

Kids and Cash

Teaching your children how to save for the future will put them on the path to becoming smart investors. Here are three tips for raising financially savvy kids, from kindergarten through high school.

Set a Good Example

When you're shopping together, have your children look for the best price on their favorite snacks. Then point out purchases you choose not to make so you can save for higher-priority items.

Give an Allowance

You can start with a dollar a week when they enter kindergarten, then increase it every year thereafter. Help them divide the weekly sum into three envelopes marked "spending," "saving" and "charity." For older children, a savings account may be more appropriate.

Demonstrate the Power of Compounding

As your children mature, explain how money grows when you leave it alone, thanks in part to the magic of compound interest—the process of investment returns earning returns of their own. Consider giving your children shares in a child-oriented stock or mutual fund. The first-hand knowledge they gain will come in handy when it's time to open their first retirement savings account.

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