

TRANSCRIPT

## Money fundamentals for your teen

*Presenters: Heather Hegedus, Kelly Lannan, Alex Roca*

**Heather Hegedus:** Hello there. Welcome to Money Fundamentals for your Teen. I'm

Heather Hegedus. I'm an editor and an on-air anchor for Fidelity Viewpoints Team. I'm also the host of the Weekly Fidelity Investing show, Market Sense. And we are so excited to have you join us here today to talk about money fundamentals for your teens. So as a mom myself, I am so excited to be part of this conversation to talk to families just like mine, who are thinking about ways to start a dialogue really and try to put into practice the financial basics that they will need to succeed.

You know, I know these days, teens are learning about this through social media, about finance, from things like TikTok to be candid. So, I'm so excited to have a pair of professionals from our team here at Fidelity today to talk about teens and money with you. And over the next half hour or so, we're going to be talking about the fundamentals of smart saving for your teen. We're going to be talking about starting to invest as a teen helping to give them a head start. We're also going to be talking about the Fidelity Youth account, and we're going to talk about how that can help your teen put some of these fundamentals into practice.

So, I'd love to start by introducing our panelists. Kelly, why don't you start by introducing yourself?

**Kelly Lannan:** Yes. Hi, everyone. And thank you, Heather. I'm so happy that you're all joining us today for this conversation. It's always one of my favorites. My name is Kelly Lannan. I'm a Senior Vice President at Fidelity. I focus on our next generation of customers. And my job is really engaging and giving hopefully inspiring this next generation of customers to engage more when it comes to their finances. And so happy to be here today.

**Alex Roca:** Hi, everyone. And I'm Alex Roca. I'm a Workplace Financial Consultant for Fidelity. So, I provide onsite educational workshops and one-on-one support to Fidelity 401(k) clients and their employees to help them better understand their financial needs. I'm usually talking to people that have already started their careers, and they're trying to figure out whether or not they're on track or if we need to make some changes to get them to be on track. I'm so excited to be here today to talk to those of you that are starting-- out just starting out because we want to help set you up for success right from the start.

**Heather:** Well, I'm so excited to have the both of you today. So, thank you so much for making the time out of your busy schedules. And we do want to dive right into it because I know for the parents watching this it's not easy right talking to your kids about finances when you feel like maybe you don't even candidly have it all figured out yourself. The good news though, is you don't have to have all of the answers. So that's something I really want you to take away from this discussion today.

You really, instead, kind of want to put your head in a place where you're focusing on being a money mentor. And that means practicing good financial habits and providing a lasting example of saving, spending, and open financial communication. And that can include being honest about mistakes that you might have made in your financial past.

But really, that is what you want to think about is being a money mentor even if you don't have all the answers. So, to that point, my first question to our panelists is, could you share with us what the first hard lesson was that you had when you were learning about money? And Kelly, let's start with you.

**Kelly:** Yeah, digging right in there, huh, Heather? So, is it OK to cheat and maybe share two, Heather?

OK. So, these both actually happened shortly after I graduated and joined the quote unquote, "real world." So, number one, I'm from the Boston area. I don't know if anyone else out there is from the area. I went to school in New York, and I was moving back to Boston. And I did not want to live with my parents. That was like number one. I got to go out on my own. I got to get my own apartment. So super stoked. Found a great apartment with one of my friends.

And the landlord at the time said, oh, great, but you know, Kelly, you need you need a cosigner. And I was like, well, why do I need a cosigner? And they were like, well, you have no credit history. And I was like, well, I'm a nice person. I have a job so I didn't realize that the importance of building credit had such an impact on what you could end up doing with your money and in this case, actually rent an apartment. Now, I was very lucky that I had a dad, who could co-sign, but like if he hadn't, I'm not sure what I would have done. So, the importance of building credit at an early age is something that I wish I knew sooner. So, OK. That's number one.

Now, I guess I'm throw myself into the bus one more time. About a week later, when I started my first job out of school, I was working in the restaurant industry at the time. Now, I graduated in the middle of the recession, right?

Stellar time to get out there in the open. I often joke, but I'm not joking. Our graduation speaker said to us like, you can be anything you want maybe not right now. But when I got my first job, I was offered the chance to open up a 401(k). So, employer sponsored retirement plan. I hope everyone on this call has one of those, and obviously, that's a lot of the work that Alex does as well. But it was described as me as money was coming out of my paycheck, so I was making nothing. And that money was going to my retirement. I was 22. I was never going to retire, and I was going to the stock market. And I was like, are you kidding me? No. No way. So, I said no. I did not opt to open this account, and as a result, especially knowing what I know now, it was a little bit of a mistake.

So now, I'm in the game now. Started investing for my retirement. I got to Fidelity, but those are the kind of the two kind of hard money lessons that I will never forget I use a lot when I'm talking to others. And hopefully, anyone out there will not make the same mistakes as I did. So.

**Heather:** And I'm sure that you've changed your mind on the fact that you're never going to retire. That's what you thought when you were younger. Haha.

**Kelly:** I mean, I do love my job, but yeah, it's not that much. So.

**Heather:** How about you, Alex? What is the first hard lesson that you had to learn about money?

**Alex:** Mine is actually so similar to yours, Kelly. A big money lesson was learning about the importance of having a good credit score. When I was growing up, I remember hearing horror stories of people taking out credit cards and then getting in trouble because they weren't able to pay it back. And because of this, I was terrified of opening a credit card or borrowing any kind of money. By the time I was 24, I decided to get my first credit card to help build my credit.

And guess what? No one would give me a credit card, right? No one would give me a credit card because very much like you, Kelly, it wasn't that I had bad credit. Is that I had no credit, right? So, no history to tell them whether or not I was a good borrower. And so, it took a really long time to find a company that would actually give me a credit card.

And I wish that I had taken the time to research different ways, other ways to build credit because by the time, I wanted to buy a house. I couldn't. Similar to the credit card. I had no credit card history, and no credit card company wanted to give me one. So, it took a really long time for me to build that credit in order to become a homeowner.

**Heather:** Hm. That is a tough lesson, Alex. You know, I'll share two my first hard lesson was something maybe that a lot of the people watching this, who have teens can relate to was that I grew up in a town, where a lot of kids were given stuff. You know, cars, clothes, and I wasn't. And I wanted to get a prom dress. And I had my heart set on a hot pink prom on which talk about throwing yourself under the bus, Kelly.

Against my better judgment shared this photo of me in that prom gown, but it was \$300, which was a lot of money back then. And back then, you had to get the dyed shoes to match. I don't know if they do that anymore. And get the matching earrings. So, it was a lot of money. And I somehow raised that \$300 by babysitting. And I also was a trolley tour guide in Salem Mass if anybody is from the New England Area. But it--

**Kelly:** If we get a picture of that too—

**Heather:** I know.

**Kelly:** Heather.

**Heather:** I know. I wasn't dressed in a witch costume. There wasn't anything exciting about that other than being on the trolley. And then also, kind of throwing myself under the bus so to speak like you said, Kelly, another big mistake that I

made was I actually forgot to spend my FSA one year. Similar to you, Kelly, where I was just starting out and I was so engrossed in my job. And I just thought that if I worked really hard, I'd be financially secure, but nobody took the time to really talk to me about making sure that my finances were being looked at and managed and that I was paying attention to them.

And I just completely forgot to spend that FSA money because I was so busy at my job. And that's a really awful feeling-- losing your hard-earned money. So, I would say one important takeaway from that is it's good to have an adult even when you're in your 20s talking to you about not leaving money on the table which I did. And that sort of segways to the next question that I had for you both, which is how do we talk to teens about the importance of savings, speaking of having those conversations? You know, maybe we should just start off, Kelly, by talking about conceptually why saving is so important.

**Kelly:** Yeah, and this is something that probably a lot of folks are listening. Well, I know that, right? We were all teach to save at a very young age, but it is such an important step to reach your goals. And how I think of savings is both in the short and the long term. And starting with short-term goals, what we all define on this call as a short-term goal, it could be very different for a teen on a very different timeline.

You know, let's use your prom dress example, like where we might be talking about saving for prom in 3 months versus adults, who may be in the short term, they're just saving it up for a down payment, or even a car, or something, or a big trip with their family. Very different timelines, but equally as important is to save against that timeline. But then I look at the long-term savings and saving for the future.

You know, I think of investing often as saving just with a little bit more muscle behind it. And we're going to get to investing shortly but you can also save for the longer term through different ways, whether that is saving in a high yield savings account, whether that's investing your money. But both saving for the short and long term are both equally as important to one day reach those goals.

**Heather:** Are there strategies that you and your team are using to help teens save, Kelly?

**Kelly:** Yeah. No, so that's a good question, and it's interesting. When we talk to a lot of teens and hopefully, folks on the call can relate, teens are actually really passionate about help me find better ways to organize my money. Teens have goals too. Goals aren't just for people, who are not teens, right? And so, a lot of

teens, it was so funny. Like a lot of teens talk to us about this concept of envelope stuffing.

Now, I don't know if y'all have heard about this or seen this trend on TikTok, but it was a trend of people actually taking envelopes, writing their goals on them, putting cash in them, and then sticking these envelopes like under their mattress or in a hidden spot in their room. So, what we decided to do-- and we're going to talk about the Youth App Experience in just a little bit-- is that we decided to, how can we digitalize this strategy? How can we take the concept of this envelope stuffing, this concept of bucketing your money, and creating an experience that does just that?

So, I really like it because it's like taking the money coming in, bucking it into the different goals that you're saving for, and separating them from each other-- automating saving towards them. So that's one strategy that we've leaned into pretty hard with the Youth Experience and for teens, who wanted to take a concept they already understood through this envelope stuffing, through this trend on social, bring it into an app-like experience, and just make it easier for them to save for all the things that they care most about.

**Heather:** Alex, I'd love for you to break that concept down for us even more. With that envelope concept, what are we really doing?

**Alex:** Absolutely. I would say let's break this down even more. We're taking kind of a five-step approach to saving. So, what we're really teaching our kids is first, we need to define our goals. What is it that we're really saving for? It's important for kids and teens to understand the why of what they're saving for. We're not just putting money into an envelope or into an account just because.

We're doing it so that you can buy your sports equipment, a senior trip, get those concert tickets you've been talking about or dreaming about, or maybe even save for some college expenses. It makes such a difference when we know why we are saving, right?

Now, next we need to know what our income is. Now, obviously, this can be anything like allowance or gifts from grandparents or other family members but knowing where your money is coming from is just as important because it's important to know that it doesn't just grow on trees. Now, third is going to be expenses. No, kids don't usually have any expenses right now, but we're trying to get them to think about the things that can eat into their money.

Now, don't worry. There's no mom tax, but maybe, they use part of their savings to buy snacks during school events. We want them to recognize that this is being subtracted from their balance and potentially, their ultimate goals. Now, this brings us to our fourth step, which is having that conversation about what's

really important. Maybe, it sounds a little like, hey, son, when we first started saving, we said, the tickets to the game were the most important thing.

But now, you really want some candy at the store. Let's stop, and let's talk about it. Have them consider what they actually want to spend their money on and what's most important to them. Is it those tickets, or is it that candy? This is going to drive that savings process. It's not just about the now but the long term as well.

This is going to build that habit for when they're making adult decisions for what they should do with their money. And this leads us kind of to the final step. And it's just to keep at it. We encourage and support them when they make decisions to keep working towards their savings goals, and then we reward them when it makes sense.

Heather: I love it how you said, "There's no mom tax." But still important to emphasize with them that maybe they're using part of their savings to do something else important too.

Kelly, to your point too about having leftover money too, I have an almost three-year-old. She already has a piggy bank. So, you know, you're never too young to start saving. Let's--

**Kelly:** Love that kids are still using piggy banks nowadays. I have a one and two-year-old, and they have a piggy bank. I thought that was like old school, but it's still a thing. So.

**Heather:** No, it's still very much a thing or a virtual thing too, right?

**Kelly:** Love it.

**Heather:** Virtual piggy banks are out there. All right. Let's transition from saving into investing now. So, my first question for you on this topic would be, what would you say to parents, who are trying to help their teens wrap their heads around investing as a concept because it can be a little bit difficult at first, Kelly?

**Kelly:** Yeah, and so great question. And I first want to start off, and Alex, already hit upon this, and I think all three of us will stress this a few times today-- the importance of talking to your kids about money. The importance of talking to your kids about investing. Keep doing it and look for those opportunities to do it often. My parents are wonderful people. We never talked about investing. We never talked about money. Like we really left the money conversations out of our day to day, out of the dinner table. And we're trying to encourage--

**Heather:** Same in my family too, Kelly. You weren't the only one. Yeah.

**Kelly:** You know, and so we're trying to bring it to the table. Bring it to the dinner table. Have those conversations. And we fully recognize that in order to have those conversations you need to also start to build your confidence. So, everyone attending, you're already doing that by showing up today. So, I'll also say that a few times. So, we're also helping to educate all of you. So, for let's first start with the definition. You know, investing is using your money to hopefully make more money.

Remember, my analogy on investing is savings with a little bit more money? You know, excuse me. With a little bit more muscle behind it? And I really like to use the "rising dough" example. This is such a pandemic trend, right? When everyone was baking bread for the first time. But this is kind of how that concept of compound interest works. By compound-- excuse me. Combining flour and water and yeast, the dough expands and rises.

And compound interest, well, it really works in the same way. And if you look at the chart that we have on screen, this is just an example, where if you're starting with an initial \$100, you have a 10% annual rate of return. How that money can compound and grow over time. Compound money is good when you're saving and investing money, but also, disclaimer, we'll also talk about this a lot.

It's important to note that can work in the opposite when you're borrowing money. So, make sure that you have that top of mind. Like when a bank or credit card company lends money to you, it wants that money back plus interest. So, compound interest works in both categories. But of course, we look at compounding as a way to invest your money to make it grow just a little bit quicker.

Full disclosure you know our lawyers told me to say this that compound interest it doesn't guarantee profit or protect against loss. So again, you always want to protect yourself from that risk as well.

**Heather:** What was that mantra you said that investing is saving money but with more muscle? Is that what you said?

**Kelly:** A little muscle behind it. So yeah, I try to work out consistently. I don't do it as much the kids, but that's what I think about. Just as I'm working to build muscle in my body, I want to work just as hard to build muscle in my savings, right? And in my investing and so that's kind of how I look at it.

**Heather:** I think that's a great analogy, and I think that analogies are always helpful for explaining concepts to kids. So that's a good one, Kelly. I'm going to use that one.

All right. So, there's an old joke that youth is wasted on the young when it comes to investing though. As you said because of compounding and other things, youth really is a gift. So, I was hoping you could talk about that, Kelly, about how age really can be used to your advantage when it comes to investing.

**Kelly:** Yes, definitely. So, we've already kind of talked about this a little bit with teens. They are maybe thinking more short term, you know. Things like prom, and graduation, buying a car, saving for college, right? But longer term is equally as important because that chart that we looked at on compounding and really showing how it works? Well, the younger you start, the more time your money has potential to build. Potential to grow. And the more likely you are to build wealth.

The other thing is I referenced the recession, and candidly, how that scared me a little bit with the stock market. But when you're younger, you have the opportunity to weather the constant ups and downs of the stock market as well. And also remember my money lesson from earlier? How didn't I take advantage of that for one when I was 22? Oh, man. Do I wish I had started earlier.

I didn't start until I worked at Fidelity 10 years ago when I was 28. And what I would imagine that money paying off-- you know had I started at 22? But here, we're talking about teens. Like Alex and Heather, can y'all imagine if we started to invest or we had the opportunity to invest when we were teenagers?

**Heather:** Oh.

**Kelly:** Wow. The power of compounding would be just amazing to see.

**Heather:** Yeah, talk about a missed opportunity right, Alex.

**Alex:** I know. I know. And—

**Heather:** I think the good news, though, is that we can do better for our kids, right?

And that's why we're all on this call. So, any more thoughts, Alex, here on how we can better our markets than we were when we were 13?

**Alex:** Absolutely. Absolutely, Heather. In fact, what we're looking at right now on this slide is this hypothetical illustration of two people who started investing at different ages. So, we're really wanting to show the influence or the impacts that starting sooner can have on your end goal. So first, we have Alison. She's 25 when she started investing, and she started with \$2,500 in her company's retirement account.

Now, her company matches her contribution with another \$2,500 for a total of \$5,000 as an annual contribution. The contributions are going to continue this way for several decades, right? Now, the second person we're seeing here is Michelle. She's 35 when she started investing, and she does all the same things and gets all the same numbers as Alison. Now, considering that they contributed the same amount. So, they were saving the same amount. They had the same employer match, and they were both invested similarly, earning on average about 7%.

The only difference between these two people is that they started 10 years apart. Now, look at the difference on what each of them is going to have by the time they go to retire. This is the power of compounding. The sooner you start, the more time your money has. That potential to grow. Now, remember that investing does involve risk, and you could lose money in a down market.

Now, I'll share just a quick bit. Like I said earlier, I work with a lot of customers, and I had a couple who had their daughter. She was 16, and she had just started working at an ice cream shop. And they opened for her a Roth IRA. They taught her to start saving 10% of anything and everything she made.

**Kelly:** Wow.

**Alex:** Think about it. I mean, Heather, Kelly, we're talking about looking at somebody who started at 25 versus 35.

**Kelly:** Yeah.

**Alex:** Imagine somebody who started at 16. Now, I know this is hypothetical, but I would love to go into the future and look at this girl's account. Right? I can't even imagine the kind of balances that she's going to have. Now, let's remember of course that this doesn't take into account losses, taxes, or inflation, but it is still fun to see what a big difference it makes when you start sooner.

**Kelly:** I wish I knew you at 16. So, I was like a lifeguard basically my whole teen years. One of my favorite jobs. I would still do that to this day if my pool was open year-round, but you know, I wish I had known that to be able to take some of those earnings over the summer and put that to use. And I think it's also important like you don't necessarily need a job-- a full time job to start saving for retirement either. So, all your kids out there, who are working-- there's an

opportunity there for them to open accounts with you or if they've earned income a Roth IRA is a great example.

And the other big reason why youth is such a gift because it also gives teen the opportunity to learn earlier, to possibly make mistakes earlier because they have such an abundance of time ahead of them for those market swings. And someone who is a little bit older, who may be needing that money for their retirement for example, we don't want them to take big risks. But while they're teens, if they're putting a little bit here and there, they have the opportunity to do so as well. So that's a great story. That's cool.

**Heather:** That is pretty cool. And yeah, you make a good point too, Kelly, that you don't have to have a-- when you're 16 years old, you're obviously not going to probably have a full-time job, right? But even as a babysitter, you could start. You could open an account and start saving for retirement with your babysitting money, right?

**Kelly:** Yeah.

**Heather:** Not that 16-year-old is thinking about that. But that's why we're having these conversations like you said at the dinner table. OK. Let's start about the growth in popularity that investing has seen over the past couple of years. We've really

seen this take off specifically with young people starting out. Kelly, what are you seeing now?

**Kelly:** Yeah, and so it's interesting you say not necessarily a 16-year old's thinking about it. Well, we've actually seen more and more over the past couple years that teens, younger individuals, our next generation of investors, have really leaned in and started asking even more money questions. Every year for the past couple of years, we've conducted our teens and money study. And just a few facts that I think are important. 23% of teens actually told us they were investing in 2023.

Now, while that number may seem small, that's up from 20% in 2022. So, it's already shot up 3 percentage points within a year. Half of the teens that are currently investing or plan to invest-- they say that they're in it for the long haul, which is wonderful. They're seeing that as a longer-term play. It's not something necessarily for short term gains-- excuse me. And for them to recognize it as teenagers that that's really inspiring for them to see.

And you know, nearly 3 and 4 teens, who aren't already investing, they say that they plan to start before graduating college. And that's up from about 2/3 in 2022. So, we're seeing the growth in interest, and hopefully, just continues to

accelerate, especially as all of y'all listening are going to start to have more of those conversations. But it's really promising to see the interest increase over time.

**Heather:** Yeah, it's really exciting to hear that and encouraging. All right. On the flip side of that, I know we've heard a little bit about the risks involved with investing. So, it is something that parents need to kind of understand and be comfortable with. So, Alex, I'm wondering when you do sit down with parents like that 16-year-old who worked at the ice cream shop, how do you help parents and teens, not just understand risk, but sort of learn to be comfortable with some level of risk?

**Alex:** That's such a good point, Heather, because it is a hurdle to overcome, right? And so, the first thing--

**Heather:** Mental hurdle.

**Alex:** --want to say--

**Heather:** Right?

**Alex:** It is. It is because it's something that you almost have to like to overcome. Like I'm going to risk this money. I'm going to put it into the stock market, and we'll talk a little bit more about that. But what I want to start with is if you have a goal in mind, right? Whatever that goal is. And it's X amount of money. If you only save, you have to save every single dollar up to the goal that you have in mind. But if you Kelly, that analogy of the flour yeast and water is brilliant. I'm stealing it. I'm using it for the rest of my career. I absolutely love it because that's exactly what investing is going to give you. Now, let's to look at it a little bit closer. Whenever you're investing, you're always assuming a level of risk. However, you also get to choose that level of risk. Oftentimes, when I'm talking to customers, they hear the word "invest," and they quickly think of investing in stocks and the volatility associated with the stock market.

Now, that is one of the options when you invest, but it's not the only one. It's important to recognize what you are comfortable with and start from there. Think of it like choosing the spice level on a dish when you go out to dinner. You could go fire hot, but you don't have to. You could order it mild or mild plus instead, right? Investing is really, really similar. There are all kinds of spice levels, and you get to choose the right one for you.

Now, before you invest, it's important to think about what risk you're comfortable with. This is what we call your risk tolerance. And then you're going

to want to think about when you're going to need the funds as this too is going to help determine what kind of strategy you should implement. Kelly, I think you touched on this a little bit. That short term versus long-term saving strategy?

So, what I want you to think about is if you're saving for something that you want in the short term-- think two years or less-- you're more than likely going to put your money in an investment that is very, very conservative. I'm talking like a savings account, right? Something like a money market because if your goal is going to be to need it in 2 years, you're going to want it to be there in 2 years. You're not going to want to risk that money. But if your goal isn't for quite some time-- think 5 or 10 plus years out, then you can be as aggressive as you're comfortable with because you have the time to navigate those highs and lows of the stock market.

**Heather:** And order to your comfort level with the spices, right? I like that analogy a lot. Not everybody's going to be able to tolerate Fire Department level. Not me, but you know. You can customize.

All right. Now, what about investment types, Alex? What are some of the basic types of investments that teens should know about and potentially, consider?

**Alex:** Absolutely. So, the truth is there are so many different types of investments that it's too many to really go through, right? So, what I will say the basics are stocks, bonds, and short-term investments. Stocks are generally the most aggressive investment choice. Bonds have their own level of risk, and typically or typically less than stocks, and then we have short-term investments at the lower end. So, these would be considered like the most conservative of the three options that we just went over.

I want to dive into specifically stocks because I think that's the one, we hear about the most. Now, stocks are pieces of ownership in a company. Let's bring a visual to that. This represents a company that is sold in the public market. When you buy a stock of the company, you're buying a little piece of the company. If the company's price goes up, the company value goes up. So does your little piece, right? So, when a company wants to raise money, it can sell parts of itself. The little shares, right? And as the value goes up, so does your share.

Now, if that company stock increases in value, you're making money. The opposite can also be true, right? If the company loses value, so does your share, and therein lies that risk that we hear about with stocks. Like I said, there are a lot of stocks, bonds, and short-term options. And it can be almost like a part

time, job filtering through all of them to pick the right ones for you. Because of this, mutual funds were created.

Think of a mutual fund almost like a pie. A pie has a lot of ingredients. But when you take a piece of a pie or if you take a bite of a pie, you get a small piece of each of those ingredients. Mutual funds are very, very similar. They're made up of many investments. Some of them are made up of stocks. Some of them are made up of bonds. Some of them are blended, right?

And when you buy a piece of that mutual fund, you get a little bit of each of the investments within the fund. If you're looking for an aggressive strategy, you're going to look for a mutual fund that has a lot of stocks inside of them. If you're more conservative, you're going to look for a mutual fund that has more bonds and short-term investments. There are also a lot of mutual funds out there. So, once you research and find the ones that best align with what you're looking for, you purchase it.

Now the people who manage that mutual fund-- they are the ones who decide what goes in it, right? They're the ones deciding if it's an apple pie or a coconut pie, right? They're deciding what companies they're actually going to invest. They'll pick the investments. They'll manage those investments that strategy, and they'll rebalance it over time.

Now, in addition to leaving the management to a professional, an advantage of a mutual fund is that it can be made up of a diversified mix of investments. That means that you're not just buying one company stock or one type of investments. You're buying into a lot of different investments. And if any one of those investments were to fail, they're not the only thing in your account.

You would have a lot of other investments in there that could potentially hold up the rest of your account. This is going to be really important because that's why diversification or diversification is so important. You might have heard, "Don't put all your eggs in one basket." This is very similar when it comes to investing. Make sure that you're investing in a lot of different companies and a lot of different things so that you have that protection.

Now, I do have to say-- Kelly, to your point-- that our legal team did want me to say that, hey, just because you're diversified it doesn't necessarily ensure that you're going to have a profit. And it does not go to guarantee against the loss, but it is a way to mitigate that risk. You're spreading that risk among many things instead of just that one company.

Now, something really cool is that with the new Fidelity Youth Basket Products that we just launched last month for teens; they can invest in a wide range of companies around different themes. So instead of having to choose between stocks, bonds, and that kind of stuff, they get to choose between actual themes

like games, social media and connectivity, entertainment, clothes, shoes and beauty. And they can trade them as a single investment, making it an easy option for them to have that diversified portfolio.

**Heather:** That is so cool, and I think it's a great way to get them excited about it. If a teen has a certain area of interest-- like I know my young daughter already. She would probably invest in beauty because that's something that she's interested in. So, what a great way to just sort of like get them excited into and just like kind of jump into it. And also, I hope everybody out there watching uses your pen strategy to explain how stocks work because that was just brilliant. Brilliant and something that we all have.

**Kelly:** Wait, I thought that. And then what's a coconut pie? I was fascinated by-- I've never had

**Alex:** A coconut pie?

**Heather:** Coconut pie in? Yeah.

**Kelly:** No, I have not.

**Alex:** --got pie to the South, girl.

**Heather:** I know.

**Kelly:** No.

**Heather:** I thought with your "y'all's", Kelly, that you were like in with the Southern thing.

**Kelly:** No, I wish. I got to try that. So yeah, those are two or two of my other takeaways.

**Heather:** All right. Well, that was really great information, Alex. You know, I think that that's actually the perfect segue into talking about how we put those ideas into practice and the ideas about savings that you described. You talked a little bit about the Fidelity Youth Baskets product. Well, Fidelity also launched the Youth Account back in 2021, and then in August of last year, it actually launched a dedicated app as well for the Youth account.

And Kelly, I know you played a big role in this, so I'd love for you to talk about it a little bit more. And I'd love to hear from you firsthand about how this account can really play a valuable role in teaching teens to save, invest, and

just learn about the whole process.

**Kelly:** Yes, and thank you, Alex, for already giving a little setup on the Youth Baskets.

We were really excited about that enhancement to the experience that just recently went live. And that was great because we were able to take input from teens, give it to our colleagues and our Asset Management Department. And they created a really interesting experience for teens that they were part of. And taking invest which to kind of the next level. So, we were excited about that. So, thank you for mentioning that.

And so, my team you know created and launched the Youth Account and the corresponding youth app. And so, I always get so excited to talk about it, and it is just another way to get teens started early with investing, saving, and spending for all of their money goals. So, the Youth Account is its first of its kind brokerage account in which the account is actually owned by the teen. So that's why it's different from a custodial account.

However, really important to note is that the parent does have oversight.

They're an authorized user on the account. So even though it's owned by the teen, they still have access. They can see what their teen is doing, whether that's placing a trade or using their debit card. And then I don't yet have teens

yet, but I'm nervous that my one and two-year-old will figure this out sooner rather than later.

But Heather, you might relate. I heard. A lot of folks who have teens one of the things their kids are asking them and texting them most about is, hey, mom, can I have money for this or that? You can actually request money directly to your parent from the Experience. So, if you need money for the movies or something else, they have the ability to do so.

**Heather:** That sounds a little dangerous.

**Kelly:** I know. I know, but rather they have their there, so.

**Heather:** But-- right. Exactly. Better that they have that they're asking and communicating about it, right?

**Kelly:** Yeah, exactly. So, some of the features that I'll just highlight. One is the concept of money buckets, which I touched upon earlier. We took that envelope stuffing experience that's trending on TikTok, and we digitalize that. So, teens actually

have the ability to create a money bucket for all the different goals they're saving for and which money that automatically gets put into their account, it can be filtered into those different buckets. It turned on automatically an autosave feature. So, it just makes it even easier for teens to organize their money.

We have education, learning content within the app, to educate teens on everything from saving, to credit, to investing, and we even have the ability for teens to actually learn and earn. As they go through progressive learning modules, they can earn a little bit money from us in the app, and they can actually use that to save and invest for all the things that they care about as well. We have investing in the app. We've already mentioned the Youth Baskets, but we've also incorporated investing in the app, where teens can actually start investing with as little as \$1.

Fractional shares trading. I'm not sure if folks are aware of that or educated on that but you can actually buy a \$1, \$5, \$10 worth of some of the stocks that you're interested in whether that's Tesla, Apple, et cetera. Teens can actually start to apply their learnings through investing. And this is why we call it Learn by Doing and Overdrive, where they're not putting too much away but they're actually seeing the impact of their investments and how it grows over time.

We also have the ability to transfer money. As I said, you can request money from your parent all within the context of the app. So, we're really excited about

this. We also have the restrictions on when it comes to investing. No options. No margin. No managed accounts. So, we're making sure that not only are we asking the parents to make sure their teens are doing right, but we're also keeping an eye on them as well.

**Heather:** Can you also talk a little bit more about the parental oversight feature that you mentioned, Kelly, because I think that's something that a lot of people out there would be interested to hear more about? Like can you talk about what parents can see or do within the Fidelity Youth App?

**Kelly:** Yeah, since this is a really important question, so if you come to the Fidelity Youth App, you actually have a dedicated parent experience within the app. So, you can log in as either the teen or the parent. And on the parent side, something that we definitely wanted to lean into-- and we've kind of talked about it a little bit here and there today-- is that we wanted to make sure that we were educating the parent as much as we were educating the teen.

So, for example, in a lot of the research that we've done previously, parents have told us how important it was to educate their child. But then what they'll do is out of the corner of their mouth, they'll be like, and can you also educate

me to Fidelity? Because they felt like too, and they're recognizing. And I'm sure that's why a lot of you joined the call today. They're recognizing the need to educate themselves to build confidence so then they can educate their teen.

So, we've actually created specific learning content, specifically for the parent as well. And as I've already alluded to, they can monitor their transactions. They can see what their teens are trading. And this is just another way for teens to bring up these money conversations with their kids. We've noticed that teens actually are starting to invest in the things that their parents are investing in as well. So, we're already seeing really good news that opening up the dialogue with the parent experiencing context of the Youth Experience as well.

**Heather:** That is so exciting. It must be so fulfilling to have been a part of that, Kelly.

All right. Well, let's talk about next steps. So as soon as you are done watching this webcast today. Because I really like to arm people after these webcasts with actionable next steps. So, Kelly, first of all, I know you mentioned this already. But the first thing I think is you want to start talking about this, right? Talk about it at home with your kids. What would you say about that?

**Kelly:** Yeah, I mean, so definitely. I mean, keep that conversation going. I think looking for opportunities in the moment to have discussions with your kids. If you bring them grocery shopping with you, a perfectly good opportunity to start to have the money conversation. If you're sitting at the dinner table or you're driving them to school, start to ask them questions around what might you want to do in 5, 10 years from now?

The college conversation is always a really good one, right? Start to talk to your kids about where they might want to go to school, as well as educate them on school costs money, you know. And coming out of school, if you have to take on student loans, that should all factor into one's decision. And then having those conversations. Alex touched upon it around, how risky you feel like? Are you more risk tolerant, or you're more risk averse?

Do you like loading your dish with sriracha, or maybe you stay away from that? I personally love a lot of sriracha, but it doesn't necessarily translate to my investment style whatsoever. And then just talk to them about what are some of the steps that we can take to help you become more financially independent. One of which is the Fidelity Youth Account.

The key to this is that the parent must also have a Fidelity Retail Account in order to sign their kid up for youth account experience. So that is also an option to

really help your kid get started with investing in a responsible way for you to have oversight and for you to also educate yourself as well.

**Heather:** Awesome. All right. We are getting pretty tight on time here, but I did want to get to some of the questions that we asked you to submit ahead of time as part of registering. We'd love to try to answer as many as possible. So, Kelly and Alex, maybe if you could just kind of treat it as a lightning round, and try to go as quickly as you can, but we'd like to try to hit on as many questions as we can. So, are you guys ready?

**Alex:** Yeah.

**Kelly:** Yeah.

**Heather:** All right. Question one was, "At what age can my child open an investing account?"

**Kelly:** So, for the Fidelity Youth Account specifically, you can open a Fidelity Youth Account starting for your child when they turn 13. So, 13 through 17.

**Heather:** OK.

**Kelly:** However, if your kid is younger than that, you also have the opportunity to open up a custodial account for your kid, whether that's a 529 or UTMA, Roth IRA for kids. There are other options you have as well.

**Heather:** OK. Bottom line-- once they once they turn 13.

OK. The second question that we got from our viewers. "What's the most important financial advice that you would give your kids?"

**Alex:** I'll take that one.

**Heather:** OK.

**Alex:** Make sure that you're putting money into your savings and diversify your investments. Absolutely invest in the companies that you like and care about, but don't only invest in those companies or industries. Make sure that you're looking at your overall portfolio.

**Heather:** OK. Another question. "Are there any tax advantaged teen accounts available?"

**Alex:** Yeah, actually and sorry because Kelly just mentioned it, but you can open what's called a Roth IRA for Kids.

**Heather:** Right.

**Alex:** It's a custodial account that you can control until they reach a certain age. It's typically around 18 or 21 depending on the state that you're in, and then you can pass the account over to them once they reach that age. And that account, that IRA, would be to help them establish that potentially tax-free savings for retirement.

**Heather:** OK. Fourth question that we got was, "Are there common mistakes teens make that we as parents should try to help them avoid?"

**Alex:** I'll take this one, Kelly, because it sounds very similar to the first one, I answered.

**Kelly:** Yeah.

**Alex:** The savings and the investing. So, first things first. Treat your savings as an expense, meaning, it's not an option. You need to pay your bills. You need to pay your expenses, and you need to save. So, I know it can be hard to consistently save money, but the sooner your teen starts, the sooner they automate that savings. The longer they have to build that habit, and the longer they have to take advantage of that compounding that we've been talking about.

The second thing is on the investment side of things. Thinking that just because the market dips a little that they should pull their money out. It's important to remember first and foremost that they're young, right? So, since the beginning of the stock market, there's been highs, and there's been lows. And there's going to continue being highs and lows. Remind them of their time horizon.

When are you going to need this money? When are you going to have to take a distribution? And then also, remind them if you don't need it, just leave it invested, and let that money come back.

**Heather:** OK. Great. Let me try to squeeze one more question in. I'll give Kelly a chance here too. This person wants to know about creative ideas on how to establish good money habits for my teenagers, and wrote, "What resources are available for my teens, pre-recorded videos or financial management series?" What would you recommend, Kelly?

**Kelly:** Love the question. I mean, first of all, making money real for them is really the best way to establish those good money habits. Share your experiences with money, of course, but also show them how you create a budget for your house. How you actually manage your own money. As for resources outside of some of the dedicated learning experiences for teens that we mentioned within the Youth app, you can visit [fidelity.com](https://www.fidelity.com).

We have a Special Teens and Money Page that has both content for parent as well as kid. This is all centered around setting those financial goals, learning how

to set a budget, what can impact their credit score. There's a lot of free resources out there. Please take advantage of them.

**Heather:** Well, all really great questions. And one more viewer question that we got was, "Will this be recorded so that we can watch it later?" And I can take that one. And the answer is yes, we are going to be following up in an email in the coming days, which will include a link to watch this webinar later. So, you can either watch it by yourself, or you might want to even watch it with your teen or teens. So fantastic questions, everybody. Thanks for submitting them.

Lastly, how do you open a Fidelity Youth account, Kelly? You probably are the best person to walk us through that process.

**Kelly:** Yeah, so we touched upon this shortly. You know, first of all, you do have to have a Fidelity Retail Account, a Fidelity Retail Brokerage Account in order to do so. You can check out our landing zone, [fidelity.com/youth](https://fidelity.com/youth). You can open it either on the web, or you can open it on the app. And then once you actually open your own account and start the process for your teen, all the teen has to do is download the Fidelity Youth App. They click Accept, and they can set up login

for them. And they're well on their way to start investing and saving for all the things that they care most about.

**Heather:** Fantastic.

**Alex:** So easy.

**Heather:** You're going to add something, Alex?

**Alex:** I was going to say, it's so easy. It's so simple to go online and start it.

**Heather:** Well, it sounds easy peasy. So, thank you both of you for really breaking down, not only you know concepts for us parents, but also how to explain those concepts to our teens and how to get that conversation going, which many of you might be watching us in the Eastern Time Zone. You're getting ready for dinner right now. So, it's a fantastic time to kind of give it a shot and try it out.

And Kelly and Alex, I really can't thank you enough for being with us today to share your insights and knowledge with us. I can't think of two better people to

really talk about this. And we hope that we have all left you feeling really ready to start that conversation with your kids and the confidence to be money mentors, right? Just keep thinking about that. You don't have to have all the answers. You don't have to have done it perfectly yourself, but you want to set a good example and be a money mentor for your teens going forward.

So again, feel free to reach out to us if you need us. We are here to help. You can talk to people just like Alex here at Fidelity. Thank you so much for giving us a little bit of your time today. We hope you take good care.

**Kelly:** Bye, everyone. Have a good one.

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