How to Turn Your Kid Into a Millionaire

### Description

Children are often introduced to the concept of saving with a piggy bank. And while they may not know the value of the coins they're putting inside, the activity excites them.



Their love of piggy bank fades, however, when they get older. At this stage, parents can start teaching their children about investing. With the proper education, your kid can be a millionaire someday.

Don't underestimate children when you teach them about money. They are quick learners, and you can start developing their financial IQ early. By the time they reach adulthood, they'll be financially savvy and prepared to make sound financial decisions in the future.

## From piggy bank to bank stock

After the piggy bank, you can point out the difference between saving and investing. You can show how an eighteen-year-old's $1,000 investment, with a 10% annual rate of return, could balloon to $89,197.47 by the time they were 65.

Keep the explanation simple, and explain that the growth would be due to the compounding effect. The real message you want to send is that money can create money with the right investment.

To make it more realistic, pick a bank stock. Children learn in school that a bank is where people keep their money.

## Perennial choice

If you choose the **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) or CIBC, your kid can associate the bank with money.

CIBC is a perennial investment choice of retirement planners and TFSA investors as well as income-seekers.

This diversified financial institution based in Toronto, Canada is a dividend aristocrat and wealth builder.

It means that the stock can be the source of supplementary income while you're still employed and regular income when you're retired. In short, CIBC can provide an investor income for life.

At this point, tell your kid the importance of choosing the best investment for their money. A blue chip company like CIBC is a solid choice.

They can preserve their money while earning from the dividends. More important, their investment is safe even if they hold the stock for decades.

## Actual example

Use CIBC as an example and re-do the computation. This time, the annual rate of return is 5.53% which is the stock's dividend yield. With the same investment period of 47 years, the $1,000 investment would grow to $13,550.73, including the compounding effect. Your kid will surely notice and ask about the difference in amount.



Explain how interest rates or dividend yields and time periods affect the value of an investment. You can emphasize too that not all companies with high dividends are good investments. And that it's safer to invest in well-established companies or a Top Five bank like CIBC.

It is wise to teach children the basic concepts of investing at a young age. With their newfound learning about money, they will know how to use or spend it prudently. They will also be encouraged to save and invest.

## Exceptional stock

The time will come when your kid will make an investment decision. If taught at a young age, the one they choose will be similar to CIBC. Historically, the best stocks always stand out.

**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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