

Flourish Wealth Management

Quarterly Newsletter

APRIL 2024

Spring has sprung here in Edina, but with temperatures swinging from 80 to 45 degrees (or worse), it seems Mother Nature hasn't quite made up her mind about what season we're in!



I am happy to announce that Grant Shaffer, Associate Wealth Manager at Flourish, recently passed the rigorous testing and experience standards to earn his Certified Financial Planner (CFP)[®] certification. Grant has been part of Team Flourish for the past 4 years in a few different roles and it's exciting to see his hard work and passion for financial planning pay off with this prestigious designation. In addition, our clients will benefit from Grant's growing knowledge and experience.

Spring is a time of growth and rebirth, and I like to embrace this period to learn new things, organize cluttered spaces in my house (and life!), and take a moment to stop and smell the roses. April marks Financial Literacy Month, a reminder that, whether we're old or young, seasoned investors or new savers, learning is a lifelong journey. This month's article provides strategies to cultivate responsible financial habits in young people. However, this resource isn't exclusive to children and parents as many of us can benefit from the wisdom imparted to the next generation.



I Hope you enjoy this Quarter's article and market commentary. Have a very happy spring!

Sincerely,

Kathy Longo

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QUARTERLY ARTICLE

Cultivating Money Smarts in Kids: A Guide for Parents

Empowering the Next Generation with Financial Wisdom

By: Kathy Longo, CFP®, CAP®, CDFIA®
President and Founder

Financial literacy is a crucial skill for navigating life's financial challenges, yet it is often overlooked in traditional education. As we observe Financial Literacy Month, the importance of instilling financial wisdom from a young age cannot be overstated. For parents, the responsibility of teaching children about money management offers a unique opportunity to set the foundation for a lifetime of financial health and responsibility. Flourish Wealth Management is committed to empowering families with the knowledge to foster financial literacy in their children, helping them to grow into financially savvy adults. This guide provides actionable strategies and money lessons to help parents cultivate money smarts in their households.

Understanding the Basics of Financial Literacy

Financial literacy encompasses understanding how money works in the world: how someone manages to earn or make it, how that person manages spending it, how he/she invests it (turns it into more), and how that person donates it to help others. For children, grasping the basic concepts of spending, saving, and sharing are the first steps toward financial literacy.

Strategies for Teaching Financial Literacy

All kids are different – and you know yours best – but these strategies can be useful if you're just getting started with money lessons for kids:

Lead by Example: Children learn by observing. Demonstrating prudent financial behavior, such as budgeting, saving, and making informed purchasing decisions sets a positive example for your kids. One of the most powerful teaching tools is your own behavior. Children are incredibly observant and often emulate the

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financial habits they see at home. Demonstrate the practices you wish to instill, such as saving a portion of your income, shopping with a list to avoid impulse buys, or discussing financial decisions openly with family members. Showing the real-world application of financial literacy in everyday decisions can have a lasting impact on young minds.

Open a Savings Account: Introduce your child to the concept of saving by opening a savings account in their name. This not only teaches them about the banking system but also about the value of saving money for future needs. Participating in the banking system is a fundamental aspect of financial literacy. By opening a savings account for your child, you introduce them to the concept of compound interest and the importance of saving for the future. Most banks offer accounts specifically designed for young savers, which can be an excellent opportunity for your child to learn about banking firsthand, from deposits to understanding bank statements.

Use Allowances as Learning Tools: Not all parents believe in giving an allowance for completing household tasks and chores, but if you do, this strategy may be helpful for you. Regular allowance in exchange for chores can teach children the value of work and money. Encourage them to manage their allowance by dividing it into spending, saving, and sharing. Allocating an allowance in exchange for chores not only teaches children the value of work but also introduces them to managing their own money. This can help them understand budgeting, the importance of saving for future goals, and the value of generosity. Discussing these choices can further reinforce these concepts.

Play Money Management Games: Engage your children with games that simulate financial scenarios. Board games like Monopoly or online resources and apps designed to teach money management can make learning about finance fun and interactive while teaching financial concepts that introduce children to ideas like rent, taxes, and investment returns in an interactive environment. These games offer safe spaces for kids to make financial decisions and see the consequences of those decisions, fostering deeper understanding.

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Involve Kids in Budgeting: Involve your children in family budgeting sessions. This can help them understand the costs of running a household and the importance of making financial decisions together. Involving children in the family budgeting process can demystify household finances and teach them about the costs associated with daily living. Simple activities, such as planning the grocery shopping together or setting a budget for family outings, can provide practical lessons in allocating resources and making trade-offs between different needs and wants.

Discuss Needs vs. Wants: It's crucial for children to understand the difference between wants and needs. This understanding can help them make sensible spending decisions and prioritize their financial goals. Understanding the difference between wants and needs is fundamental to making wise financial decisions. Regular discussions about why certain purchases are necessary (needs) and why others are optional (wants) can help children learn to prioritize their spending and saving based on what is truly important.

Teach Them to Set Financial Goals: Encourage your children to set financial goals that are meaningful to them. This teaches them about planning and the satisfaction of reaching a goal through saving. Whether it's saving for a new toy, a video game, or a special outing, helping your child set a financial goal and plan how to reach it can teach them about patience, discipline, and the satisfaction of earning what they desire. This practice lays the groundwork for setting larger financial goals in the future.

The Role of Financial Education in Building Future Success

Financial education plays a pivotal role in preparing children for adult responsibilities. By equipping them with financial knowledge through money lessons for kids, parents can help their children avoid common financial pitfalls, such as debt accumulation and poor money management.

Supporting Financial Education at Every Age

Tailoring financial education to the age and understanding of your child ensures the lessons are both accessible and relevant. Here are a few ideas you can use by age:

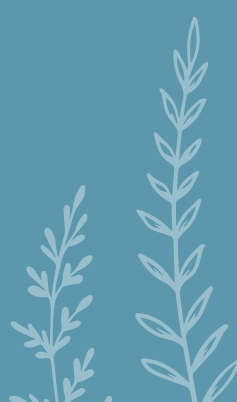
For Young Children (Ages 5-8): Introduce concepts like saving and the value of money through simple activities and games. Focus on the basics like identifying coins and bills, making change, and the concept of saving in a piggy bank. Simple activities that involve using money can be both informative and engaging.

For Pre-Teens (Ages 9-12): As children grow, involve them in more complex financial decisions, such as comparison shopping and understanding the concept of interest. At this age, children can grasp more complex ideas. Encouraging them to manage a small budget for personal expenses can provide practical experience.

For Teenagers (Ages 13-18): Teenagers are ready to learn about investing, credit, taxes, and even retirement savings. Encouraging part-time work, discussing college financing, and introducing them to financial tools like budgeting apps can equip them with skills for adult financial responsibilities.

Are You Utilizing Money Lessons for Kids in Your Home?

The journey to financial literacy starts in childhood and simple money lessons for kids are a great place to begin. By integrating financial education into everyday experiences, parents can nurture financially savvy individuals ready to navigate the complexities of the financial world. Flourish Wealth Management believes in the power of education to create a brighter financial future for the next generation. As we celebrate Financial Literacy Month, let's commit to planting the seeds of financial knowledge in our children, cultivating a generation equipped to make informed financial decisions.



MARKET COMMENTARY

First Quarter 2024



By: Jay E. Pluimer, AIF®, CIMA®

Director of Investments

The Stock market continued to make money during the first quarter despite an uncertain interest rate environment. Large Cap Stocks led the way during the first quarter with gains of over 10% while Small Caps rose 5% and International Stocks gained 6%. The strong US economy has supported corporate revenue and earnings growth rates that have consistently exceeded expectations, a trend that has been much broader over the past few months than it was in 2023. The downside of the strong economy has been stubbornly high inflation around 3.8% with no signs of falling to the 2% goal set by the Federal Reserve. The Fed has communicated plans to reduce interest rates three times this year, each by 25 basis points, with hopes that lower interest rates will support a soft landing where the economy is able to stay relatively strong during a period of falling inflation. It does not look like interest rate cuts will take place until June or July based on recent data, leading to disappointing Bond market returns to start the year with small losses.

Although the US Presidential Election is still over 6 months away, market uncertainty about the outcome combined with stubborn inflation led to higher market volatility in the first quarter. Fortunately, most of the stock market movements went higher with the S&P 500 Index setting 24 new all-time highs during the quarter. The markets have historically earned moderate returns in Presidential Election years with above-average volatility. Although the markets have not favored one political party over the other, uncertainty about the power structure in Washington DC starting in 2025 tends to create market ripples. We are favoring a diversified approach while reducing Stock market exposure to target allocations which captures the market gains from last year while limiting market risk during a period of higher expected volatility. In addition, client

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portfolios continue to reflect a tilt toward US over international investments based on historical data favoring the US economy after periods of global disruption like 2022.

For more information on investments and the markets you can reference our [Quarterly Market Report](#).

Conclusion

Our newsletter this month, aligned with Financial Literacy Month, has focused on laying the groundwork for financial intelligence in our youth—a worthy investment in their future and ours. Whether you're teaching your kids about money or revisiting the basics yourself, the principles of financial literacy are timeless and valuable for all ages.

We trust that you've found this quarter's insights helpful and that they serve as a practical guide in your financial journey. At Flourish Wealth Management, we're always here to support you and your family in achieving your financial goals. Here's to growing wiser together and to a prosperous season ahead.



Sincerely,
Kathy Longo, CFP[®], CAP[®], CDFIA[®]
and the Flourish Team

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