



Raising Kids With Money Smarts

We often talk about the power of time in investing. If you start investing early, time can do a lot of the heavy lifting for you! That's just the math of compound returns, where your investment earnings start to earn, and each year builds upon the last.

Yet, for all the power of that simple fact, we know we could be doing more to help people get started earlier. Financial literacy peaks at age 54.¹ But what about saving? The average age that Americans start saving for retirement is around 31.² How about establishing good credit? Young adults ages 18 to 21 have better credit scores if they live in a state where financial literacy is taught in high school.³ What about the basics of

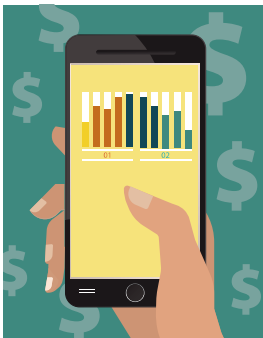
budgeting? Kids as young as 5 can understand the value of money, and many have already formed emotional reactions to spending and saving by that age.⁴

Investments are powerful if you begin early — but perhaps even more important, good financial habits can be powerful if you begin early.

In this issue, we kick it all off with some tips that you can use right away. In the coming months, watch for more helpful materials. This issue is just the beginning; we are committed to helping families guide the next generation when it comes to making smart decisions about money. ■

Source notes on page 4

Why we should supplement those social media lessons

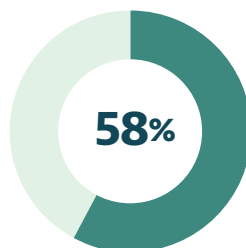


Social media is one of the most popular sources of financial info for young adults. But are they getting good info?

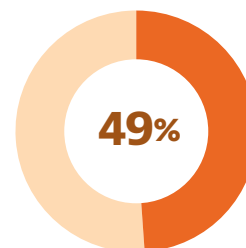
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WHERE YOUNG ADULTS GET FINANCIAL INFO

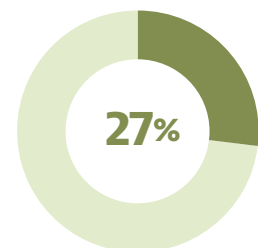
Top sources for ages 18-27



Friends and Family



Social Media

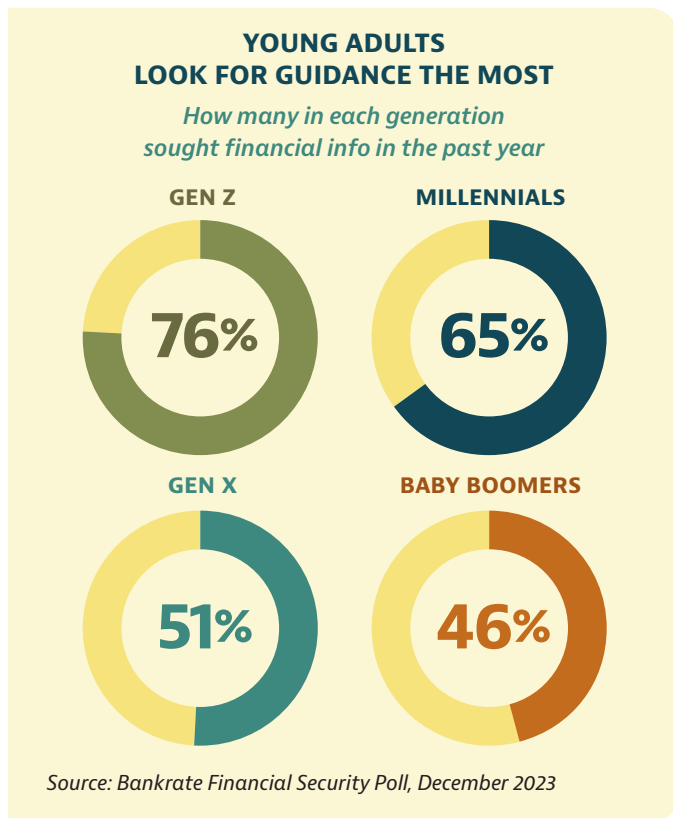


Financial Advisors

Source: Bankrate Financial Security Poll, December 2023

The social media factor

According to a recent survey from Bankrate, 49% of Americans between 18 and 27 say they got financial info from social media in the previous year.¹ That’s nearly as many as those who got financial info from family (58%). Far fewer young adults got input from hired financial advisors (27%).

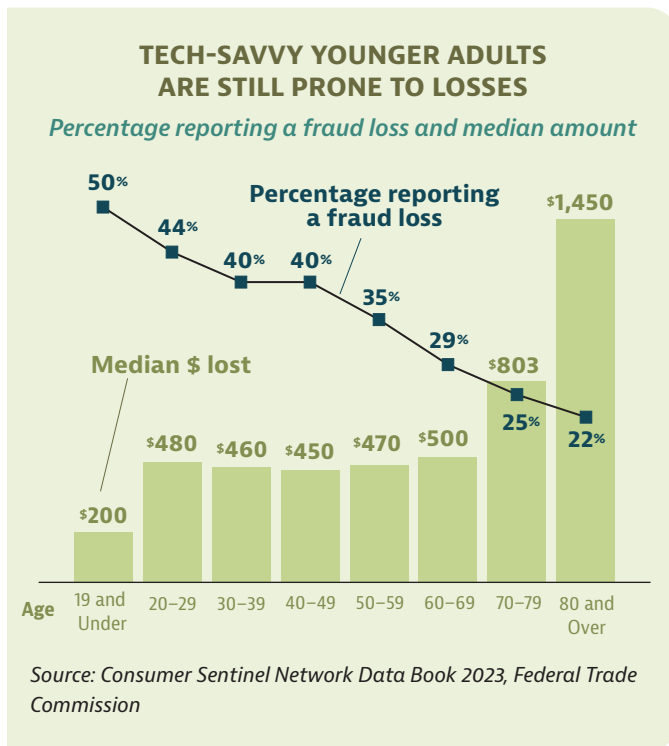


This is not necessarily bad. Young adults say they’re learning about all kinds of things on social media, from investing basics to budgeting to managing debt. Many well-regarded investors and advisors are on social media, bringing their knowledge and insights to the public. It’s certainly true that social media has made financial info more accessible.

Beware of scams and scoundrels

For all the benefits of financial info on social media, it is prone to the same problems as any other kind of info on social media — scams and scoundrels.

Some may think of online scams as a bigger problem for the elderly, but young people are also commonly duped. According to the Federal Trade Commission’s (FTC’s) collection of 2023 consumer reports, looking at the fraud reports filed by people in their 20s, 44% reported a financial loss. For fraud reports filed by people in their 60s, 29% reported a financial loss.² While older adults face *bigger* financial losses from fraud, younger adults seem to run into losses more frequently.



The FTC says that people in their 20s reported the most fraud related to online shopping scams — and social media was the most common method of contact. This age group also reported a lot of business imposters, scam investment advice and job scams.

There’s also the “scoundrel problem” — that it’s difficult to tell the difference on social media between true experts versus influencers with unqualified opinions. While young adults may think their favorite influencer is giving good investment advice, that source could just be doing paid promotions for a cryptocurrency provider.

Helping young people get good info

There’s little chance of stopping the flow of information on social media. However, basic habits can help young people take advantage of their favorite sources yet avoid scams and bad advice.

You can help the young folks in your life by starting a discussion about the “scams and scoundrels” risks of social media. You can also help them by making a point to be a financial educator to them yourself. While social media is their No. 2 source for info, family is No. 1. Make sure to claim your spot on their personal financial info list. ■

¹ Bankrate, “Here’s the Top Place Americans Get Financial Advice — Even Young Americans”

² Consumer Sentinel Network Data Book 2023, Federal Trade Commission

6 activities to help kids learn about money

“What we have to learn to do, we learn by doing.” —ARISTOTLE

When it’s time to learn something new, there seems to be no real substitute for doing. With Aristotle’s wisdom in mind, we offer six ways to help kids and young investors learn about money through action.

1 The classic allowance, with options.
The old-fashioned allowance remains popular as a way to help children learn spending by doing. You can try a weekly or monthly allowance. You can tie it to chores and responsibilities, or not. You can even require kids to allocate part of their allowance to saving or charitable giving, if you like.

BONUS: Spend in cash. There may be a different psychology to spending physical cash compared with swiping a card or hitting send on a mobile payment. Researchers refer to this as the pain of payment, ranking cash as a more painful form of spending. To help kids feel the real effects of their spending, try moving allowance to all cash.

2 Board game money.
Certain board games seem to have extra staying power — including some time-tested classics that may have helped you learn about money yourself! Board games can help kids and young adults try out real-life financial skills using play money. Monopoly, the Game of Life and Pay Day are classics that incorporate budgeting, borrowing and investing into game play.

3 Grocery guesser.
Whenever you go grocery shopping, try a game of asking your kids to guess the most expensive item on the receipt. Then switch to guessing the cheapest item on the receipt. If your grocer has a rewards or super-saver

discount system, ask them to guess how much you saved on the total bill. It’s a silly system, but it can help them start to anchor numbers to real-life choices.

4 Paper stock-picker.
Have each person in the family choose one stock to track “on paper.” Note the price every week on an appointed night to see whose pick is winning, with a designated prize when the game is finished.

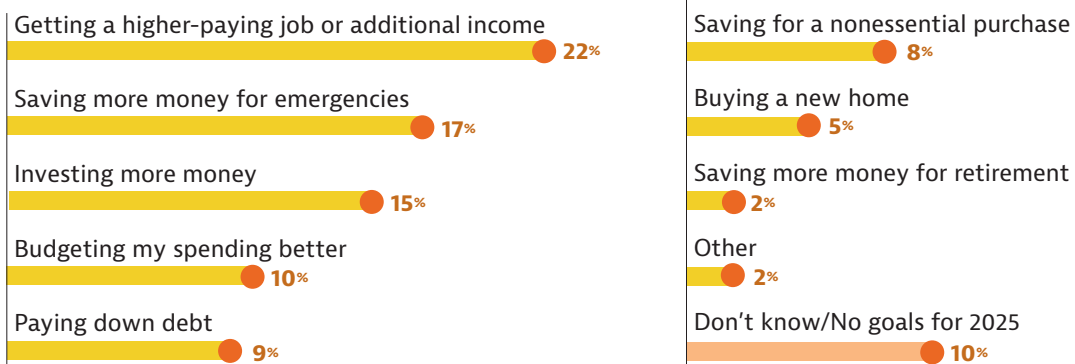
Picking stocks gives you a chance to talk through the basics of investing, including the factors that affect the companies that you chose. Kids can practice computing the percentage gain or loss each week. They’ll also have the experience of seeing what’s normal in the stock market, including the daily ups and downs and the long-term trends.

5 Spot a scandal.
Offer a prize to any family member who can spot a financial scandal in the news and explain it to the family at dinner. Public scandals offer great stories to illustrate common financial messes. Before you know it, your kids will be explaining the pitfalls of undetected fraud, taking on too much debt, fund mismanagement and more.

6 Advice collector.
Tell kids to collect a piece of financial advice from each of their trusted adults — grandparents, aunts/uncles, favorite teachers, etc. Have them share it with the family during dinner. Keep a shared list of all the good advice they collect. ■

GEN Z’S TOP FINANCIAL GOAL FOR 2025

Which one financial goal do Gen Z adults say they are prioritizing the most?



Source: Bankrate, “Survey: 44% of Americans believe their finances will improve in 2025, an increase from previous years”

Wisdom from Willie Wiredhand

Welcome to *Wisdom from Willie Wiredhand*, a new series featuring NRECA's beloved electricity mascot who has electrifying financial guidance.

Dear Willie,

How do I start the conversation with my kids about money? —STUCK ON STARTING

Dear Stuck on Starting,

Great question. It can feel extremely unnatural to talk about money, especially if you were raised in a family that did not freely discuss these things.

I have three suggestions for you. First, just ask your children what they know about a specific subject — investing, borrowing, budgeting, saving, whatever you want to put on the table. Teachers often use this technique to start a new topic. It helps you to see what they know. It also helps them to solidify their learning by explaining the subject. You can build from there.

A second technique is to connect it to a conversation about goals. Whenever a goal comes up — a college or tech school they're interested in, a new truck they'd love to have one day, a trip they hope to take — you can open the door to talking about the related financial choices. How do people pay for these kinds of goals?

A third option is to get them involved in your own upcoming financial decisions. Maybe you're making selections in your retirement account. Perhaps you're comparing options for paying down debt or building up savings. Maybe it's as simple as "thinking out loud" about a smaller choice, like making the trade-off between going out to eat tonight or taking everyone to a movie on the weekend. Solicit their input and think together.

Every effort can make the next one easier. Good luck!

—Willie

Visit homesteadfunds.com/about to learn more about our story and why we're wired differently!



Source notes from page 1

¹ Wall Street Journal, "The Exact Age When You Make Your Best Financial Decisions"

² Northwestern Mutual, Americans Believe They Will Need \$1.46 Million to Retire Comfortably According to Northwestern Mutual 2024 Planning & Progress Study

³ ScienceDirect, "The effects of high school personal financial education policies on financial behavior"

⁴ University of Michigan, "New Research Shows Children Form Attitudes About Money at Young Age"

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