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- The Rules of Responsible Financial Parenting
- Moving Money Electronically -- Your Protection and Risks

The Rules of Responsible Financial Parenting

Today, many families are concerned about the potentially adverse effect of wealth on the financial values of their younger generations. The goals that many affluent parents and grandparents have set for their children or grandchildren reflect core values, an honest work ethic, and a desire to "give something back" to the greater community.

The skills and knowledge needed to help children adhere to these values should be developed early in life and continue well into adulthood. The following strategies can assist older family members in becoming positive financial role models.

Start early -- According to recent research, parents can start talking to children about money by age three. Between four and five, you can explain the importance of good spending habits, and by age six or seven, you can help children open a bank savings account. By the time children reach their mid-teens, they should start seeking after-school and summer employment.

Support education -- Personal finance education helps instill such pragmatic money management skills as setting a budget, balancing a checkbook, understanding the role of debt/credit, and developing strategies for funding college. Encourage your child's school to offer personal finance as an elective "life skills" course, send your teen to a community college/adult education class, or tap the many educational resources on the Internet.

Lead by example -- Your children will learn their most valuable lessons about money from the examples you set. A few simple rules: Enjoy the fruits of your labor -- but don't go overboard. Set a healthy example regarding credit/debt. Pay bills on time. Save and review your savings plan on a regular basis. Above all, be consistent. Grandparents can be especially effective role models by following these suggestions.

Practice incentive planning -- To ensure that important life goals remain at the forefront of your children's/heirs' priorities throughout their lifetimes, incorporate the use of incentives in your estate plan. What exactly is an incentive trust? It is an estate planning tool that allows you to reward desired behavior or impose appropriate penalties for undesirable activities. It also provides a way to address the needs of beneficiaries who require special assistance. Common themes guiding incentive trusts are education, moral and family values, and business/vocational choices, as well as charitable and religious opportunities.

Encourage philanthropy -- Wealthy families often use philanthropy to convey the message that their success has been the result of hard work and good fortune and that success comes with the responsibility to give something back. If you want to ensure future generations of volunteers and donors, you must teach children how to give of their time, their skills, and their money. Once children understand the scope of their contributions, philanthropy becomes a real and prominent part of their lives.

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Moving Money Electronically -- Your Protections and Risks

As electronic banking increasingly becomes the preferred means of conducting financial transactions for consumers and businesses alike, the security risks posed by online money transfer continue to proliferate.

For their part, banks have a vested interest in keeping their customers' assets and confidential information secure. That is why the banking industry as a whole has developed a series of standard security protocols and techniques designed to do just that.

Common Fraud Protections

Following are general protections offered by most banks. Be sure to compare this list against the measures your own banking partners have put in place to keep your identity and assets safe as you bank online with them.

Firewalls -- Firewalls are software or hardware-based security systems that create a secure barrier between your bank's internal network, where your information is stored, and the unsecured Internet. The data "traffic" flowing in and out of the bank's network is monitored and analyzed to determine its legitimacy.

Encryption -- Encryption scrambles information being transmitted between your device and the bank's network into a code that is virtually impossible to decipher, thereby protecting against unauthorized access. Many financial institutions now use 128-bit encryption, an advanced encryption technology.

Multilayered Authentication -- Many online banking/financial systems now require many layers of user identification, or authentication, that only those authorized can provide. For instance, some authentication protocols verify the device the customer is using to access the bank's website. If the device does not match the bank's records, additional authentication measures, such as one or more challenge questions, will be presented to the customer. Similarly, commercial online banking also applies a layered security approach whereby two or more identifying factors are required to gain access (e.g., a username and password plus a security token).

Monitoring -- Keeping vigilant watch over network operations is integral to the online security policies of most banks. Technology specialists continuously monitor online activity looking for out of the norm customer behavior and/or suspicious activity, particularly at login. For instance, too many incorrect login attempts will signal the system to lock a user out of their account until positive account verification can be confirmed. Transaction amounts (specifically withdrawals) that fall outside the customer's normal or pre-established limits are also scrutinized.

Industry partnerships -- Aside from internal controls, many banking institutions work closely with anti-virus and anti-malware vendors, sharing data they have collected and collaborating on new online fraud prevention techniques. Similarly, banks often work with law enforcement agencies, sharing information that may lead to safer online experiences for their customers.

The Ultimate Protection

As sophisticated as the banking industry's security measures have become, there is no substitute for a well-educated and aware customer. Toward that end, a bank's customer awareness and educational efforts should address both retail and commercial account holders and, at a minimum, include the following elements:

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- An explanation of protections provided, and not provided, to account holders relative to electronic funds transfers
- An explanation of under what, if any, circumstances and through what means the institution may contact a customer on an unsolicited basis and request confidential account-related credentials
- A list of risk control measures that customers may consider implementing to mitigate their own risk
- A list of appropriate contacts for customers to use if they notice suspicious account activity or experience security-related events

Source/Disclaimer:
Source: The Federal Financial Institutions Examination Council (FFIEC), "FFIEC Supplement to *Authentication in an Internet Banking Environment*," June 29, 2011.

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