

THE FINANCIAL Planner

Make your children investors while they're young

As an investor, you're likely to have learned a number of valuable lessons over the years. Some came from observation, some from experience. Why not share some of these with your children, helping them become knowledgeable investors at an early age?

Here are four ideas with which you can begin their training:

1. Reveal the magic of compounding.

Do your children know that employment isn't the only way to fill their wallet or purse? Investments can produce income as well. And when that income is reinvested, the income can generate earnings. In short, it's the power of compounding, something that Albert Einstein is reputed to have called "the greatest mathematical discovery of all time." Because time is a critical element in wielding compounding magic, and you're dealing with youth, you can introduce the concept of investing for the long term dramatically.

You may have opened a 529 Plan to save money for your child's college education. You can look at your statement together and show them how money grows over time.



For example show them that saving \$50 per month for 18 years will give them over \$24,000* or if they save \$200 per month for 18 years they will have almost \$94,000* for college.

2. Explain the importance of paying themselves first.

Stress the significance of figuring out what they can set aside for saving and investing rather than waiting to see what's left over after expenses and luxuries. By establishing this pattern of saving regularly as youngsters, the habit may well become ingrained.

**Results are based on an anticipated rate of return of 8%. This example is for illustrative purposes only and the return is not indicative of any actual investment.*



*Wealth Management employees,
Michael List, Alex Pick and Tom Limoges*

There's a great deal of money to be saved, says Paul W. Lermite in *Making Allowances: A Dollars-and-Sense Guide to Teaching Kids About Money*. He reports that on any given day, North American children between the ages of five and 18 have tens of billions of dollars at their disposal.

3. Keep the discussions lively and simple.

A good starting point for investment education is the Internet. Today's kids, sad though it may be, aren't all that interested in libraries and bookstores. But using the Internet is second nature to them. Make a point to spend some time at: <http://library.thinkquest.org/3096/> This educational site will teach young investors about the principles of investing. There are many creative games and simulations on this site that will teach without seeming like lectures.

4. Create a Sample Portfolio

Investing will become exciting to your children if they can see their investments at work. They can create a portfolio with virtual money at: <http://library.thinkquest.org/3088/> Here they will learn to track their shares and research companies before they purchase stock. They will also get a feeling for their own risk tolerance. Ask them to describe

how they feel when their shares go up or down and how they would react if they had put their own money in the company. To stimulate their interest, have them pick the stocks of companies with brand names that they recognize. For instance, they might buy shares in the brand labels that they wear, the fast food that they eat, or the forms of entertainment that they especially enjoy.

Money sense won't be learned in the classroom nor can parents expect that saving and investing automatically will become part of their children's lives without parental guidance. We hope that these starting points help you with your discussions.



Wealth Management employee, Kerry Brown



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