Tips for Raising Financially Literate Young Adults

Parenting comes with many responsibilities, which include teaching children how to budget, save money, and make responsible financial decisions. Unfortunately, many young adults are not adequately prepared, which often later results in high debt, a low credit score, and financial stress. That's why it's so important for parents to make sure their children are financially literate. In this document, we'll cover several tips to ensure your children are set up for financial success.

Tip #1: Start Early

It's never too early to start teaching your children about money. Research shows that children can understand basic financial concepts as early as age 3, and many habits, like the ability to delay gratification, are set by age 7. This means many of us are waiting too long to talk to our children about money, so start when they're young.

Tip #2: Encourage Them to Save for the Future

Help your children understand the importance of saving for their future. You can start by opening a savings account and encourage your child to make regular contributions. Not only will this help them take ownership of their savings, but it can also lead to a small nest egg that they might later use to fund a car purchase or even help with college expenses.

Tip #3: Help Them Use Online Banking

If you set your children up with a financial account, help them learn how to access their account online. If they have their own phone, you can also help them download a banking app. This way they can keep track of their own account and learn to manage transactions online.

Many banks have special kid-friendly accounts. For example, Chase offers the Chase First Banking debit card for kids age 6 to 17. Other companies such as Greenlight provide a comprehensive offering specific for kids. These type of accounts give you control over how much your kids can spend, and gives them the opportunity to learn the fundamentals of saving, spending and even earning.

Tip #4: Teach Them to Delay Gratification

The term, “delayed gratification,” refers to the ability to resist the temptation of a reward in favor of a more significant reward in the future. For example, a child might be offered one piece of candy now, or two pieces if they are able to wait until after dinner.

There is evidence that delayed gratification contributes to healthy spending habits in adulthood. A famous study conducted by Walter Mischel in the 1960s found that children who were able to delay gratification were more likely to achieve success in adulthood. Additionally, a 2010 study found that children who delayed gratification were more likely to have higher credit scores and lower levels of debt as adults.

There are many ways to teach children about delayed gratification, but one of the most effective is through modeling. When parents make choices that reflect delayed gratification such as saving up for a big purchase, children are more likely to learn and adopt this behavior themselves. In addition, parents can directly teach their children by helping them practice it in everyday situations such as saving for a toy they want.

Tip #5: Help Them Establish and Understand Credit

Credit is an important part of our financial lives, and it’s important for young adults to understand how it works. Educate your kids about borrowing money, paying interest, building a credit score and using credit cards responsibly. If your child is old enough and you feel comfortable doing so, you can set them up with a joint credit card account, so they get hands-on experience managing credit. This way, your kids can learn about responsible credit card use while building a positive credit history.

Tip #6: Teach Them About Investing

It's one thing to save, but it's another thing to grow your money through investments. Teaching kids about investing can be fun and exciting. One way to get started with investing is to set up a custodial account for your child. A custodial account is an investment account that is held in the name of a minor child. The parent or guardian acts as the account manager, but the child owns the account and can get full access at age 18 or 21. Custodial accounts are a great way to give young adults hands-on experience with investing. They can learn how to research investments, make decisions about where to invest their money, and monitor their progress over time. Plus, the earnings in the account can help children save money over the long-run.

Final Thoughts

We hope you find these tips helpful for raising financially literate young adults. Just remember, it is never too early to start teaching your children about money!

About Heard, McElroy & Vestal

In 1946, S. Berton Heard, Charles McElroy and Charles Vestal founded Heard, McElroy & Vestal, LLC in Shreveport, Louisiana. Together, this trio of professionals established the firm as a pillar of trust, integrity and competence, with the mission to create solutions and provide opportunities for our clients, our people, and our communities. HMV is one of the largest public accounting and consulting firms in Northwest Louisiana, servicing our clients throughout the states of Louisiana, Arkansas, Texas, Mississippi, Oklahoma and Tennessee from offices in Shreveport and Monroe. Our firm is comprised of over one hundred (100) employees: Partners, Of Counsel Partners, Senior Managers, Managers, additional Professional Staff and Administrative Staff. Our Professional Staff includes more than fifty (50) certified public accountants who obtain additional certifications which are Accredited in Business Valuation (ABV), Certified Fraud Examiners (CFE), Not-for-Profit Certificate holders, Certified Valuation Analysts (CVA), Personal Financial Specialists (PFS), and Certified Mineral Managers (CMM). Our team of professionals brings together many years and diversification of experience, providing a network of knowledge and resources and allowing for industry and niche specialization. Not one CPA can offer the range and quality of services a firm of our size is able to provide, while remaining small enough to deliver personalized service and attention to our clients with consistency on engagements. HMV's strategic associations include Aliign Mineral Management, LLC, Business Valuation Consultants, LLC and HMV Wealth Advisors, LLC.

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