

The Importance of Financial Literacy for Kids

Picture this scenario: Your 10-year-old receives \$20 for their birthday and asks, “Can we go to the store so I can buy a new toy?” As you think about how to answer, you realize this is a perfect chance to teach an important life lesson. The impulse to get something new as soon as possible is undoubtedly a strong one—in both kids and adults—but this could be an opportunity to explain the merits of saving for a larger purchase. Helping kids understand how to manage money can create habits that stick with them and help them make smart choices in the future.

Teaching children about money isn’t just practical—it’s about giving them the tools to handle life’s challenges. Early lessons about saving, spending, and planning can set them up for success.

Why Start Early?

Kids pick up habits and lessons starting at young ages, and money skills are no different. Studies show that attitudes about money are generally formed by age seven. Teaching kids while they’re young helps them build a healthy relationship with money and equips them with skills to manage it—to save, spend, and budget responsibly. These lessons can give them the tools they’ll need to avoid financial mistakes later on. In addition to helping your child make better decisions about saving, borrowing, and investing, early money lessons will help them learn to distinguish between needs and wants, a key skill for managing money wisely.

Allowance and Budgeting

An allowance is often a child's first encounter with money, making it a great tool for teaching the basics of finance. While you may want to designate some chores as an expectation for contributing to the household (therefore, not allowance-worthy), try giving your child a weekly allowance tied to age-appropriate tasks that go beyond their expected contribution. For example, a seven-year-old might be expected to make his bed every day, but he can earn cash for changing the sheets or putting the dirty ones in the laundry.

Here's one way to use an allowance to teach budgeting:

- **The three jars method:** Give your child three jars labeled "Save," "Spend," and "Give." Encourage them to divide their allowance among these jars. A common split is 50% for spending, 40% for saving, and 10% for giving, but you can adjust this based on your family's priorities.
- **Discuss spending choices:** Let them decide how to use their "Spend" money. If they want a toy, talk about whether they'll still enjoy it a week later—in other words, is it worth the spend?
- **Track their money:** Use a simple notebook or a basic app to keep track of allowance, savings, and spending. This helps kids see where their money is going and gain practice keeping a record of their finances.

Setting Saving Goals



Saving: For big goals, like a new toy or game.



Spending: For small, everyday purchases.



Giving: For donations or helping others.

Saving teaches kids patience and discipline, which can be tough when they're naturally drawn to instant rewards. Help them set a goal for something they want, like a game or a bike, and show them how to save for it.

- **Set a goal together:** Ask your child what they'd like to save for and figure out how much it costs. Then, break it into smaller, manageable steps. For instance, if the goal is \$20 and they save \$5 a week, they'll reach it in four weeks.
- **Make it visual:** Create a savings tracker, like a thermometer, sticker chart, or a jar they can color in as they save. This makes the process fun and the progress visible.
- **Celebrate success:** When they reach their goal, congratulate them and tell them how impressed you are that they did it. Reinforce how saving leads to worthwhile rewards.

Introducing Investing

Investing might sound too complicated for young minds, but it can be easy for kids to understand with age-appropriate

explanations.

- **Use familiar examples:** Explain investing by comparing it to planting a seed and watching it grow. Relate it to companies they know, like ones that make their favorite toys or snacks.
- **Open a custodial investment account:** Some financial institutions offer accounts where you can manage small investments for your child. Show them how money can grow with time and patience by explaining how the account works.
- **Use simple analogies:** Talk about risk versus reward. For example, keeping money in a piggy bank is safe but doesn't grow, while investing is like planting a garden—it takes time but can yield bigger rewards.

Everyday Teachable Moments

Using ordinary situations to teach money lessons helps make the concepts stick:

- **Grocery store shopping:** Involve your child in comparing prices, discussing needs versus wants, and finding the best deals.
- **Family budgeting:** Share how you budget for things like vacations or household expenses. Simplify it so they can understand how money is allocated.
- **Holiday or birthday money:** If your child receives money as a gift, encourage them to split it among saving, spending, and giving.

Encouraging Generosity

Teaching kids about giving helps them develop empathy and gratitude. Suggest they donate a portion of their money to a cause they care about—like helping animals or supporting a local

food bank. Explain how even a small amount can make a big difference.

A Lifelong Skill

By teaching kids about money early, you're giving them skills they'll use forever. Financial literacy helps them make smart decisions, avoid debt, and even build wealth. Whether it's through an allowance, saving for a goal, or exploring investing, these lessons will prepare them for the future. Start small, keep it consistent, and watch them grow into confident, money-savvy adults.

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How to Start a College Fund Early

Every parent wants to give their child the best possible future, and for many families, that includes higher education. But with tuition costs continuing to rise, figuring out how to pay for college can feel overwhelming. The good news? Starting a college fund early gives your savings more time to grow, making it easier to manage those future expenses.

529 Plans: A Popular Tool for College Savings

When it comes to saving for a child's education, 529 college savings plans are one of the most widely used and versatile options. These state-sponsored accounts are specifically designed to help families save for qualified education expenses,

and contributions grow tax free as long as they're used for qualified expenses. Because of their flexibility and tax advantages, they're one of the most popular ways to save for college. Begin by evaluating your state's 529 plan, as that's often the best place to start for state tax benefits. However, you're not limited to your own state's plan—you can choose almost any state's 529 program that fits your needs.

Here's how they work:

- **Contributions:** Money added to a 529 plan is invested in a selection of funds or portfolios chosen by the account owner.
- **Growth:** Earnings grow tax free, meaning you won't owe federal taxes on the investment gains as long as the money is used for qualified education expenses.
- **Withdrawals:** Funds can be used for tuition, fees, room and board, books, and even some K-12 tuition (in certain states) or trade schools.

Let's say you start contributing \$200 monthly when your child is born. By the time they're 18, assuming a 6 percent annual return, you could have about \$75,000 saved—and all the earnings would be tax free when used for education.

Tax Benefits

One of the biggest advantages of a 529 plan is its tax efficiency. Contributions are made with after-tax dollars, but the account's growth and qualified withdrawals are tax free. Some states even offer tax deductions or credits for contributions, adding another layer of savings.

For example:

- If you contribute \$5,000 to a 529 plan in a state offering a 5% tax credit, you could save \$250 on your state taxes

that year.

While \$250 may not seem like much, over time, these tax savings can make a meaningful difference—reducing your overall education costs just by choosing the right savings plan.

Investment Options, Age by Age

529 plans typically offer a range of investment portfolios, from aggressive growth funds to conservative options. Your child's age and your comfort with risk will help guide your investment choices.

In the early years (ages 0–10), it often makes sense to invest more aggressively, with a higher allocation to stocks that have the potential for long-term growth. By the time your child reaches middle school (ages 11–15), gradually shifting to a more balanced approach can help manage risk. As college approaches (ages 16+), many families move to more conservative investments, such as bonds or money market funds, to help protect savings from market downturns.

Keep in mind, many plans also offer “age-based” portfolios that automatically adjust the investment mix as your child gets closer to college age.

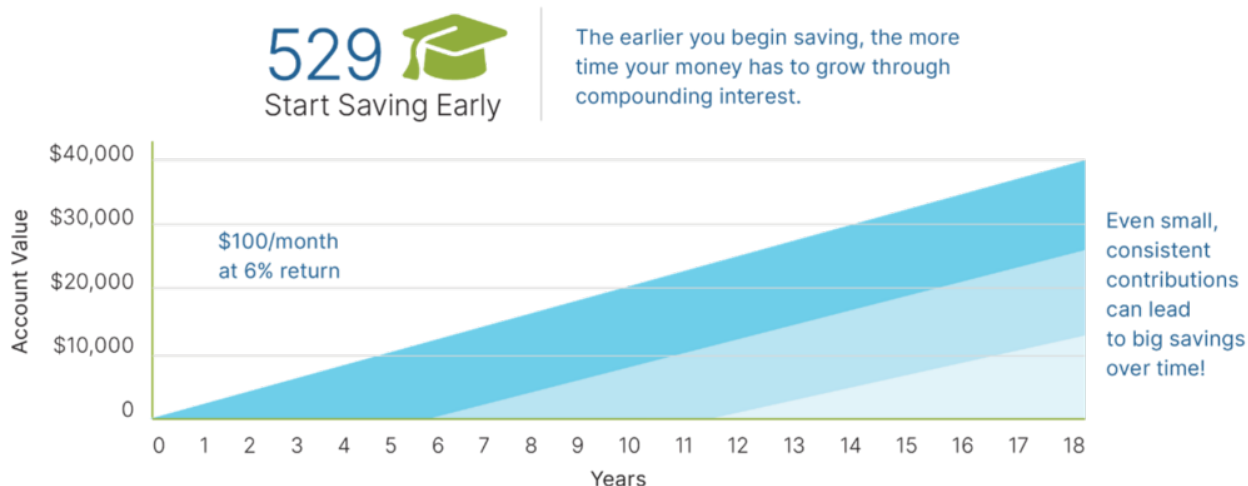
Starting Early

Time is your greatest ally when it comes to compounding growth, so it's ideal to start as soon as possible. Setting up automatic monthly transfers often works better than trying to make larger annual contributions. For example, contributing \$100 monthly feels more manageable than coming up with \$1,200 at year-end. If you start contributing that \$100 monthly at your child's birth, earning an average annual return of 6 percent, you could have nearly \$40,000 saved by the time they turn 18. Plus, regular contributions help you take advantage of market ups and downs

through dollar-cost averaging.

Here are a few tips to get started:

- **Set up automatic contributions:** Most 529 plans allow you to schedule recurring deposits, making it easier to stay consistent.
- **Start small:** Even \$25 a month can grow substantially over 18 years. Note that some plans do implement minimum contribution thresholds, though these are generally very low.
- **Gift contributions:** Encourage family members, such as grandparents, to contribute to the 529 plan as part of holiday or birthday gifts. College savings works best as a family effort, with everyone pulling together toward the shared goal of providing educational opportunities for the next generation.



What If Your Child Doesn't Pursue College?

Worried about what happens if your child doesn't go to college? 529 plans offer plenty of flexibility:

Change the beneficiary: The account can be transferred to another family member of the beneficiary, such as a sibling,

cousin, grandchild, or even yourself.

Use it for other education-related expenses: Use the money for trade schools or vocational training or put it toward K–12 tuition (up to \$10,000 annually, but only in certain states).

Withdraw funds: If the funds are withdrawn for nonqualified expenses, the earnings portion will be subject to taxes and a 10 percent penalty, but the principal contributions are not penalized.

Repurpose the funds: Recent changes in legislation allow up to \$35,000 of unused 529 funds to be rolled into a Roth IRA for the beneficiary (subject to certain conditions).

This flexibility ensures that your savings don't go to waste, even if plans change.

Exploring Alternatives

While 529 plans are a popular choice, they're not the only option. Depending on your family's circumstances, other accounts might be worth exploring:

Coverdell education savings accounts (ESAs): These accounts offer similar tax advantages to 529 plans but with lower contribution limits (\$2,000 annually per child, subject to certain limits) and more flexibility in investment options.

Custodial accounts (UTMA/UGMA): These accounts allow you to save money in a child's name, which they gain control of upon reaching adulthood. However, earnings are subject to taxes, and the funds can be used for any purpose—not just education.

Each option has unique benefits and trade-offs, so it's helpful to compare them carefully before making a decision.

Building a Brighter Future

Starting a college fund early may seem like a daunting task but breaking it into manageable steps can help you stay on track. Whether you choose a 529 plan, a Coverdell ESA, or another option, the key is to begin as soon as you can and contribute consistently.

Saving for college doesn't have to be overwhelming. By starting early, taking advantage of tax-advantaged accounts, and making saving a family effort, you can turn today's small contributions into tomorrow's opportunities—helping your child chase their dreams with confidence.

The fees, expenses, and features of 529 plans can vary from state to state. 529 plans involve investment risk, including the possible loss of funds. There is no guarantee that an education-funding goal will be met. In order to be federally tax free, earnings must be used to pay for qualified education expenses. The earnings portion of a nonqualified withdrawal will be subject to ordinary income tax at the recipient's marginal rate and subject to a 10 percent penalty. By investing in a plan outside your state of residence, you may lose any state tax benefits. 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.

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Understanding and Protecting Your Purchasing Power

Imagine walking into your local grocery store with a \$20 bill. Last year, that might have bought you a gallon of milk, a dozen eggs, and a loaf of bread with change to spare. Today, those same items could cost noticeably different amounts and \$20 may not cover as much. This everyday experience demonstrates the concept of purchasing power—how much your money can actually buy. Understanding this concept helps you make smarter financial decisions and grow the value of your funds over time.

What Shapes Your Money's Value?

Your purchasing power changes as the economy changes, influenced by various economic factors. Inflation and purchasing power are inversely related—when prices rise, the amount of goods and services you can purchase with the same amount of money decreases. And, conversely, when prices decrease, you can buy more.

Think about buying a car. The same \$30,000 that bought a well-equipped sedan five years ago might only buy a basic model today. Or consider housing—monthly rent that was \$1,500 a few years ago might now be \$2,000 for the same apartment.

Understanding purchasing power isn't just about watching prices go up and down, however. It's about learning how economic changes affect both your spending and saving strategies. This helps you make smarter decisions to protect your money's value in the years to come.

Making Your Savings Work for You

One way to counter inflation and preserve purchasing power is through smart savings choices. Traditional savings accounts offer accessibility, but interest rates can vary widely. High-yield savings accounts, for example, often provide significantly better returns than standard accounts, while government securities, such as Treasury bills or savings bonds, offer other secure savings options.

For instance:

- If you had \$10,000 in a regular savings account earning just 0.1% annually, after five years, you'd earn around \$50 in interest.
- By contrast, in a high-yield savings account earning 4% annually, you'd earn about \$2,166 in total interest over the same period.

A financial advisor can help you explore savings options that best fit your goals, making it easier to protect your purchasing power over time.

Planning for a Comfortable Retirement

When planning for retirement, understanding purchasing power becomes especially important. A lifestyle that costs \$50,000 per year today will likely cost a different amount in the future. Similarly, what you can buy with a \$1 million retirement fund today will not equal what you can buy with the same amount 25 years from now.

Your spending patterns in retirement usually shift over time:

- **Early Retirement:** Often marked by discretionary spending on travel and hobbies.
- **Mid-Retirement:** A time when housing needs may shift,

perhaps toward downsizing.

- **Late Retirement:** Typically, expenses for health care and support services increase.

Over a retirement that might last decades, changes in purchasing power could mean that what seems like ample savings now might cover far less in the future. A financial advisor can help you create a retirement strategy that aims to keep pace with rising costs, especially for essentials like health care.

Career Development and Income Potential

Career growth is another way to help protect your purchasing power. For instance, if you start with a \$50,000 annual salary, adding certifications or new skills could boost that to \$75,000 or more—helping your income keep up with rising costs. Continuing education, professional certifications, and skill development allow you to stay competitive and command higher earnings. Side income from consulting or freelance work can also diversify and strengthen your income.

Building Long-Term Financial Security

Protecting your purchasing power isn't about predicting economic trends; it's about staying prepared and adaptable. Understanding financial tools and regularly updating your strategy can make a significant difference.

Taking Action

Start with these steps to better manage your purchasing power:

- **Track Key Prices:** Choose your top 10 most-purchased items, track their prices for six months, and adjust your budget as needed.
- **Shop Around for Savings:** Check savings account interest rates every January to see if higher-yield options could

help grow your savings.

- **Invest in Your Skills:** Identify certifications or training that could boost your earning power and set a timeline for earning them.
- **Adjust Your Budget Regularly:** Review your monthly budget each quarter to reflect changes in prices and spending patterns.
- **Meet with a Financial Advisor:** Review your long-term financial strategy on a regular basis to ensure that it keeps pace with changing economic conditions.

Taking small, consistent steps can build up to significant results over time. While you can't control the economy, you *can* take control of your financial future by staying informed and proactive.

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Business Owners: 5 Reasons to Call Your Insurance Agent

[By Patrick Chamberlin](#)

When the best or worst happens, we know your insurance agent is not one of the first people you think of first. Even so, whatever change you are facing, chances are it affects or involves your insurance – so when change happens, give your agent a call. We're here to help.

1. When you have a claim. Please, let your agent know ASAP.

2. You're contemplating operational changes. Changes in your business offerings may come with a cost (or savings) and may also open you up to other exposures which you are inadequately covered for.
3. Signing a contract? Call before, not after. It is important that your agent is not left out of the conversation. Aside from your attorney, we should be reviewing the insurance language in any and all contracts you sign.
4. If you are frustrated by your insurance costs, give your agent a call. Independent agents work with a range of insurance carriers. If you have pricing concerns, give us a call and let us know how you feel!
5. We are your advocate. Your insurance agent is your voice to your insurance company. Let us get to know you. Calling just to chat is A-OK.