

Implement multigenerational planning with kid-friendly finance

Advise your clients at your bank or credit union on how they can develop their children's smart money habits



Wealth will transfer. This is a universally acknowledged truth, and it's what makes cultivating strong relationships with your clients' families – personally and professionally – so important. The next generation represents perhaps the greatest opportunity *and* biggest risk to your investment program's future growth.

Everyone needs to learn the value of a dollar and how to make money work toward our goals, even little kids. In fact, the sooner they understand the power of financial planning and the role money plays in their lives, the better.

While many younger clients of your bank or credit union haven't accumulated enough assets to consider planning for retirement, they will often have deposit accounts. Capitalize on the opportunity you have with these clients and incorporate them into discussions early on regarding their financial future. Be proactive with engaging the next generation and consider sharing these kid-friendly lessons, activities and tips with your clients.

The early years 5 to 9

Lessons: Pre-kindergarten is a great time to start with the basics, including the idea that you must work to earn money in order to pay for items and services, as well as the value of different coins and bills. By age 7, children should be able to do some chores and earn enough allowance to buy small items. It's important, too, to discuss needs and wants and why you might have to make choices (e.g., needs come before wants) or wait a little longer (to save for something you want more).

Activities

- GET TO WORK. Brainstorm different ways kids can earn money, like a lemonade stand, cookie booth or selling used toys and books.
- PLAY GAMES. Role-play using money-based games (e.g., restaurant owner and customer).
- START SAVING. Explain savings accounts and the concept of earning interest, and potentially open up a savings account in the child's name.

Tip: Start saving habits early by stashing a percentage of any money received in each of four collection jars: one for saving, growing, spending and giving. The point is to build patience in order to later enjoy the benefits of disciplined saving.

Watch out for: Boring lessons. A short attention span demands fun learning activities.

The teen years 10 to 15

Lessons: As your client's child matures, they should talk about how their family values work and money. They can instill work ethics by allowing their preteen or teen to earn money by doing chores or errands, like washing cars, mowing lawns or babysitting. If they haven't already, discuss opening a savings account for their child and explain how interest can compound over time as they save toward midrange goals. Discuss, too, how to balance deposits and expenses to make sure their teen is living within his or her means. Children within this age range also should be able to conduct simple financial transactions, like writing a check, making a deposit, using an ATM and paying a bill.

Activities

- CHECK OUT CHECKING. Consider adding checking to their children's accounts and to teach them how to balance their checkbook.
- DIVIDE AND CONQUER. Allocate a percentage of allowance or gift money toward saving, spending, investing and sharing buckets.
- CHIP IN. Parents can offer to "match" their child's savings with a contribution of their own, say a quarter for every dollar saved.
- GET DEFENSIVE. Explain how to safeguard personal and financial information online and how to spot scams aimed at stealing financial information.

Tip: Now's a good time to discuss credit and its alter ego – debt. Discuss when to use credit cards and how quickly interest adds up. If a credit or debit card is opened for an older teen, emphasize responsible use and how to keep personal information secure.

Young adulthood 16 to 21

Lessons: Kids this age should start thinking about where to go to college, how to live independently and, yes, even planning for retirement. Start simply by having your clients involve their older teens or young adults to participate in household budgeting and talk about paying bills on time. They should discuss line items like insurance and utilities and their costs, as well as the importance of automatically saving for

long-term goals, like buying a house, setting up an emergency fund, or saving for retirement (remember how important compounding is!). Cover the basics of putting money to work through investing, smart borrowing and the after-tax effect on take-home pay and investment income.

Activities

- **ADD IT UP.** Utilize special calculators to estimate college costs and benefits. Discuss how much your clients are willing to contribute toward this important expense.
- **GIVE CREDIT.** Explain how credit history can affect a person's ability to obtain credit or get a job. Free credit reports are available at annualcreditreport.com.
- **INVEST IN THE FUTURE.** Clients can help their adult children set up their 401(k)s or start a brokerage account or Roth IRA (if they're working).

Tip: Suggest your clients introduce their child or grandchild to you. Take this opportunity to help fill in any gaps in their financial education, offer guidance when it comes to 401(k)s or other employer-sponsored retirement plans, and impart the benefits of long-term planning.

Watch out for: College graduates "boomeranging" home with the expectation of being pampered. Parents can establish boundaries and outline how their child can contribute to the household.

RAYMOND JAMES®

NOT FOR CLIENT USE

©2016 Raymond James Financial Services, Inc., member FINRA/SIPC