



CHARTER OAK  
CAPITAL MANAGEMENT  
*Registered Investment Advisors*

## The Acorn

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### **Financial Literacy: One of the Best Gifts Your Child Can Receive**



One of the best gifts a child can receive is financial wisdom. Learning to live within your means and save for the future is empowering and impactful. New Englanders call this "*living like a true Yankee.*" Unfortunately, messages imparted by the media are often at odds with sound financial values.

It's easier than ever for young people without strong moorings to be led astray. Companies spend billions annually on marketing geared specifically toward young kids and tweens. Colleges accept hundreds of thousands in kickbacks every year from banks that market "easy" lines of credit to students. We compete with corporations for our kids' attention every day, and the window of time to make a lasting impact is limited.

The field of *behavioral economics* studies the impact that early childhood experiences have on financial behavior. Behavioral economics posits that early life lessons are very often the foundation for achieving (or not) financial success later in life. At Charter Oak, we believe that it's never too early to teach kids the value of fiscal responsibility and planning for the future.

***Our goal is not to tell parents how to raise their children; rather, we hope to facilitate the process of imparting financial literacy to the next generation for the benefit of every generation.***

### **Preschool, Ages 3 to 5: Patience is Key**

How many times have we given in to the plea for a toy we hadn't planned on buying? The value of delayed gratification doesn't have to be lost on a young child. Most parents want to give their kids the world – that's normal. But the unintended consequences of affection (or exasperation) can be a disservice to kids in the long run.

The lessons a child learns when we give in to every whim are 1) everyone deserves what they want, when they want it, and 2) it's better to settle for something small now than wait for something big later. Patience gives children agency to decide if they really, truly "want it now" or if they want to be rewarded for their willingness to wait.

### **Grade School, Ages 6 to 10: The Discipline of Budgeting**

By this age, children are closely tuned in to parents' spending habits. If you and your significant other splurge on luxuries but fight over money, this is a highly-visible lesson that living large is more important than healthy financial and interpersonal relationships.

The easy routine outlined below helps teach children the value of patience, the reward of reaching a financial goal, and the joy of sharing.

Simply create three jars, each labeled "**Spending**", "**Sharing**" or "**Saving**." Each time your child receives money, help him or her divide the money equally among the jars. **The spending jar** is for small purchases like stickers, an inexpensive book or a small toy. **The sharing jar** is for teaching the reward of donating to a worthy cause, like a favorite charity or a friend in need. **The saving jar** is for purchases that cost more and that are worth saving toward, like an electronic toy.



This is the perfect opportunity to have a conversation with your child about living within your means, generosity, and goal-setting. This advice will pay **BIG** dividends later in life.

### **Pre-Teen, Ages 11 to 13: The Pleasure of Earning**

At this age, children typically take on more responsibility around the house and may receive an allowance. Chores like mowing the lawn, making a bed, and emptying the dishwasher are great ways to teach personal and collective accountability as well as the rewards of a job well done.

Teach your kids to spend a portion of their earnings or allowance, save some, and share a percentage with a charity. Remember the three-jar approach? It's the same idea. This age is an opportunity to help them exercise decision-making, monitor spending and saving habits, and practice balance and moderation.

### **High School, Ages 14 to 18: Transitioning into the Real World**

Between the ages of 14 and 15, teens can earn money by completing tasks for people within your family's social network – mowing, babysitting, raking leaves, clearing snow. At 16, even a part-time summer job can be a boon as they learn to manage a schedule and direct a cash flow. This is a good time to help them open a bank account. Guide them through the process of balancing a checkbook and help them understand the value of establishing a savings account for the future. Teens in this age range can also grasp more complex concepts such as interest-bearing accounts and investment vehicles whether or not they are ready to participate.

### **Young Adult, Ages 18+: Managing Money and Life on their Own**

Before your young adult strikes out on his or her own, it's beneficial to review all of the money lessons you've been working on during their growing-up years. If you are able to offer financial help during college, set boundaries and expectations that limit enabling and reward initiative.

Some lessons can be learned only through experience or by making a few gut-wrenching mistakes (we've all been there). By giving kids the gift of financial wisdom *before* they reach adulthood, they're more likely to make smart choices and recover quickly from financial setbacks.

Charter Oak is held to the ***fiduciary standard***. That is legally defined as "an individual (or entity) in whom another has placed the utmost trust and

confidence to manage and protect property or money. The relationship wherein one person has an obligation to act for another's benefit."

We see our relationships as more than that. One of our many goals is to provide valued advice for the benefit of future generations. Thank you for your confidence in our firm and the opportunity to help you and your family plan for success.

*Charter Oak Capital Management is a registered investment advisor that provides retirement planning, financial planning and fee-based investment portfolio management to individuals and non-profit organizations. Our offices are located in Portland and Kennebunk, Maine and Portsmouth, New Hampshire.*

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