Give your grandchildren a lifetime gift-

Financial literacy and stewardship

By Brian Bernatchez, CFP®

In most families, there is very little discussion of money and finances. In most schools, from pre-k through high school and college, financial literacy is not woven into the curriculum as much as it should be. As a result, most of our young people enter adulthood having to make important financial decisions about things like budgeting, credit, insurance, and investing without a basic understanding of how money works for and against them.

If you have young grandchildren, or even great grandchildren, consider taking an active role in sharing lessons about finances with them consistently throughout their childhood. To increase your odds of success, discuss your ideas with their parents first and ask for their blessing and support of your plans. If your children are not on board with you teaching their children the basics of financial stewardship, your attempt at good deeds may cause family stress and conflict. Assuming you are given the all important mom and dad seal of approval, let's discuss some powerful actions you can take to lead your grandchildren down the path of lifetime financial understanding.

The Early Years (4-10ish)

This may sound old fashioned but consider buying your grandchild three piggy banks and labeling them SPEND, SAVE, and GIVE. For your initial "seed money" put $10 dollars in each pig every month and explain what they can do with each pig.

- The SPEND pig is for them to use once or twice per year for fun things like toys, books, and games.

- The SAVE pig is to be used when they get much older but could be used in a situation that both you and your grandchild agree is a "financial emergency" but here is the catch: the SAVE pig does not have a place to open it on bottom and therefore must be broken to get at the money inside!
- The GIVE pig can be used when they want to donate to charity or a worthy cause.

Have fun with it and be creative! If your grandchild gets all excited about donating to the homeless shelter or food pantry, reinforce their inclination to give back by matching every dollar they take out of the GIVE pig with one of your own. After a few years, have a big celebration where you break open the SAVE pig, count up the money and deposit it into their first savings account. Use birthdays and holidays as an opportunity to give them more money but let them decide how to allocate it amongst the pigs (with some gentle counsel from you of course!).

The Middle Years (10-14ish)

The piggy banks discussed above have given you a reason to discuss money and decisions about saving, spending, and giving. If you have done so consistently, you have laid the foundation to broaden their knowledge of money and finances in the middle years.

Consider setting up a Uniform Gift to Minors Act (UGMA) investment account and provide seed money (maybe they decide to move some of the savings account here too?). Invest in a few stocks of brand name companies who make products and services they love already. At least a couple of times a year, sit down with them (or do a ZOOM call!) to review the account statement and highlight a few lines from the companies' annual reports for discussion. If they get an allowance and/or have their first job, let them know you will add $100 dollars to the investment account for every $50 they put in. Work together to estimate the future value of the account assuming various rates of contributions and returns—teaching them valuable lessons about the magic of compound interest and long term ownership in great brand name companies.

High School and College

Typically, the high school years will be the toughest ones to remain connected so you must work hard to remain "cool" with your grandchildren. I have a long time client who took her grandchildren on a trip anywhere in the world when they reached age 16. In her 70's and 80's, she bonded with them planning for and going on safaris, cruises and European tours, making memories which will last a lifetime and beyond. Plan to decide where you and your grandchild will be going on your adventure about a year in advance giving you plenty of reasons to bond and connect over planning and budgeting for the trip.

Around the end of their sophomore year in high school, have a discussion about their aspirations beyond a high school education and research the career paths and earnings potential created by investing time and money in additional education and training. Hopefully you established a 529 college savings plan for them when they were born so let them know how you plan to help fund their continued education, and don't be afraid to demand results. For example, you might agree to continue funding college costs only if your grandchild maintains a GPA of 2.75 or higher and maybe even provide additional rewards or gifts for a GPA of higher than 3.5.

Financial stewardship…
the lifetime gift that keeps on giving

In over 30 years as a financial adviser, some of the greatest lessons I have learned about financial stewardship were not from books or conferences but from the thoughtful actions of clients. The patriarch and matriarch of one of the families we serve established trusts for each of their grandchildren soon after they were born and did not allow for any distributions until age 30 with gradual distributions until a final one at age 40. Sadly, the matriarch passed away last year but she is still providing valuable lessons about financial stewardship to her grandchildren. Each of them are beneficiaries of a generation skipping trust (GST) that she and her husband established many years ago. In her will, she directed that if her grandchildren chose to have their portion deposited into their trust instead of receiving it personally, that they would each receive an additional $20,000. There are 11 grandchildren…how many do you think decided to put their inheritance in trust to receive the additional $20,000? You guessed it…every single one of them!

That, my friends, is financial stewardship for a lifetime!

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