FINANCIAL PLANNING

Ages 5 To 55

What Your Kids Need To Know About Finances

Financial Lessons Could Be The Most Important Lessons

You taught your kids how to tie their shoes, to look both ways before crossing the street, and countless other lessons. But what have you taught them about money? Many parents may feel uncomfortable talking about the subject with their children, no matter how old they are. But there are important financial lessons to teach your children at any age, and you should impart the wisdom you've accumulated. They may thank you for helping them make smart money moves early on and for having honest conversations about wealth transfer. Open and honest conversations are essential when estate planning. But before you get onto that topic, start with the small stuff. Let's look at some important money lessons to teach your kids, starting with when they're young.

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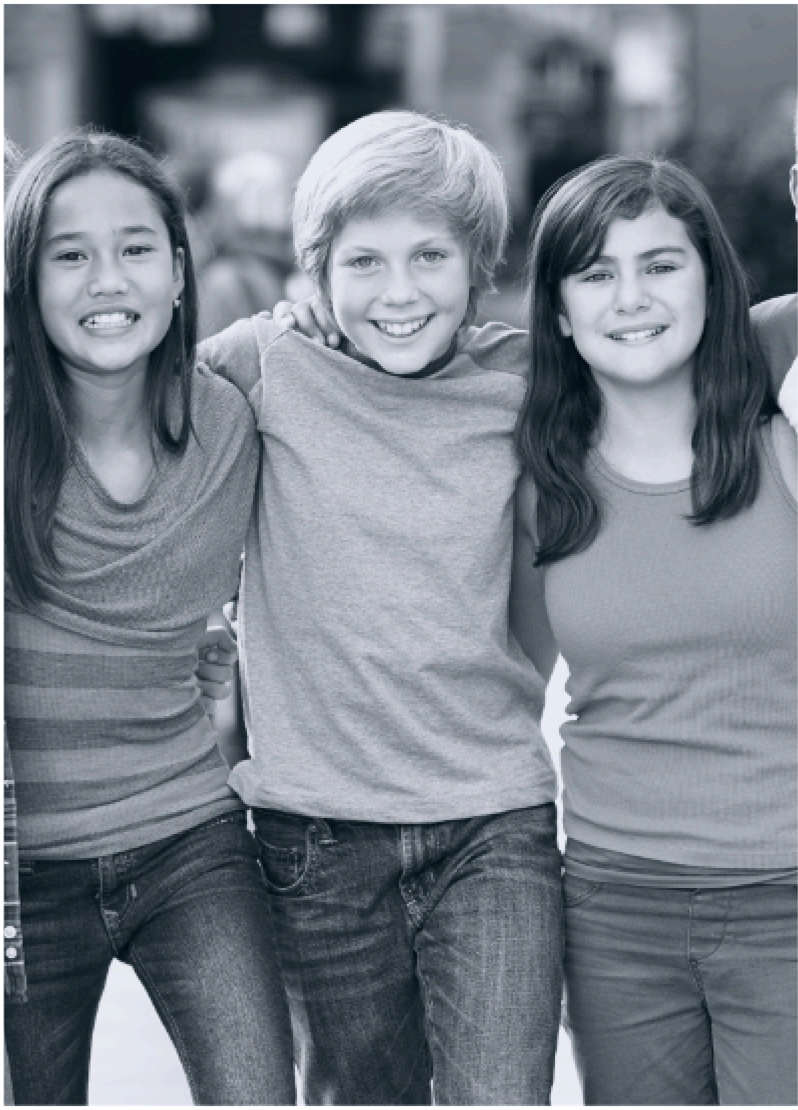

It's never too soon to teach your kids about the value of money. There's no need to start with complicated lessons about stocks and bonds; helping them develop basic habits around saving, spending and planning ahead can be a good place to begin. Maybe you give your child an allowance, or perhaps they earn money for helping around the house with chores or babysitting. Not all parents pay their kids for these things, and that's fine, too. Birthday money or other gifts can also provide an opportunity to talk about saving and delayed gratification. Rather than spending it all at once, encourage them to consider saving some of it for a future goal. You might also open a savings account with them and use the experience to explain how deposits, withdrawals and interest work.

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They're older and wiser now, and they may be getting ready for college. This is an exciting time, but do they know how much tuition will cost? For the 2025–26 academic year, average published tuition and fees are $11,950 for in-state students at public four-year colleges, compared with $45,000 at private nonprofit four-year colleges. For out-of-state students attending public four-year colleges, the average is $31,880.[1] While you probably don't expect your kids to pay for all of it themselves, they may be planning to use student loans, financial aid, savings or income from working while in school.

Whatever the case, they should understand both the value and cost of higher education and develop a plan for paying for it. It's important to discuss how much they may need to borrow, what future loan payments could mean for their budget, and how to complete the FAFSA. FAFSA deadlines can vary by state and school, so families should review the applicable deadlines and submit the form as early as practical.[2] It's also important to discuss which expenses your child will be responsible for while in school and develop a plan for covering them.

Before your child goes to college, you may also want to teach them about credit, credit scores and savings accounts. You might show them how much interest their savings have earned and explain how interest can help their money grow over time. This can also be a good opportunity to discuss the importance of saving regularly and setting aside money for future expenses.

If you plan to give them access to a credit card when they go away to school, make sure they understand how borrowing works, including interest, fees and the importance of making payments on time. Payment history is an important factor in many credit-scoring models, and the way they use credit now can affect their ability to obtain credit in the future.[3] Some college students may qualify for a credit card of their own, although applicants under age 21 are subject to additional ability-to-pay requirements.[4] Another option may be adding your child as an authorized user on your credit card. Card issuers commonly report authorized-user accounts to the credit bureaus, which may help establish credit history, but reporting practices and the effect on credit scores can vary. Keep in mind that the primary cardholder remains responsible for charges made to the account.[5]

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Even if your child isn't earning much income in college, there are still important opportunities for them to learn about money during this time. College may be one of the first times they're managing many of their own expenses, making it a good time to learn how to budget. If they have a job during the summer or school year, encourage them to develop a plan for making that money last while also setting some aside for savings. This can mean making choices about spending on entertainment, transportation, clothing and other discretionary expenses. If they receive money from friends and family when they graduate, it can also be a good time to discuss their options, from saving it to using it for expenses associated with starting a job or moving into an apartment.[6]

The Roth IRA: A College Student's Best Friend

When your child is around 18 to 22 years old and has earned income, it could be an opportune time for them to consider contributing to a Roth IRA. Roth IRA contributions are not tax-deductible, but qualified distributions are generally tax-free. Regular contributions can generally be withdrawn without being included in taxable income, while qualified distributions of earnings generally require that the account satisfy a five-tax-year holding period and that the account owner be at least age 59½ or meet another qualifying condition.[7] In 2026, the Roth IRA income phaseout range is $153,000 to $168,000 for single filers and heads of household and $242,000 to $252,000 for married couples filing jointly. For 2026, an eligible individual under age 50 may contribute up to $7,500 or their taxable compensation for the year, if less.[8]

Why Start Saving Young?

One of the most useful money lessons for young adults is understanding how compounding can affect savings and investments over time. Starting earlier gives money more time to potentially compound, although investment returns are not guaranteed and values may fluctuate. One simple way to illustrate compounding is the "Rule of 72," which estimates how long it could take an investment to double by dividing 72 by an assumed annual rate of return.[9] The calculation is only an approximation and does not predict actual investment performance.

72 ÷ interest rate	At a rate of 3%	At 6%
Approximate number of years it could take an investment to double.	Approximately 24 years.	Approximately 12 years.

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Once your child is out of college, they may be ready to take a more active role in their finances. As they start their first full-time job, they should learn how to create a budget, manage expenses and begin or continue saving for retirement. Developing a clear picture of where their money is going can help them balance short-term needs with longer-term financial goals.

Talk About Investing

About 62% of Americans report owning stock, either directly or through investments such as mutual funds or retirement accounts.[10] At the same time, retirement preparedness remains an important issue for younger generations. A 2022 Urban Institute study projected that 38% of early millennials, those born in the 1980s, could have inadequate income at age 70 under the study's assumptions.[11] Parents can use conversations about investing to help their adult children understand concepts such as risk, diversification, time horizon and the role investing can play in pursuing long-term financial goals.[12]

Young adults should also understand that all investing involves risk and that investment decisions should be based on their goals, time horizon and tolerance for risk. Short-term trading or concentrating money in a small number of investments can expose investors to additional risk. Discussing the importance of diversification, asset allocation and maintaining a long-term financial plan can help introduce these concepts. This can also be an opportunity to explain why you work with a financial professional and the role that professional advice may play in your own financial planning.

Create A Health Care Proxy

This may also be a good time for your adult child to consider creating advance health-care directives. A health-care proxy, sometimes called a health-care power of attorney depending on the state, generally allows an individual to designate another person to make medical decisions on their behalf if they become unable to make those decisions themselves. A living will serves a different purpose by documenting an individual's wishes regarding medical treatment in certain circumstances.[13] Because terminology, requirements and available documents vary by state, your child may want to consult an attorney or other qualified professional about the appropriate documents for their situation.[14] Having these documents in place and discussing health-care preferences with loved ones can help provide guidance if an unexpected illness or accident leaves them unable to communicate their wishes.

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By now, your adult child probably knows quite a bit about managing their finances. As they become more established, you can continue having conversations about buying a home, saving for retirement, paying down student loans and investing for long-term goals. It may also be a good time to begin discussing wealth transfer. There are several ways parents can transfer assets to children or other family members during their lifetimes, although the tax consequences depend on the amount transferred and individual circumstances. A financial professional, working alongside your tax and legal professionals when appropriate, can help you consider how wealth-transfer decisions fit with your broader financial and legacy goals.

Looking To The Future

For 2026, the federal annual gift-tax exclusion is $19,000 per recipient.[15] This generally means an individual can give up to $19,000 to each recipient during the year without the gift counting against the individual's lifetime federal gift and estate tax exclusion. Gifts above the annual exclusion do not necessarily result in gift tax being owed, but they may require a federal gift-tax return and may reduce the donor's remaining lifetime exclusion.[16] For 2026, the federal estate and gift tax basic exclusion amount is $15 million per individual.[17] Married couples may also have access to portability of a deceased spouse's unused exclusion amount when the applicable requirements and election are satisfied.[18]

The Next Generation

If you have children or grandchildren you'd like to support, you may consider establishing or contributing to a 529 plan. A 529 plan is a tax-advantaged education savings program that allows earnings to accumulate without federal income tax and generally permits tax-free withdrawals when the money is used for qualified education expenses.[19][5] Qualified uses can include expenses associated with eligible colleges and other postsecondary institutions, certain elementary and secondary education expenses, and qualifying postsecondary credentialing expenses. Beginning in 2026, up to $20,000 per student per year may be used from a 529 plan for qualifying elementary and secondary school expenses.[20]

A 529 account's beneficiary can generally be changed to another qualifying family member without federal income-tax consequences.[21] Under certain conditions, unused 529 funds may also be eligible for a direct rollover to a Roth IRA for the beneficiary, subject to applicable limits and requirements.[22] These features can make a 529 plan one option for families considering how education funding fits within their broader financial and estate-planning goals.

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By this point, your children may not need as much financial guidance from you, but that doesn't mean the conversations should stop. This can be a good time to continue discussing wealth transfer and tax planning, as well as how you would like to be cared for as you age. You don't have to wait until care is needed to have these conversations. Thinking through your preferences in advance can help you and your family prepare for future decisions.

Talk to your children about whether you would prefer to remain at home, move to an assisted living community or receive care in a nursing home if the need arises. If your children live far away, it's also important to discuss the logistics of care and realistically consider how much assistance family members may be able to provide. Having a plan and communicating your preferences in advance can give loved ones useful guidance if care is eventually needed.

Long-term care needs can also have important financial and estate-planning implications. Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and supports during their remaining years.[23] The cost of that care can vary significantly depending on the type of services and where they are provided. According to CareScout's 2025 Cost of Care Survey, the national median cost of a private room in a nursing home is $129,575 per year, or approximately $10,800 per month.[24] These costs illustrate why potential long-term care needs can be an important consideration when developing a broader financial plan.

If you have long-term care insurance or another insurance product designed to help address long-term care expenses, consider explaining to your adult children what type of care it may cover, when benefits may become available and any important limitations of the policy.[25] Coverage, benefits and other policy features vary by product, so reviewing the specific terms of your coverage can help your family better understand how it fits within your overall long-term care and financial plans.

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Conclusion

Figuring out finances can be difficult, especially for younger people. Rather than bailing their adult children out of tough financial situations, parents might consider imparting money lessons to their children at any age. After all, give a man a fish and you feed him for a day. Teach him how to fish and he eats for life.

There's no reason to wait until your children are in their 60s to begin talking about estate planning and wealth transfer, long-term care, or your children's own retirement plans. There are important lessons to impart about money no matter how old your children are.

We at VestGen Wealth Partners hope to see you and your kids in our offices as they get older and would love to facilitate any conversations about money that you might want to have with them. We want to provide you with the best and most comprehensive retirement planning services possible, so please get in touch with us at **vestgen.com** to find an advisor today.

The sources used to prepare this material are believed to be true, accurate and reliable, but are not guaranteed. This information is provided as general information and is not intended to be specific financial guidance.

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