00:00:10:03 - 00:00:37:01

Speaker 1

Welcome, my name is Andrew Barron, and this is, Well… It Depends! The podcast where I address financial decisions that can't be answered by a simple yes or no. In this episode I ask the question how do I set my kids up for financial success? But before we begin, a short disclaimer. This is being recorded on July 30th, 2024.

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The contents of this podcast are strictly for informational purposes only, and nothing said should be taken as investment tax or legal advice. It's important to consult with the professional before making any financial decisions, as the strategies discussed may not be suitable for you specifically.

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Speaker 1

Getting into it. How do I set my kids up for financial success? Well… It Depends!

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Speaker 1

As parents, we all want to set our children up for financial success. But the best approach can vary greatly depending on your family situation, your values and your children's personality. Let's explore some key considerations and strategies.

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Speaker 1

First, teaching your kids about money from an early age is crucial. This doesn't mean just telling them to save or spend wisely, but really educate them on financial concepts for younger kids.

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Start with basic concepts like saving, spending, and the difference between needs and wants. You could use jars or envelopes labeled save, spend and give to help visualize their money management. As they grow older, you can introduce more complex topics like budgeting, investing, and credit. Encourage them to read books or to take online courses designed for teens about personal finance.

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Speaker 1

But how much should you teach them and when? It depends on your child's interest and their understanding. While some kids may be ready to learn about compound interest in middle school, others may need to wait until high school until approaching these more advanced topics. Next, giving your kids practical experience with money is invaluable. This could be through either allowance, part time jobs, or even managing a small investment account.

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An allowance can teach kids how to manage money regularly. Whether you tie it to chores or you give it unconditionally, depends on which lesson you want to impart. Some parents use it as a way to teach that money is earned, while others believe in teaching money management without the chore connection. Encouraging your teenagers to get a part time job can instill a strong work ethic and practical money management skills.

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Speaker 1

They will learn the value of a paycheck, as well as how to balance and budget their earnings. For older kids, helping them set up a custodian investment account can be a great way to teach them about the stock market and long-term growth. You might start with small amounts and guide them through the basics of choosing stocks or mutual funds that they like or identify with.

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Speaker 1

Lastly, how much financial support you provide can vary. Some parents choose to fully fund their children's education and early adulthood expenses, while others believe in the value of kids earning their own way. If you decide to pay for college, consider how much you can afford to spend without compromising your own financial goals. For some families, taking on student loans might be necessary, and that's okay as long as it's part of the broader financial plan.

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Speaker 1

When it comes to helping with major expenses, which for many can be things like a first car or a down payment on a house, it depends on your financial situation and what lessons you want to teach. Some parents match their children's savings to help them learn the importance of saving for big goals.

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Speaker 1

And finally, we have finding the right balance between support and independence. Too much financial help can hinder your child's own ability to learn about money management skills. While too little can leave them struggling unnecessarily. To recap, helping your kids with money isn't a one size fits all approach. Instead, it depends on their age, their maturity, your family's financial situation.

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Speaker 1

By focusing on education, practical experience, and thoughtful financial support, you can position your children for financial success. So, to answer the question, how do I set my kids up for financial success? Well… It Depends!

Speaker 1: Andrew Baron, CFP®, EA