2020

RAISING FINANCIALLY RESPONSIBLE CHILDREN

PRESENTED BY CALLAN CAPITAL

AGE-BASED TIPS FOR RAISING FINANCIALLY SECURE AND LITERATE KIDS

Research shows that kids as young as 3 years old can grasp the ideas of saving and spending. The sooner parents start teaching and talking to their kids about money, the more comfortable kids will be with these concepts. Creating financially aware children entails teaching them that wealth is not only tied to money, but also resources they develop over time. For example, material resources such as homes, cars and computers and non-material resources such as skills, health and knowledge all contribute to a full, rich and happy life. Below are money lessons and tips for activities that can be taught to kids of every age.

MAKING SPENDING DECISIONS: AGES 3-5

Teachable Moment: You may have to wait to buy something you want. This is a difficult concept for people of all ages to learn! In our current culture of "instant gratification," where kids are bombarded with hundreds of advertisements per day, it is important for kids to learn that for most purchases that are not necessities, they have to save money first in order to buy the item.

Tactical Tip:
Create three jars – each labeled "Saving," "Spending" or "Sharing." Every time your child receives money, divide the money equally among the jars. Have them use the spending jar for small purchases, like candy or stickers. Money in the sharing jar can go to someone you know who needs it or be used to donate to a friend's cause. The saving jar should be for more expensive items. In addition, have your child set a goal, such as buying a toy. Make sure it's not so pricey that they won't be able to afford it, since you want to ensure their success. If your child has an expensive goal, come up with a matching program to help them reach it in a reasonable time frame. Help them proactively allocate money to their savings jar in order to buy the item.

CREATING SPENDING PLANS: AGES 6-10

Teachable Moment: You need to make choices about how to spend money. At this age, it's important that kids know that money is finite and that once you spend everything, you don't have any more to spend.

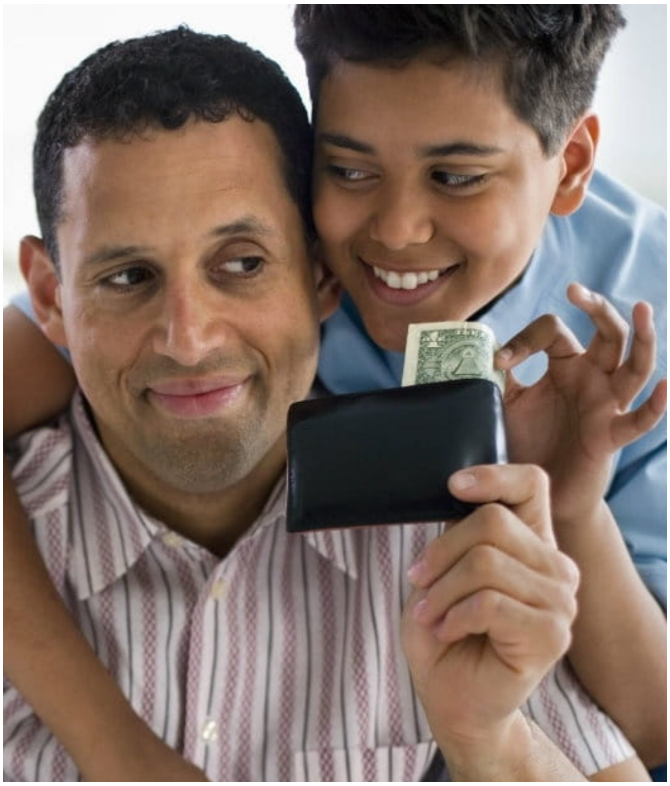
Tactical Tip:
Include your child in some financial decisions. At the grocery store for example, tell them that you choose to buy generic peanut butter rather than the brand name because it costs 50 cents less and tastes the same. Or, discuss savings, such as buying everyday staples like paper towels in bulk to get a cheaper per-item price.

Consider giving your child $5 in the grocery store and have her make choices about what vegetables to buy, within the parameters of what you need, to give them the experience of making choices with money. Make a shopping list and sticking to it, not buying anything in addition to the items on the list. Also, try speaking aloud about how you're making your financial decisions as a grown-up, asking questions like, "Is this something we really, really need? Can we go to discount store and get two of these instead of one?"

During this age range, talk with kids about philanthropy, giving back and donating their money. Kids love to feel like they are helping, as it is energizing and exciting to them. Whether they choose to donate some of their allowance to a charity, or volunteer time doing some sort of community service, these opportunities makes kids feel useful and are great teaching moments. When they are a little older, you could consider bringing them into a conversation with your financial advisor regarding a Donor Advised Fund to highlight the process of how and where the funds are distributed.

LETTING MONEY GROW: AGES 11-13

Teachable Moment: The sooner you save, the faster your money can grow from compound interest. Introducing long-term vs. short-term goals at this age will help kids start to think about the future and any action they need to take now.

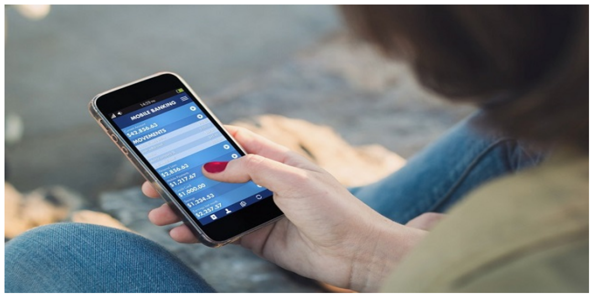


Tactical Tip:
Describe compound interest using specific numbers, since this is more effective than describing it in the abstract. Explain, “If you set aside $100 every year starting at age 14, you’d have $23,000 by age 65, but if you start at age 35, you’ll only have $7,000 by age 65.” Consider doing some compound interest calculations with your child on Investor.gov. Here, they can see how much money they’ll earn if they invest a certain amount and it grows by a certain interest rate. Have your child set a longer-term goal for something more expensive than the toys they may have been saving for.

Start introducing the concept of opportunity costs and trade-offs and long-term savings goals. In addition, consider sharing the family budget, or expenditures vs. income on a weekly, monthly or yearly basis. By showing your kids the cost of living for your family, you are setting a good financial example of one way to maintain control and responsibility of your money.

DISCUSSING THE COST OF COLLEGE (AGES 13-18)

Teachable Moment: Bring your child into the college cost conversation and share plans for payment and affordability.
Tactical Tip: Discuss how much you can contribute to your child's college education each year. Share with your child in early high school years what your plans are for payment so that it is tangible in your child's mind. If full payment from parents is not an option, consider looking into with your child which private schools are generous with financial aid and how much in loans your child would potentially have to pay back.



DEBT (AGES 18+)

Tactical Tip:
Together, look for a credit card that offers a low interest rate and no annual fee using sites like Bankrate or Creditcards. com. Consider placing your child on your credit card to help build their credit and monitor their purchasing and payment behavior.

Explain that it's important not to charge everyday items so that way if you have an emergency expense that you can't cover with savings, you can charge that. Teach them that saving at least three months' worth of living expenses in emergency saving is prudent, though six to nine months' worth is ideal. As mentioned, essential topics in personal finance are not learned in high school or college, so it is essential that parents act as teachers in this area and have money conversations early and often with their kids.

Though bringing your child into a meeting with your financial advisor is a personal decision, in our experience at Callan Capital we have seen that it is invaluable for teaching your child financial responsibility and planning for the future. Have your child sit in on the next advisory meeting without revealing account balances. The financial advisor can give an overview of simple investment concepts such as asset allocation and diversification. As the child gets older and more comfortable, and perhaps has an investment account of their own, you can start to reveal more details about your personal financial circumstance with the help of your advisor. We have seen that those families who place importance on involving children in wealth discussions have greater sustained wealth and a richer family legacy that those who do not.

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