

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 them. As a financial advisor, I've had a front-row seat with my adult clients to see which habits are vital in order to achieve financial success. Most people mistakenly believe that choosing the right investments creates financial security. But if you don't have the capital available to invest—no matter how great the return—this route likely won't hold up in the long term and won't address the initial problem of a lack of savings. In fact, it is your ability to save regularly over time that will allow you to achieve financial security.



Your Intro Discussion With Them:

We want to have a grown-up conversation about money—specifically, about how the importance of saving is critical. To be financially successful, how much money you save is more important than the rate of return of your investments.

Step 1

Go BIG picture

Review these two different scenarios.

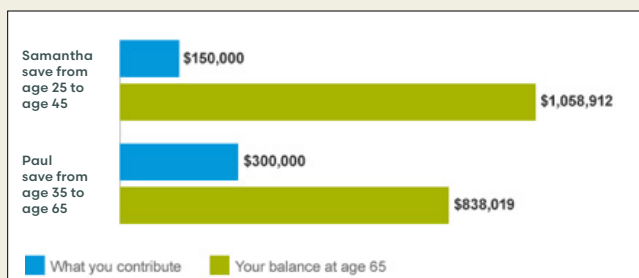
Determine which of these individuals will have more money by age 65 if both earned a 6% annual rate of return.

Samantha

- started saving at age 25
- Puts away \$10k per year until age 40 and stops
- She invested \$150k

Paul

- Started saving at age 35
- Invested \$10k per year for the next 30 years
- He invested \$300k



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 a real-world context

Challenge your kids to ask these questions: How do your parents save? What do you think your parents spend the most on? Why do your parents save?

Conversation Wrap Up

Teach your kids to strive to become savers like Samantha and not procrastinators like Paul. Saving, or “paying yourself first” is critical for financial success, but it all starts with developing good habits.

