SMART INSIGHTS FROM PROFESSIONAL ADVISERS

Start Early and Keep Building Good Money-Management Habits

Many parents just wing it with their finances. They may be getting away with it for now, but their kids likely won't. So, here's how parents can help their kids start saving for retirement earlier than they did.

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People often ask me when they should start working with a financial professional or, at least, start putting together a plan to ensure a more secure future. Of course, there's no one right answer. I tell my prospective clients that sooner is better than later, but later is better than never.

Most prospective clients who come to my office are at least 50 years old, in some cases quite a bit older. Some are still working; some are already retired. Few have any kind of plan in place — no budget, no income plan, no idea of how they'll deal with inflation, taxes, health care costs or any of the other challenges that come with retirement and aging.

They've been winging it all their lives, and they've gotten by OK — more or less. But most realize they'll need to put well-thought-out strategies in place if they want their money to last as long as they do when their paychecks stop.

I wonder how many wish they'd had a plan when those paychecks started.

Americans are terrible savers — that's well documented. (Remember that 2017 Bankrate.com report in which nearly 60% of survey respondents said they'd be unable to handle a $500 car repair or $1,000 emergency room bill?) And as fewer and fewer workers have workplace pensions available to them, the need to put a plan in place has become urgent.

Millennials Have Lofty Retirement Goals

In June, when TD Ameritrade came out with its 2018 Millennials and Money Survey, it was interesting to learn that members of this optimistic generation expect to retire, on average, at about age 56 — even though, on average, those surveyed said they don't plan to start saving for retirement until about age 36.

The ambition is admirable. But with credit card debt, student loans, car payments and other budget busters, I'm not sure how that's going to happen. All they'll have for income is some semblance of Social Security and what they have saved and invested.

Parents, teachers and the financial industry all need to do better when it comes to educating young people about managing their money. It's a matter of helping develop good habits early on, and then adding on more strategies as they get older.

Personal-Finance Lessons Don't Have to Be Difficult or High-Tech

When my kids were small and earning an allowance, I gave each of them a deposit bag that contained a spreadsheet and three envelopes marked Save, Spend and Give.

I asked them to save 20% and to give 10% to church or charity; that left 70% for them to spend as they wished. I hoped they'd get into the habit of budgeting for the things they wanted.

Ultimately, their savings were transferred into bank accounts for college. Once they were in college, we took it up a notch. For example, my oldest son, Parker, who just graduated from college, started using the Acorns app, which rounds up purchases on linked credit or debit cards, then puts the change into a computer-managed investment portfolio. Again, it really was about forming habits and not necessarily focusing on accumulation, rate of return or his long-term retirement plans. And it was automatic, so he didn't miss the money — much like our old homespun save-give-spend method.

How many parents, high schools or colleges teach personal finance to the degree that allows a young person to proclaim, "I can make some really good decisions about money"? From what I see, not many.

It Helps to Have a Trustworthy Mentors

Kids are getting into deep credit card debt in college, and their student loans can be crushing. They spend what they have on food, clothes and entertainment, because they aren't even thinking about a down payment for a house, their own future kids' tuition payments or retirement.

But the good news is, there is help out there.

Advisers aren't just for retirees. I recently volunteered at a local hospital as part of the orientation for new physician residents. My job was to help these new doctors figure out what they should be claiming for their exemptions on their W-4s, so their paychecks aren't eaten up by taxes. But part of the conversation became about student loans — and the biggest loan balance I saw was $480,000.

This young man's payment was supposed to be $2,100 a month, but he was paying just $700 a month and deferring the rest. Which meant a big chunk of money was moving to the end of the loan, plus interest. He was sure he'd never be able to pay it off. But we helped work out a plan for him and his wife (a teacher with $60,000 in student loans) to use federal student loan debt reduction programs that significantly reduced their payments and the length of their loans.

By tapping into the right strategies, young people can save better, invest smarter and pare down their expenses.

And No, It's Never Too Late to Pull Together a Plan

Let's face it — these are skills some parents and grandparents still don't have. A lot of the people I meet with have an IRA or 401(k), nothing else, and they never look at their statements. They've never done the math to see if their income sources will cover their expenses for what could be a 20- or 30-year retirement. And they haven't thought about what they'll do if they come up short: keep working, live on less or find a way to earn and/or save more with their investments.

Most are coming up short, by the way.

The sooner you take responsibility for your financial future, the better off you're going to be. Parents should be making that clear to their kids. And then they should take a look at their own situation and set a good example.

Franke-Folstad contributed to this article.

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