and there's this sort of competition among kids and what they own and buy and so forth. So I'm a big believer in starting early.

So with my own kids, I started with an allowance in their early age, five, six years old. I remember my youngest daughter – So I have two boys and a daughter, and the youngest is, yeah, the girl. I remember is started giving her a dollar a week. I can't remember. She's now four or five years old and I started finding the dollar sitting on the coffee table.

So then I realized, "You know what? She's a little young for an allowance," because she wasn't taking care of it and being responsible for it. I think it kind of depends on that. But I have to tell you a cute story, because allowance is really the first time that children learn the value of money and experience money, right? They're not going to get jobs and so forth.

I remember when my son, my middle son was 7-years-old. I brought him with me into the local pharmacy. I had to pick something up. Of course, I made the strategic mistake of walking down the aisle with the toys. You know how it is, Farnoosh, with young little kids. They want so badly to buy one of the toys, or they want to sit there and check them out and so forth.

So he was pleading with me to buy these Pokemon cards, and my first reaction was to just buy them, right? Because I was in a hurry and want to get out. I thought that was a terrible message. And his name is Win. I looked at him, I said, "Win, you have an allowance now. You can buy them yourself." He's a little redhead freckle face kid and he's looking at me and I could just see his mind spinning and he's thinking. He said, "You know, I think I'll pass."

Yeah. I realized at that point that he was putting value on money, and of course he was thinking in his mind that his money was more valuable than my money. Anyway, allowances – There's all sorts of wonder ways to get them to start spending or using it and placing value on it. Anyway, it's a great experience, and that's kind of how I started. Of course, as children get older, you start thinking about other concepts of budgeting and saving and introducing them to banking and investing and credit cards and so forth.

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FT: Going back to allowances, often I hear questions about, "My kids are too young." So I'm also asking the question when they're ready. What do you tie the allowance to? I've heard a lot of different theories and ideas around this. Some families are like it's perfectly fine to just tie it to chores, and others say tie it to grades, or tie it – I love this. Tie it to your children finding almost like job opportunities around the house. That's out of the norm. Like, "Hey, mom. Let me help you organize your file cabinet, and I want to make this much," and they try to negotiate some sort of rate, which is teaching entrepreneurship more or less.

[0:10:03.3]

CSP: Yeah. It's funny, I remember a friend of mine saying to me, "Parenting is nothing but cutting deals," and I thought that was hilarious.

I personally feel that an allowance should not necessarily be tied to chores. I mean chores that your children should be doing anyway, whether it's making their bed, helping with the dishes, keeping their room clean. The basics, I think that's just responsibilities that we all have to the family as sort of a team effort.

But I think it's a great when your children kind of [inaudible 00:10:44] to you and say, "Hey, can I wash your car and make some extra money." I think that's wonderful as well. But I do think the chores thing, or even grades. I don't think there's anything wrong with grades, but I wouldn't make that only thing again. I think it's nice to maybe create rewards and so forth, but the chores I just feel like, as a family, that's teaching them responsibility in respect.

[0:11:11.2]

FT: Right, and being a committed member of the family.

[0:11:15.4]

CSP: Exactly. Exactly.

[00:11:17.2]

FT: Let's talk a little bit about financial literacy in this country, or the lack of financial literacy. It's no secret that we could do better as a whole. I think it's really hard to teach frankly. I mean, it's sometimes these money concepts are a little too abstract. Then you've got teachers at school, for example, that are like, "I'm not equipped to really teach this."

So what do you see though, because you're really on the frontlines, what are the challenges that prohibit us from really getting our country more knowledgeable?

[0:11:50.1]

CSP: There are so many factors going on here. As you mentioned, my life work is always been about financial literacy and giving people the skills, the knowledge, the confidence to basically manager their money and have the life that they want to have. I feel that financial literacy, basic money management concepts from living within your means, budgeting, saving and investing for the future and knowing when something is too good to be true are just something that we all need to understand no matter our background and so forth.

As you mentioned, what I've learned through my work in many years is that the lack of financial literacy in this country cuts across Americans from all walks of life. It is blind socioeconomic status, to age, to gender, and it's unfortunate. I do believe lots of reasons.

We just saw an article about the bankruptcy among people 65 and older is three times what it used to be, and a lot of that has to do with – Obviously, there's life circumstances. We just had the great recession. But I'm a big believer through my programming for Boys & Girls Club, or ARP for working poor over 50, that people can find a way to save and put money away.

But what has happened is, is that we, in the old days, companies provided pensions for us. So they save the money, put the money aside. They invested it so that when an employee retired, they had a safety net. We don't really have that anymore.

So today, baby boomers and younger, it just sort of crept on us that we not only have to save our own money, but we have to know how to invest it, and no one has been there to teach us. You alluded to the fact that schools don't talk about money. Families don't talk about money, and historically neither does work, the workplace.

Now, some of that is all starting to slowly change, which is a good thing. Then you put on top of that, is that – I mean, let's face it. The financial world continues to get more and more complex. I think we do need sort of a rallying cry as a nation to bring all institutions to play and make this a responsibility that we all take on for ourselves.

[0:14:28.1]

FT: Right. It's a collaborative effort, because sometimes I think we can get very defensive. Like, "Well, It's not my responsibility. I'm busy as a parent. I'm sending my kids to school. They should be educated there." Then the schools are saying, "No. This is not our responsibility."

[0:14:43.5]

CSP: Exactly.

[0:14:43.6]

FT: Then what happens is I work with a lot of young adults and I feel so sorry for them, because a lot of them are graduating with student loans and they're not even sure how much they owe and how to pay it back and don't ever remember having a money conversation with anyone. I just feel like it's such a missed opportunity.

What's some good news on that front though? What's some positive momentum that might be building in the financial literacy world that you feel like in 10, 15 years we could be in a better place? Are we moving towards a better place?

[0:15:20.5]

CSP: I think so. It's incremental. I was telling someone the other day, it's like my tennis games. You take some lessons and your backhand just incrementally improves, right? It's not going to just all of a sudden be a starter set backhand. I do see some improvement.

Since I've been working on this, I'll just share a few things. Now, there are 17 states that require personal finance embedded into other – What do you call it? Classes, such like economics and math. There are now seven states that mandated it as a standalone. Just recently in a study, we just conducted families are now more openly talking about money, by the way, more than sex and drugs. That was not the case when I've been working on this. That's recent news, which is good news. We've got to start talking more about it.

Then the other place that I really start to see improvement, is a lot of workplaces, employers, are realizing that their employees are retiring without any safety net. They feel the sense of responsibility. I know that corporations who are our clients are asking us more and more to provide workshops and websites and all sorts of content to help their employees. We're moving in the right direction, but unfortunately I think we need to go a little bit faster.

[0:16:53.8]

FT: Yeah. Can we have this yesterday? That would be great. Thanks.

[0:16:58.1]

CSP: Yeah, exactly.

[0:17:00.1]

FT: All right. I got a question once on this show about what are some resources for kids, really for parents to give to their kids to talk about money to kind of start the conversation rather than waiting for a moment that your kid brings up that there's a way for you to be proactive.

I just ordered this book *One Cent, Two Cents, Old Cent, New Cents* by Dr. Seuss for our 4-year-old and he's not in love with it as much as like the *Lorax* or *Cat in the Hat,* but we're going to get there. What do you like in terms of teaching kids about money and sort of like the apps, tools, resources books?

[0:17:42.4]

CSP: Yeah. Also, I don't really have access to some of those books that you're talking about when they were young. I have to tell the schwabmoneywise.com website, which has all the information you need. In fact, it's the website that we created, Farnoosh, specifically to help parents raise money-wise kids, and we realized that there were so many people, not just parents wanting to teach their kids, but so many people who needed this resource. So we expanded it for everybody.

But we do have a section on raising money-wise kids, and I think some of the best concepts and tools are teaching your kids, and this is not going to be for a 4-year-old, by the way, but it could be. Showing them the power of compound growth, if you put this much money away, a dollar a day, a dollar – Whatever, a week, or whatever, and saying, "This is how much money interest you make on it, and you could start seeing your money grow." I think the whole notion of compound growth is very rewarding and exciting for young people.

I remember, I used to use the example of if you save a penny one day and then you double it two pennies the next day and then four pennies, I can't remember like within a month's time, it turns into $10 million.

[0:19:08.4]

FT: Whoa!

[0:19:09.5]

CSP: Yeah, something like that. I can't remember. It's been awhile since I used that example, but we have to get off the calculator. Anyway, Schwab Money Wise has great tools, like savings calculator, debt calculator. Oh, here's another one, spending tracker. Just getting young people aware. Also, obviously, being good role models as parents is really important.

[0:19:37.4]

FT: Let's take our listeners through the ages. As someone who might be a parent wondering, "Okay. I have a 4-year-old. Now I'm going to [inaudible 0:19:45.1] that someday she's going to be 12, then she's going to be 18. So maybe some advice for the different age groups. We just talked a little bit about little kids, some of the books you can give them, or read to them.

I also feel like when you go to school, that's when you really start to get some context around the financial world, where your friends are wearing certain brand name clothing, or you go to play dates and you're kind of like, "Wait. They have a pool? I don't have a pool."

[0:20:15.4]

CSP: Yeah.

[0:20:16.2]

FT: So it's just normal and natural for kids to start questioning these differences. So how do you, as parents, especially if you're like in New York City where there are so much access, really give your kids some grounding when it comes to money?

[0:20:35.1]

CSP: I raised my kids in the Bay Area, in the San Francisco Bay Area also, and there's a lot of pressure. As you mentioned, a lot of excess, a lot of pressure to have the next best shiny object.

As I mentioned, I grew up with a family that was – Like I said, my dad was struggling. My parents divorced. There wasn't a lot of money. I always worked since I was 13-years-old, whether it was babysitting. I even house cleaned. I had a paper route, and I just – Those are not only just the work ethic and putting money aside to me, I'm proud of that.

So that's what I've been trying to instil on my own kids, and studying it also not just as a parent, but just as somebody who cares deeply about it and want to impart this information on other families, that it's really important not only to show or teach the mechanics. Like I mentioned, the allowance and placing money on value is the very first concept for a young person to learn, but just the mechanics and your value, your money values. What's important to you?

Again, I think it's how you live and how you – You talk about your values. For me – And every family is different. I don't mean to preach by any means, but for me it was about self-worth, not net worth. I just kind of stood my ground. Certainly, I felt sort of pressure too.

I remember when my daughter was crying to me, again, because her friend just got a new pair of roller skates. I'm thinking, "Boy! Do I just come to this?" But at the same time I kind of wanted her to have roller skates, right? It's a good exercise. It's fun. I grew up with roller skates. I kind of deal with her where I said, "Why don't I pay for half and you pay for half?" There's some of that.

I mean, I could probably spend the whole hour, Farnoosh, talking about different ages. So we want to jump – Let's just jump a little bit and we can talk more about it to – When young people – So what I did with my own kids is I made them save money. When they get a little older, they start not getting toys, right? The grandparents aren't sure what to get them. So they start giving them small checks and so forth.

So I took my kids [inaudible 0:23:10.0] turned about 10 years old, to the local bank. Made them come. I didn't go open the account myself. I made them come. Meet the banker. Sit down and fill out the paperwork, and it opened up the bank account. I did the same, by the way, when they were 12 and they saved enough money, that I took them to the Schwab office. Again, have them meet with a financial consultant, fill out the paperwork and learn about some of the basics of investing and actually starting to invest.

I think that's just – It's one particular hurdle for people. It feels very intimidating, the financial world, especially investing. So if we could just expose young people as soon as possible. They will feel far more comfortable and say, "Grow up and become adults and so forth," to ask for help, work with a financial institution and actually invest for their future. Exposure is another big opportunity.

[0:24:19.0]

FT: Well, speaking of exposure, sometimes parents worry about too much exposure, especially when their 12-year-old is like, "How much money do you make mom? Are we rich?" So when you get those unexpected or uncomfortable questions from your kids, what should a parent's reaction be?

[0:24:37.0]

CSP: I don't remember my kids actually ever asking me how much money I made. But I do remember when my son said, "Mom –" I can't remember, "one of our neighbors, the Smiths. They're really rich." I said, "Yeah, they probably are." And just kind of let it go.

I think it's great to talk about money, for sure, and talk about it in general terms. We are comfortable, but we have to save. We're comfortable, but we have to make choices. I think those are – Whether that's true or not, things are really – I think they're good messages personally. Some people might say I'm lying to my children, but you just never know where life is going to bring you. I think it's later in life, maybe when children are in their 30s and you want to start thinking about passing on will or telling them what you have so they can prepare for adulthood when they're responsible and mature and they can handle it. But I'm not one for telling your kids how much you earn, but passing on, again, your values and the money, the nuts and bolts.

[0:25:59.9]

FT: Yes, and maybe saying like, "Hmm, what makes you curious?" I did a story about for our money magazine a while ago, and one of the things that I learned that in included in the story was that when you get these uncomfortable questions, rather than thinking, “Oh, gosh! I have to come up with some kind of answer and fast.” Answer the question with a question.

[0:26:21.3]

CSP: There you go.

[0:26:20.6]

FT: So what makes you curious? Actually, get from them what promoted the question, because they may be actually asking something else. Maybe they’re just like concerned that the family has “enough money”, right?

[0:26:35.4]

CSP: There you go. Absolutely.

[0:26:36.1]

FT: So you kind of get to the source of it and then you can feel better about having that conversation.

[0:26:42.7]

CSP: Yes. I’ll tell you, we just conducted a survey of young people 16 to 25. These are people on the cusp of independence, and I know you’re talking about somebody younger. For those of us who have a little bit older children, these young people, like 16-year-old today, was 6-years-old during the great recession, and 80% of these young adults said that they watched their parents or witnessed their parents endure financial struggles.

So 80%, that’s almost all young people. We don’t really think about that, right? So I think your idea of a question with a question is really spot on and smart, because they probably were really concerned and scared.

[0:27:31.9]

FT: Right. Maybe they heard something at school or they heard someone's parent lost a job and they were just wondering like, "We're going to be okay."

[0:27:39.4]

CSP: Yes, or had to move.

[0:27:41.2]

FT: Yes, for sure. So when I was a teenager, I had a couple of jobs. I remember my father, as soon as I got my first paycheck, he was like, "We're opening up a Roth IRA." I was like, "What is that?"

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CSP: Yup.

[0:27:53.4]

FT: Why are you making me do this? But I still have that Roth IRA. It's kind of become this thing that I can't contribute to it anymore, but it's like one of my earliest financial achievements. I'm so glad – I mean, it's a few thousand dollars. Who knew that at like 16 I could even save that much money in my teens? Is that still – That was years ago. Do you think that's still something that parents should insist upon?

[0:28:18.3]

CSP: Oh, absolutely. Absolutely. So with my teens, a couple of things about money. So 16-years-old, or their first real job where they get a W2. All three of my children, again, part of the

experience, is then going back and opening up their Roth IRA, which is custodian account. A parent has to be a custodian, because they're under 18-years-old.
Again, it's a wonderful opportunity to start talking about retirement, and it sounds so boring, so far away, but if we can make it, again, just sort of a habit, right? Habitual, something we don't even think about saving for our future, our old age right away, then it's not so cumbersome as you become into adulthood.

So it's a wonderful opportunity to start teaching your children to put money away and to invest. I hope your dad also taught you about investing, and investing doesn't have to be about – Should not be about the hot stock. I have young people and I have my own kids go into broad-based ETF, exchange traded funds that represent the broad market.

I have to tell you a little story about my dad. When I just got out of college, or I mean I had my first job, and I saved in my IRA. It was my first time at putting money away. I called my dad and I asked him, "How should I invest it?" Of course, I thought he would give me the hot tip of the day. That's what I was hoping for. He said, "Carrie, just invest it. Pick a couple of mutual funds, equity funds. Just pick a few." He wasn't even me really any guidance. Then you'll be fine.

I'm really iterated by it, but I did it. I realized, today, being in the business funds I've been, that the power of investing and the power of investing over the long term and participating in the market, that's what he was trying to me exposed to, and he was spot on. So it's about participating in the market, I think for young people and for all of us.

[0:30:41.5]

FT: Right. Just get in, get in early. That's one thing. No one's ever like in their 60s and they're like, "I wish I started investing later in my life."

[0:30:50.4]

CSP: No.

[0:30:52.6]

FT: Carrie, thank you so much for coming on So Money and for giving us all these great stories, personal stories. I really love that you kind of took from your life to talk about lessons learned and how families can just make the most of these financial complexities that may come up with their kids, but I think we make it harder than it is. It's really not that hard. Just like you said, talk about your values, emphasize what your goals are as a family. Incorporate some resources here and there and just keep that dialogue going.

I know that Schwab has also some great resources for parents and guardians and young people who want to make financial decisions, smart financial decisions. Mind sharing that with us?

[0:31:39.1]

CSP: Yeah. So I was going to share with you, we talked about schools and teaching our kids. What I wanted to share with your listeners is that we are a national partner with donorschoose.org, which is a crowdsourcing, nonprofit to help teachers pay for supplies, for field trips, extra tools and kits. We are paying for half of any financial literacy project that a teacher asks for.

We're also matching the cost of professional development for teachers. So we are trying to do our part in terms of helping the school systems teach our children. So I just want to let everybody know that this is an opportunity for your children's schools and teachers to participate in and have access to some funding for financial literacy.

[0:32:47.8]

FT: I love Donors Choose. It's so great. Yeah, you can go on and find so many great different campaigns, mini-campaigns, big scale campaigns that teachers are trying to implement. I think that, as you said earlier, even though sometimes teachers feel like they don't have the resources or the equipment or even the knowledge to educate, let's make it a collective affair. Let's support them and then we can all take the credit in some ways.

[0:33:14.2]

CSP: Yes, exactly. Yes, this is professional development for the teachers. So no excuses, right? They can learn how to do it. They can learn for themselves and apply it to their own lives, but then also impart it on the kids.

[0:33:26.9]

FT: Carrie, thank you so much again. I hope you have a great rest of your summer.

[0:33:30.4]

CSP: Thanks, Farnoosh. I hope you have a great summer too.

[END]