Give Your Children the Gift of (Financial) Knowledge

It’s almost Father’s Day. If you’re a dad with young children, you can expect some nice homemade cards and maybe even a baseball cap. But, of course, your greatest reward is spending time with your kids and watching them grow. In return, you can give them a gift – the gift of knowledge. Specifically, in the months and years ahead, teach them the financial skills that can help make their lives easier and more rewarding.

For starters, encourage your children to become savers. You can do this in a couple of different ways. First, set a good example. You might explain to your kids that you want to buy a certain item, but you are waiting for it to go on sale. Or, if it’s a particularly big-ticket item, like an ultra-high-definition television, tell your children that you simply can’t afford it now, but that you are putting away some money each week until you can. You might even make a chart showing your progress.

Another way to help your children become better savers is to provide them with a monetary incentive. To illustrate: For every dollar they put into a “piggy bank” or an actual savings account, tell them you’ll put in, say, 50 cents. They are likely to be pleased and excited by how much faster their money grows with your contribution, and they may well become more motivated to save. Furthermore, you’ll be giving them a valuable lesson for later on in life, when they work for a business that offers to match their contributions to a 401(k) or other retirement plan. Unfortunately, many young people, upon taking on their first “career” jobs, either under-contribute to their retirement plans or ignore them completely – thereby making it more likely that, later on in their working lives, they will have to come up with much bigger sums each year to accumulate enough resources for a comfortable retirement.

Learning to save is certainly important – but children should also learn about investing. To help get your children interested in becoming investors, point out that they can actually own shares of companies with which they are already familiar – the companies that make the games they play, the movies they watch and the food they eat. In fact, you could even simulate the investment process by letting them choose a stock and then follow it. To make the results more tangible, use “play” money to represent an initial investment, and add or subtract to the pile to track the ups and downs of the real stock. You might even explain some of the reasons for the stock’s movements; for example, if you and your child are following the stock of an entertainment company, and that company produces a blockbuster movie that leads to sequels, spinoffs and merchandise tie-ins, you can point out how these developments have pushed up the company’s stock price.

You might also explain that while these short-term price movements are interesting – and maybe even fun – to follow, investing is actually a long-term endeavor, and the best investors often hold stocks for many years before selling them.

By following these suggestions, you can help your children acquire good financial habits – and seeing them put these skills to good use can provide you with many happy Father’s Days in the future.

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