

Total Cents Podcast Lesson 4

Teach Your Kids to Save

Topic Overview

As a parent, instructing your kids on how to save is one of the most crucial skills you can teach your children. As a financial advisor, I've had a front-row seat with my adult clients to see what habits are vital in order to achieve financial success. Most people mistakenly think that choosing the right investments is what creates financial security. But if you don't have enough capital available to invest, some incredibly great rate of return—which likely will not hold up in the long term—is not a realistic way to solve the problem of one's lack of savings. Your ability to save regularly over time allows you to achieve financial security.



Your Intro Discussion With Them:

We want to have a pretty grown up conversation about money. Specifically, how important saving is. Here is the little secret. To be financially successful, it's more important how much you save than what rate of return your investments are getting.

Step 1

Go BIG Picture

I'm going to give you 2 different scenarios, and I want you to tell me, which of these people had more money by age 65?

Samantha→starts saving at age 25... puts away \$10,000 per year until age 40, then stops→she invested \$150k

Paul→starts at age 35 (10 years later than Sam), invested \$10,000 per year for the next 30 years→he invested \$300k

- If both accounts earned a 6% annual rate of return, who had more money at 65.



Step 2

Introduce the idea of habits

What is a savings habit?

Step 3

Help them remember with a catchphrase

What does it mean to "pay yourself first?"

Step 4

Put it in real world context

How do we (Mom/Dad) save first?

Conversation Wrap Up

That was a good conversation. Always remember to be Samantha Saver and not Paul Procrastinator. And the key to financial success is to "Pay yourself first." It's all about developing good habits.

