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## T. Rowe Price: Parents Need To Up Their Game To Ensure Kids' Financial Success

### Survey Finds More Kids Believe They Will Obtain a Million Dollars by Becoming Famous Than by Investing; More Parents Save for Vacations Than for Kids' College Education

BALTIMORE, March 27, 2013 /PRNewswire/ -- (NASDAQ-GS:TROW) T. Rowe Price's 2013 [Parents, Kids & Money Survey](#) reveals that many parents are not taking the necessary steps to prepare their families' finances for the long term. Although more than half of parents and kids believe that kids will be better off financially when they reach their parents' ages, conversations and actions often focus on short-term needs versus the behaviors needed to achieve long-term success.

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In order to help families have effective conversations about money, T. Rowe Price today launched [MoneyConfidentKids.com](#), a mobile-friendly resource for parents and educators with money games, tips, and information to facilitate useful discussions and teach kids about money.

#### Survey Key Findings:

- **Missing the basics:** Half of parents surveyed do not save regularly for retirement (50%). Additionally, many parents do not maintain an emergency fund for unexpected expenses (42%), do not have life insurance (54%), and do not have an up-to-date will (74%).
- **Family finances and long-term financial topics are off the table:** A large majority of parents (73%) report they are having regular conversations with their kids about money, but the conversations revolve around short-term financial topics like back-to-school shopping (62%) rather than long-term planning such as family savings goals (39%). Additionally, 14% of parents say they discourage kids from talking about money altogether.
- **Going to college is important, but saving for college isn't happening:** Kids (70%) and parents (66%) agree that the best way to prepare for a [strong financial future](#) is with a good education, but their actions do not align with their beliefs. Only 41% of parents are regularly [saving for college](#) for their kids. In fact, more parents (46%) save regularly for vacation than for college, although 59% have talked to their kids about how to pay for college.
- **Kids are focused on short-term spending:** While 25% of kids save their money for long-term goals, 63% save their money for short-term goals. Additionally, 25% of kids say they spend their money right away on things for which they were not saving.
- **Kids are unsure how to secure their financial future:** Today's kids will likely need well over a million dollars for a secure retirement, given the growth of inflation, but are unrealistic about how to get there. Only 21% believe the most likely way to obtain a million dollars is to invest in stocks and bonds, and almost as many (24%) believe the most likely way to gain a million dollars is by becoming famous.
- **Parents are hoping to rely on kids for financial support:** 84% of kids think they will be [financially independent](#) from parents between ages 18 and 25, yet their parents may not be financially independent from them in the coming years, as 18% of parents believe their kids will need to support them in retirement.

#### Tools and Tips:

Three-quarters (75%) of kids say that an online game or mobile app would be helpful to learn the basics of saving and spending. To help kids understand basic money lessons and facilitating family financial conversations T. Rowe Price created [MoneyConfidentKids.com](#). The site provides free online games for kids, lessons for educators and tips for parents focused around the financial concepts of goal setting, spending versus saving, inflation, asset allocation and diversification.

Additionally, T. Rowe Price has the following tips for parents to use when teaching their kids about money:

- **Always begin by setting goals.** Talking about saving for a summer vacation is a good place to start, but parents also need to explain the importance of setting long-term goals like saving for a car, college, or even retirement.
- **Use everyday situations to spark the conversation.** Interactions involving money, whether it's using coupons at the

grocery store, balancing a checkbook, or comparison shopping for a new television, are opportunities to teach kids valuable money lessons.

- **Lead by example.** The survey revealed that 95% of kids say they have learned the most about saving and spending money from their parents. When parents act as good financial role models, kids have a better chance of learning the right lessons.

#### Additional Survey Findings:

- **Parents are pushovers when kids ask for more allowance:** For the nearly half of parents who give their kids an allowance (47%), almost one-third of them (30%) say their kids come back and ask for more money after they spend it. Only 19% of parents say they are not a pushover and will hold firm in their decision to say no.
- **Kids go to moms first with money questions, but not all moms feel they are a role model:** When comparing parents as financial resources, 59% of kids say they go to their mom first with money questions. While more moms ranked discussions around savings and spending wisely as critically important (41%, compared with only 28% of dads), more than one-third of moms (36%) grade themselves with a C or below when it comes to being a good financial role model.
- **Dads lead in family financial planning:** More dads take the lead in family financial activities such as purchasing life insurance (53% versus 40% moms), saving regularly for their kids' college education (46% versus 36% moms), and having an up-to-date will (31% versus 21% moms).
- **Kids want to learn more about the stock market:** The survey found that 29% of kids say they aren't sure what the stock market is and 20% of kids are interested in learning about investing and how the stock market works. However, of the kids that say they know what the stock market is, 14% believe investing in the stock market is a way to get rich fast. While 22% of parents have bought or considered buying their kids a share in one stock to teach them about investing, kids may benefit more from learning about foundational investing concepts such as diversification, asset allocation, compound interest, and inflation.
- **Kids are unsure about finance basics and want to learn more:** While a majority of kids feel they understand how to set money goals (71%), fewer kids feel they have a good understanding of topics like inflation (28%), asset allocation (24%), and diversification (28%). However, kids are interested to learn more and want to talk about how banks and credit cards work (34%), inflation (27%), and diversification (20%).

#### Quotes

**[Stuart Ritter](#), CFP<sup>®</sup>, senior financial planner at T. Rowe Price and father of three young kids**

"Kids look to their parents as financial role models, and for that reason parents need to not only have frequent discussions with their kids about money, but also lead by example. Parents could do better on two fronts: They need to share financial concepts with their kids like goal setting and smart saving, as well as prepare their own finances for the long term.

"We found this year that more parents are saving for short-term goals such as vacation, than for long-term goals like college. Kids are also focused on short-term goals, with only 24% saying they are saving their own money for long-term goals. Parents need to focus more on long-term financial planning in order to prepare for a secure future for the whole family."

#### About T. Rowe Price

Founded in 1937, Baltimore-based T. Rowe Price Group, Inc. ([troweprice.com](http://troweprice.com)) is a global investment management organization with \$576.8 billion in assets under management as of December 31, 2012. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The company also offers sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research.

#### About the Survey

The fifth annual T. Rowe Price *Parents, Kids & Money Survey*, conducted by MarketTools, Inc., aimed to understand the basic financial knowledge, attitudes and behaviors of both parents of kids ages 8 to 14 and their kids ages 8 to 14. The survey was fielded from February 21, 2013 through February 27, 2013, with a sample size of 1,014 parents and 839 kids ages 8 to 14. The margin of error is +/- 5.0 percentage points. Full results can be found at [media.moneyconfidentkids.com/resources](http://media.moneyconfidentkids.com/resources).

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