Prudential Investment Managers
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Three valuable investing lessons for kids

If you're a parent with an appreciation of long-term outcomes, you'll know the value of teaching your kids how to manage their money wisely. After all, if they can learn how to save and invest at a young age, you may not have to still look after them when you reach time for your own retirement! Here, then, are three valuable lessons to teach your child about investing.

Lesson One: Start now

Start small, using a piggy bank to teach your child about saving. Then, once you feel they've wrapped their heads around delayed gratification, explain the difference between savings and investing – and the difference between investing and gambling! Don't start off with complicated concepts; just talk your child through the basics, so they understand that saving involves not spending your money right away, while investing involves using your money to create more money. Teach them about risk, and make it clear that there will be downs as well as ups along the way.

While you're at it, be sure to teach your child the concept of compounding. Demonstrate – using sweets, matchsticks or numbers on paper – how compounding interest helps your investment returns grow over time, first slowly and then quite quickly. This will also show your child how it's better to start investing sooner, rather than later.

Lesson Two: Set goals

Help your child develop good habits from the get-go, by teaching them about setting investment goals. What do they want to achieve (this could be a new pair of soccer boots, for example), and by when do they want to achieve it (say, in time for the new soccer season)? Goal-setting and investment time horizons are fundamental principles of investment, and Prudential's online tools can help you figure out how they apply to your child's investment plans.
Figure out how much they will need to save and invest every month, and agree on how much of that will come out of their pocket money, and how much you're going to contribute. (Yes, you may have to chip in some extra cash to help them along).

Lesson three: Let it grow

If you can afford it, open up a small investment on your child's behalf. This will allow both of you to track and monitor the investment – and the markets in general – together. If possible, let your child know if there are any specific companies that they're investing in. Next time you're driving around the city, point out the head office or branches of those companies as you pass them. It'll give your child a kick to know, for example, that they own a (very small) part of the business.

What's more, by monitoring their investment online, and sticking with them over time, your child will see how values change over time. In this way they'll eventually get used to the frequent ups and downs in markets and share prices, while understanding this can still lead to medium- to long-term growth. They'll also come to realise that consistency is what matters most in investments.

Any questions? Speak to your financial adviser or don't hesitate to contact our Client Services Team on **0860 105 775** or email us at query@prudential.co.za.