Financial Principles, LLC

NEWS

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How to Leave a Legacy of Stewardship and Financial Responsibility

Brad Bofford Suggests Methods for Lending a Helping Hand while Instilling Valuable Lessons

Fairfield, NJ (December 1, 2009) — According to a comprehensive study of retirement attitudes published by Ameriprise Financial — 61 percent of respondents with financially dependent children said their number one financial priority was helping their children become more financially savvy. As a financial advisor, Brad Bofford of Financial Principles can attest that there's plenty of work to do in that area.

"Some of my clients feel eternally responsible for digging their children out of financial holes. Others worry that, after they are gone, their children will find it difficult to support charitable causes, even though they watched their parents contribute regularly for years," says Bofford.

To help children of any age, learn the value of a dollar and to cultivate a philanthropic spirit Bofford recommends two innovative ideas designed to teach responsibility and instill stewardship.

Establish a Family Bank.

Understandably, requests for loans by family and friends are becoming increasingly more common, and for most it's difficult to say no. But consistently dolling out the cash to loved ones can put an individual's own financial security at risk and serving as a financial crutch doesn't solve the borrower's money management problems either.

One idea is to create a family bank — actually a savings or brokerage account with a set amount of money set aside for the purpose of loaning to loved ones. Benefactors enlist all individuals qualified to apply for loans to serve on the Board of Directors. The board establishes guidelines and terms as well as decides who receives a loan.

"The beauty is that the Family Bank takes mom and dad out of the financial assistance equation," says Bofford. "There is a set amount of money to loan, which helps avoid jeopardizing their own financial situation, and the emotional turmoil associated with deciding whether or not to make a loan is off their shoulders."

Additionally, by putting everything in writing, loans are more likely repaid ensuring money is there for future loan requests. Re-payment plans or charging a low interest rate may help teach borrowers some financial responsibility and may also have tax benefits for the loaners.

This concept is the basis for Virgin Money, a "social lending company" designed to give friends and family a more structured way to lend or borrow money with each other. As the website states, the company provides a "simple way to structure social loans, as well as a support system that helps keep friendships exactly as they should be—friendly." To find out more about why and how to configure a family loan — including handy tips and tools visit http://www.virginmoneyus.com/.

Start a Family Foundation.
Just as continually bailing children out of financial trouble doesn't teach financial responsibility, simply watching their parents write a check to charity does little to teach philanthropy. "Raising civic-minded children requires engaging them in charitable work," says Bofford. "We're doing better about involving our kids in collections and fundraisers, but they also need to learn how to choose a worthy organization and assess that their contributions are making a difference."

Bofford suggests a new twist on family giving by creating an informal family foundation. Set aside a certain dollar amount to be used for charitable contributions then form a Board comprised of all family members to research and decide which organizations to support. Even very young children can conduct age-appropriate research and make a brief presentation to the family on a charity's merits. "Older children learn valuable skills such as how to read an annual report or how to establish disbursement policies," says Bofford.

The giving circle is another idea gaining in popularity. It is a means for extended family and friends to informally pool their resources to leverage the impact of their charitable contributions. Importantly, a giving circle also often implies that members connect meaningfully with the communities and causes they care about by volunteering their time.

"I hope more families take time during the holidays to discuss where they'd like to make a difference in the coming year, and find a way to do it together" says Bofford.

About Financial Principles, LLC

Financial Principles understands the importance of planning – whether it's for retirement, saving for college or even charitable giving. Two senior partners, Bradley H. Bofford, CLU, ChFC, and Mike Flower, bring a combined 25+ years of financial services experience to their clientele. Both are recognized as qualifying life members of the prestigious Million Dollar Round Table, "The Premier Association for Financial Professionals®". As representatives of Securities America, Inc., Bofford and Flower are able to provide comprehensive services and advice in all areas of personal finance, such as estate planning, retirement planning and tax reduction strategies.

Bofford and Flower believe that a well-informed client is essential for success. They love taking clients from fear to confidence regarding finances, by placing a strong emphasis on educating people about how to prepare for and enjoy a comfortable retirement. Both advisors have contributed to articles in several leading trade publications including Investment News, Financial Advisor, and Research magazine as well as consumer outlets such as BusinessWeek, Money and New Jersey Business magazine. Learn more at www.financialprinciples.com.

NOTE:
When you need a knowledgeable professional to speak on complicated financial topics in an easy-to-understand and comprehensive manner, please call the advisors at Financial Principles.

Written by Brad Bofford, Securities America, Inc. Registered Representative in conjunction with Impact Communications.

SOURCE: *The New Retirement Mindscape* (2006), a comprehensive study of retirement attitudes published by Ameriprise Financial in conjunction with Age Wave, Ken Dychtwald, and Harris Interactive.
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