Corbett Road

In The Media

5 Smart Ways to Help You Kids Financially—Even If You Don't Have Trump's Wealth

President Trump's father reportedly gave him hundreds of millions of dollars, but there are more modest ways to support kids

— By Alessandra Malito | October 7, 2018

Alex Wong/Getty Images

Not everyone gets the kind of start in life that was given to President Trump.

A New York Times investigation of President Trump's father's tax returns revealed the president's father gave his son at least $413 million over the course of his lifetime. The younger Trump started earning $200,000 a year from his father's company when he was three years old, and that figure increased to $5 million a year by the time Trump was in his 40s and 50s, the paper reported this week.

But parents, if you don't have that kind of cash, don't despair. Even seemingly small financial gestures can set your children up for success.

Here are a few suggestions from financial planners and other experts:

Help them establish a credit history

Making children authorized users on a parent's credit card can benefit them in the long run. Children are building their own credit history and credit score by having this access, which will help them when they're ready to buy a car or a house. A 2017 TransUnion survey found 19% of teenagers have credit cards already. (Obtaining a credit card on their own is hard under the age of 21, but many credit-card issuers do not have a minimum age requirement to become authorized users).

Granting your children access to a credit card also serves important financial lessons, including how to pay bills on time and the consequences of growing consumer debt. "Even if you find yourself a little outside of your comfort zone, it's a much better alternative than finding yourself having to financially bail out your college-aged son or daughter because they were reckless or naive in the use of their shiny new credit card," said Matthew Gaffey, senior wealth manager at Corbett Road Wealth Management in McLean, Va.

Set up an IRA

Children can begin saving in an individual retirement account (IRA) as soon as they start earning money. There are two types of IRAs: a traditional account, which uses pre-tax money, and a Roth account, which funds the account with after-tax money (and then is withdrawn "tax-free"). You have to wait five years and have a qualified reason to withdraw the money from an IRA, whether it's to buy a first home or put a child through college, but the compound interest on these funds is well worth the wait.

Take for consideration, a 10-year-old who contributes $5,000 to a Roth IRA. If that account were to average a 7% return every year, the 10-year-old investor would have almost $150,000 by the time she turns 60, said Mark Beaver, a financial adviser at Keeler and Nadler in Dublin, Ohio.

Encourage college classes in high school

To manage the cost of college tuition, Paul Fenner, president and founder of advisory firm TAMMA Capital in Commerce Township, Mich., encourages his parent clients to talk to their children about taking college classes during high school. Many high schools offer advanced placement (AP) classes in all types of subjects (including math, science and foreign languages) which earn students college credits. Some high schools may also have partnerships with community colleges or local universities that allow students to take classes for free or at a reduced rate. "I have had several clients whose children have started as a second-semester freshman or even sophomore status before entering college," he said.

The average cost of tuition for the 2017-2018 school year was $9,970 for state residents at public colleges, $25,620 for out-of-state residents at public colleges and $34,740 at private colleges, according to the College Board. To be considered a full-time student, most colleges require students take at least 12 credits, which would equal four three-credit classes. The average cost per credit is almost $600, according to Student Loan Hero, which means if a student can use college-credit classes in high school to drop a semester, he could be saving $7,200.

Take care of their health insurance premiums

Children can stay on their parent's health insurance policies until they're 26 years old, even if they're married, not living with their parents, going to school or eligible to enroll in their employer's plan, according to the Department of Health and Human Services. There is no age limit for car insurance policies, though some insurers may require their children be dependents, living at home or using a car with their parent's name on the title.

Pay for the 'extras,' not the basics

It's a good idea to stay away from paying for basic expenses, including rent and cable bills, and instead spend money on your children's "extras," said Nancy Anderson, a financial adviser and blogger at Acres of Acorns in Salt Lake City. Paying for basics can stop your child from finding their own financial footing.

"Extras" could include a trip or outing together, or a practical purchase like snow tires for their car. "When you help your adult children with basic expenses, there is an underlying message that they can't stand on their own two feet," she said. "This allows you to be generous without enabling them."

Other "extras" might include paying for school textbooks or extracurricular classes, or a business suit for interviews, said Patti Black, a partner at wealth management firm Bridgeworth in Birmingham, Ala.

It's a grey area: It's up to mom and dad to decide whether Netflix, Apple, Amazon Prime, and Uber or Lyft are extras or basics. Some parents are stricter than others. Marguerita Cheng, chief executive officer of investment advisory firm Blue Ocean Global Wealth in Washington, D.C., said parents can pay for these services and grant their children access, or schedule rides for their kids. "Every family situation is unique," she said.
