

Terry Savage: Holiday gifts with a lasting financial impact

By TERRY SAVAGE, THE SAVAGE TRUTH, SUCCESS
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Contributing to a 529 college savings plan is one of the best financial gifts you can give a child. (Sebastian Czapnik/Dreamstime/TNS)
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My annual holiday money gift column for children and young adults arrives just at the start of the holiday shopping season. In a time when many are hesitant to shop in stores, all of these ideas can be accessed online. And unlike presents that will be quickly outgrown or broken, these gifts are meant to make a lasting impact on young people you love.

— Gift of college

My all-time favorite gift for young children is the gift of a college education. And the best way to make that gift is through a 529 College Savings plan. The money deposited in these accounts grows tax free – to be used for college in any state. And you can make additional contributions for every birthday or holiday, helping the fund grow over the years.

Grandparents, you can open the account with you – the grandparent – as the plan custodian (which impacts any eventual financial aid when they make withdrawals). Or you can name one of the parents as plan custodian., in which case the eventual impact on financial aid is very low.

You (and your spouse) can each give up to \$15,000 per year to each child’s plan with no ultimate gift or estate tax consequences. Next year, that gifting amount will rise to \$16,000. But don’t be intimidated by those big numbers. Most 529 plans allow you to start with a few hundred dollars, and all let you set up an automatic monthly contribution from a bank account.

Many states give residents a deduction on their state income taxes for 529 contributions to their own state plan. You can do your research at www.SavingforCollege.com, where you can link to a plan and apply. Multiple children in the family can use the same plan, or you can easily set up a plan for each child or grandchild.

– Gift of stock investing

Another perennial favorite gift allows young children to invest as little as \$5 in individual stocks or ETFs. Getting a child started investing in the stock market is a hobby that will last a lifetime..

The best place to do this is at Stockpile.com, where with as little as \$5 you can open an account for a minor. Designate purchase of a specific stock by sending a gift card, or just make a deposit into the account and let the child choose from over 1,000 stocks and ETFs. There is a delightful online tutorial to introduce the principles of investing. And there are no fees or commissions for these transactions.

Of course, you can’t set limit prices on your purchase since orders are executed in a batch twice a day. But the purpose of this account is to teach investing for the long run. And, one warning: Any stock held in a child’s name in a custodial account will weigh far more heavily against the family if the child eventually applies for college financial aid.

If you have older children or grandchildren, the Acorns app (or go to www.Acorns.com) creates a more sophisticated way for them to start investing painlessly. Acorns allows you to register your credit cards and automatically “round up” purchases to the next highest dollar. All those pennies add up, and are automatically transferred to one of several carefully designed investment portfolios, whenever the amount reaches \$5.00.

With Acorns you can always make additional contributions, or have your paycheck direct deposited with an automatic monthly contribution taken out for your investment account. And, they even have a Roth IRA option for young workers not covered by retirement plans. A trip to the Acorns.com website will be the start of a long-lasting gift, proving that little acorns grow into mighty oak investment accounts!

— Money Savvy Piggy Bank

This is my favorite gift for children who are just old enough to count and know their coins. It's a traditional piggy bank with an educational twist: This four-chambered translucent plastic piggy bank has sections labeled: Save, Spend, Donate and Invest. It's that old fashioned concept of making smart money decisions instead of spending wildly – and it's never too early to start.

The piggy bank costs \$21.99, and for an additional \$2.99 you get a coloring book/workbook with money activities if you order at their website, www.moneysavvy.com. You can buy it for \$27.99 on Amazon, including shipping. And since it comes in three colors, you can easily get one for all the kids in the family!

So as you start your holiday shopping, take a long term perspective. These are gifts that will grow with your children. And that's The Savage Truth.

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