

Business

5 money-smart holiday gifts for children

By **Terry Savage** · Contact Reporter

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Every year I try to give parents and grandparents a guide for holiday gifts that are more than worth the money you spend on them. These aren't presents that will be broken or forgotten before you pay the credit card bill. Rather, they are gifts that will keep on giving financial lessons and benefits over a lifetime.

Here are five ideas for holiday gifts that you won't want to leave until the last minute.

--A 529 College Savings Account. These accounts can be opened by parents or grandparents to grow money for a college education. All the gains over the years grow tax-free to be used by any child in the family, at any accredited college, in any state, for tuition and most college expenses. Many plans will let you open an account with as little as \$50 to start, and offer a convenient automatic monthly contribution from your checking account. You'll have a choice of investments within the plan, or you can let them choose the investment profile based on the oldest child's age. Unless your state gives you a state income tax break for contributions, you'll want to choose the plan with the best performance record and lowest overall costs. You can do those comparisons at www.SavingforCollege.com.

--The MoneySavvy Piggy Bank. This is my all-time favorite holiday gift for young children, starting at age 5 or 6. This translucent plastic piggy bank is divided into four chambers -- labeled save, spend, donate and invest. It's available in six colors (making it easy to gift several children in one family) and comes with its own activity book. The MoneySavvy Piggy Bank is available only online at www.MSGen.com and costs \$18.99.

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--Teen Money Guide. While you're at www.MSGen.com, check out their award winning book for teens: OMG: The Official Money Guide for Teens (\$12.95, 48 pages). Chapters explain saving, budgeting, credit, identity protection and more. Also at this site, learn about their new "Savings Spree" app (for kids ages 10 and older) for \$5.99.

--iAllowance App. Stop nagging the kids about doing chores, and stop forgetting to pay allowances. This popular app makes an online game out of managing the family allowance. It's available from the App Store

for \$4.99. It helps you assign chores and creates "rewards" in the form of money in a "savings account" or "stars" for completing tasks in a certain time frame. Set up an allowance to pay out automatically on a weekly or monthly basis, in either stars or dollars. Then add chores from a pre-set list (take out trash, fold laundry, make bed, clean your room, etc.) or add your own! A handy tutorial explains everything. The company brags that more than 15 million chores have been completed and 10 million allowances paid by families using the app.

--Shares of stock. You don't have to have a lot of money to give small gifts of stock -- shares in the most popular companies or ETFs that will give a child a head start on investing and perhaps spark an interest that will last a lifetime. I recommend three websites that each allow you to start with just a few dollars and maintain an account where more shares can be purchased. The easiest is a gift card from www.Stockpile.com. You'll find them at major retailers or you can purchase online at their website. Charge the gift to your credit card, and the recipient will be able to choose the stock of his/her choice. Sparkgift.com offers a similar service, emailing a gift certificate and helping the recipient open a brokerage account. And at Sharebuilder.com, now a division of Capital One, you can open a no-minimum account. All these accounts have small fees for each purchase, but the goal here is simply to get the investing started. Do remember that at the age of majority (18 in many states) the child takes control of the account!

If you choose your holiday gift wisely, you'll get a lot more bang for your bucks. And that's The Savage Truth!

(Terry Savage is a registered investment adviser and the author of four best-selling books, including "The Savage Truth on Money." Terry responds to questions on her blog at TerrySavage.com.)

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