



GRINdex

"There are a dizzying number of indexes to measure investing success. We always wondered why PEACE OF MIND isn't one of them. Our favorite part of every Financial Freedom Plan's detailed discipline is the time it creates for a family to spend on whatever makes them grin the most. We love tracking their success stories." – Ryan & Mike

The Magic of Investing WITH Kids

What is the right age to teach your kids about investing? How much can they get started with? Do you choose for them, or how is it that first selection made?

The First Step (at any age)

Let us tell you the story about the smallest account we ever opened for the very youngest investor at the time (a record we love to break!). The daughter of a dear client saved up a little money babysitting, starting in middle school.

"I made my first investment at age eleven. I was wasting my life up until then." -Warren Buffett

She wanted to keep some cash in the bank, then make her first investment with the rest. After a wonderful discussion, we bought a few shares of Disney to start.

She was one of the sweetest girls we've ever met, and a very serious student. We were so impressed with her desire to learn about investing. Mom and dad get all the credit for having those talks to start with, well before the day she was sitting at our table. They gave her a tremendous head start by talking about stocks and including her in the process. But, they did not give her one dollar. She earned every penny that would keep going into that account.

Her mom and dad instilled the most critical first step to investing (at any age) – the work part. She worked a lot of hours to save that little nest egg. She worked even harder in school. Looking back now, those were the best clues to her unusual success, not the investing. She was too busy working to worry about the Stock Market.

How We Talk About Stocks with Kids

It is a fun question at any table, especially at home during dinner. Ask a kid - of all the businesses you know anything about, which ones would you guess will still BE IN business when you are an adult?! All ages are welcome in our house and there are no wrong answers to get those creative juices flowing.

Little will they know that solving that one riddle can outperform the most sophisticated investment funds trying to predict what might change. The harder and more long-lasting profitable challenge is what is least likely to change. It is a small list, and really fun to talk about.

A key ingredient for investing is humility, which is what can make a kid such a wonderful stock analyst. Catching up with that 11-year-old newspaper salesman from Omaha, Nebraska named Warren Buffett, he later benefitted from a trusted investment partnership. They did pretty well. Of all their famous quotes which investors wish upon for what to do, perhaps their best lesson is simplifying by choosing what NOT to do.

"You'd be amazed by the number of companies I feel I don't know well." -Warren Buffett

"If you buy a few great companies you can sit on your ass." -Charlie Munger

A parent can help filter a kid's list just a little if they wish, but part of the magic is sparking enough interest for a kid to want to talk more about a business and maybe read a little about it one day. We can only do that if they can see the names of those businesses in an account, rather than stuffed inside some mutual fund or index just hoping for the best. All those products with no transparency and lots of confusion (for the parents) is why there are no so few young people who own individual shares of stocks in their own names. Dare to be different!

Staying Focused

Even when a stock is not going up for long periods of time, like Disney, its business might be more than fine, and a kid can be proud to be a part owner. More importantly, they might get even more excited about working for a little extra money to add to their investment account. And, a parent can take some small satisfaction as a paying customer, that a few of their dollars will get paid back as dividends!



Budgeting, saving and investing can get more complicated later as adults. To start with a kid, take a page out of Walt Disney's playbook and just sketch crazy ideas down on one page at the dinner table while you talk.

Walt Disney's drawing for his first character was named Oswald, 93 years ago. It failed miserably.

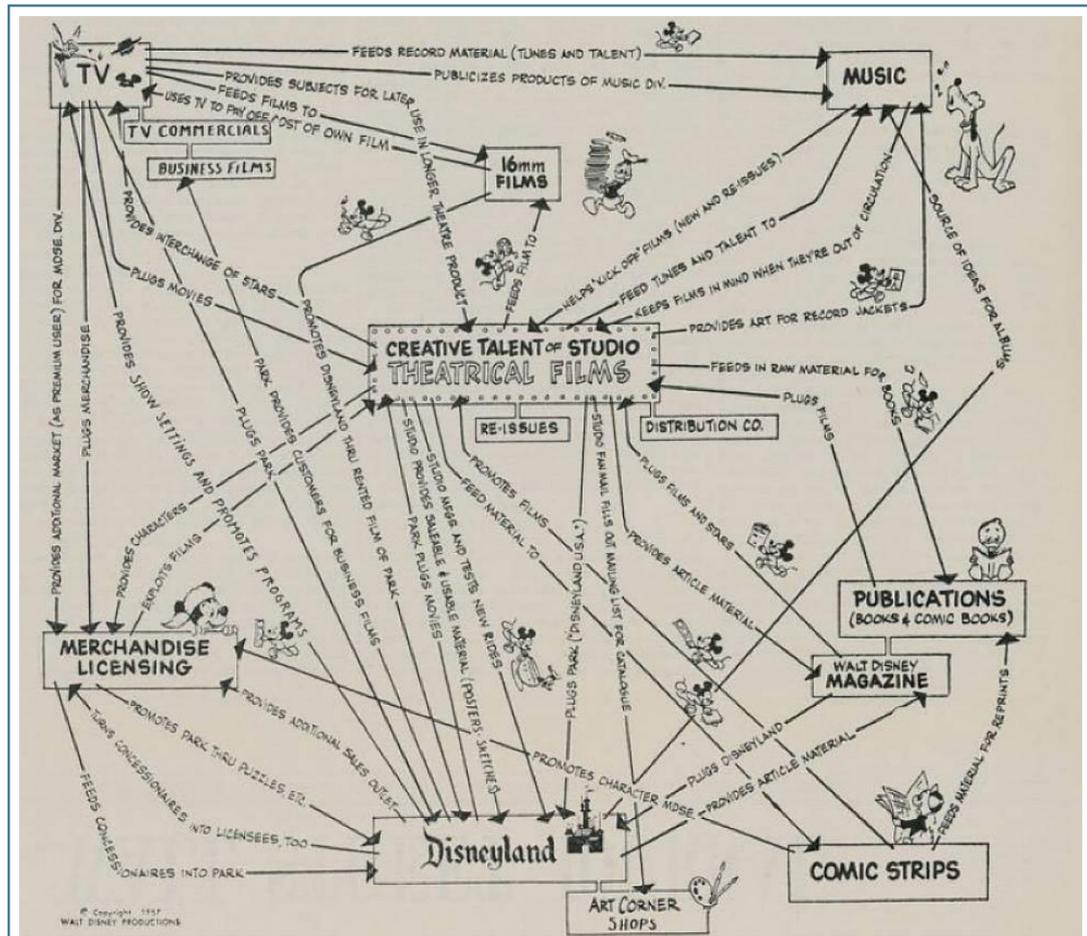
He was too busy working at his craft to worry about failing. He came up with a new character he called Mickey that turned out a little better. He said, *"I think it's important to have a good hard failure when you're young."* We keep a stuffed Oswald in our office if you'd like to see him, as a reminder to stay exclusively focused on the only craft we know.

Walt Disney said, *"Money doesn't excite me, my ideas excite me."* He openly discussed many rejections, *"I could never convince the bankers that Disneyland was feasible, because dreams offer too little collateral."*

Disneyland opened in 1955 and a ticket cost \$2.50. Prices have risen more than fifty times since then.

She Kept Adding to Her Little Account

That sweet girl with her first little investment account grew up. She kept studying hard. Then, she worked even harder. She runs her own thriving business now. She is raising four beautiful little children with her husband and brand-new puppy! She never worried about that little investment account. She just kept slowly adding to it. We bought more businesses that paid her while she (rarely) slept.



Notice something about Walt Disney's original sketch of a business plan. He gets credit for his creative genius, but the real magic was the flywheel effect he had in mind all along - slow to start but massive and far reaching with momentum.

That smallest account we opened is now seven figures large, and she is still a young woman. Never once did she get distracted by the Stock Market. She was entirely focused on her craft and family, just like that Disney character named Walt.



Kids are great with sketch pads. Our homes and offices are full of them. See what your kid or grandkid comes up with when you give them that riddle to solve about which businesses will last, and what might happen to some by the time they are adults. Connect a few dots with them. Let us know if we can help you, we would be thrilled. Our biggest of all grins is serving a few three generation families now.

That little girl still owns shares of Disney. She took her family to Disney World earlier this year. She surprised both sets of grandparents by paying for their trips also. We had never heard of a trip like that in our careers. After starting with all the "How's" and "What's" of investing twenty years ago, she was able to enjoy the WHY. Welcome to the GRINdex Wall of Fame young lady.

Krueger & Catalano is an independent financial advisory firm in Houston, Texas. We work for individuals, families and small businesses seeking financial planning, asset management, and ongoing advice.

Our Financial Freedom Plans are customized with great detail and multiple streams of income, but clearly outlined on 1 Page.

How Much is Enough?

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