



## Give the Gift of Future Financial Success

December 20, 2011

It's easy to get focused on spending rather than saving and investing during the holiday season. However, some of the best gifts you can give children and young adults are tools that set them up for future financial success. Use the following list, beginning with the youngest person on your shopping list, to help inspire a prosperous New Year.

1. **A piggy bank.** A simple place to store money, a piggy bank is a great teaching tool and the beginning step to help a child understand how to put money away toward a goal. When shopping for a piggy bank, experts recommend choosing a transparent model, ideally one the child can build and customize. It's helpful for the child to see the money grow over time as it gets closer to the top of the piggy bank.
2. **A savings account.** Help a child open his or her first savings account. Opening a savings account is one of life's financial milestones and can help a child begin to learn about the banking system, the benefit of earning interest and the importance of saving.

**Consider a First American Bank Student Savings Account! First American Bank operates a bank at Rolling Green Elementary School, each Thursday from 8:30 – 9:00 a.m.**

**New account packets are available at the school office, or at the Student Bank during business hours.**

3. **A prepaid gift card.** As a child gets older and begins saving for games and other items, consider giving him or her a gift card that can be used anywhere without affecting credit. As a child enters the teens, he or she may face peer pressure to carry plastic, and a gift card can serve as a safe option: When there is no money left on the card, it can no longer be used. Although a prepaid card doesn't necessarily help a child prepare for a credit card because it doesn't involve payments, interest or a credit score, it can help him or her learn how to spend wisely and make his or her money count.
4. **A checking account.** A checking account provides a young person with crucial hands-on financial training. When opening an account for a young person, be sure to explain the importance of tracking spending and balancing the account. Many banks offer teen checking accounts with the option of making the parent co-owner with full access to the account, much like a joint account.
5. **Automatic transfer.** Once a young person masters the mechanics of savings and checking account management, it may be time to introduce him or her to the gift of automatic transfer. Automatic transfer allows him or her to move money online from checking into savings, a money market account, CDs and individual retirement accounts on a scheduled basis. Automatic transfer gets young people into the habit of paying themselves first and setting long- and short-term goals. Even though today's young

adults grew up online, making the mechanics of online banking largely instinctual, they still need guidance on how and why to save.

6. **A credit card.** Once a young person has demonstrated a responsible use of his or her savings and checking accounts and prepaid gift cards, he or she may be ready for a credit card. Teach your child the importance of good credit and the danger of taking on too much debt. If a child doesn't qualify for a credit card on his or her own, parents may co-sign for a card, making them equally responsible for the charges on the account, or they may add their child as an authorized user under their own credit card account, allowing their child access to their preset limits. Parents know their own child best; if you're not sure he or she is ready for plastic, tread carefully. You don't want to set your child up for credit score failure by giving him or her a card he or she can't manage effectively too early.
7. **A 529 investment plan for college.** Given the rapidly rising costs of a college education, the College Savings Iowa 529 Plan offers a convenient, tax-advantaged way to help a child afford college. Anyone -- parents, grandparents, friends and relatives -- can invest in College Savings Iowa on behalf of a child. You can give a child a jumpstart to pay for his or her college education while reaping tax advantages for yourself. To learn more about the program, contact First American Bank. Talk to your tax advisor for details on the program's tax benefits.
8. **Stocks.** Helping a young person invest small sums in companies he or she knows is a good way to show the ups and downs of how the stock market works. Consider scheduling a meeting with your financial planner to help your child begin purchasing stocks.
9. **A retirement plan.** It's never too early to start saving for retirement. Experts recommend that a young person should begin saving for retirement as soon as he or she has earned income. Consider opening a U.S. savings bond, CD or IRA in the young person's name, and explain the long-term benefit of beginning to save for retirement early. Talk about the advantages of participating in an employer's retirement savings plan -- especially if the employer offers to match a portion of the dollars he or she contributes.
10. **An emergency fund.** Starting an emergency fund is a perfect gift for young adults starting out on their own. Experts recommend saving enough cash to cover six to eight months of living expenses in case of the unexpected -- a job loss, illness or major auto repairs. Starting such a fund for a young adult on your list and explaining the importance of having money set aside for the unexpected will go a long way in preparing him or her for the future.

*These tips are provided by First American Bank, the School to Business Partner for Rolling Green Elementary School since 2005. First American Bank is committed to financial literacy for students and their parents. The bank conducts regular financial literacy training for adult audiences throughout the state. Learn more about First American Bank at [www.bankfirstamerican.com](http://www.bankfirstamerican.com). Or, call 515-237-5371 to speak to a First American Bank partner.*

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