

The SIP education

By teaching your children about saving and investing through SIPs, you can set them on the path of lifelong prosperity

Childhood and teenage are special in many ways. As adults, many of us tend to look back and wonder how carefree, cheerful and energetic we used to be. That's a period of life when everything seems possible, where sky's the limit. Little surprise that our learning abilities are also at their peak, especially when it comes to the foundation of our thinking framework. Experiences that have a deep impact on children and teenagers can remain with them throughout life. Indeed, they can even set the course of their future.

That's why it's crucial to teach children and teenagers the importance of investing and SIPs. If they understand these concepts, they can set themselves up for life-long prosperity. Start with creating an environment at home where resources are used judiciously and saving is encouraged. It doesn't have to be money. Judicious use of basic amenities such as electricity, telephone, the car, etc., can instil the attitude to conserve. This attitude would later become the foundation of saving money. This is especially important in today's highly consumption-oriented times, where there are countless avenues to spend and children are frequently dazzled by the glitz. Do ensure that you walk the talk. Lead by example so that your children can emulate you.

As your children grow, get them a piggy bank or a *gullak*. This could be their first lesson in SIPs. Periodically give them some money and ask them to put it in their *gullak*. This accumulation of money over time will give children a lesson that small amounts saved over time can become big. It will also teach them to defer consuming today to plan for something bigger tomorrow. Further, introduce your teenager to the banking system by helping him open a bank account. The interest on the savings account will be his first 'return'.

As your child becomes comfortable with using the bank account, further graduate him to mutual funds. This will require some extended hand-holding. Begin with telling your children why they need to invest for higher returns and why equity is the right option for that. Introduce them to the wonder of compounding.



It's also important to keep reminding them that they must keep a long horizon. Make them think in terms of goals. You can open an account for them and let them invest small sums through SIPs. If their corpus diminishes due to a short-term correction, use that as an opportunity to tell them why continuing to invest is even more crucial now. Eventually as the market recovers, they will enjoy the fruit of their perseverance.

Do allow your child from time to time to also buy things from part of the accumulated corpus. This would both be a reward for him and a real-life manifestation of the power of saving and investing. This will motivate him to repeat the process.

As your children grow up into adults, managing money will become second nature to them. As they start earning, they will be more responsible with their expenditures and saving for the future. That will kickstart the virtuous cycle of wealth creation. Another advantage of teaching your children about money is that as adults they won't find themselves helpless or, worse, in a financial crisis. No matter what career they choose or the subjects they study, financial education must be a part of their learning. That would probably be your best gift to them. 