

MONEY MASTERY STARTS WITH YOUNG

SIX FINANCIAL EXPERTS REVEAL HOW THEY LEARNED TO HANDLE MONEY

[FINAL Edition]

The Sun - Baltimore, Md.

Author: Eileen Ambrose

Date: Dec 31, 2006

Section: BUSINESS

Text Word Count: 1910

Document Text

We aren't born knowing how to balance a checkbook, compute compound interest or invest in the stock market.

If you're lucky, a knowledgeable parent or teacher will show you the ropes. But some of us learn on the job, or by trial and error. Or, it seems, we pick up financial habits by osmosis.

As it turns out, people who make a living dealing with finances are no different from the rest of us. Here are the stories of how six pros learned personal finance, and how they believe younger generations should be taught.

Brian Rogers, Company: T. Rowe Price Group, Position: chairman, Age: 51

Brian Rogers' parents opened a passbook savings account for him at the Danvers Savings Bank in Massachusetts when he was 6. Each week, he faithfully deposited the 10 cents his parents gave him.

Today, he's 51 and manages T. Rowe Price's largest mutual fund. And he still has his Danvers savings account.

If that account developed a lifelong savings habit, then a series of jobs in his younger years taught him the value of a dollar earned.

He got his first job at age 16, clerking in an office supply store. He saw his \$1.65 an hour pay turn into \$1.25 an hour after taxes and FICA. "That was my first lesson in economics," he says. While in college, his jobs included mail carrier, janitor, bartender, newspaper carrier and, the most grueling, roofer.

Rogers remembers taking out a student loan to pay for his education at Harvard College and wondering how he was going to make the \$54.61 monthly payments.

"I always had a relatively conservative bias," he says. "I knew how hard I worked to end up where I was."

Rogers believes that people have an instinct to save, despite the current consumption boom. "When you work hard at something, you want to at least save a portion of the fruits of your labor," he says.

The best way for kids to learn personal finance is from family and a job, if children are able to work, he believes. He's against carving out a spot in the curriculum for personal finance if it comes at the expense of the basics.

"It's much more important for kids to learn about writing and math in school," he says.

Sonya Smith-Valentine, Company: Valentine Legal Group, Position: certified public accountant and consumer lawyer
Age: 37

During her four years as a consumer lawyer in Greenbelt, Sonya Smith-Valentine has seen the toll that credit-card debt can take.

"I see lots of people who live beyond their means, and that's where the spiral starts," she says. "There is kind of an instant gratification because they have a credit card ... with no thought of when the bills come in how will they pay it."

Like many others her age and younger, the 37-year-old was greeted by an avalanche of credit-card offers when she hit the college campus years ago. She managed to ignore them.

"I didn't have two, three or four and run amok with debt," the New York native says. "I think it was a combination of banking class and my mom."

Smith-Valentine's mother immigrated from Jamaica with little money in her pockets and taught her daughter to save and understand financial trade-offs. If Smith-Valentine saw a new toy she wanted, her mother would counter, "You decide. You saved up for it. If you buy that, you won't be able to get something else."

Smith-Valentine was among the first to participate in a new program at her high school that taught banking, accounting and insurance during junior and senior years. These classes sparked her interest in accounting.

She says that ideally, personal finance would be taught at school and home, the way she learned. "People must be much more willing to talk about finances," she says.

Sometimes she sounds like her mother when she talks to youngsters. For instance, when she goes to the mall with her girlfriend's 15-year-old daughter, the lawyer will point out that if the teen buys designer jeans, she won't be able to afford a jacket, too.

"I am my mother's child."

Jack Brennan, Company: Vanguard Group Position: chairman, Age: 52

Jack Brennan remembers the day he made his last student loan payment.

"June 30, 1990. It was 10 years and one month after I graduated. For \$58.22," he says. "And it felt great."

Before attending Harvard Business School, Brennan had never borrowed money.

"I'm a total debt foe. For me it's a personal thing. Being debt-free creates financial and psychic freedom," he says. "Credit card debt is the most insidious thing in America."

Brennan became a saver at an early age. His father was president of a Boston bank, where Brennan had a passbook savings account. On top of that, his elementary school offered interest-bearing savings accounts.

"I thought every one had one," the 52-year-old says of his school's bank.

Brennan says he was shoveling snow and mowing lawns when he was in first or second grade. The money went into the bank.

There were no allowances in the Brennan household. Money from summer jobs had to last the rest of the year. That taught Brennan to budget.

Brennan joined Vanguard about 25 years ago, where he learned about investing. His frugal lifestyle is a good fit with Vanguard, renowned for its low-cost investing.

He says high school students should be exposed to personal finance basics. Schools also should tap local retirees who can tell students real-life stories of buying a house or keeping a budget, Brennan says.

Parents shouldn't underestimate the positive influence they can have, he says. Brennan says the saving habit he learned as a child has been passed on to his three children.

"No question, good and bad habits start in the home. They may not want to admit it, but kids rely on their parents for knowledge," he says.

Mellody Hobson, Company:Ariel Capital Management Position:president, Age: 37

Mellody Hobson grew up in some of the best neighborhoods in Chicago, but appearances were deceiving. Her family was badgered by bill collectors and frequently moved.

"We always lived in places we couldn't afford," she says.

Hobson is the youngest of six children. Her mother, a single parent, was a real estate developer who turned old buildings in dilapidated neighborhoods into condos. "It was a feast-or-famine kind of existence," she says. Often it was the latter.

From that childhood, Hobson learned to crave financial security. Recently she heard a recording of herself at age 8 talking about her wish to be wealthy some day. This need for security, she says, made her "obsessed with school and getting ahead." And it also shaped her financial views as an adult.

She learned about finances during an internship at Ariel Capital Management, a Chicago investment firm, after her sophomore year at Princeton University. "That's when I caught the investing bug," she says.

She joined the company after college and became its president in 2000.

From the start of her career, the 37-year-old has been a saver. She developed rules that she still lives by. "Every time I got a raise, my savings would go up," she says. And if someone writes her a check, she won't spend it. "I have to put it in my mutual fund," she says.

Her accountant broke her of one of her early rules: overpaying bills. If, say, her phone bill was \$50, she would mail in \$500. That way, she thought, if her fortunes turned, she would be guaranteed 10 months' worth of phone service.

Hobson says personal finance needs to be taught in schools.

"This idea of learning by osmosis is really dangerous," she says. "We are sort of winging it on something that has a significant impact on your life."

As part of its education initiative, Ariel partnered with the Chicago public schools 10 years ago to open the Ariel Community Academy, an elementary school that teaches finances along with a regular curriculum.

Says Hobson, "It amazes me that you can take woodshop and home ec, but you can't take investing."

Vicary M. Graham, Company: Mellon's Private Wealth Management, Position: Group regional president, Age: 46

People need to be worth at least \$1 million to talk about their finances with Vicary Graham. But when she was a kid, no one talked to her about money. Not even her parents, both of whom worked in banking.

"Family wealth is something we didn't talk about at the dinner table," says the 46-year-old Massachusetts native. She figures it was a "generational" thing. Parents didn't discuss money and jobs - at least with daughters. Graham says she noticed things were different for her male cousins.

One financial lesson she learned as a child stuck with her: Money can come and go quickly. Her father left banking to launch a marketing company that at first flourished, but then failed when Graham was in high school. Her parents later divorced; her mother supported Graham and her three sisters on a senior bank teller's salary.

Graham started learning about finances after college when she joined the jumbo mortgage division of a Boston bank. She later jumped to an investment company where she learned to read balance sheets, analyze complex financial structures and advise wealthy families.

Her own family's ups and downs have made her financially conservative. She waited longer than her friends to buy a new car, her first home and the usual trappings of success. "I never wanted to be in a position of not being able to handle my finances," she says.

Sometimes clients bring their children to meetings with her. She says this is a great way for children to learn about handling money. Even parents without a lot of money can expose children to financial professionals and the roles they play, she says.

"Take them to a bank, to your insurance agent. Take them to your tax preparer," she says.

Janet Bodnar, Company: Kiplinger's Personal Finance, Position: Deputy editor, Age: 57

Janet Bodnar writes a column advising parents on how to raise money-smart kids. The Pittsburgh native learned thriftiness from her parents. But in all other financial matters, Bodnar is self-taught.

Her first hands-on experience managing money came after college when she landed a job as a copy editor for a newspaper.

"There I was having to pay rent and buy clothes," she says. "I didn't really have a good sense of how much this cost and how much I could afford. It was kind of scary. I didn't want to overspend."

She later picked up more complex financial concepts when she became a business writer in the 1970s, covering gas lines and high interest rates. She joined Kiplinger's in 1979 and learned to invest through researching and reporting articles.

"Before that, I was clueless about investing," she says.

The 57-year-old wishes that 401(k)s and individual retirement accounts had been around when she started her career. Always a big saver, she wistfully says she can only imagine what her portfolio would be worth today.

Bodnar likes the idea of personal finance taught in school. Still, she says, "Kids learn most of what they know about money from their parents."

Bodnar promotes allowances as a way parents can help kids learn. "Nothing beats kids' having hands-on experience managing their own money. I wish I had that as a kid," she says.

And she recommends that parents match children's saving. "Sort of like a mini 401(k)-type plan at home," she says.

eileen.ambrose@baltsun.com

Credit: Sun Columnist

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.

Abstract (Document Summary)

[Jack Brennan] became a saver at an early age. His father was president of a Boston bank, where Brennan had a passbook savings account. On top of that, his elementary school offered interest-bearing savings accounts.

There were no allowances in the Brennan household. Money from summer jobs had to last the rest of the year. That taught Brennan to budget.

Brennan joined Vanguard about 25 years ago, where he learned about investing. His frugal lifestyle is a good fit with Vanguard, renowned for its low-cost investing.

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.