



Holiday Gift Ideas

Each year, we do a roundup of gift ideas that have a personal finance angle. Such a list seems more relevant than ever given the financial crisis, as, over the past year, you couldn't escape the deluge of news stories featuring the poor financial literacy skills of many of our fellow Americans.

For Young Kids

A piggybank is a classic gift, and we've got a favorite. It's called the Money Savvy Pig, and is available at http://www.msgen.com/prod/assembled/money_savvy_pig.html. The great thing about this piggy bank is that it helps teach kids that money has different uses by dividing the pig into four chambers labeled Save, Spend, Donate and Invest. The pig is also see-through, which means kids can get the satisfaction and positive reinforcement of observing their progress in these four areas. You can also buy a coloring book that reinforces the concepts of the pig. Great gift!

This next gift is one that's really for your adult children: funding a 529 college savings plan for a young grandchild. 529 plans, now widely used, take after-tax contributions (there's no upfront tax deduction). The funds accumulate tax-deferred while in the plan, and, if used for qualified education expenses, come out of the plan tax-free. Grandparents can establish 529 plans that they control, or, even easier, gift into plans controlled by their adult children for the benefit of the grandchildren. The earlier the gift is made in a child's life, the more potential there is for compounding returns, so it's particularly appropriate when children are very young.

For Tweens and Teenagers

Again we turn to the folks at Money Savvy Generation for a gift that helps teach kids to track their spending. If you can get a teenager into the habit of knowing where their money goes, you've given them a life skill, or really a life discipline, that's fundamental to reaching financial goals. Money Savvy sells a simple credit card holder with mini-ledgers at <http://www.msgen.com/assembled/cardguard.html>. I particularly like that it is meant to be used for gift cards as well; I know my nephews rack up serious purchasing power in the form of gift cards each year.

A great way to introduce a teenager to the concept of retirement savings is to fund a Roth IRA account for them. This gift only works for kids who have earned income (money from working, not from investments), as that's a requirement for funding a Roth. As long as they do have that earned income, you can gift them cash, which they can use to fund a Roth up to the smaller of their earnings, or \$5,000, per year. A Roth is a very

long term account for a young person; it's a great way to introduce investments into their lives.

For Adults

Our favorite personal finance book for people just starting to plan for a family, buy their first house, or save for retirement is Jane Bryant Quinn's "Smart and Simple Financial Strategies for Busy People". It's a shortened version of her classic "Making the Most of Your Money", which is the first personal finance book I ever bought (unfortunately, it's now outdated). "Smart and Simple" is just that; she prioritizes and simplifies financial issues, which makes for a very digestible 256 pages. Her advice is always sound, and she has an easy and clear style of writing which makes her an excellent guide for those who are learning. This book also makes a great graduation gift.

Finally, a great book for a mid-career friend or family member is Lee Eisenberg's "The Number". This book is terrifically fun to read; it's not a retirement planning guide, but more of an entertaining book-length essay on baby boomers and their retirement prospects (The Number refers to how much each person needs to walk away from their job, forever). Ken Auletta's book jacket blurb captures this book's appeal: "Thinking about retirement is as pleasant as a colonoscopy. Not in Lee Eisenberg's hands, however. He has written a funny and wise book about how to think about your future but also, and more important, how to think about life." Highly recommended.

-- Therese Govern. Posted 11/16/09.