

Show me the money

Give your children assets, not liabilities

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One day, a man was sitting next to a cocoon. He suddenly saw a small slit forming on the surface. Inside was a tiny butterfly trying hard to come out of the cocoon. The man kept watching for sometime. Soon, he found that the butterfly was tired and was not making any progress.

Being kind hearted, the man got a pair of scissors and cut open the cocoon. Out came the butterfly. The man became very happy and was waited for the butterfly to fly away. Seconds, minutes and hours passed by but the butterfly could not fly.

In fact, it never flew for the rest of its life.

The reason for not being able to fly? God's creation is such that the butterfly has to struggle to come out of its cocoon. The more it struggles, the stronger it becomes. Finally, when it tears open the cocoon, fluid flows into its wings making them strong enough to fly. The man, in his kindness, did not allow the butterfly to struggle and tear open the cocoon. As a result, the fluid did not reach the butterfly's wings and it could not fly – EVER.

Many of us would have read the above in forwarded emails. Sadly, enough people still keep opening cocoons for their children. This behaviour is more observed in cases of parents who had to struggle in their childhood and initial years of their career and who are now well-to-do.

These parents believe giving 'comfort' to their children is their prime responsibility. They do not want their children to struggle the same way as they did.

Parents forget that the struggle in their initial years was God's way of building them so that they can create huge assets. By depriving their children of the struggle, they are depriving their children of growth. It is an unsaid rule that, if you want to succeed, you have to struggle (work hard).

Parents can allow their children to struggle initially – when parents themselves are hale and healthy. This will ensure that even if the children fumble, the parents are there to take care.

Alternatively, parents can give children 'comforts' earlier and then let them struggle in later years – in all probability, parents may not be around then. Struggle is an indispensable part of any long term, sustainable success.

Secondly, your children will inherit your spending behaviour. Unfortunately, they will not inherit your earning strengths. Their earning is dependent on their qualifications, skills, experiences and circumstances. As a parent, you have to ensure that your children cultivate spending patterns which can be sustained by them in the ups and downs of career. Don't give them unreasonable spending habits – those will be their liabilities.

There is a saying: 'Give a beggar a fish and you would feed him for a day. Teach him fishing and you would feed him for a lifetime.' All parents obviously want their children capable enough to create substantial wealth for themselves.

If that is true, then give your children assets. These assets are not necessarily materialistic assets – these may be bequeathed to them. But give them strength to struggle and survive. Make them strong decision-makers. Allow them to be responsible for their decisions.

Readers may feel that the above discussion is inappropriate in a financial planning column. However, the need for the story was felt because statistics suggest that, in Asia, wealth does not stay for more than three generations. If we need to sustain wealth for more generations, then there is a need to raise wealth-savvy children and not wealth-spending children!

* Mashruwala is an expert financial planner whose take on personal finance will appear here every fortnight