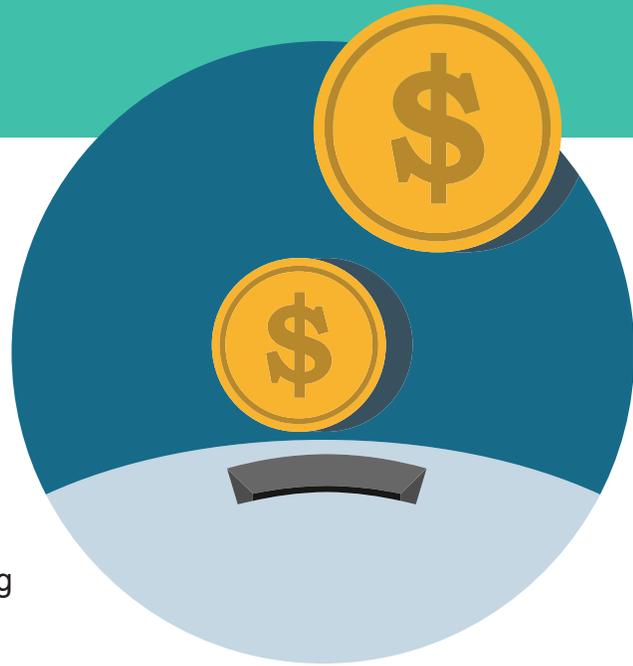


Turning Monetary Gifts into Learning Experiences for Children

Most parents want to help their children financially, but not by handing over cash with no strings attached. Instead, parents should consider using monetary gifts as a teaching opportunity. Helping your children learn how to be smart savers could be the best gift that you ever give them.

A generation ago, many parents let their kids open a checking account when they became teenagers, and those checkbook lessons were invaluable. Having that account, balancing your own checkbook, and making sure you didn't bounce checks helped us learn smart money habits at a young age. But there are other ways too.

Here are a few suggestions on how to turn a gift of money into a learning experience for your children.



Checking Account

Open an account under your juvenile children's names, deposit funds as appropriate, and then let the children manage their own accounts. Managing these accounts is a great way to teach budgeting skills, balancing a checkbook, and saving for a rainy day.

529 Plans

Paying for college is something that most parents want to do for their children, so why not turn it into a learning experience? With a 529 plan, you put away money over time in investments to help fund an education. These plans, run by states, are typically flexible, low maintenance and offer a variety of state and federal tax benefits.

You can use a 529 plan to teach younger children about saving, and you can gradually bring them in on the investment selection process as they get older.

Roth IRAs

Open a Roth individual retirement account (IRA) for your kid's retirement. While it might be tough to convince a teenager to invest part of his or her paycheck, it isn't required that IRA contributions have to come from your child's earnings.

As long as your child has earned income, you can make the contribution for them up to the maximum they are eligible to contribute. This is a great way for kids to learn about investing and will give them a significant head start on their retirement.

Custody Accounts

Give money through a custodial account. If you don't want to dedicate gifts toward a specific goal like college or retirement, then a Uniform Gift to Minors Act or Uniform Transfer to Minors Act custodial account is a great option. These accounts allow you to give minors monetary gifts that are tax-free up to \$13,000 per year.

They are available at most financial institutions and allow the custodian, usually a parent, to maintain control of the assets until the child is old enough to take custody of them.



Teach Children to Fish

Lessons in financial responsibility may not be as much fun as large, lump sums of cash, but they are significantly more valuable.

Adapt the old proverb on self reliance to read: "Give your children a fish and you feed them for a day. Teach your children to fish and you feed them for a lifetime."

