EPISODE 1108

*"**DN:** It's all a conversation, and in a lot of the conversation you're just talking about feelings and talking about how you did it when you were younger and how they're going to do better when they're older."*

[INTRODUCTION]

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FT: You might be wondering how to have the hard conversation about money with your kids these days. Welcome to So Money, everybody. I'm your host, Farnoosh Torabi. We're touching on an important topic today. I know one that for many of our listeners hits home, whether your child is 6 or 16. You might be wondering how do I raise a money-savvy child. Well, our guests today know a thing or two about this. They are the co-authors of a new book called *Raising Your Money-Savvy Family For Next Generation Financial Independence*. Father-daughter duo, Doug Doug Nordman and Carol Pittner, co-authored the book. It's part personal stories, part practical advice, and our discussion puts this topic in the context of today's recession. A lot of families are struggling right now. What do you share? What do you keep to yourself?

A little bit more about our guests. Carol Pittner joined the Navy on an ROTC scholarship following in her mom and dad's footsteps. She and her active-duty spouse are rapidly approaching financial independence on a high savings rate, and they just started their own family. Her father, Doug, Nordman, served for 20 years of active duty in the US Navy's submarine force. He and his wife are retired Navy reservists who reached financial independence in the late 1990s on also a high savings rate. They lived in Hawaii for over 30 years where they also raised their daughter, Carol. These days, Dough likes to surf, slow travel, write, public speak, and talk about their book. Here's Carol Pittner and Doug Nordman.

[INTERVIEW]

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FT: Carol Pittner and Doug Nordman, father and daughter, welcome to So Money.

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DN: Thanks, Farnoosh. It's good to be here and it's hard to believe it's been five years.

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FT: Oh, my gosh. Yes. You were one of the original guests on So Money, Dough. I believe it was episode 185. 151, 151. June 11th. Oh, my gosh. I was six months into podcasting. So my apologies and thanks for coming on the show at that early stage, and hopefully I've gotten little bit better at asking the questions and removing the ums. I don't think so. But here we are, nevertheless. This time, you're back with your offspring, your Carol Pittner. Carol, welcome to the show. It's great to meet you.

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CP: And it's good to meet you too. Thank you for having us.

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FT: Well, thank you for writing this book with your father. Doug, people can go back and listen to our episode and learn for the first time or again about all of the great work you've down in the FIRE space, Financial Independence, Retire Early. You're the author of *The Military Guide* as a former military professional. You're kind of one of the trailblazers in this movement, so to speak, of like early retirement, financial independence. No doubt you go then to raise a child who becomes, follows in your footsteps essentially. So my first question to the two of you writing this book together, I was reading it last night and I understand that when you are reflecting on some of the memories for the book, you both had different versions of the same memory, which I guess is not –

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CP: I mean, what family doesn’t?

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FT: Yeah, who doesn’t? So what was the biggest surprise that each of you learned about these experiences that you shared in the process of writing this book? Was there like something that actually was diametrically opposed in terms of how you thought it went, Doug, and Carol, how you experienced it or remembered it?

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DN: That’s it. That’s the whole point of the book is that our brilliant parenting tactics weren’t always perceived to be as brilliant as we thought they were, and sometimes Carol would come back with a different impression of the way we thought it should work. It’s valuable now. I mean, it’s a lot of fun to write a book with your family, let alone have a co-author who’s your daughter. But now, it’s valuable to see how she feels about that with an adult perspective. When she was eight years old, she might not have enjoyed something very much. But now that she’s raising a baby, suddenly all that parenting stuff gets real.

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FT: Carol, do you have a memory of sort of that moment? Like a lot of kids and a lot of young adults, you sort of have to make mistakes. That's how you learn and there's resistance and there's maybe even some angst. I'm not assuming any of that, but like that’s generally what happens when you're growing up. You’re figuring your life out and you oppose a lot of what your parents are preaching. Was there a moment though when you – I think we all have this moment where we recognize that maybe our parents were right and we should start to take more ownership of our, at least in this case, financial life.

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CP: There wasn't really a teenage rebellion moment that happened. It actually came about when I was in high school and I went to high school between the years 2006 and 2010, so I saw the very best of the housing market. Then I saw the recession and the crash that came with it, and there was a point in my high school in 2009. My family was in Hawaii. I was born and raised in Hawaii, and at that point the State of Hawaii could not afford to keep the schools open and the public schools open for five days a week. We actually called it furlough Fridays. It was where it was so expensive at that point to keep the public schools running that they decided we had to have a couple of Fridays off a month, and it was don't come to school or you'll be arrested. Stay off the campus Fridays. So I think that was –

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FT: So that's a good thing, right, for a 13-year-old? That's like Christmas every Friday.

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CP: Exactly, and that was a nice thing was that at first it was, "Yes, no school." But a lot like what people are experiencing today in coronavirus, there are some advantages to school that you start to miss after a while. So I got that small taste of not only dealing with not going to school and all of the logistical issues with that, but a lot of people in school also changed. I had friends who their parents were saying, "Oh, yeah. You'll go to college. We'll pay for college. No problem." Then it got to the point of I might have to switch high schools because we're going to have to move because we're going to have to foreclose on the house.

There were some teachers who were inching up on retirement. They were at that 20 or 30-year mark and they were ready to go. Then the recession hit, and it crashed their portfolio as well and they realized they were going to have to begrudgingly stay around for another 5 or 10 years. That was really when the choices became the obvious part. It was seeing all the people that were being forced into decisions that they didn't want to make.

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FT: And those are formative years. You had that happen when you were four or five years old. You probably wouldn't have really had that actualization. Your book, by the way, together is called *Raising Your Money-Savvy Family For Next Generation Financial Independence*.

Speaking of recessions, guys, we're in one again now, and there is a lot of discussion and concern that this current generation, I guess the Gen Y, the Gen Zers are going to have a real tough go of things, given the debt that we're – The country that we're going to leave them is going to be one that is severely crippled financially.

Right now, it's so hard to even find a job if you're coming out of college, let alone even go to college if you are a student because of the pandemic. So what's your advice for families who may feel stuck financially and are concerned about how this is going to be interpreted by their kids? It seems like for you, Carol, it was an eye-opening experience the last recession. It kind of forced you to grow up and mature in some ways faster than you would have. What's your advice for families that need to have hard conversations or want to sort of project this modeling of like we're going to be okay despite the fact that the world does seem like it's falling apart?

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DN: Well, that's a discussion that you have to tailor to the age of the person you're talking with. So a five-year-old just wants to know that everything is going to be okay, and that's good enough. The 13-year-old might be a little more skeptical about that, and that's when you start talking about the value of an emergency fund or being able to cut your costs and your expenses if you need to and being able to still keep saving money for anything else that comes up. If you're a senior high school, you're probably a little concerned about what's going to happen for your college education, not just who's going to pay for it, but when is it going to start and how are you going to do it.

Again, those are tough conversations to have, but you lay out what you as a parent have learned over the years and how you hope all this is going to work and how that there's always going to be a Plan B. Life might not happen at the speed at which you thought it was going to happen but it's going to happen and it's going to get done one way or the other.

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CP: I think one of the other things that I appreciated from mom and dad, especially during the recession, was that they not only said we're going to be okay but they gave more qualitative details. It was things like, “Things are going to be okay. Your college fund has taken a hit, but we can still afford college for you. Things are going to be okay. We’re not going to be moving out of the house. In fact, this is probably the best time for us to take on some renovations we had been thinking about.” And it was that kind of casual conversation but detailed enough to reassure me that things were going to proceed as normal.

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DN: And we did tell you, Carol, that you didn't have to join the Navy just to get through college. We told you that we could’ve gotten you through college without making you join the military.

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CP: Well, yeah. But in true teenage rebellious faction, that's exactly what I did was join the Navy.

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FT: What inspired you to join the Navy, Carol, besides having two military parents?

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CP: Also, that’s the funny thing is that my two military parents, the last thing they wanted me to do was join the military myself. You want your kids to go do something different and better, and they wanted to see – They wanted to take the potential that I have and do something different with that. A lot of kids have things that there are skills in the military, and there's a lot of advantages and opportunities and experiences that you can gain in the military. That didn’t become apparent to me until mom and dad took me to the naval academy to visit an old friend of theirs. Sure, I fell in love with the optics. You have all these midshipmen running around in uniforms, and they're all fit, and they’re doing these wonderful things in this wonderful setting against the Severn River in Annapolis, and it's a beautiful site. It’s a crisp military academy.

But as I went through the research with mom and dad, as they told me about this ROTC training program that I could do alongside of college and how this program would not only start training me for the military and keep me in great physical shape but it would also pay for college. It would also give me a ready-made job right after college. It would have a contract involved that could get me better bonuses. I could go and travel around the world. Oh, yeah. I could do a lot of things that would be in the benefit for my country. And so it started out as a simple act of teenage rebellion but it actually turned out to be a very good life experience and opportunity for me.

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FT: It's inspiring for sure and a good reminder for people listening about the different ways you can approach your college education and perhaps come out without the debt loads that we are. Dough and Carol, you talk about how you can basically start teaching kids about money as soon as they stopped eating it. I thought that was a really funny way to frame it. But what's the right approach really? When your kid is, let's say, in kindergarten. My son's in first grade. They have piggy banks. I don't know if he knows. He does definitely knows how much money we make but he associates "richness" with like if he goes to a friend's house and he's like, "Mom, they have the Paw Patrol look out. They're rich." Because I tell them, "That toy is quite expensive, so we need to just have that for Christmas maybe. We can't just get that on a whim."

Maybe that's my own fault but I – He's starting to pick up on what has value and what if you have certain things what that means about your richness. I don't know if I'm totally destroying his. Am I doing everything wrong ironically? Tell me everything I need to be doing with my first grader.

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DN: We're both looking at Paw Patrol now here to figure out what we're missing.

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FT: Yeah.

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CP: I know what Paw Patrol is.

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FT: It's like a $65 – It's the lookout. It's this – Oh, my God. I feel all of these children's cartoons are basically – I think they serve it on a big table, these decision-makers, and they're like, "What are the toys that we want to sell? Now, let's create a cartoon around that because it's really products first and then story second." It's quite –

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DN: But that's exactly the conversation that you have with kids at that age is they see all these wonderful things and they want to have all of them, and maybe they should because when I was that age I did too. But you can also talk about how the advertisers and the producers make it look really, really good and how sometimes that toy isn't as much fun as you'd think. Or you could talk about the money part of it and ask them if they want to spend their money on that and how much money would they need and how long will they have to save. There's talk about, "Well, maybe somebody will give it to you for a gift someday but maybe you could save your own money and figure out how to buy that on your own or try your friends or buy it from a garage." Just keep talking about all the choices.

Kids don't necessarily know how to save at that age, and they're not going to be very enthusiastic about it even if you are. But they want to learn how to manage money, and so it helps to talk about how much things cost and how you can save for a really big thing or you can spend your money on little things. As you have those conversations, eventually they'll get comfortable enough with managing the money.

We joke about learning to manage your money when you stop eating it because Carol found a quarter when she was just under two years old. Now, she took a taste, yeah, and she started choking on it. As a parent, that's one of those intense moments there when all those things that you thought could go wrong do go wrong and you're full of adrenaline and pretty excited. I picked her up, turned her upside down. I did what I thought was a gentle pat on the back, and that quarter sailed across the room. So she was okay but that's when we realized we need to wait a little bit before we started teaching Carol more about money.

At that age, it's just about counting and learning the names of things. At five or six years old, then we started talking about what things cost and how to save the money for it. A lot of the books we were reading at that time, kids' books, were also talking about the same subjects. I remember one called *If You Made a Million*, and the pictures were gorgeous, showing a million of this, a million of that, a million dollars. Then at the end of the book, they talk about what you could do with it and how you could save up for it. It was all it was. It wasn't talking about interest or banks or investments. It was just showing all the marvelous things you could do with a big bucket of money, and that was enough for Carol to get her started.

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FT: I really appreciate the message in the book about how money affords you choices and I think it's important as a parent, for myself, why I choose to be financially independent and to save my money. It's because of the choices that I want to make, which may not be the choices that my children will grow up wanting to make. You see often that kids grow up. Maybe they grow up from wealthy families and there's a rejection to money because their parents used their money in a way that wasn't aligned maybe with how their children grew up seeing the world and feeling like they should or would want to live their life. And so they associate that with – They have a negative relationship with money because of that.

So where – How can we teach our kids how to grow up with this independence of knowing that they can exercise their choices but that money is still important to exercise your choices, whatever those choices are. It may not be that you want the big house. But if you want to travel, that's going to still cost something. I think there's sometimes a disconnect, right, where we think like that image of what wealth and rich is. If we don't agree with that, then we're not interested in money.

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DN: I think part of it too is taking the ideas that the child has, that your kids have, and encouraging to think about how they'd make it happen. I think we're still telling Carol that we hope she makes better choices as her parenting and her adulthood than we did when she was growing up. That might be a little snarky, but it's also pointing out that there are different choices, and they've got more options, and maybe they'll do a better job than we did at that age.

The other thing that kids that think everybody is richer and wealthier than they are is to point out what you're doing in your family, and what's important to you guys, and that you're saving our money for this, and we don't want to spend a lot of money on that, and we're making different choices. Then you can start talking with the kids. There's a book by David Owen, *The First National Bank of Dad*, and he says that kids learn to manage money by making a lot of mistakes. He encourages parents to have a mental image of giving your child a $20 bill and washing them light it on fire and running around in the backyard like it's a fourth of July sparkler. They're not going to do that just once. They're going to do that many times as they learn to manage their money.

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CP: Quite literally in a couple of cases, I actually did buy a couple of $20 worth of sparkler sets, so yeah.

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DN: There you go. Well, at least it was yours.

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DN: So what was your biggest money mistake? Speaking of mistakes, how did – What was something that you learned by accident?

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CP: That's a good question. So the biggest mistake I think that I made as an adult is less of a mistake and more of a struggle, and it's trying to figure out the right amount of insurance. Do I need – You definitely need renters insurance or home insurance. You definitely need health insurance and you definitely need car insurance. But from there, how much car insurance do you really want to have? How much do you want to have for an umbrella policy? Do you need a high-value item insurance policy as well? So as an adult, I'm still struggling to try to figure out the best way to insure myself. But as a kid, I would think that my biggest mistake was less about what I was spending on and more about figuring out more cash flow ideas.

Now that I'm in the FIRE world and I'm learning about all these things from all these different resources, I'm realizing that I missed out on so many entrepreneurial opportunities as a kid. There were so many ways I could've made more money, even if it was just something like the lawn mowing business as a kid. I could've made so much money with that on our street.

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DN: I think you did pretty well at the Mom and Dad Corporation with your entrepreneurial ideas and getting jobs.

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FT: I sense tension. I'm kidding.

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CP: It's actually interesting.

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DN: This is what passes for dinner table conversation in our family.

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FT: Yeah. This is going to be an interesting Thanksgiving at your house. The kids 401(k), what's that? That's in your book.

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DN: This is a way to show a kid the benefits of deferred gratification, and you use none of those words when you're talking about it with an eight-year-old. But at the age of eight, you start talking about what mom and dad do to save for retirement. Then you talk about 401(k)s and how kids are going to save for a really big goal later on in life. When this came out, Marge and I were talking about our 401(k)s, and we're trying to translate this into the things that an eighth-year-old would think was important. The best analogy we could come up with was buying a car when you're 16 years old. So we tried that, and Carol was really excited at the time to find out she was getting a bigger allowance on her eighth birthday. Then she found out that some of that was going to be mandatory contributions to the kid 401(k).

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CP: But what?

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DN: Now, she still ended up with a little more money. But the whole idea was that we kept talking about what she was going to do when she was 16 years old. The kid 401(k), the parental contributions to match her contributions, the stock market, the investments, all of that was going to add up to when she was 16 years old. She was going to have $5,000 to go buy a car. It was an excuse for me to put together spreadsheets and monthly reports and just to sit there and talk about, to fantasize about what kind of car she was going to get when she was 16 years old. Then as she got older, we could get into the practical side of things like how much the car was going to actually cost, what kind of car you could get for $5,000, and what you had to pay for gas and insurance and everything else.

So every month or two, we could have this conversation about the car, and the surprising thing to me was that it took away a lot of what we call the gimmes, the consumer lust for something.

She could look at a car and we could say, “Well, do you think you’d want to spend your kid 401(k) on that car?” She’d say, “Well, I don’t know. I got choices. Maybe I want that. Maybe I don’t.” So she would be able to confidently look at what’s out there, and we talked about the advertising, of course, and we talk about whether a car made you more of a guy magnet or a chick magnet or whether you were able to do things with that car like a pickup truck. It just kept being one constant conversation about it over the eight years that it took for that to mature.

We do include a spreadsheet and a book for parents to make up their own version of the kid 401(k). We walked through all the ways that that's built and what you can do with it. But to us, it was just a way to continue a conversation about a really big financial choice that everybody struggles with. Everybody's heard you're going to have a car payment for the rest your life. Well, that’s not the case, and that kid 401(k) really helped Carol with deferred gratification. But it also helped take all the stress out of the 16th birthday and that first car decision.

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FT: We all remember our first car purchase.

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DN: Oh, gosh.

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FT: It’s a Toyota Corolla. Actually, it wasn’t a purchase. My parents handed me down the Corolla, and they ended up still being able to sell it. Toyotas are incredible. They’re like Hondas. A lot of these Japanese cars, they’re incredible. They run for decades.

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DN: And thank goodness because we did that with a Prius. When Carol learned to drive that thing, the breaks managed to survive a teen learning how to drive.

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FT: Yeah. I'm not there yet. I'll delay that any day. That's like kind of a nightmare, right?

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DN: It's all a conversation, and in a lot of the conversation you're just talking about feelings and talking about how you did it when you were younger and how you know they're going to do it better when they're older.

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FT: You'll drive safer than I will won't you?

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DN: That's not a high bar.

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FT: You'll look both ways. You'll drive the speed limit. You won't ever run a red light, no.

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CP: Well, that was actually the funny thing about this car was Dad mentioned the first half of the 401(k). That was starting the initial investment and teaching me how to deal with deferred gratification. But he didn't mention the second half of that problem. When I was about 14 years old, a couple years before the kid 401(k) was going to be accessible, mom and dad were looking at a new car, and by a new car I mean a brand-new two-year-old, what was it, 2006 Toyota Prius. This was when Pruises were still new and all the rage and –

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FT: It's so hard to find, right.

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DN: That's right.

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CP: And a price tag of $21,000 at the time. Mom and dad had never bought a $21,000 car before. For them, it was still a new used car, but this is more than they'd ever paid for a car in their life, and they're debating this in the front seat while we're all on a drive somewhere in the old car, of course. I look at mom and dad and I say, "Well, what happens if I give you guys $5,000, my money from the kid 401(k)? And then I would drive the car for the year and a half that I'm finishing up high school between my license in college? And then when I go off to college, what if I just have my $5,000 back, and you guys still have the car?" The initial reaction from the front seat was, "Oh, that might actually work."

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FT: Wow, look at that. Dropping knowledge in the backseat of the car. I love it. And how old were you? 14?

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DN: You got to –

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CP: I was 14 at the time, and then mom and dad came back with a counteroffer outside, so I'm still learning what counteroffer meant in negotiation at the time. And they said, "We like this plan but we're also going to add in the stipulation that any kind of damage to the car is coming out, and that's the joke is, your allowance. But it's coming out of your kid 401(k)." So if there was any fender benders, if I totaled the car, of course, I wouldn't get my money back. But that was actually what inspired me to be a good driver was it was less about protecting the car and it was more about protecting my investment in that sense.

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FT: Right. Did you really call it a kid 401(k)?

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DN: Absolutely. That's the name you got to have for it. That's a long time, right? When you're eight years old –

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FT: But do you have 401(k)s in your – I guess how does it work with government jobs? You have like a 403(b). How does that work? Pension?

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DN: Well, in the military, in the federal civil service, everybody would invest in the thrift savings plan, and that's a 401(k). That was part of the conversation because when Carol was celebrating her eighth birthday, the military was a very few months away from starting to offer a 401(k) to service members, and this was on our minds. That conversation just kind of filtered on down to, "Hey, what do you do for the big eighth birthday? It's a big milestone. We got to do something important financially here," and that's what came out.

I'll admit that it was as a 14-year-old, she was playing all the right keys on my piano because I'm a major tech nerd, and this Prius just triggered all my tech nerd buttons about the efficiency and about the engineering. And so when she offered to help finance that purchase with her share of the equity, I was hooked. And you have to reward that initiative. You have to absolutely support somebody who comes up with an idea like that, and it was interesting because you probably know that your kids, you give them two choices, and they pick a third one that you never thought of.

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FT: Right. Oh, yes. Always.

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DN: Yup.

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FT: Wow, so much to learn from the two of you. I love the two perspectives in your book. It's what makes this so special and different when they see books out there about raising – And there's not a lot of books about raising money-savvy kids but always important to bring new perspectives and experiences to the fold.

Carol Pittner and Doug Nordman, thank you so much. Your book, again is called *Raising Your Money-Savvy Family For Next Generation Financial Independence.* Thank you.

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DN: Thanks, Farnoosh, and it's going to be fun to keep listening to these episodes.

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CP: And thank you again for having us. We really enjoyed this.

[END OF INTERVIEW]

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FT: The book, again, it's called *Raising Your Money-Savvy Family For Next Generation Financial Independence.* You can go to facebook.com/nextgenfinance to learn more. Also, childfire.com. Thanks for tuning in, everybody. I hope your day is So Money.

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