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LEARNING CURVE

Some of your clients don't have a handle on financial basics.

I've spent more than a decade writing about financial markets, so I found it ironic a few years back when I learned my nine-year-old really didn't understand much about money.

I could have blamed the school system, but it really was my fault. I thought I'd gotten off to a good start by letting her punch in the numbers at the ATM. I didn't realize I'd taught a bad lesson until she asked for something outside our budget. My standard "We can't afford it" was met with a reply that shocked me. "Just go to the bank and use the card," she said. "Then you'll have the money."

She saw the ATM as a tap that could be switched on at will. So I sat her down with the cheque books and explained how people were only allowed to take out of the bank what they put in. And, I expounded on the virtues of keeping a financial cushion to cover unanticipated expenses. A couple of weeks ago, I asked about her plans to purchase music gear with her baby-sitting cash and she told me, "I still have to save a bit more."

I'm not sure I could teach her that same lesson today, because she's taken to watching the financial newscasts. She's seen how some people in the higher spheres of finance consistently fail to adopt the rigours I advocate. And how the ATM, in governmental guise, then turns on the tap when called upon.

Financial product developers who fail to do their due diligence—and then expect the system to save them—send a frightening message to the public at large. It will take years to sort the mess created in the ABCP markets and elsewhere. And by the time a finger is pointed, everyone will have forgotten what the fuss was about. All they'll remember is that incompetence was rewarded by a full-scale government bailout.

Is it any wonder some of your clients struggle with runaway debt? Look at the examples they see every day. Recent reports show North Americans have spent more than they earned for the better part of 20 months. That bodes poorly for advisors who are working with Generation-X and Gen-Y clients, because both groups need to save more if they're ever going to have retirement options.

Perhaps you should start with an explanation about how banks frown on clients who overdraw. It worked for me. **AE**

PORADO