Why it is important to Teach Teens About Investing Early

James G. Everlof, CRC® - Financial Advisor, Vice President
1571 Chester Pike
Eddystone, PA 19022,
215.864.3567
jeverlof@wsfsinvestments.com

During the teenage years, lots of exciting things happen in life like getting your first job and earning money; this time is an opportune time to coach and guide children on the importance of saving and the best ways to save. It is also never too early to begin discussing retirement with teens. Many companies allow part-time workers to contribute to their employer sponsored 401(k) program.

Here are a few things to consider when helping your teen with money management and investments.

- **Find the Right Banking Partner.** Visit a community bank and open a personal checking and savings account for your teen. The checking account will serve as the teen's spending account and the savings account will be used to put money aside for future goals. Work with your teen to develop a plan to determine what percentage of their paycheck will go into savings; it is recommended to start with 20% of their paycheck for savings.
- **Teach Them the Benefits of Investing Young**. Introduce the basics of investing early on. Opening an online brokerage account is fast and easy. If your teen is under 18 years old, you will need to open a custodial account. You and your teen can begin by investing in mutual funds, ETFs and have a little fun picking out a few stocks they can afford to buy. Let your teens research some companies and walk them through how the market works.
- **Discuss Higher Education Plans.** Planning for your teen's future is critical. Whether it's college plans, working at the family business or attending a trade school, teens should understand that financing higher education can be expensive. Encourage them to limit student debt that will be hard to repay in the future.
- **Plant the Retirement Seed Now.** For a teen, retirement may seem very far off. Parents can use this time to discuss the concept of how planning for retirement now will have huge benefits because of the value of compounding earnings. For example, if a 17-year-old contributes $1,000 to an employer sponsored 401(k) plan now, it will grow to $19,943 at a 6% return by the time the teen is 67 years old.   That same $1,000 invested at 37 years old at a 6% return will only grow to $6,024.

According to a WSFS Bank Study of Millennials and Gen Z consumers, when it comes to financial literacy, 61% of respondents agreed that most of what they've learned about finance was through osmosis. Fifty-eight percent of respondents said they actively avoid thinking about or navigating their finances out of fear that "they'll mess it up." It is important to teach teenagers money management early on and to make sure they are saving and investing that money, so it grows for them. Explaining the value of money, savings and investing and what it buys— like homes, vacations, and the freedom that brings— will help them see the rewards of making good money choices.

About the Author – James G. Everlof, CRC

James G. Everlof is a financial advisor with WSFS Wealth Investments and offers securities and advisory services as a Registered Representative and Investment Advisor Representative of Commonwealth Financial Network®. He graduated from the University of Pittsburgh with a Bachelor of Arts in History & Political Science. Mr. Everlof can be reached at jeverlof@wsfsinvestments.com and is located at 1571 Chester Pike, Eddystone, PA 19022, 215.864.3567