

## Things My Father Taught Me About Money

Rules change from generation to generation. Time to look at which still hold true and which need an update.

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(MONEY Magazine) - Several months ago I was helping my father haul some old, rusty filing cabinets out to the garage. One of the drawer latches popped, and a stack of black, bound financial ledgers spilled onto the concrete. My dad picked one up and instantly became enthralled by the records of money spent and earned, covering page after tea-stained page, like a diary. Suddenly, for him, it was 1973.

"Cork 'n' Bottle, \$40, Dec. 21," he read.

"Probably wine for the Christmas Eve party."

There were hundreds of entries, meticulously recorded. A \$6 check for a subscription to Gourmet, \$19.80 to a diaper service after my brother was born, \$200 for a new motor for the '65 VW Bug. "I installed it myself," he recalled.

The records showed fastidiousness and the kind of frugality that fuels financial success--every penny accounted for, every transaction completed in the context of the bigger picture.

As my father recalled his daily life from 30 years ago, I began to wonder if I'm developing the habits that will make me as successful as he is.

Over cake, we identified some rules from a generation ago, and I set out to see if they still apply--and whether my dad's trip down memory lane could pay off for me.

### Bank at the Teller, Not Online

- THEN My mother used to cash a check once a week at the bank to have money for incidentals; she wrote checks for everything else. When the bank statements arrived, she logged and filed the canceled checks. My parents find the idea of online banking a little reckless, worried that strangers could access their information.

- NOW My wife (our CFO) and I don't look closely at bank statements. We pay with debit cards and bank online, so we always know exactly how much we have and which payments have cleared.

- THE VERDICT Banking online lets us avoid the tedium of writing and mailing checks--and really, Mom, it's safe. Plus, using a debit card helps curb incidental spending because we pay for things to the penny--if it costs \$15.52, I debit

\$15.52; if I paid with a \$20 bill, I'd probably blow the remaining \$4.48 on Skittles and beer.

- THE DANGER The real risk of online banking isn't hackers, but being lulled into thinking computerized accounts are more accurate than paper statements. "You still have to check every line item," says Scott Kahan of Financial Asset Management. "Don't assume it's all correct." Also, easy access to cash with ATM cards may encourage freer spending than was common in the old check-cashing days.

### Save Every Record--Forever

- THEN Before computers held your financial history, filing cabinets did.

- NOW Like father, like son. I have everything--tax returns, utility bills, bank statements--going back about six years.

- THE VERDICT Kahan tells clients to hold on to anything tax related for seven years (the limit set by IRS audit rules). And keep any document pertaining to the purchase or improvement of your home until you sell it. Anything else, toss.

- THE DANGER Heartbreak. Anything with sentimental value--a canceled check for Lamaze class, pay stubs from your first job--might be worth holding on to. "Imagine the fun your kids could have in a few years, or 30, looking through this stuff," says Kahan. "It could be a school project." Or, heck, a magazine column.

### Pay Off the House--Fast

- THEN The goal was to own free and clear, and stick with it. People drove their cars into the

ground, took out 30-year mortgages and stayed in their homes after the loans were paid off.

- NOW Big financial decisions often come down to one question: How much can I afford to pay each month? In 1985 just 2% were leased vs. 20% last year. As for homes, the increasing reliance on interest-only and other unconventional mortgages--a few years ago, 3% of buyers used nontraditional loans; today, 25% do--suggests that more people see ownership as a short-term proposition.

- THE VERDICT There's nothing inherently wrong with financing everything, as long as you don't go too deeply into debt. But stay away from those crazy mortgages. (Keep reading.)

- THE DANGER The new breed of loans plays into what Kahan calls this generation's "immediate needs" focus. If you have an interest-only mortgage, what's going to happen in five years when your principal is due and your monthly payments triple?

### **Never Order Orange Juice in a Restaurant**

- THEN This was a cardinal rule in our house, invoked all too often.

- NOW To this day, when I do it I feel like I'm living on the edge.

- THE VERDICT A half-gallon of O.J. costs \$2.50 at the store. A thimble-full at the diner goes for \$3. I never had a good comeback for my father on this.