Financial Gifts – and Tips – for New Graduates

It’s Graduation Season again. If your child is graduating from high school or college, you have reason to celebrate. But what should you give to your newly minted diploma holder? You might want to consider offering a combination of financial gifts and tips, which, taken together, could set your graduate on a path toward a successful, independent life.

What sort of gifts and tips should you consider? Here are a few ideas:

• Give a few shares of stock. Everyone should understand the financial markets and how they work. One great way to encourage this interest is to give your child a few shares of stock. Young people enjoy owning a piece of a company that makes the products and services they like — and the very act of ownership can inspire them to learn more about investing and to ask questions: What causes the stock price to go up or down? How long should I hold this stock? Should I own several stocks like this one, or is it better to branch out to find new opportunities? Over time, in learning the answers to these and other questions, your child can become familiar with investing and how to make the best choices.

• Encourage your graduate to open an IRA. Your child can open an IRA as long as he or she has some earned income. You might want to suggest that your child consider a Roth IRA, which, at the child’s age and income level, may be a good choice. With a Roth IRA, children can access their contributions at any time, tax- and penalty-free. They can’t touch the earnings without incurring both taxes and penalties, however, until they reach 59½. But you will want to encourage them to keep the money in their IRA intact, giving it the chance to grow.

• Provide some financial education. Unfortunately, most young people don’t really receive any kind of formal financial education. Of course, you can try to provide some of this knowledge to your own children, but, as you know, advice from Mom and Dad sometimes gets ignored. However, you might get better results if you arrange for your recent graduate to meet with a financial professional. As mentioned above, owning stocks, and following their progress, can teach your children a great deal about investing, but a financial professional can paint the “big picture” and explain how all aspects of money management — such as borrowing, budgeting, saving and investing — fit together to help individuals stay in control of their finances and make progress toward their important financial goals, such as buying a house and retiring in comfort. Recent graduates, whether leaving high school or college, are at “turning points” in their lives and can benefit greatly from understanding the importance of developing good, lifelong financial habits.

Most of us can think of several money-related mistakes we’ve made over the course of many years. And your children will make some errors, too. But by providing them with some appropriate financial gifts and valuable advice upon their graduation, they may well be better prepared to keep those mistakes to a minimum — while maximizing their ability to make good decisions.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.