Helping your kids become savvy investors

Give your child the chance to take control and learn from their mistakes.

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Key takeaways

- When it comes to helping your children get comfortable with investing, it's important not to be too prescriptive.
- Healthy development around money depends on children feeling empowered to go off and have their own experiences.
- Discussing investing openly now can set you and your child up for a lifetime of constructive discussions around money, wealth, and estate planning.

With how quickly markets are evolving these days, it's more important than ever for parents to take the initiative in helping their children understand that investing is about more than just making money—it's about developing the skills and financial discipline necessary to achieve your most important life goals.

According to a recent survey, however, teenagers are more likely to turn to social media than their parents when looking for information on investing and the stock market.* And while sound advice can be found on these platforms, it can be drowned out by people who build their audiences by promising a surefire way to get rich quick, often by getting into trendy investments like cryptocurrencies, non-fungible tokens (NFTs), or meme stocks.

Perhaps your teenager has already come to you suggesting that you jump on the bandwagon of a hot stock they heard about on TikTok. Or maybe they wanted to use some of their college fund to buy an NFT that grants ownership of a digital image of an ape that they could use as their Twitter avatar. These types of requests might lead you to believe your child isn't mature enough to handle investing yet. In fact, they provide an opportunity to forge a partnership with your child that helps you better understand their interests and can bring you closer together through time.

"Teaching your kids early lessons around money, the importance of saving, and investing can really set them up for success later in life," says Paul Dery, CFP®, a vice president and financial consultant at Fidelity Investments. If you want your kids to grow up to be savvy, self-sufficient investors, capable of evaluating risk and able to make wise decisions about your family's wealth in the future, you'll have to give them the chance to learn by making their own decisions and their own mistakes—the sooner the better.

Show, don't tell

When it comes to helping your children get comfortable with investing, it's important not to be too prescriptive. It's natural for parents to want to protect their children from risk, or to lack confidence in their ability to navigate such complex topics at a young age. But being too controlling of what they do and how they use their money can make it difficult for them to learn what they need to know to become responsible adults.

Instead, parents can aid their children by sharing their own experiences with investing and by modeling good behavior. By illustrating how your own investment choices relate to your personal goals—whether they be a future family vacation or a comfortable retirement—you give your child a framework for thinking about what they want and how investing might help them achieve it.

Listening is critical, as well. Giving your children the leeway to express themselves and articulate what they want without judgment can open new avenues for education. For instance, if your child wanted to save up for a major purchase, you could work through a plan to reach that goal and discuss the potential upsides or downsides of using that money to invest in the company that makes the product instead.

"What's important is that you and your child co-create the process you use," says Tobias Donath, senior vice president, Fidelity Center for Family Engagement. "By putting an emphasis on mutuality—in your conversations and decision-making—you help your child gain confidence around investing, strengthen your relationship, and build skills that will make future discussions easier and more effective."

Provide the right support

Once your child has a sense of how they want to invest their money, you can support them with the tools necessary to put their plan into action.

A good place to start is to expose them to age-appropriate financial education that lays out the basics in a clear, easy-to-follow way. Be ready to answer any questions your child might have, but don't hover. Consider asking your child what level of involvement they would like you to have. In the end, it's important that they learn to sift and sort through this information themselves.

While you could manage assets and place trades for your child in a joint or custodial account, nothing beats hands-on experience. Parents who want to give their children a chance to learn money management firsthand can set up a Fidelity Youth Account. It's a brokerage account that allows teenagers between the ages of 13 and 17 to invest their money in most US stocks, ETFs, and Fidelity mutual funds.

It differs from a joint or custodial account in that it is controlled by the teenager, and while parents can monitor account activity, transactions, and trades, how the assets in the account are managed is the responsibility of the teen. And when your child reaches the age of majority, the account is eligible to transition to a standard brokerage account.

Let them fail

Inevitably, your child will make a mistake, or a decision you don't agree with. As a parent, how you handle this can have a significant effect on their development as an investor. Risk-taking and failure, are a part of investing, and while it's important to discourage reckless or thoughtless decision-making, it's equally important to ensure your child does not become excessively cautious or fearful of failure.

"Healthy development around money depends on children feeling empowered to go off and have their own experiences," says Donath. "Providing your kids with a safe forum to make sense of their experiences in a reflective way—without judgment or instruction—supports their learning and growth."

Work with your child to evaluate what went wrong and build on it, incorporating your learnings into a new, revised plan for future investment. By addressing the issue in a constructive, nonjudgmental way, you can help your child develop the resilience necessary for confident wealth stewardship in the future.

Keep the conversation going

Over time, discussions about investing and good wealth management can become a regular part of your relationship with your child. Set aside some regularly scheduled time to talk strategy, review trades, or toss out new ideas, maybe over lunch or coffee. Dery says that he and his son often talk about investing in the car on the way to hockey practices or while they're in the yard doing chores. Be sure to talk about your own investment decisions, why you're making them, and how they've worked out. Be open about your own mistakes too.

"By normalizing these conversations, you can create more open engagement and set yourselves up for a lifetime of constructive discussions around money, wealth, and estate planning," says Donath.

Giving your child the opportunity to take control, experiment, and learn from their mistakes shows them that you have confidence in them. And building that confidence is a crucial first step to developing the financial knowledge necessary to participate in the discussions and decision-making around family wealth.

Next steps to consider

Start a conversation

Already working one-on-one with us? Schedule an appointment

Consider a Youth Account

Help your teen learn to spend, save & invest in our secure app.

Get the latest insights

Access articles, webinars, and ideas on wealth planning and investment strategies.

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