

My son was in debt and he is only seven

My husband and I had offered him advances on his pocket money for toys and this unwittingly led to him spending beyond his means



Tan Keng Yao

My son is seven years old and, for a spell, he was rather deep in debt, thanks to unlicensed moneylenders who extended him a personal line of credit with an interest-free instalment payment plan.

The unscrupulous moneylenders in question are my husband and me. We had offered him advances on his pocket money to buy toys, with the understanding that he would pay us back bit by bit with what was left after buying food from the school canteen for recess.

Like all spiralling debts, his started small.

It all began when he asked us to buy him a fidget spinner and we thought it would be a great idea to let him use his own allowance to buy it.

He could experience the joy of using his own money (instead of the joy of using ours) and also, we hoped, get an idea of how to apportion his money for different needs and wants.

So we helped him to save through a method scientifically proven to give results – nagging.

We nagged him to spend less money at school buying junk food such as jelly drinks.

We nagged him to keep his eye on the goal of a fidget spinner.

We nagged him to “Just save your money, okay? It’s good for you.”

It took him a while to save enough, but when he did, it was with triumph and much glee that he went to the store to buy the fidget spinner he wanted.

His excitement lasted until he discovered the store had a much better model, a deluxe top-of-the-range super spinner that was gold in colour to boot.

It also cost almost twice as much as the original one he had coveted.

He wanted it so badly.

As one partial to bright shiny things, I felt for him. So I thought I would just top up the amount he needed to buy the top-of-the-range spinner.

No harm done, I thought. He could just pay me back from his future allowance.

Big mistake.

It takes a lifetime and a half to build a good habit, but it takes just a second to get the hang of a vice.

All at once, his desires grew wild, imagining all the things he could buy on credit.

Before he had even finished paying back for the fidget spinner through his leftover pocket money, he wanted a tub of radioactive green slime. I paid for that too.

Then he wanted a water gun with a special compartment for ice cubes to shoot cold water.

That was when I realised I had not only pushed the boy down the slippery slope, but I had also greased it with oil.

Even without lending him the money to buy the water gun, it would have taken him a very long time to clear his debts. And this is without me charging interest of 24 per cent per annum.

My husband and I decided the boy had hit his debt limit and we had to stop extending him credit. We also needed to put in place a debt repayment plan.

Lesson learnt.

Letting him deal with money this way was more than he could handle for his maturity level.

I mean, this is a child who once told me: “Wouldn’t it be nice if the walls of the house were plastered with money and you could just peel a note off when you want to buy something?”

It is, of course, also a very bad idea to extend kids credit. It sends the message that it is alright to live beyond their means and also encourages them to spend future money that they do not yet have.

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And letting my son buy whatever he wanted did not help him with developing impulse control, which is a very bad thing.

After all, psychologists say being able to delay gratification is one of the critical factors in ensuring success in life. He should be made to wait for his toy until he saves enough for it.

The unlicensed moneylenders have since closed shop.

What we are doing now is to encourage him to have a proper system of wealth accumulation instead of just stashing away whatever money he has left over from recess.

We have put in place a forced savings plan, in the style of the CPF, in which he puts a portion of his pocket money into his piggy bank right after we hand it to him.

Putting aside savings money first not only ensures he does end up with some money at the end of the day, but it also stresses the importance of saving over spending. And getting him to physically put the money into his piggy bank gives him a more concrete idea of how much is being saved and where his money is going.

There are still many lessons to be taught regarding money.

At the very least, we’re going to stop setting any more financial traps for the boy.

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