



PAUL NEFF

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**Children's Expense Letter**

## **CHILDREN'S EXPENSE LETTER**

One of the most important areas for parents to prepare their children, is regarding finances. The ultimate goal is for parents to go from providing everything for their children to raising children to be financially independent.

When our oldest daughter was a sophomore in high school, we sat down as a family and discussed the finances and the transitions of what should happen in high school, college, after college, etc. My wife and I put together a letter and listed everything we were doing for our children at that point in time. After listing the expenses, we identified when the responsibility for each item should reasonably transfer to the child (after high school, after college, at some point later in life, etc.).

We gave a draft letter to the children, and then invited them to weigh in on it and discuss it. The goal was for the children to feel the terms were generous, but with the obvious goal of transitioning. Because they all agreed up front, and everyone signed the letter, we have had no issue on any financial matter with our children whatsoever. Countless times, both my wife and I, along with the children, have asked, "What does the letter say?" when trying to settle a matter.

The true beauty of the Children's Expense Letter is that it helps the children prepare for their own future. We pray this will be an invaluable tool as your children enter high school and begin accepting responsibility for their own financial independence.

Feel free to use our Children's Expense Letter as a template and fine-tune it to your own family.

Neff Family Children's Expense Letter:

January 13, 2010

Dear Ashley, Paul Jr., and Lindsey,

You have always been -good stewards of your finances, and we thought it might be helpful if we reduced to writing a game plan for the transition of your personal expenses. Part of the reason we are doing this is to help your planning and budgeting. We have summarized below a draft of our thinking; however, we are very interested in your perspective as well, and would like to conclude on something we all feel is generous.

Here is the list of expenses we've come up with and the time frame in which they will become your responsibility. We are open to discussion and would love to hear your thoughts on the timeline:

Expenses paid for by Mom and Dad:

Timeline(a):

- |   |  |
|---|--|
| 1. Coffee/lattes/tea  | Upon entrance to college   |
| 2. Dining out/fast food (on your own)                       | Upon entrance to college   |
| 3. Entertainment (without family)                           | Upon entrance to college   |
| 4. Gasoline   | Upon entrance to college<br>(except when traveling to meet up with family) |
| 5. Regular gifts for others (birthday, etc.)                | Upon entrance to college   |
| 6. Vacations (without Mom and Dad)                          | Upon entrance to college   |
| 7. Cell phone   | At graduation (b)  |
| 8. Clothing/personal expenses/etc.                          | At graduation (b)  |
| 9. Credit card annual fee                                   | At graduation (b)  |
| 10. Car registration  | 6 months after graduation  |
| 11. Dry cleaners  | 6 months after graduation  |
| 12. Health insurance (required by health insurance carrier) | Up to 9 months after grad.   |
| 13. Servant's Heart employment                              | Up to 9 months after grad. (c)   |

14. Car maintenance	1 year after graduation - 50% of repairs
15. Fast Trak	1 year after graduation
16. Dental costs	1 year after graduation
17. Haircuts	1 year after graduation
18. Prescriptions and health insurance deductible	1 year after graduation
19. Free rent at home	1 year after graduation (d)
20. Groceries	When you move out
21. Car insurance	2 years after graduation
22. Regular gifts for family (birthday, Christmas, etc.)	50/50 for 3 years after graduation
23. Extreme medical expenses	5 years after graduation
24. Educational Reading books (\$100 annual max)	5 years after graduation
25. Special gifts (wedding/close friends and family)	50/50 for 5 years after grad.
26. Doctor co-pay	100% over 3 per yr. for 5 yrs.
27. Graduate School/MBA	(e)
28. Nails (manicure/pedicure with mom)	Always our treat!
29. Golf with dad	Always our treat!
30. Airfare to the ranch 3 times a year to visit family	Always our treat!
31. Food at home	Always our treat!

- (a) Assuming graduation is in 4 years.
- (b) Assuming employment begins after graduation either on your own or with the Servant's Heart Foundation.
- (c) Giving you the flexibility of accepting the job that is best suited for you and your career or offering you employment with Servant's Heart Foundation.
- (d) Keeping in mind that if you ever fall upon difficult times, you are always welcome home to get back on your feet.
- (e) Considering the costs of an MBA program after at least two years of employment and once you are completely settled in your career.

Recognizing that you will begin earning a living almost immediately after graduation, either at Servant's Heart or with a new job, our offer to continue to cover a meaningful portion of your expenses is to position you to be able to build up a personal savings account, which we strongly encourage you to do. You have always been good savers, and we are pleased to see how much you already have in savings.

We believe when you enter marriage it is a time when both spouses will likely have good jobs, your education should be completed, and you should be financially

independent. Therefore, all financial support referenced above (except for items #18, 25-29) will cease at the time of marriage. We have saved well and are prepared to host Ashley and Lindsey's weddings and will assist in Paul's wedding as needed. We also intend to help you at the appropriate time purchase your first home.

As you know, we are committed to living our lives consistent with our values, and it is fair to say our values drive most of our decisions. All three of you have a clear understanding of our values, and we request you do not use any of the funds we provide as outlined above in any area inconsistent with our values. It would not be appropriate for us to support any activity that is not consistent with how you were raised and the values our family represents.

We hope you find this helpful.

Love,

Mom and Dad