

Four wealth lessons parents can instill
in college-bound children.

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For many teens, attending college brings about the first major financial decisions that they must make – from taking a proactive role in budgeting to deciding on a career track. Parents with college-bound children have the opportunity to use campus experiences to instill money and wealth preservation lessons that will last their children a lifetime.



Take ownership of financials

College can come with a hefty price tag – according to College Board, in-state public college tuition for the 2016-2017 school year averaged \$35,370, and that figure jumped to \$45,370 per year for private schools. Given the cost, it may seem beneficial for high-net-worth families to pay in full for college; however, that may also take away a teachable financial moment.

Consider having college-enrolled children take out a small loan to provide them with financial management experience. While they may not be ready for significant financial responsibilities and decisions, small loans allow them to take a more proactive and independent role in overseeing their finances and developing skills they can leverage later in life.



Federal student loans come with a grace period of six months post-graduation, giving students a chance to secure an income and create a financial plan for paying back the loan.



Follow the “hours worked formula”

To help campus-bound children understand the impact of their spending, parents can set firm limits, encourage part-time jobs, and consider teaching the “hours worked formula.”

The **hours worked formula** compares the price of a wanted purchase, such as designer jeans, with the hours needed to work to make the purchase.



Ultimately, the formula helps teens begin to understand their spending in the context of work, allowing them to better consider whether their purchases are worth it.



This money lesson can also apply to determining a career track, helping college students evaluate the current employment climate and choose a career that fits not only their interests and skills, but also their money needs and desires.



Spend where it counts

There is a difference between spending on what is important and spending on what is convenient, and college-bound children may not fully comprehend the distinction, leading to long-term unhealthy spending habits, if not checked.

Consider an **extra savings account** to which college-bound teens can contribute at their discretion. Teach them that if they choose to spend money where it counts and save where it may not be as important, they will have funds to use for larger purchases, such as a Spring Break trip.



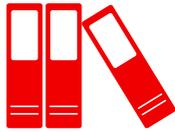


Develop monthly budgets

Overall, college-bound children must learn how to manage their cash flow under changing circumstances – a lesson that will be critical to the protection and preservation of wealth post-graduation, as they take on even more financial responsibility.

Consider sitting down with college students to develop and implement a monthly budget for living expenses. By learning this important skill during college – when parents still provide financial support and safeguards – children become better prepared to enter the working world and take on a larger role in family and personal financial planning.





Recommended reading

Before children leave for college, equip them with reading that may help set them up for future financial planning and wealth management success.

The Millionaire Next Door by Thomas J. Stanley

This book outlines the money habits of millionaires, providing college students with a framework for spending while continuing to preserve wealth.

Rich Dad, Poor Dad: What the Rich Teach Their Kids About Money That the Poor and Middle Class Do Not by Robert Kiyosaki

This book provides money advice and busts myths regarding income and growing wealth.

The Road to Character by David Brooks

This book helps students understand how to balance measures of success, including achieving wealth and forging relationships.



If you have a teen heading to college, now is the time to work with your advisor to determine how to best instill these and other money lessons. By helping them take on more financial responsibility and independence on a small scale, you set them up for future financial planning and wealth preservation success.

For more information, please visit key.com/kpb.

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