

Summer Vacation: The Perfect Time to Teach Kids to Become Financially Fit

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Summer vacation is nearly here, but your child's financial education doesn't need to take a three-month hiatus: Parents can use this valuable time to teach key lessons about earning, spending and saving money. May's Wealth Management Insights shares ideas on how to teach kids of all ages to become financially fit.

Teaching your kids to be financially fit is a multiyear process. Each age brings new opportunities for important financial lessons.



—Tim Steffen
Director of Financial Planning

What you should know:

1. Set a good example from the start.

- Young children are perceptive and can sense when their parents are having financial struggles. Be sure to keep your financial house in order and use cash and credit cards responsibly to set a good example for your kids.
- Talk with your kids early on about where money comes from. Take them to your workplace, talk about what you do to earn money, and explain how you save and budget. You don't have to disclose details, but aim to give them an overview of how your family's finances work.
- A matching program can teach the rewards of saving and giving. Offer to match any money

your child puts into a savings account or gives to a charity to reward and encourage good financial habits.

2. Teach your teenager how to put their first paychecks to work.

- Work of any kind can be valuable in teaching teenagers about money. Don't discount less glamorous jobs like fast food or retail – these jobs can teach powerful life lessons and work skills.
- As your teenager starts to accumulate some savings, take advantage of the opportunity to introduce basic investing concepts. You could even allow them to buy shares of a stock or mutual fund. ▶

- Find a balance between encouraging your child to save and allowing them to enjoy the rewards of their work. Both excessive spending and being too frugal with money can promote unhealthy financial habits.

3. Work with college students and young adults to help them understand the balance between budgeting, spending and debt.

- Talk to your student early on about what you're willing to contribute to their education and what they will be responsible for. Be sure to talk about the implications of student loan debt, monthly payments and the number of years it can take to pay it off before they take out any loans.
- Your student or young professional may be living independently for the first time. Work with them to develop a budget that balances fixed and variable costs so they understand how much money they have for nonessential expenses like entertainment, travel and eating out.

- Your child's first "real" job will bring major financial decisions related to salary, insurance and retirement plans. Reinforce the concept of "paying yourself first" and encourage them to utilize employer matches to retirement plan contributions, if it's offered to them.

What you should do now:

Teaching your children how to make smart choices about money is one of the most valuable lessons you can impart. Talk to your Baird Financial Advisor for additional ideas, support and resources as you guide your children on the path to financial fitness. ■