

For rich kids, financial lessons are invaluable

By: Dr. Tightwad -- aka Janet Bodnar, senior editor of Kiplinger's Personal Finance Magazine -- welcomes questions from readers. Unfortunately, she can respond only to those questions used in her column. You can e-mail her at jbodnar@kiplinger.com.

Many wealthy parents ignore the subject, but unless you want a spoiled brat, teach them money's worth

In an age of super-affluence, many newly minted millionaires can't help worrying that their children won't inherit their work ethic.

"Parents want to know if there's a certain level at which money becomes toxic," says Jon Gallo, an estate-planning lawyer in Los Angeles.

In fact, any amount of money can be toxic if you lavish too much of it on your kids. In a special report for Kiplinger's magazine on the children of wealth, I found that the rich aren't much different from the rest of us in their goals for their kids -- nor would I recommend different strategies for teaching kids financial values. But the richer you are, the tougher it is.

Worried that their kids will have a huge disincentive to lead productive lives, many wealthy parents simply ignore the subject of money. Yet moving from a tract house to a million-dollar mansion demands some explanation.

Whatever your income, talk to your kids and answer their questions in a forthright and age-appropriate way, without telling them more than they need (or want) to know.

For example, if your 8-year-old asks, "Are we rich?" don't berate him or her for being rude. Simply reply that you have enough to buy the things you need, with some left over to give away or save.

For a 16-year-old, you might give more details about your annual income, or be frank about how much you're willing and able to spend for college.

Jane Blain Gilbertson is co-owner of a chain of 33 retail stores in the Midwest. When Gilbertson and her architect husband, Michael, built a new home, their 10-year-old daughter Nicole was "kind of upset" when friends began teasing her about living in a mansion.

Says Gilbertson, "We told her it was our dream house, that we had been planning and saving for years, and her father could do lots of the work himself." Now Nicole repeats that explanation to her friends, and "it has given her a bit more comfort to know what to say."

Pat and Aaron Arnold of Tequesta, Fla., became millionaires in 1999 when they sold their company to Tyco. Since then they have given their 11-year-old son, Tim, \$5,000 to invest on his own -- and even made an appointment for him with their financial adviser.

Whatever your income, face the music: Money is a fact of life, and the sooner kids are comfortable with it, the better off they'll be.