

## Money and You: The gift of knowledge

by *Carrie\_Schwab\_Pomerantz*

During the holidays most of us think about giving. We choose presents for our loved ones, as I discussed last week in Part I of this three-part series, and we make donations to charities and social causes that move us. But this year, as you think about giving, consider spreading the gift of knowledge to someone you care about. Make a "present" out of the wisdom you've gained dealing with money, investing and personal finance.

### FOR YOUNG CHILDREN AND TEENAGERS

Help them get started with savings and the basics of personal finance. Open a modest savings account for your young offspring and teach them about the importance of saving for the future. Teenagers should be learning how to budget their money, so you might consider starting them off this holiday season with a larger allowance (the "gift" part), and some assistance in setting priorities for spending and savings. A credit card - with the stipulation that they have to pay it in full every month - can also be a good gift with a great lesson in how to use credit wisely.

You might want to start teenage kids on investing by opening a small custodial account. Help them learn about the financial markets and the power of compound growth. Get them involved in making investment decisions.

### FOR COLLEGE-AGED KIDS AND YOUNG ADULTS

If you have grown children in college or just entering the work force, guide them in how to get started on the biggest financial challenge they're likely to face - financing retirement. If your college student has a part-time job or works during the summer, open a Roth IRA (even if you have to fund it yourself) and help him or her learn to invest for the long term.

If your "child" is now in the work force, make sure he or she opens a Roth IRA or is participating in the company's 401(k) plan. A lot of young workers are strapped for cash, but the company match in most 401(k) plans and the benefits of tax-advantaged investing are simply too valuable to ignore. Again, your gift may involve some money to get the ball rolling, but the truly valuable part will be helping your offspring understand the basics of investing (the importance of diversification) as well getting some hands-on experience with the markets.

Another gift of knowledge for grown children could be help with comprehending the ins and outs of home mortgages. The turmoil within the housing market in 2007 underscores the importance of understanding mortgage finance. Young people looking to buy a home, especially in expensive markets, may be willing to

bite off more than they can chew; you can assist them by weeding through mortgage alternatives.

## FOR YOUR SPOUSE

A good friend of mine, who is a famous procrastinator, recently gave his wife a gift of an estate plan. She wanted some peace of mind about their financial future and to know that her children would be provided for financially, and she told me later that it was one of the nicest gifts she'd ever received.

Another good knowledge gift for a spouse is a clear, accurate picture of your joint financial health. You might put the details of your financial life - everything from insurance policies, credit card information, brokerage and bank accounts, mortgage details with account numbers, balances, beneficiaries, and contact information - down on paper and give it your spouse. Then make sure he or she knows how to use that information.

## FOR YOUR PARENTS

You may even have the opportunity to give the gift of knowledge to your parents. If they're having trouble financially, help them make sure they're getting all the benefits to which they're entitled, such as pensions and Social Security. You might need to guide them in creating a workable budget. You could show them how to turn their home into income through a reverse mortgage or point them to income-oriented investment opportunities. If their health is declining and they have limited resources, assist them by investigating long-term care possibilities.

In other words, take a look around at your loved ones. I'm sure some of them, and perhaps most of them, could use some advice on personal finance. It may be impossible to wrap knowledge and put it under the tree, but knowledge is a gift worth giving. And it should pay dividends for years to come. Happy holidays!

Carrie Schwab Pomerantz is chief strategist, Consumer Education, Charles Schwab & Co. Inc. You can e-mail Carrie at [askcarrie@schwab.com](mailto:askcarrie@schwab.com).

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