

# 5 Ways to Set Your Kids Up For a Lifetime of Financial Success!

As a parent, you may ask yourself "**How do I teach my kids about money?**" What do you personally do with your children to set them up for financial success? I'm going to walk through 5 things that you can start doing today. You can teach your children about money and set them up for a lifetime of financial success!



## START BANK ACCOUNTS

This is the easiest step to implement immediately. If you haven't yet, go to your local bank and set up a "Custodian Account" for your child. Put in money that they receive for birthdays, Christmas, etc. This account will be where you deposit monthly the "salary" that you pay your children. Salary? . . .



## PAY YOUR CHILDREN

We pay our children a \$1 per day "salary" or allowance. To get their salary they have to do a few things: clean their room, pick up, turn lights off and close doors. Also, they must be respectful. Leaving lights on in their bedrooms, not doing their laundry or being disrespectful to their mother means they don't get paid that day. Buy your children an Accounting Ledger. Every week you can put in how much they get paid, including any debits for missed days. When you have 2 children, it's interesting to watch them become competitive with their earnings and savings!

You may be surprised to learn that once your children are about 8 years old, they can begin to work for you as well. Follow best practices if you are going to do this but our boys help out with various aspects of our businesses, including: sending out books, cleaning our AirBnBs, cleaning our company car, etc. Our target is for each of them to spend 10 hours a week on these jobs. We not only have the boys record their hours, but I've also set them up as employees with my company. If you hire your children, make sure you treat them just like you would any other employee and keep detailed records. This is a great tax planning strategy and it also allows your children to have earned income so that they can do things like start a Roth IRA!

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## TEACH THEM ABOUT INVESTING

How do you teach your children about passive income? If you ask my boys, they will tell you that "Investing is money working for you!" There are 2 things you can do to teach your children about investing in a meaningful way:

1. Match their savings: My boys know that the Family Rule is to "Save 50%."

If they get a \$30 allowance, they should save \$15. I encourage this behavior by matching whatever they save. So if I pay them \$30 and they save \$15, I give them a total of \$45, of which \$30 goes into their Savings Account that we set up. This teaches them the value of saving in a world that doesn't really provide enough interest to be meaningful.

2. Start a Roth IRA: When my boys began working for me, we set up Roth IRAs. Choose a brokerage that is kid-friendly. Personally, we chose Vanguard since that's where we have our own accounts. Make this automatic and easy for them. We linked their checking accounts so that after my company pays them, it is automatically moved each month into their Roth IRA. The money goes into a Vanguard Target Retirement Fund. Every month the boys get their paper statement. We compare how much money their investments made them versus how much they made in their day-to-day "salary" of \$1. Needless to say it's an impactful lesson!



## START A BUSINESS

Once your children understand the importance of banking, earning money, and investing, it's time to take it to the "Next Level!" We did this by having the boys start their own business. Their first business was a jump rope business. I helped them to source jump ropes from China for about \$2/unit. They got the jump ropes, inspected and assembled them, and then sold them at our local CrossFit gym for \$10 a piece. This has taught them multiple lessons:


1. How to identify a need or demand
2. Putting an upfront investment into a business (they had to spend about \$100 on their first order!)
3. Sales: they've learned to communicate to others
4. Accounting and borrowing: They borrowed the initial \$100 from me (on my credit card) and then had to properly account for and pay me back out of their initial profits. Then, they had to split their profits between the 2 of them
5. Profit vs. salary! Now they know they can sell 5 jump ropes on a Saturday morning and profit \$40. They know they would have to work many more hours at a low initial starting salary to make this kind of money. "salary" of \$1. Needless to say it's an impactful lesson!



## 5 Ways to Set Your Kids Up For a Lifetime of Financial Success

### TEACH THEM THE TRUE VALUE (AND COST) OF COLLEGE

Read this article: [Actually, College Is Not Worth the Cost - A Lawyer and Her Money](#)



I'm often asked what I do to save for college. I usually respond with, "I don't know if my boys will go to college." Needless to say, this raises a LOT of eyebrows! When my boys talk about going to college, I ask them what they are going to study, where and how much it is going to cost. I also ask them if they'd rather have their own business or work for someone else. Now my younger son wants to be an engineer and design cars (he LOVES cars, building with LEGOs and is very intelligent). Would it make sense for him to study engineering and pursue his passion? Probably! My older son wants to go to college to "play lacrosse." Well, I hope he gets a scholarship for that! That being said, he's also interested in being a Navy Seal. There are plenty of options outside of the traditional route that would make sense. The point is that I want my boys to understand one big thing: The RETURN ON INVESTMENT in college. If they each had \$100,000 would they choose to invest it, start a business, or spend it on college tuition? Why? I see my job being to teach them how to calculate this and understand their decision. It might actually make sense for them to invest the money and then get student loans.

Whatever your family's choice when it comes to college, make sure you don't just assume college is the only choice. Also, be sure you look at all of the options as well as financing.

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Being a parent is a constant learning process for sure! Especially when it comes to a topic as complex as money. Be sure to make money conversations comfortable in your family. By following these 5 steps you can be sure that you will be well on your way to raising young money pros!

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