

# The Smarter Investor

## Money Talk: A Lifetime of Learning

As a regular contributor to The New York Times and the author of two books, Carl Richards knows the value of a good story.

Here's one he loves. It comes courtesy of Ron Lieber's new book, *The Opposite of Spoiled*. Lieber, who also writes a personal finance column for the Times, wrote in his book about Scott Parker from the San Diego area. His family didn't discuss money much, but he wanted that to change. So Parker went to a bank and withdrew his entire monthly paycheck in \$1 bills, went home and piled all of the money on the dining room table. He then gathered his family.

"I definitely had their attention," Parker says in Lieber's book. "And then I just started peeling away."

Parker took away the money used for the family's tithe, income taxes, and mortgage and insurance costs. He took more away for various bills, groceries, gas and car payments. Then he removed the money used for expenses such as trips for soccer and outings to restaurants. By the time he was done, there wasn't much money left on the table. Parker says he was sure his children had never added up all of the places that a paycheck needs to go, and that the exercise left a strong impression on them.

Richards counts Lieber as a friend, colleague and mentor. But that's not why he's such a fan of Lieber's book and the story of Scott Parker and his stacks of money.

"That story is amazing to me," says Richards, the director of investor education for the BAM ALLIANCE and author of *The Behavior Gap* and the recently released *The One-Page Financial Plan*. "It's so powerful, so tactile, so real. Talking about money with our children is something we can all do, if we just get over the fear of it."

*The Opposite of Spoiled* offers real-life stories that touch on a range of money topics that can arise when raising children, from allowances to cell phones to part-time jobs to college tuition. As the book states, "Good parenting means talking about money with our kids much more often. When parents avoid these conversations, they lose a tremendous opportunity — not just to model important financial behaviors, but also to imprint lessons about what their family cares about most."

Richards, in fact, believes the reluctance to talk about money is one of the biggest money mistakes people make, but that Lieber's book offers myriad examples of the value that can come from having such discussions with children. He says reading about these conversations not only gives us permission to have them with our children but also provides us with a template to guide these very conversations.

Richards, who has four children, offers a tip for getting these conversations started — and it begins with simple silence. "There's such a value in just pausing, building in a pause, when kids ask tough money questions. It helps you avoid the knee-jerk reaction of just saying something to avoid the subject or say, 'We don't talk about that.'" Richards, instead, has found it beneficial to say, "Tell me more."

He says: "By asking why they are asking, I often get a whole new viewpoint on where their question is coming from. It provides an opportunity to have a conversation, for you to start listening to understand instead of listening to judge. So often, I think we are so quick to say yes or no or I agree or I disagree instead of listening to understand. To me, that's a powerful thing.

"Who doesn't want to have cool conversations with their kids, and money provides a really awesome framework because it's so closely tied to values. And we all at night want to have better relationships with our kids."

### BAM ALLIANCE Foundational Film: "The Science of Investing"

In this BAM ALLIANCE foundational film, "The Science of Investing," Director of Research Larry Swedroe explains how we base everything we do and what we recommend on the latest academic research, not our opinion. "Investing, in order to be successful, not only requires a deep knowledge of the theory of finance, an understanding of markets, but you also need a deep history to understand how markets work and what products mix well together to build a portfolio."

To view this short film, visit: <https://vimeo.com/109272066>.

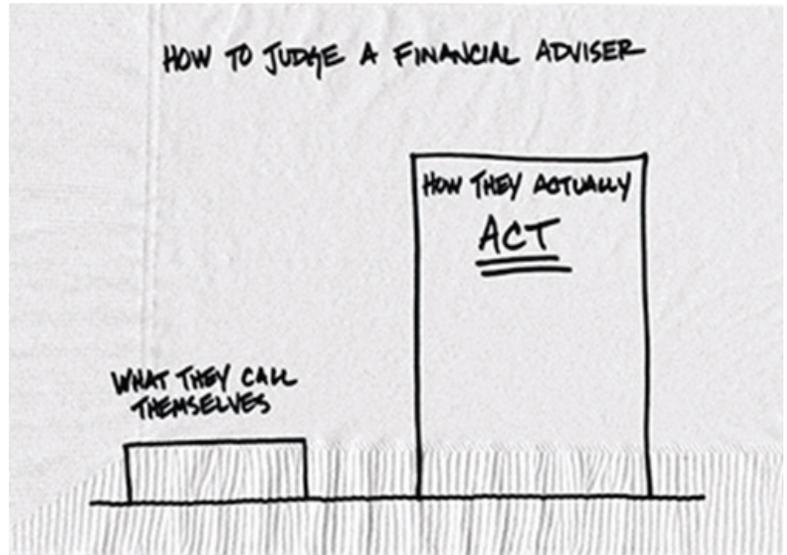
## A BAM ALLIANCE Foundational Film Featuring Tim Maurer

The word fiduciary has been in the news a lot of late, from Wall Street to Washington, but it's a word that has always been part of our daily dialogue. Advisors who act as fiduciaries, as we do, are legally required to put the interest of their clients before everything else. As Tim Maurer says in this BAM ALLIANCE foundational film, "Fiduciary -- to me, to us -- is really about a state of heart, a state of mind. It's the way we operate. It's who we are. It's the only way we know how to do things."

To view the film, visit <https://vimeo.com/109271405>

## fi-du-ci-ary: Adjective: Relating to or Involving trust

The **Department of Labor** stresses the importance of knowing what it means to work with a fiduciary: "Before you select an advisor, you need to have a clear understanding of the advisor's responsibilities to you and how he or she may be affected by the fees he or she receives when giving you advice. It is important to understand whether the advisor is acting as a fiduciary, meaning that the advisor is working solely in your best interest."



**Carl Richards**, director of investor education for the BAM ALLIANCE, says that what's even more important than titles, job descriptions or where someone works is what that person does. In his *New York Times* column, Carl recommends asking specific questions in order to gain a clearer understanding of an advisor's actions.

New York Times Article: [http://www.nytimes.com/2015/03/02/your-money/financial-planners/questions-to-ask-a-prospective-financial-adviser.html?ref=topics&\\_r=1](http://www.nytimes.com/2015/03/02/your-money/financial-planners/questions-to-ask-a-prospective-financial-adviser.html?ref=topics&_r=1)



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