



OLD NORTH STATE TRUST, LLC

Kids, Saving and Investing

As parents, we worry about a lot of things. We worry about our kids being safe. We worry about what college they'll be accepted into. Do we truly worry about their value of money and how they will handle their finances as they get older? It's difficult to get children to spend time learning about money at a young age. But it's important. The better money management skills they have by the time they graduate from high school, the better off they will probably handle it in college and down the road. In terms of saving and investing, a very important concept to understand is the power of compounding and how that makes such a difference over time! The time value of money is an invaluable lesson. Just like trying to "catch up on sleep." You can't. The sleep you've lost is gone. No one can gain time back – for sleep or investing! And surprisingly, items usually cost a lot more than children realize. A good practice may be to have your child guess what the bill is next time you visit a restaurant. Perhaps they will think harder about going out when they start becoming responsible for paying the bill! Another important point to discuss with teenagers is taxes – items really cost about 30% more than what you pay for them because you are paying for them in after-tax dollars. When a child enters the work force and receives his or her first paycheck, it's usually a rude awakening! Net versus gross income really hits home! What about retirement plans? I have some young clients that are paying off graduate school debt. They ask me about paying off their loans before contributing to their company 401-k's. I share the importance again of the time value of money so it's important to do both; contribute as much to the 401-k as possible while chipping away at the debt. Many companies match contributions, and that is free money! Many kids are visual and especially when they are young, these concepts are foreign. David Bianchi, a Miami attorney, created a book "Blue Chip Kids: What Every Child (and Parent) Should Know about Money, Investing, and the Stock Market." He and his wife wrote the book when they realized their 13-year-old was not learning anything about money and investing in school. Unfortunately, that is usually the case for most of us. So, that's one resource that is not too textbook-like for a teen. As parents, we somehow need to stress the importance and satisfaction of building up savings and investments so that they are financially comfortable later in life.

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Old North State Trust

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