

Talking to your children about investing

How to prepare the next generation for financial success

When it comes to teaching children life skills, financial literacy is often overlooked. However, initiating conversations about money and investing at a young age can lay a solid foundation for good financial habits later in life. If discussing investing feels daunting, don't worry. Here are some practical tips for introducing your children to the world of finance in an engaging and easy-to-understand manner.

START WITH SIMPLE MONEY LESSONS

Before delving into stocks and shares, it's essential for children to grasp the fundamentals of money. Educate them about earning, saving and budgeting in a way that suits their age. Younger children may understand the concept by managing pocket money or saving for a small toy, while older children could be encouraged to budget birthday cash or earnings from a part-time job.

Once they're familiar with the basics, start linking savings to long-term goals. Explain that money set aside can grow over time, thanks to something called 'interest'. Use simple examples, like the

concept of planting a seed that eventually grows into a fruit-bearing tree.

USE EVERYDAY EXAMPLES OF INVESTING

Help your children understand investing by relating it to familiar concepts. For example, explain that their favourite businesses, like a beloved toy brand or gaming company, have owners who may seek investors. Sharing that investing means owning a small piece of a company and benefiting as it grows.

Games can also be an excellent way to teach these concepts. Simulated stock market

games or apps offer a risk-free environment for children to explore and grasp investing. Some apps even enable you to create a family competition for additional engagement and enjoyment.

TEACH THE VALUE OF PATIENCE

One of the key principles of investing is patience, a concept that can be challenging for children who are accustomed to instant results. Use relatable examples to illustrate how time is an investor's best friend. For instance, saving pocket money for months before purchasing a highly desired gadget reflects the long-term commitment necessary to see investments grow.





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You can also introduce the concept of compound growth by starting a small savings account for your children. Show them how regular deposits accumulate over time, thanks to the magic of interest. This real-life exercise can illustrate delayed gratification in action.

BE HONEST ABOUT RISKS AND REWARDS

While it's natural to focus on the benefits of investing, it's equally important to acknowledge the risks involved. Explain to your children that while investing offers the potential for returns, there is always the risk of losing money. Use relatable comparisons, such as how a football match doesn't guarantee a win, no matter how strong the team may be.

You don't need to delve into technical details about market fluctuations. Instead, emphasise the importance of making informed decisions and spreading risk, a concept known as 'diversification'. Even a simple analogy like 'not putting all your eggs in one basket' can help them understand this idea.

ENCOURAGE QUESTIONS AND KEEP THE DIALOGUE OPEN

Children are naturally curious, so they are likely to have many questions about investing. Encourage this curiosity by keeping an open-door policy for

discussions about money. Use these moments to enhance their understanding. If your child becomes curious about pensions, savings accounts or investments, explain in simple and relatable terms.

It's also acceptable to acknowledge when you don't have all the answers. Take these opportunities to learn together by exploring books or online resources designed to teach children about money. Positioning yourself as a guide rather than an all-knowing authority encourages positive and ongoing discussions about money.

MAKE INVESTING A FAMILY ACTIVITY

Consider making investing a family activity. Discuss the family's financial goals and how investing can contribute to achieving them. Choose a small investment together, monitor its performance and review its progress over time. This collaborative approach fosters a sense of teamwork and shared responsibility while making investing feel less intimidating.

If your child shows interest, they may even begin to identify opportunities you hadn't thought of. Making investing a shared interest encourages a proactive mindset and enhances their confidence in financial decision-making. ■

IS IT TIME TO GET HELP TO BEGIN GUIDING YOUR CHILDREN ON THEIR FINANCIAL JOURNEY?

Starting financial conversations with your children is an excellent step towards preparing them for the future. If you'd like personalised support in discussing investing or managing family financial goals, we're here to help. Contact us to discuss your needs or find out more information. Together, we can help your children build a brighter financial future.

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