

Raising financially smart kids

Passing on life lessons from generation to generation is incredibly important, especially when it comes to topics like money. Strangely enough, personal finance is not a subject often taught in grade school, high school or even, in many cases, college. Only 10% of Gen Edgers have received financial education in school,¹ and if colleges do offer personal finance courses, they're rarely required. Understanding finances and learning smart spending practices are basic building blocks for adulthood, and yet the onus of teaching these essential life skills falls primarily on the shoulders of parents and grandparents.

To further complicate matters, Gen Edgers are growing up in a drastically different world than generations past. So it's necessary to look through Gen Edgers' eyes so you can provide financial education in the best, most impactful way. Here are some strategies you can employ to reach Gen Edgers and raise a generation of financially smart kids:

The lesson of delayed gratification

Millennials have always gotten a bad rap as the instant gratification generation, but Gen Edgers have experienced it on another level. If they want to listen to the latest hit song, they can stream it on Spotify. If they need a new phone case, Amazon Prime can deliver the exact color/make/model they want within two days. Is a new app all the rage? Click the download button in the app store, and within five seconds it's yours. With regards to entertainment or physical purchases, there is very little in the life of this generation that requires patience, persistence and, most importantly, time to acquire.

We all know growing wealth is not a short-term endeavor. You have to learn to sit back, settle in for the long haul and wait out the natural ebb and flow of the stock market. Don't let your kids be in for a nasty shock when they realize not everything they want can be achieved instantaneously. Where possible, teach them the lesson of delayed gratification. If you've set up an allowance system, consider paying them on a monthly basis. Or have your child plant and care for their favorite vegetable or fruit to see the "fruits of their labors" over time, an analogy that applies directly to the world of finance.

Embrace and incorporate technology

Chances are you've probably had the mildly unsettling experience of watching a toddler walk up to a magazine cover and try to swipe it like a touchscreen. It's a whole new world out there, and Edgers are a part of it. They've never known a time without smartphones...or ubiquitous WiFi, the internet, social media, apps and laptops. Edgers are in their element when they're interacting with technology. They've grown up using these tools to learn, to make friends, to buy, to sell, to create, to collaborate... the list goes on. If you want to teach this generation about finances, you need to incorporate the use of technology to keep them engaged.

Luckily, developers have already identified this need, and there are a whole slew of tools geared at teaching children - even those as young as five - about finance. Applications like Allowance Manager Pro and iAllowance lets them keep track of chores and allowance and programs like PiggyBot and Green\$treets teach financial skills through a broad array of fun, visual and gamified tools. By using the technology they're comfortable with and happy to spend time on, you'll sneak in financial education without having them feel like they're being force-fed a lesson.



Focus on experiential learning

Generation Edge has had unprecedented access to information from a very young age. They are always taking in information, learning to sift through what's important and what's not, what's true and what's false, and figuring out which sources can be trusted. When you say "Google" to a Gen Edger, they think of the verb first, and the company second. If there's a question that needs to be answered, mom and dad are back-ups because they know the internet will have the answer.

Adults have real-life experience managing finances and a wealth of information to impart to younger generations. However, if you sit your kids down for an informational session they might not be as attentive as you would hope. Instead, create experiential learning opportunities to keep their attention. Take them with you on the next visit to your financial advisor. Show them how to fill out a check. Review how interest is earned on a savings account. Walk them through your family budget, and then help them set up their own. These activities will allow you to have those crucial financial conversations in a real way, and practical experience that can't be Googled.

Virtual spending has a very real impact

Technology has done away with many of the tangible things that used to be a part of everyday life. Instead of printed maps, we turn to our phone's built-in GPS. Newspapers are quickly becoming a relic of the past because people prefer to consume news via screens. Classic board games like Monopoly have a digital version. Even money itself has gone the way of the virtual world. ApplePay, Venmo and Paypal are just a small sampling of new - and convenient - mobile payment options Gen Edgers are embracing. Edgers are twice as likely to make a mobile payment as the rest of the population,² and it's not completely off base to say they'll see cash become obsolete in their lifetimes. When it comes to dollars, virtual is a new reality.

The convenience factor of virtual spending is enormous, but studies show using plastic means spending more - virtual spending will likely reveal a similar trend. If you want to raise responsible, financially savvy kids, it's important to show them money isn't inexhaustible. Get them used to checking their balances regularly. Make a game of asking them, pop quiz style, how much money in their bank account. Have them try using only cash for a week or a month to see what happens. For all those apps and songs they buy online, sit down with them on a monthly basis to track their spending and show them the magic "buy" button has a very real impact on their (or your) funds.

As nice as it would be if our education system taught students how to be financially savvy, the responsibility lies with parents, grandparents and financial advisors. By teaching the next generation to be smart with their money, we are addressing a previously taboo topic and creating good financial habits before bad ones can start.

GENLINKSM

For each generation, there are unique events and conditions that form a generational personality. This difference in personality can lead to a generation gap when two age groups see the world from significantly different perspectives. GenLink, a program offered by Ivy Investments, is designed to Bridge The GapSM between the generations and provide helpful tools for you to use in conversations with family members, friends and colleagues.

¹ Luber, D. (2016, June 7). Kids and Money: Financial Savvy Starts at Home.

² GfK. (2016). In US, Gen Z Leads in Use, Trust of Mobile Payment Systems – GfK Study. [Press release].

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