Getting a head start: Investing for teens & parents

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TRANSCRIPT

SPEAKERS:

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Ally Donnelly: And thanks to all of you. I'm Ally Donnelly from Fidelity Investments, and today we're going to talk about teens and money. [LAUGHING] As a mom of a teen, it's great to be able to help other families kick start this conversation in their own homes. It's so important to start off with the right fundamentals for kids with a solid financial foundation, and we want to help them learn those fundamentals before making some of the mistakes many of us made.

Holler, I know I did. So today, we're going to dig into how saving and investing can help you achieve your money goals. Why age and time horizon? We'll explain what that means. How it matters when it comes to compounding. We'll explain what that means too, and we'll go through different types of investments, plus talk about risk and diversification.

So let me welcome our panel. Kelly Lannan is a Senior Vice President of Emerging Customers at Fidelity. Kelly focuses on helping the next generation of investors get more engaged with their finances, so they can feel more confident when it comes to making important financial decisions. Hey, Kelly.

Kelly Lannan: Hi. Hi, Ally. Hi, Randelle. Hi, everyone else. Kelly here dialing in from Boston, so not sure if anyone else is from the area, but so happy to be here with all of you tonight.

ALLY: Excellent. Randelle Lenoir leads a Fidelity Investor Center outside of Chicago. She works closely with customers, helping them build long-term plans for their money and their investments. She's also a terrific advocate for educating kids and teens about money matters early. Randelle, welcome.

Randelle Lenoir: It's a pleasure to be here with you ladies and to be here sharing more information about helping teens be smart with money.

ALLY: Awesome, it's so great to have you guys here. So let's dig right in. First question, it's a big one for me, is how do you get teens to focus on the importance of saving? My daughter wants to blow her babysitting money as soon as she can get her hot little hands on it. So Randelle, tell us why we're starting here. Why saving is such an important concept.

RANDELLE: I mean, savings is the foundation of being able to build financial wellness and wealth in the long run. And just like many other hard things to do, the emotional stamina that it takes to delay gratification in the long run, it's better to start to learn that early on. So I think it's great as a teenager to start doing that. Just like you, I blew my money all the time, right? [LAUGHING]

So the first thing to start thinking about with savings is short-term goals. And many adults think short term as in like, OK, I'm trying to buy a house in three years or something, and I need a down payment. But you want to shrink it down to what is relevant for a teen's life, so maybe in a few months, they want to go to prom, or they want to save for the latest sneaker release or whatever it might be.

So build that habit, that discipline of saving for something in the short run, and teach them that that pays off over time. Once you have that established, then you can move to the long-term things. Now long term, we're usually thinking about something a few years from now. Might be saving for college or saving to move out or something long term. And we're using the word "savings," but what we really mean here is to invest that long-term money so that you have the best chance to grow for the future.

ALLY: OK, let's dig into that. Kelly, what do you say to parents trying to help their teens wrap their heads around that concept of investing or maybe their own heads? [LAUGHING]

KELLY: Well, first of all, I say, good for everyone dialing in today. I mean, I never spoke to my parents about investing, and they never spoke to me about investing. And so, I had no idea even what it was for quite some time, more time than I'm a little embarrassed to admit, but I'm in the game now, which is important. So I think the key with saving and investing is they actually go hand in hand. You don't have to necessarily do one without the other.

When I think saving, similar to what Randelle said, it's really about the short term, helping me achieve those short-term objectives. When I look at investing, I like to say it's like savings, but a little bit more muscle behind it. It's really for some of those longer-term options, those things in the longer term that you still want but you can't necessarily see right there in front of you. Investing is hopefully, and how I like to see it, it's using your money to hopefully make more money, and thank you for pulling up the slide because I think this does a good job.

The concept of compounding—so everyone, Albert Einstein—pretty smart guy, right? So he actually said compounding is one of the most powerful—I think he actually called it the eighth

wonder of the world. So when he's saying something is that powerful, [LAUGHING] we know we got to listen.

So if you look at this chart, which again, I think it does really well is that this actually illustrates what could potentially happen starting with $100 and at a 10% rate of return. So if we look at it through the course of five years, you can actually see how much it grows. Now, I don't know for many of you, including your kids, if they're listening in too, like how I even got started saving in the first place.

Because my parents, Mike and Paula, wonderful people, I do give them credit. They always told me to save my money, but when they said saving, it was in the course of a bank account. Now, I still have the bank account today, but looking at the interest that I'm making in the bank account, it's like pennies a month. The difference between compounding and investing in the stock market is you don't only get the interest, but you get the added rate of return.

You can get dividends. You can get other earnings baked in, which really helps accelerate that power of compounding. Now, I'm really highlighting the good, right? I always like to start with the good, but I just want to make sure to note that there's also kind of a negative or the bad effect of compounding as well. Because we're talking a lot about investing, but I'm sure a lot of you guys also talk to your kids about things like debt or getting credit cards and compounding is really good when you're talking about saving or investing money.

But when you're talking about borrowing money, which is also an important part of the financial conversation, the opposite is true. You know, nothing will make your debt grow quicker than interest, and compounding can help accelerate that. So when a bank or credit card company is actually lending you money, it wants that money back, right? Wants that money back plus interest. So if you don't pay your bills, excuse me, on time, you'll see that compounding interest can actually work in the opposite.

And it can actually quickly grow the amount of money you owe. So I just want to highlight like anything, right, angel and devil, good and bad, compounding works both ways. But compounding is so powerful, and at the end of the day, if you just remember, if Albert Einstein said it, it has to be true. Not just Kelly Lannan. You definitely want to take advantage of compounding, and that's a big reason why time's on your side, so.

ALLY: All right. Well, let's drill down into that positive aspect. Teens have an advantage because of their age. So how does that factor into their investing?

RANDELLE: Yeah.

KELLY: Sorry, go ahead.

RANDELLE: I'm saying, absolutely. Time is definitely on everyone's side the earlier that they start for real. [LAUGHING]

KELLY: Yeah, we're both so excited to answer that, so I apologize for talking over each other. [LAUGHING] The excitement is palpable, so I think I've alluded to it a little bit. Like the gift, the importance of youth when you start is just huge, and time horizon is really like your investing time horizon. How long you're actually going to hold that money and invest that money until you want to maybe take it, sell it, and actually use it for something.

My first instance of investing, for example, it was buying a home, right? So I had a time horizon. I was investing that money over a specific period of time, and actually, I did sell those assets, take it out to put towards a down payment. So again, that's just something that makes it real to me, but why time's on your side, just going back to the example of compounding, is that compounding is really combined of two things.

All the interest, the return that you're getting as well as time, and so the longer you have your money and you're investing, the more time you have to take advantage of compounding. If you go back to that slide, we only showed five years. So imagine if right now, teens, you're listening, you're 13, 14, 15, oh, my goodness, and you don't need that money for many, many years, like think of how many more years if we add it on to that chart. That's amazing, so I think that's really important.

And parents, you might not have the same exact advantage of teens, [LAUGHING] but that's totally fine. I mean, look at my example. I didn't even start investing in my retirement until I was 26. I started with Fidelity nine years ago, but you get in the game so I think it's a really important lesson. The younger you start, the more time your money has to build, so I think that's really important, and that's the key to building wealth.

And to be honest, we're in the dream-making business over here, everyone, and the more wealth you build, the more things we can achieve, having your goals is important. One more thing, and Randelle, I'll let you add on, is that when you are young—it's so funny, someone in a focus group said this recently to me that failure is a rite of passage for the young. First of all, can I relate to that? I mean, I can even relate to that now in my 30s, but still, failure is a rite of passage for the young.

So being young, starting out maybe making mistakes learning by doing. I mean, there's no better way to learn. We never want anyone to get in trouble, of course, but I think it's really important to note that when you are young, now is the opportunity to maybe make a few mistakes here and there. Starting small, of course, and then learning from them, so.

RANDELLE: Yeah, absolutely. I feel like when you think about—one of the values of this particular webinar is that you learn from your failures. When we all reflect back on our biggest lessons, we can think about, oh, I learned this because I failed, right? But the added benefit here is you can

learn from our lessons that we're passing on, and this particular illustration is a big lesson for me when I first got started in financial services.

So you have two friends here, Alison and Michelle. So Alison starts investing when she's 25. Again this is hypothetical. Alison starts when she was 25. She invests $2,500 into her company's retirement account, and many companies also match retirement contributions. So let's say her company that she works for matches her $2,500, and that whole contribution is $5,000 a year.

And at the end of the time period, let's say Allison retires at age 70, she has $1.6 million through the power of compounding. But Michelle, her friend, does the exact same thing that Alison did, so $2,500 she invests a year, her company matches that contribution to $2,500. So it's $5,000 a year, but she starts 10 years later, and as you can see in this chart, Alison almost has a million dollars more than Michelle.

And this is assuming, for the sake of this example, a 7% annual rate of return. So I don't want you to expect, teenagers, when you start investing, that your investing journey is going to be this nice smooth line. That's not really how real life works. You're going to have bumps along the way. Some years you're going to return more than 7%, some years are going to return less than 7%, but the main difference here is for you to see the value of starting earlier, even if it's only 10 years earlier.

And I'm going to talk a little bit more about what Kelly mentioned before because I resonate with that. Tony and Cheryl, my parents, [LAUGHING] had me started on saving really early, and I had the discipline of saving. I was putting it into a savings account, waiting for college, just putting it into a savings account because that's what they knew. But I learned that that education, that financial education, had a missing link early on in my career.

So I was helping these clients. This mother came in with her son. The son, a teenager, he was dropping off his paycheck from his job. This child, I ended up trying to learn a little bit more about them, talking about the weather or whatever it might be. Pull up the account for the teenager. I was blown away by how much money was in his Roth IRA. Right? Roth IRA! So I was curious. I just asked you know how did you get started?

And the mother said as soon as he started earning money, they started putting money into a Roth IRA for him. So if you think about it, he's never going to pay taxes on that money. He's had years and years and years of compound interest, and I tell you, at that point, he had more in retirement than I did. [LAUGHING] Definitely a great way to set somebody up for financial security and financial wellness over time.

Also mentioning this because I know I just gave an example for a 401(k), so one of the lessons is make sure that you're taking advantage of your company match when you start working, right? So that's a big lesson, but you have access to this compounding interest feature and a lot of different accounts that you can access even if you might not have a 401(k) to contribute to.

ALLY: That's great information. Kelly, anything to add?

KELLY: Oh, what a story. [LAUGHING] Who is this client of yours? You know, honestly, that's amazing, and that is something that everyone can give their kid. And to Randelle's point, if some of y'all are listening and what's a Roth IRA? Make sure you reach out to us at Fidelity, and we can help explain that to you.

ALLY: Yeah. I feel like you guys both mentioned your parents. My mom's getting mad if she doesn't get a shout-out. But Kristin and George, we did not talk about money as kids. It was just, oh, go out to the money tree and pick, pick, pick. [LAUGHING] So, I want to drill down into the risks. Like Randelle said, you're not necessarily going to get that $1.6 million in a straight trajectory. So Kelly, help parents and teens understand more about the risks and ways to protect themselves potentially.

KELLY: Yeah, and so I think it is important to know, first of all, you're always going to assume a level of risk when you invest that you don't necessarily take on when you just have your money sitting in a bank. So I do want to make sure that we're up front with that and personally, I'm naturally very risk-averse. I don't know about anyone else listening in, but I graduated in the middle of the recession.

And honestly, it has to this day scared me [LAUGHING] to the stock market to the point where I'm now educated enough where I understand that the stock market's going to go up and down and y'all we're seeing it right now. We're seeing it happen every single day, and it's scary sometimes to look. But graduating at 22, part of the recession, seeing the stock market go down, I remember seeing a 401(k). Someone actually said to me at my first job, hey, you have this thing called 401(k). Do you want to sign up for it?

And I was like, well, what's a 401(k)? Again, didn't really get educated on it, and they said money was coming out of my paycheck. I was making nothing at the time, OK, everyone, and then it was going in the stock market. And I looked at them like that was crazy, I was like, oh, my gosh. It's going in that thing, no way. And so, I said no way, and as a result, to this day, I am a naturally very risk-averse person.

That's just who I am, but again, the education has helped me get beyond that and understand that there is a way to start small. There is a way to protect yourself, but before I even get into that, I think it is important to take a step back and determine what is the level of risk you feel comfortable with? Because that's an important step. You must feel comfortable with even getting in the game in the first place, and that's what honestly holds a lot of people back. They're not comfortable. They're not confident.

So the inertia kicks in, and they don't do anything. So really, you must ask yourself how comfortable you are, like that's where your risk tolerance is, right? So it doesn't have to be scary,

but that is where your risk tolerance is. How I like to look at it, and the ladies and I were speaking about this the other day, let's think about hot peppers.

So I'm someone who every time I have anything, I put the hot sauce on there. My husband exact opposite, he's like, what the heck are you doing that for? You're taking away the flavor of the food if you do that, but I love it. So I love the spicy hot sauce, and so again, a little bit opposite to me in real life. But I almost think about it as, OK, we got the ghost pepper department of hot. I think we've all seen the ghost peppers, then we have the habaneros and the jalapenos, and then we have the mildness.

I'm very spicy, my husband's very mild. So again, kind of an out-there example, but sometimes I like to turn to food as we actually at Fidelity like to look at food for examples. But that's how I'd like to think about risk tolerance in kind of an out-there way, so and who knows, maybe some of you guys are eating right now and are going to the fridge and getting the hot sauce. But that's just why—yeah, Randelle said, yes, after this, that's my plan, Kelly.

OK, most important thing to know is one way to protect yourself from risk. We already talked about starting small, that's important is to diversify. I don't think, Randelle and Ally, have you guys heard the term, don't put all your eggs in one basket? Have we heard that before? Yeah, I always add it on. You put all your eggs in one basket. You drop it. You can't eat breakfast, and everyone likes to eat breakfast in the morning.

So all this means, team, is spread out your risk by putting your money in a combination of different investment types. I'm going to let Randelle explain these in a minute, but usually, we never recommend you going all in on stocks or all in on bonds or all in on cash because if you're all in on one thing or another—again, eggs basket, drop basket and you always want to make sure you're protecting yourself from risk.

So we recommend and say, hey, diversify your portfolio. Spread out that money. Peanut butter it everywhere, and so I think it's very important and I'll probably hand it off to Randelle in a second to go a little bit deeper because I know hearing what's a bond? What's a stock? We'll make sure we define that for you in a second.

ALLY: Yeah. I mean, you talk about those eggs, let's crack into those. So this is something that has always intimidated me, and I hope that the kids listening can hear that. Here are these grown women, and we started late, or we didn't do something, or we're kicking ourselves, so this is a total opportunity. Randelle, what are some of the basics that teens should know about?

RANDELLE: Yeah, very relatable. I'm going to do my best to make it as simple as possible because the truth is there are many different types of investment instruments. And we could be here all day, probably for a week, [LAUGHING] talking about all the different types of investment

instruments. But I think the best thing to do is start with what different types that teenagers may have heard of.

So mutual funds, stocks, cryptocurrencies, NFTs those are hot right now. So let me talk about mutual funds and stocks first. I like this analogy for explaining the difference between a mutual fund and a stock. So I'm the type of person that likes live music, right? So if you think about a stock, you're purchasing a ticket to go to a concert. You're seeing one artist, hopefully, your favorite artist.

They're running the show versus a mutual fund. You're purchasing a ticket to go to something like a music festival. Who's been to a music festival? Usually, there are a few artists that you really like. You're excited to see a little snippet of what they have going on. Maybe you learn about some new artists. Maybe see some artists that you're like, eh, they're OK, right? But the value is getting exposure to a lot of different artists with one ticket.

So let me move on to get deeper into what a mutual fund is and what a stock is. So a mutual fund is a collection of stocks, bonds, sometimes different instruments that are based on a theme. And all different investors, when you buy a share are pooling their assets together for the fund manager to act out that theme with the portfolio. So it's a quick and easy way to buy one share of something or many shares of something and have broad diversification.

So that's one of the advantages, like Kelly mentioned before, you'll have a mix of investment there spreading out the risk across a bunch of different companies. The difference there, though, is you can choose if you would like to buy just one company, and that's buying a stock. You're purchasing a piece of ownership in a company, and I say that, that you're a stockholder, you're purchasing a piece of ownership in the company because you're participating in how that company does.

When that company does well, the stock price goes up, you make money. When they're not doing well, stock price goes down, you're not making money. You're losing money. So you're putting more of that all eggs in one basket analogy, and, of course, there's different scales of risk for different types of instruments that you might consider, but stocks are just that one company.

And you might find that there's a whole range of prices for stocks. Some stocks are really cheap. Some stocks are really expensive. It's not a value judgment at all. But if you find that there's a company that you want to purchase and you can't afford, or you don't want to spend that much money on that particular share, you should know that there's a thing called fractional shares. Where you can just buy a piece of a share, kind of like you buy a slice of pizza. So that's stocks and mutual funds.

ALLY: OK, well, I think I've heard of these things called meme stocks. Kelly, what are they, and what do parents and teens need to know about them?

KELLY: Yeah, I think everyone did. It's funny with the meme stock madness happened last year, I had friends who had never talked to me about investing be like, what is going on with all these meme stocks out there? [LAUGHING] Like with this company that used to be good, wait, everyone's buying it now, what? So I think we all heard about it, and to be honest, it did cause a lot of questions.

It did actually get people more interested in this topic, and it allowed people to go educate themselves. Like what you all are doing today. But high-level explanation of what these are, is meme stocks are stocks that became very popular via word of mouth but particularly social media. People were talking about it on all these different platforms. Specifically, on Reddit, and as a result, people were acting on it.

For a couple of reasons, excitement drives actions. People were getting excitement and then something else was FOMO, right? The fear of missing out. People saw people diving into the stock market, taking action for the first time, and they're like, well, something must be going on. I don't want to be left out. I think regardless of age, you know, whether you're a parent or a teen, I mean, look at each other like FOMO is a real thing for all of us.

No one wants to be left out. No one wants to be caught on the sidelines. And so, those two things I think really kind of drove action, but listen, right? Like practical word of advice, whether we're talking meme stocks or anything, it's like the whole thing like my parents used to always say if your friends are going to jump off the cliff into the water, are you going to? Like it's that thing. No, you're not going to do it. So please, please, please, don't get swept up in some of these trends that are only momentary.

Don't necessarily let your feelings drive what's going on. Especially if you're just starting out, don't let the meme stock madness influence your decisions. I always go back, Randelle, when she was talking about stocks, bonds, et cetera, buy what you know. At the end of the day, if you're going to spend X amount of money on something like this, iPhone, obviously.

Maybe that's, OK, maybe I'll start small and buy $5 worth of this company or whatever you know and really lean into that.

And another kind of word of caution, if you can't explain to me what an option is, if you can't explain to me what margin is in a few sentences or less, teens, parents, you probably don't want to get into that. [LAUGHING] Until you do better educating yourself because that's another thing that kept coming up, is that we just saw a lot of people taking action, and they didn't necessarily do their due diligence with education. And they were just getting themselves into trouble, and we don't want that for each and every one of you listening in today, so.

ALLY: Yeah, well, I mean, other hot topics, and this is exploding topic-wise, talk to us about crypto and NFTs and how parents explain—I mean, to themselves or to their teens what they are and what they mean?

KELLY: Yeah. [LAUGHING] Randelle, I'll take this. So Randelle already referenced it as well. The buzz is getting louder. We're hearing a lot of people talk about it. Every time I post something or talk about something, the first questions out, "talk to me about cryptocurrency." [LAUGHING] So we get it, but so let's actually tackle two of those. So crypto, we'll look at first, and then we'll look at NFTs.

And they're not the same thing, so let me just make sure I say that. They're more like cousins, OK? So let's start with crypto. So crypto is short for cryptocurrency. What this is it's a type of digital currency or digital asset. You may have heard of things called Bitcoin, for example.

I could not even name them all to you. But unlike stocks, and I think this is important, OK, you don't need to know every single type of coin, but understanding how they work is important. So unlike stocks, where it's really tied to a company and their earnings, and how great or not so great they're doing, cryptocurrency is not tied to a company, OK? So it has no ramifications on how a particular business is doing. What's happening it's moving up and down based on other factors, like how much crypto is actually out there being traded, as well as how much other people want it, even sometimes through word of mouth.

These are all influences on whether cryptocurrencies is going up and down. But given the lack of regulations around cryptocurrency and, quite candidly, the lack of just like people understanding what it is, it's definitely in the high-risk category of investments. So make sure you understand the risk. Don't rely on word of mouth. This is just very important no matter what you're doing. So that's a little bit on crypto. So I'm going to move from crypto, and now, I'm going to go over to the NFTs, OK?

"NFT" means non-fungible token. Yeah, let me say that again, non-fungible token. That's why we just stick with NFTs, OK, team. So it's the ownership of a digital asset or property. They are used to record ownership of a one-of-a-kind digital item. Like I don't know, registry of deeds for online content. Now, these digital items, these tokens, they can be used to facilitate the sale of digital artwork, digital sports cards, individual tweets, and more.

So quite candidly, the list goes on a little bit but unlike owning a physical item, something I can actually hold, for example. Owning an NFT doesn't necessarily mean you can prevent others from using the thing you own, OK? Like sharing or posting about someone else's multimillion dollars worth of art, so that's why some of these are calling NFTs, you might hear this, like expensive bragging rights. And some people are looking at them as the future of collectibles.

Collectible, something you might be like sometimes you collect shoes, one of my teammates

actually he's big into collectibles, and he collects sneakers. But with NFTs, I think that remains to be seen, and the market value a little bit similar to cryptocurrency. It's really based on what someone is willing to spend on it or what collectively a group of someones are saying it's worth. So I know it's a little confusing, and I only gave you a preview.

To be honest, I've had a lot of conversations with a lot of people at this firm who are much smarter than I am, like can you please explain this to me because I have no idea what I'm talking about. So it is a little bit confusing, but my biggest piece of guidance is make sure you do your homework. You're going to start getting invested. Maybe these aren't the best options to start with until you learn a little bit more.

ALLY: That's awesome, and say fungible 10 times fast.

[LAUGHING]

KELLY: Impossible, right?

[LAUGHING]

ALLY: So we got some great questions that you all submitted when you registered for the webinar. So I want to make sure we save some time to tackle some of the issues you've been thinking about. Kelly, first and foremost, can a teen have an individual account at Fidelity?

KELLY: Yes. Yes, they can, and this is exciting, and I want everyone to listen, pay attention. At the end of last year, we launched this amazing product called the Fidelity Youth Account. And it's something we're so excited about because for the first time, we were allowing an account that could actually be created just for teens, 13 through 17. And it's actually owned by the teen, so it's not a custodial account, like a 529, UTMA, and others.

But the parent or guardian, so all the parents out there, you'll be really happy to hear that you can actually supervise this account with access to the account by seeing the activity. You can set up alerts to see what your teen is doing in terms of trading and transaction. You can close the account at any time, but we hope that doesn't happen.

It also comes with a debit card as well. Parents can help put money and deposit money directly into that account. So this is something we're really excited about. We've gotten some great feedback. We've seen a lot of teens open this account because, really, you can learn by doing. And actually another thing too, I just want to mention because who doesn't like a good offer, right?

Is that for a limited time right now, if you're going to actually open a Youth Account, your teen,

OK, so all teens listening in, we're actually going to give you $50.00. You know, deposited into that account once it's opened for you to get started. It's our way of saying thank you, and it's our way of giving you a little bit of money to dip your toe in investing and then seeing what happens after that.

ALLY: All right, well, my daughter always wants to know when she can get rid of me. So [LAUGHING] I have a teen. I'm doing it through the Youth Account. I've got the guardian or parent or other guardian, but now I've aged out, and I'm ready to be on my own. How does that transition work?

KELLY: Yeah, so when a teen does turn 18, the account can then be transitioned into a Fidelity Brokerage Account for free. And that actually removes some of the parental supervision controls that are already on there. As well as opens up access to some of the guardrails that we put in place around trading and other things for the teen to use that.

So the good news, same account, just a little bit different, and you don't have to reopen anything. So it really is a great product, and our goal here is to make it as easy as possible when you transition and turn 18. And that really was a big part of creating the Youth Account.

ALLY: Yeah, I know all my kids are just totally interested in hoarding their money. So Randelle, talk to us. You know they'll say, well, I don't have money to buy stock. I want to buy these clothes and makeup. How can a young investor with limited money, I mean, do you have to be rich to get started in investing?

RANDELLE: Yeah, I think that was a misconception that held me back for a while. Like I'm going to wait until I have more money in the bank until I start investing, but that's for rich people, right? No. [LAUGHING] You can get started with just $1.00, just $1.00. We try to make it as accessible as possible for everyone because everyone deserves to benefit from all of these things that we talked about.

Compounding your money over time and building financial wellness over time as well. Don't forget that they could do dollar-based investing. They can buy fractional shares of stocks if they don't have enough money to buy a full share of stocks, and really at the end of the day, it's around the discipline of getting invested. So just the habit of investing over time is going to build wealth. You don't need to be rich in order to do that.

ALLY: All right, well, let's say that habit pays off and the teen starts investing, makes a little money. What do parents and teens need to know about taxes?

RANDELLE: Well, there's good and bad news there. So if you sold things at a gain, you've made

money, congratulations. [LAUGHING] Right? Well, that's good, but yeah, if you make money, you might have to pay taxes. It's important to know at Fidelity we're not a tax firm. We don't give tax advice, so you'll want to consult a tax professional regarding that, but something to consider there.

ALLY: All right, well, OK, so how do I encourage my team to balance the long-term potential of investing with his or her current FOMO, YOLO state of mind?

[LAUGHING]

RANDELLE: FOMO, YOLO, all of these different things seem to direct teens in their lifestyle. I know my nephew was always talking about these things. FOMO can work out here, right? Fear of missing out on the ability to build wealth today. Time is your most expensive asset. You can never get it back. You can never get it back. And the good news is time in the market is the biggest component of whether or not somebody will be financially successful or have that financial stability over time.

So teens should take this into account when they're thinking about starting investing, which is to start investing as soon as possible. We've laid out all the different ways to make it easy. All the different ways to make it accessible and time is on their side in so many different ways. So we talked about compounding, regarding just the time that the money is in the market and those returns have time to make returns, and that's a way to lead to success.

But also time for what we're going through today is inflation, housing prices are high. Time helps you build resiliency to be able to endure those storms that will inevitably come as we're investing over decades and decades of time with unknowns in the picture. So bottom line, FOMO, but you don't want to miss out on starting today. [LAUGHING] Right?

[LAUGHING]

ALLY: BRT. [LAUGHING] So, Randelle, I want to ask—and Kelly, I want to ask both of you two things since we have a little bit more time. I want to ask if you have a personal mantra you'd share with teens who are just getting interested in investing, but also, what would you tell your younger self right now? Randelle, let's start with you.

RANDELLE: Yeah, so one of my favorite personal mantras is a goal without a plan is just a wish. I can remember sitting in my bedroom, posters on my wall, and looking at all these people I idolize. And I want to live that kind of lifestyle, and I want to live a life where I'm able to do more things because I want to, less because I need to, right? And not really laying out a plan as early as possible about how to get there is something that holds me back.

So make sure that when you're thinking about the things that you want out of your life in the

future, that you put plans together and that you start to take action to those plans as you're moving through life. And if I could give younger Randelle a piece of advice, the biggest thing, and I mentioned this before, is I was socking money away, stacking my bread in my savings account. But it wasn't invested, so learn how to invest. Learn the discipline of investing early.

ALLY: All right, I won't make you date yourself and tell us who was in those posters on the wall. [LAUGHING] So we'll give you that grace. Kelly, how about you? So two questions again, personal mantra you might have, and what would you tell 15, 16-year-old Kelly?

KELLY: Yeah, so I do love what Randelle said about time can help build resiliency. I'm going to take that with me, so I just wanted to make sure I repeated that one more time for everyone listening. But a personal mantra of mine that appeals to both looking at my financial life and in everything else is that there's so much about the world we can't control. So I like to take what I can control and kick the crap out of it.

That's really a personal mantra of mine, and then tell my team and live by it. And Randelle mentioned a bunch of things that are just going on in the world around us each and every day and in the financial markets that are so out of our control. Out of a lot of people's control, but take what you can control, take the money you have, put it to good use. Start small, take advantage of time being on your side. Make sure that you're putting in your control that you're actually having these conversations. Make sure you ask questions.

I'm someone who—I'm never the smartest person in the room, [LAUGHING] I know that for sure, and sometimes, like anyone, no one wants to feel dumb or stupid. So sometimes you don't ask questions. Make sure you do because chances are everyone else might have those questions as well. So again, take what you can control and really go after that and focus on that. And then, if I was to talk to 15, 16-year-old Kelly, first of all, I would say listen to your mother more, don't be so mean.

That was what I would first of all say. But second of all, I think investing, like again investing wasn't even a thing. I never even thought about it. But now that I know, now that I'm educated, and I understand that it can just help you make more money, and wealth just leads to opportunity. I would just tell a younger self like get started. Get in the game. Even if it seems scary, get in the game. Get started and start small, so that's what I would tell my younger self.

RANDELLE: And I would add something, just one other thing that I think I've struggled with too. With the ability to feel like I would start something new and take a risk while I'm under the monitor and the support of my parents in their household. So right now, if I make a bad choice with my money, way higher stakes, [LAUGHING] than when I made a bad choice with my money as a teenager, so I just wish that I tried more things too. I would add that. [LAUGHING]

ALLY: You know, back in my teenage waitressing days, no matter how long I'd worked there, I always said it was my first day because everyone's like, awe, and they were so much nicer to you. So just admit that you don't know everything. I'll ask you guys too, so, OK, obviously, if teens are watching and they're here, and their parents are here, they're invested. How do they get going?

RANDELLE: Really, you can go to Fidelity.com and open an account in, I don't know, it's like five minutes. It's really easy [LAUGHING] to get started. Just start today.

Don't forget that when you do open an account, teenagers and parents decide to maybe use one of those Youth Accounts. Putting the money in the account is one step. The second step is to actually invest it in something, so don't make the mistake of thinking that because you put the money in the account, it's invested. Make a choice and if you need help, be curious. Don't be afraid to ask for help. [LAUGHING]

KELLY: Yeah, I think that's really important. The hardest thing is just getting started. I think we can all agree on that, but check out the Fidelity Youth Account for all the teens out there. And I do want to stress what Randelle said. You've got to open the account. You got to put money in the account.

And then, you have to make some decisions on then what to choose to invest in. It's really a three-step process, and then you have the opportunity and the ability to observe and see what happens and learn from that and make other decisions based upon what you're learning. And there's a ton of education in there as well that can help guide you and kind of hold your hand throughout the entire process.

ALLY: Yeah, let's point to that education tab on the Youth Account Page. It'll give you everything you need. There's a link up there on the screen, and you and your teen can find all the additional resources there to help keep this conversation going. So Randelle Lenoir and Kelly Lannan from Fidelity Investments, thank you both so much for being with us.

RANDELLE: It was a pleasure.

KELLY: Yes, thank you. It was nice to meet everyone out there. We're always here to help. So make sure you reach out to us, and thank you so much for inviting us into your homes today.

ALLY: Amen. Thank you to our audience for tuning in. We hope it was helpful. I'm Ally Donnelly. Thanks for joining us. See you soon.

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