

Graduation Gifts That Pay for Themselves

Financial pros offer their tips, from a brokerage account with some seed money to repaying a few months of student loan bills.

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With graduation gifts, it's the thought that counts. The cash is nice, too.

Spending on graduation gifts in the U.S. is expected to reach \$5.6 billion this year, according to a new survey from the National Retail Federation. That tops last year's \$5.4 billion and is the highest level in the 11 years of the NRF's graduation spending survey, which covers high school and college. The biggest spenders are 45 to 54 years old, presumably parents, who expect to spend an average of \$119.84. Their parents, those 65 and up, plan to spend an average of \$112.34.

Cash is the most popular gift, given by 53 percent of the 7,335 consumers surveyed by Prosper Insights & Analytics for the NRF—though gifts of cash (so retro) are at their lowest point in the survey's history, down about 10 percent from the highs reached in 2007 and 2009. Greeting cards, with or without cash inside, are the next-most-popular gift, at 41 percent, followed by gift cards—cash in sheep's clothing. Plastic was chosen by a third of the gift-givers surveyed (and you know some people are going to Venmo their graduation gift). Gift cards were followed by apparel, at 16 percent, and electronics, at 11 percent.

All that plastic is a far cry from the gift that money manager Richard Bernstein, who heads his eponymous firm, got when he graduated: His parents gave him a suit to wear for his first job. It started him on a Wall Street career of more than 30 years. Gifts of real stuff aren't dead yet. Financial planner Douglas Boneparth, 32, of Bone Fide Wealth, got graduation gifts of a briefcase and an initialed leather passport cover to use on a planned trip overseas with his college roommate.

Those in the financial industry, unsurprisingly, have a lot of suggestions for thoughtful financial gifts. A few months of student loan repayment is one idea Wen Jie Lin, at Brewster Financial Planning in Brooklyn, New York, will consider when she's ready to give a graduation gift to her children. Or she might offer to pay for a career-coach/resume-help session. When she graduated from college in 2000, her grandmother bought her a very simple ring that has the year of her graduation on it. "It is a very thoughtful gift, and I truly treasure it," she said.

Shares of stock or mutual funds are what Ian Weinberg, a financial planner at Family Wealth & Pension Management in Woodbury, New York, recommends. He's seen "how well my own sons' 529 accounts have grown over their 18 and 15 years" and how helpful a financial lesson it's been for them to see that growth. It spurred his sons to begin investing other gift money into stocks "like Facebook, Google, Amazon, Apple, Netflix—large disruptive businesses that dominate their spaces," he said.

Weinberg himself got a couple hundred dollars for graduation. "I wasn't an investor then, but I was a saver and used the money to save for a car, since I worked my way through college. Always had a car and a job, thanks to the car," he said, adding that his modest start is "why I do well with first-generation wealth—they are business founders; they value their wealth and do good things with it."

A brokerage account seeded with some money was the college graduation gift for Benjamin Yeung, a 40-year-old financial planner at FAI Wealth Management in Silver Spring, Maryland. "I appreciated it at the time, but I appreciate it even more now, since it's part of what steered me to become a financial planner," he said. "I wasn't that interested in money and finance then, and it helped me get over the hump to actually do something." Yeung himself hasn't given any graduation gifts yet, but he said that if a child has earned some income, opening a Roth Individual Retirement Account for them "would be a great way to get them started learning about the value of tax-advantaged accounts."

More gift-givers this year are themselves millennials, according to the NRF. Some 48 percent of younger millennials, those 18 to 24, plan to give gifts to peers, up from 42 percent last year. The most likely gift is a greeting card, but they are twice as likely to give clothing as the average gift-giver is.

Brett Anderson, a financial planner at St. Croix Advisors in Hudson, Wisconsin, got to musing about the generation.

"Chances are, these kids will have to move back home," he said. "And that is, in itself, a gift."