

AFM News and Views

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Want To Teach Your Kids About Money? Start By Including Them in The Conversation

Source: NPR Life Kit

Our upbringing plays a big part in shaping our relationship with money "because our kids see and do everything that we do," says financial expert Jen Hemphill.

Talk about money as a family, openly and often

Money can feel like a taboo topic in a lot of households. Hemphill says the only way to shake off the awkwardness is to have regular family discussions about money in which everyone in the household is included. A lot of parents might feel inclined to leave younger children out of money conversations to shield them from hard topics or money woes, but Hemphill says these talks don't have to be serious or scary.

"I always start with money wins," Hemphill says. "It could be anything from finding some money on the street to being able to resist some impulse spending when you were out and about."

Sharing positive money stories is an easy, casual way to help your family normalize thinking about and discussing financial planning, says Hemphill. She suggests setting aside time at least once a month for a family money talk in which everyone gets a say and can contribute to the family's financial goals.

If you're unsure about what's OK to discuss, Hemphill suggests the [Money as You Grow](#) guide from the Consumer Financial Protection Bureau as a great resource for crafting age-appropriate conversations.

Including kids of all ages in small acts of financial decision-making in the real world is another great way to keep the whole family actively money minded. If you're at the grocery store, says Hemphill, you could try giving your 5-year-old the opportunity to pick the bread you're going to buy from a few options and then talk to the child about their reasoning. Or if you're out going back-to-school shopping, you could do some price comparisons with your tween to help grow the child's saving muscles.

Start saving as early as possible

Savings is the most important financial habit to instill early on, advises Hemphill.

If you can make saving a regular part of life when kids are young, she says, it'll "be a no-brainer" when it's time for them to fly the coop. You can start with kids as young as toddler age, says Hemphill, by using a good old-fashioned piggy bank!

She suggests trying a give-save-spend bank, which can work as a fun and easy tool for even the youngest little ones to start thinking about goal-setting as well as helping others. Then, whenever your child gets some birthday money or a monthly allowance, make sure to talk with your child about the best way to divvy up the dough. If you want to take savings goals even further, you can encourage your kids to always put 20% of new earnings into their savings slot, says Hemphill.

As kids get older or show some interest, consider setting up a kid-friendly bank account. Hemphill advises shopping around: Look for banks that will waive certain fees or don't have a standard minimum balance requirement. When you've found the right one, she suggests taking your kid into the bank with you, if possible, to open an account together and cash in on that teachable moment.

Don't wait — it's never too late

When parents lack confidence or control of their own financial situation, they can be less willing to talk about money with their children. But if you wait until your finances are perfect before teaching kids about money, "then you're doing a disservice to your kid."

Children are impacted by a parent's financial decisions whether or not you choose to include them in the conversation, stresses Hemphill. If you're transparent about your money choices instead of leaving kids in the dark, you're setting them up better for success by helping them understand the power money can hold and providing opportunities to learn from your mistakes together.

"The sheer act of talking about it brings confidence," says Hemphill, so don't stress if your financial life feels a bit out of sorts or if you didn't practice good money habits with your kids from the get-go. "It's never too late. A lot of grown-ups never talked to their parents about money, right?"

You don't have to be perfect, Hemphill reminds us — you just have to start the conversation.

How teens can start investing through a Roth IRA

Source: Kiplinger's Personal Finance

A Roth IRA can be a great way for a child or grandchild to begin saving for retirement while learning about investing.

A child can utilize a Roth IRA as long as he has some kind of income for the year. If the child isn't a minor, he can open a Roth IRA at an investment firm. However, if the child is younger than 18, an adult will have to open what is known as a custodial IRA. These accounts are managed by an adult, such as

the parents or grandparents, until the child is no longer a minor (typically at age 18). At that time, he assumes control of the account.

In the IRA, the child will be able to invest in a variety of stocks, bonds, exchange-traded funds and mutual funds. Target-date funds, for instance, are a good option for investors who are getting started and unsure of what to invest in. Your child or grandchild selects the target-date fund with the date closest to the year he expects to retire, say 2065, and a professional manager does the rest — from choosing investments to gradually shifting to a more conservative portfolio as investors approach retirement.

Make sure you check the investment and account fees, which can erode returns over time. Look at a fund's expense ratio to find out the percentage of your assets that will go toward management, administrative and other expenses each year. Other fees might also apply.

There are limits on contributions to Roth IRAs. For 2021, the maximum Roth contribution is \$6,000 for workers younger than age 50.

A Roth IRA is a particularly powerful tool for young workers. It allows them to turn even small contributions into a sizable tax-free nest egg in retirement. Money goes into the account after taxes have been paid, but thereafter it grows free of taxes. And the Roth offers flexibility: Contributions can be withdrawn at any time without penalty or taxes.

It is smart to have your child or grandchild get an early start on saving and investing. For instance, if he is 18, continues to add \$1,000 a year to his Roth and earns a 7% average annual return, he will amass more than \$325,000 by age 65. That amount could reach \$1 million or more by retirement if he increases his contributions over time.

MONTHLY CONTEST

The Olympic Games Tokyo 2020 were celebrated from July 23 to August 8, 2021. This year, we are doing some Olympic trivia. We will pick a random winner each month from the correct answers we receive.

This Month's Question: What athlete-turned-actor who played Tarzan in 12 movies, won five gold medals in swimming in the 1920s?

Please email your responses to julia.b.lamere@lpl.com

RESULTS OF LAST MONTH'S CONTEST

Question: What is the longest track and field event in the Summer Olympics?

Answer: The 50-kilometer race walk is longer both in distance and time.

WEEKLY UPDATES ARE AVAILABLE

LPL Financial's **Weekly Market Commentary** and **Weekly Economic Commentary** can be found on LPL Financial's website (http://www.lplfinancial.com/learning_center/research/).

OTHER UPDATES AVAILABLE FROM LPL RESEARCH DEPARTMENT

- Daily market update: <http://LPLresearch.com>
- YouTube Channel: <http://www.youtube.com/lplresearch> (which can also be found on our website)

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Don't keep us a secret!! Share this with your family and friends.

Till next month,

The Alltrust Team

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