TEACH CHILDREN THE IMPORTANCE OF SAVING

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Survey data tells us that people are worried about the financial capabilities of their children and grandchildren. Educational costs are a concern because some retirees are helping their grandchildren pay for college. Adult children are moving in with their parents. Jobs are hard to find.

None of this is news, of course, but it raises doubts about how well we are doing as parents when it comes to teaching children about work and money. It also raises the question: With the benefit of hindsight, is there anything you would do differently if you had the chance for a do-over in your life?

What do you know about money now that you wish you knew when you were younger?

Here are some thoughts:

First, everyone makes hundreds of financial decisions regularly, ranging from what groceries to buy, to whether to take a long drive, to what beverage to drink. Although your circumstances may dictate your income, you decide what to spend and what to save. As a result, you may have more control over your financial destiny than you think, and it might pay to spend some time making financial literacy a priority early in life.

Second, parents need to understand that buying things for their children may make them feel good about themselves, but it does not make a child a better person. Children will not remember you as a good parent because you indulged them with toys and gifts. They may learn to be self-indulgent. However, spending time with children to create good memories costs nothing.

Third, children are a significant long-term financial commitment that may last well beyond the age at which they should be independent. Nowadays, you have to be prepared to have them move back home after college. "Good parents" will keep the door open to help children in need at any point in their lifetimes. Is the opposite true? Do "bad parents" produce self-reliant children? Or is there a happy medium where children learn financial values?

Fourth, it's natural for young families to focus their energies primarily on the present needs of their members. If you do that, time will fly by. Before you know it, your children will be grown and on their own, and you'll need to start thinking about your own needs and resources. But will you be sufficiently on track in securing your own financial future?

Fifth, money is a natural part of everyone's life. It's just a tool, and everyone needs to know how to use it. Only with hindsight do people know that it's not enough to save what's left over after paying the monthly bills. It's smarter to envision the future and set priorities to save money over a lifetime. Then there will be no regrets about not starting early enough.

Sixth, when surveyed, people say that they regret saving too little and starting too late. The most effective way to save for retirement is to save consistently each month over a lifetime. The earlier the start, the higher the payoff. The amounts do not have to be large, however.

Even $100 a month saved over a 35-year period can turn into a sizable nest egg. A 30-year-old who invests that amount in a solid balanced fund can reasonably expect to approach a million dollars by the time she retires. The total investment over that time is only $42,000. The power behind those numbers is the math of compounding.

Seventh, investors make mistakes when markets decline by losing heart and selling out when they should be continuing their investment program. Fear should not dictate investment decisions. ■

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The next column, also published in 2013, and updated for 2017, highlights the importance of including children in the decision to fund their college education. I wrote about what you need to know generally, and provided links to a number of resources that will put in stark numbers the costs of various college decisions.