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Helping a Young Adult to be Financially Smart

Q. My daughter has her first job and she lives at home – I said yes so she could save money – but I don’t think she saves enough, if anything, even though I don’t charge her rent. She doesn’t want to talk about it. How can I get her to save so eventually she will have a nice nest egg?

— Mom

A. We’re glad to hear your daughter is working.

And you’re right. Even though she is young, saving for the future has to start at an early age.

Because you’re not asking her to pay rent, it is very likely that she has ample extra cash from her paycheck to start setting it aside for a long-term goal she might have, said **Claudia Mott, a certified financial planner with Epona Financial Solutions in Basking Ridge.**

She said if her employer offers a retirement plan such as a 401(k) or 403(b), she should be enrolled and should be setting aside enough to receive any available employer match.

You may not be able to control how much she saves, but you can try to help her understand why she needs to.

Mott said when it comes time to buy a car, a home or plan a great vacation or a wedding, more than likely, she’s going to need money in savings for these dreams to come true. You may be able to help her set some goals.

“It’s also important to have a conversation about saving for retirement through her employer,” Mott said. “The days of being able to rely on a pension are disappearing and individuals must take responsibility for their financial future at a much younger age.”

Mott recommends you suggest she start using an app that helps her track her spending such as Mint.com. This will enable her to link her bank and credit card accounts, see where her money goes and set up a budget.

“At her young age it’s a perfect time to get into this habit,” Mott said. “Understanding cash flow — the difference between income and expenses — is an essential part of managing one’s personal finances regardless of age.”

You may want to consider having your daughter meet with a financial planning professional to have the conversation about savings responsibilities, Mott said. An hour with a certified financial planner (CFP) could be time well spent if the message is better being delivered by someone other than you.

If she continues to resist your help, perhaps reconsider the idea of not charging her rent and use the money she pays you to start a savings account on her behalf.

“It would need to be an account that is set up in your name, but could be earmarked for her,” Mott said. “Although this isn’t going to help her become more financially responsible directly, she will find herself with an obligation that needs to be met each month and will have to learn how to budget for it accordingly.”

At the point she goes out on her own, needs to make a major purchase or plans a wedding, you could turn the funds over to her, Mott said.

Also consider sharing this story with her. It might be a good way to start the conversation.

Email your questions to ask@njmoneyhelp.com