



## Children often believe that money is handed out for free. You can't blame them: They see ATM machines spit cash into their parents' hands and grocery store clerks deliver cash back after a purchase.

As mobile payment technology starts taking hold – Apple Pay, launched in fall 2014, is the best-known example – experts are predicting a historic change in how we pay for things. Payments will seem even more abstract to children. Even for older kids, paying for something with a wave of the phone can feel a bit more like a video game than a budgeting choice, and they are likely to adopt these technologies long before their parents do.

## HORROR STORIES ☺)

There's no denying that the flash and allure of mobile payments makes a parent's job harder. Parents may have heard of – or seen firsthand – horror stories like these:

- In 2013, two British boys memorized their father's password, playing a game on his iPhone in which they purchased \$4,868 worth of virtual food for their virtual animals. The father told reporters that Apple refunded his money.
- The father of an Oregon toddler wasn't as lucky. His daughter used daddy's smartphone in 2013 to buy a used car on eBay, and her dad was required to complete the \$225 purchase. Guess what she's getting for her 16th birthday?

Experts say shoppers may be soon be using smartphones or mobile devices like tablets or an Apple Watch to make most purchases. Google Wallet has been around a while, although it hasn't taken off. Apple Pay, based on newer technology, hopes to pave the way to a future in which you open a phone's app, hold the device near a merchant's credit card terminal, touch your screen and presto! You have bought your latest new shiny object by magic. That's how it can appear to our children, anyway.

Paper bills, wallets and pocketfuls of coins – the last concrete connections between money and work – have grown increasingly quaint. Most purchases made in stores today already are done with debit cards. Credit cards are the next most popular. Cash and paper checks trail behind.



# THE BIGGER WORRY ☺)

Merchants, device-makers and others probably will make parents' lives a little easier by coming up with some protections, such as automatic spending limits on smartphone purchases by mobile carriers.

Many parents are getting smarter themselves, following these best practices:

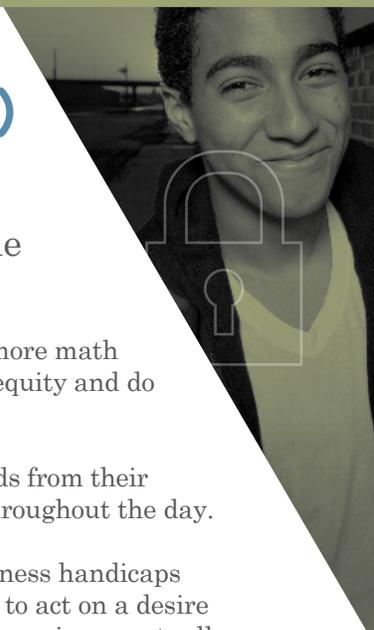
- 1** Allowing kids access to devices only when supervised.
- 2** Tightly limiting kids' use of mobile apps and credit cards.
- 3** Requiring kids to get permission for every purchase until demonstrating they understand and follow family spending rules.
- 4** Training older children to use plastic by loading limited amounts – an allowance or gift – onto a prepaid card and closely monitoring and discussing how it is spent.

Most likely, the bigger danger in mobile payment technology is not that your kids will run up an iTunes account, but that they'll fail to learn the connection between work, spending and credit, burdening their adult lives with overspending and debt.

## 6 WAYS TO KID PROOF YOUR DEVICES ☺)

As we hurtle into a world where money is invisible, how do we kid proof our devices? Luckily, most of what they need to prepare for the cashless world is not about technology but about skills and values:

- 1 | LEARNING MATH** — Research shows that as adults, students who were required to take more math classes do better at managing credit, enjoy more income from investments, have more home equity and do better at dodging foreclosure and credit card delinquency.
- 2 | DISCERNING NEEDS FROM WANTS** — Even plenty of adults can't distinguish their needs from their desires. Use a curious, supportive voice in helping children at all stages spot the difference throughout the day.
- 3 | DELAYING GRATIFICATION** — Self-control is crucial for money management. Impulsiveness handicaps children from reaching goals and succeeding socially. Find everyday ways to practice waiting to act on a desire to gain something greater. Start small (10 minutes of video games now or 20 minutes later?), moving eventually to big stuff (saving for a bike or college). Or, to bring it right to their own finances, when they get a monetary gift, consider teaching them to save some of it for a goal.
- 4 | LEARNING TO USE CASH** — When possible, use cash so kids can see how money works. Try grocery shopping with a list and an envelope of money. Let them hold the list and help choose groceries by finding and comparing prices. Older children can add up your purchases as you go, count out money, pay the cashier and accept the change.
- 5 | MAKING CHOICES** — Parents naturally want to give children everything. But therein lies danger. Better to help them learn to welcome life's limits, which keep us from being overwhelmed and make us more resilient. Making choices shows we can't have everything, an obvious but essential understanding for coping in a cashless world.
- 6 | SEEING IT DONE RIGHT** — Our little monkeys imitate what we do, not what we say—even when there's a huge gap between the two. Many adults have difficulty managing credit and debt. We can learn to change so our problems don't form the basis of our children's financial lives. To brush up (or overhaul) your relationship to credit or get help with debt, take advantage of free or low-cost resources at the nonprofit National Foundation for Credit Counseling.



# STAYING AHEAD OF THE CURVE ☺)

Older kids are likely to find mobile payments can lead them into the same overspending traps that get many college-age kids into trouble with credit cards.

- Retailers will use mobile apps to lure shoppers with deals. The location awareness of your kids' phone will mean that offers will be made to them as they are walking near their favorite store. It will surely get smart enough to offer the very thing they find most irresistible, be it shoes or the latest video game.
- Retailers are also keenly aware that the ease of mobile payments may boost impulse shopping. There is an entire behavioral science at work – the same data collection that is used by casinos to keep their favorite customers gambling.
- If your kid tends towards a spending problem, mobile payments can only exacerbate it.
- Learn how to use these technologies yourself first, so that you can help your child learn how to interpret offers. In some cases, there can be money saving deals found through these apps. Using your supermarket app, for instance, can allow you to load coupons for things that are *already* on your list.
- But if your kid is getting lured by the siren song of their favorite retailer, if you know your way around these apps better than they do, you can show them how to turn off the notifications and the location-based services.

## DON'T GET OVERWHELMED; THERE IS HELP ☺)

One of the many benefits of being a parent is that it certainly can keep you on your toes. Paradoxically, it can keep you young and give you gray hair at the same time. Use of technology is definitely one of those areas where our kids keep Mom and Dad in the game.

If you find that you need help navigating these new trends, please give us a call. We specialize in helping our clients build and maintain their financial literacy, including how to educate the next generation. At a time when there is this acceleration in the development of everything from personal finance apps to virtual payment technologies, we are all working to keep up.

### ABOUT THE AUTHOR

Steve Shear is Senior Vice President, Director of Treasury Management, at First Western Trust, where he develops customized solutions for business clients to effectively manage their financial functions, including liquidity and risk mitigation.