



**Homestead**  
Advisers | Funds

# A Guide to Teaching Kids Money Smarts



Remember that first time you wished someone had taught you about money earlier in life? That moment when you realized how much easier things might have been if you'd understood saving, investing or compound interest a little sooner?

By introducing good money habits early, you're helping to set the foundation for a lifetime of smart financial decisions, and Homestead Advisers is here to help!

Let's embark on this rewarding journey together — because one of the greatest gifts we can give children is the confidence and knowledge to help set up the success of their financial future.

**READY TO START?**  
**Here's how:**



[homesteadadvisers.com/youth](https://homesteadadvisers.com/youth)



[invest@homesteadfunds.com](mailto:invest@homesteadfunds.com)



**800.258.3030**

## Talking to Kids About Money

Money talks with your children can shape their financial future. These conversations go beyond teaching them to count coins or save for a toy; they are opportunities to instill values, build confidence, and develop critical thinking skills about saving and investing. Turn everyday moments into financial lessons. While every child develops at his or her own pace and has unique learning needs, here are some suggested conversation starters based on general age ranges. Remember that you know your child best; feel free to adjust these topics based on your child's maturity, interests and understanding.



### **Discoverers (Ages 5 to 7):**

Understanding that money is used to buy things, introducing basic counting and learning to wait for purchases are

fundamental first steps. Start with a classic piggy bank to make saving tangible and exciting; each coin dropped in reinforces positive saving behavior. These early experiences with money can help build a strong foundation for their future financial understanding.



### **Investigators (Ages 7 to 9):**

This can be the perfect time to introduce saving for goals, differentiating between needs and wants, and understanding how

to earn money through simple tasks. Consider associating actual costs of items (bicycle, toys, baseball glove, etc.) with savings goals.



### **Connectors (Ages 9 to 11):**

Introduce budgeting concepts and basic investing principles. Help them track their spending and set realistic savings goals for

desired purchases. When they successfully save and buy something with their own money, celebrate their achievement! This positive reinforcement helps build healthy financial habits and shows them the rewards of patient saving.



### **Navigators (Ages 11 to 13):**

This may be the ideal time to explore more complex financial concepts through real-world examples. Introduce compound interest by showing how money grows over time using their own savings as examples. Start conversations about risk versus reward and how different investments work — from savings accounts to stocks.



### **Explorers (Ages 13+):**

First jobs and paychecks can provide valuable learning opportunities to introduce checking accounts, dive deeper into investing concepts, explore college savings and discuss credit cards. This is also an excellent time to start learning about the stock market through a youth-friendly Homestead Funds investment account.

## THE GOLDEN RULE: 50/50

*The foundation of our investment journey is the 50/50 Rule. Every time money comes in — whether it's allowance, gift money or earnings — split it into two equal parts. Half is for things they want now or soon, and half goes into an investment account that helps their money grow over time.*

*Think of it like having two special powers with money:*

#### **POWER 1: Enjoying today (50%)**

- Goes into a savings account for short-term wants and needs
- Teaches immediate money management
- Provides practice with spending decisions

#### **POWER 2: Growing for tomorrow (50%)**

- Goes into a Homestead Funds investment account
- Builds long-term wealth
- Teaches patience and compound growth

*Compound interest is the interest earned on both the initial investment and the interest accumulated in previous periods.*

## Making It Real for Your Child

Start by having your children choose a specific goal they're excited about. Maybe it's a gaming system, a special trip, their first car or college. Then, together you can:

- ✓ Calculate how much they need
- ✓ Decide on a timeline
- ✓ Track progress
- ✓ Celebrate milestone moments together

The most important lessons come from doing. When children actively participate in their investment decisions — with your guidance and encouragement — they can develop confidence and skills that can serve them throughout their lives.

## Mix It Up: Understanding Diversification

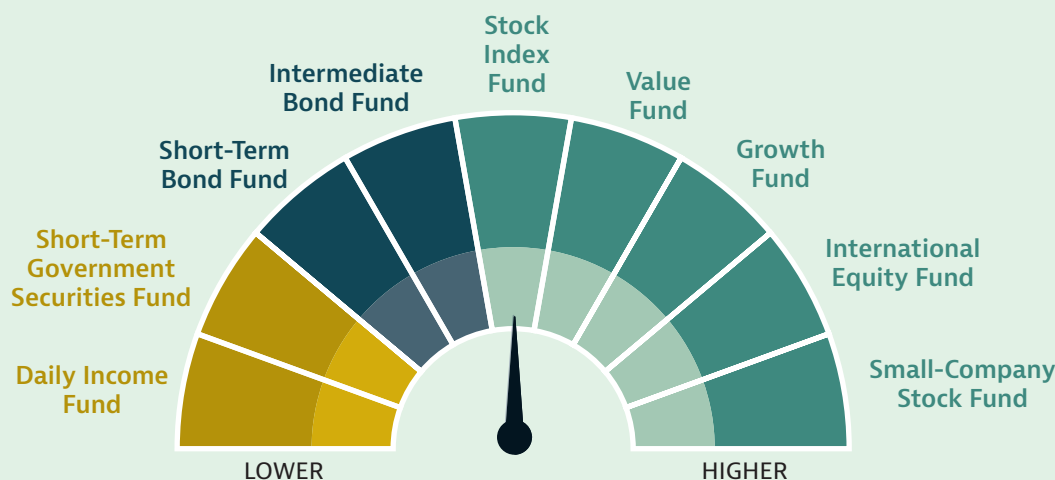
Diversification is an important strategy for managing risk. It's like owning pieces of many different companies instead of putting everything into just one. By spreading your investment across different types of investments, you're creating a portfolio that aims to handle different market conditions.

Asset allocation through mutual funds offers a straightforward way to diversify. By choosing a thoughtful combination of different funds, you can create a well-rounded portfolio that aligns with your goals, time horizon and risk tolerance.

*Neither asset allocation nor diversification guarantees a profit or protects against a loss in a declining market. They are methods used to help manage investment risk.*

### Homestead Funds: Our Mutual Fund Lineup

*Homestead Funds can help turn those dreams into achievable goals.*



### Potential Risk and Return Meter

Investing in mutual funds involves risk, including the possible loss of principal.

As a money market fund, the Daily Income Fund has limited potential for income production. *You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.*

# Investment Account Options for Minors

Let's explore three ways to invest for your child's future with Homestead Funds. Each account type serves a specific purpose and comes with its own set of benefits. You might choose one or combine several to create the strategy that best aligns with your child's financial goals:

## KEY CONSIDERATIONS

The account you choose for the minor can make a difference in:

- How the money can be used
- Tax benefits
- Control of the funds as your child grows
- Contribution limits and rules
- Impact on future college financial aid
- When the minor reaches the age of majority, he or she gains full control of the account

## 1 Uniform Gift/Transfer to Minor Account

A Uniform Gift/Transfer to Minor Account (UGMA/UTMA) is a custodial investment account that allows adults to save and invest on behalf of a minor, with the assets transferring to the child's control at the age of trust termination in their state.

### Advantages

- Anyone can contribute until the child reaches trust termination age
- No contribution limits (federal gift tax rules apply)
- Tax benefits for investment earnings up to certain thresholds
- Money must be used for the child's benefit

### Considerations

- May impact college financial aid eligibility
- Earnings are taxed at the minor's tax rate for lower amounts, but higher unearned income may be taxed at the parent's tax rate
- Inability to change beneficiary

### Opening Minimum with Homestead Funds

- \$500 (no minimums for scheduled transfers from your bank account or paycheck)

## 2 Coverdell Education Savings Account

An Education Savings Account (ESA) is a tax-advantaged investment account that allows families to save for a child's educational expenses from kindergarten through college.

### Advantages

- Anyone can contribute until the child reaches trust termination age
- Can be used for K-12 expenses as well as college
- Tax-free growth for qualified education expenses

### Considerations

- Income limits apply for contributors
- Annual contribution limits

### Opening Minimum with Homestead Funds

- \$200 (no minimums for scheduled transfers from your bank account or paycheck)

## 3 Custodial Roth IRA (if the child has earned income)

A Roth IRA is a tax-advantaged savings account that allows you to contribute after-tax dollars and potentially withdraw funds tax-free for certain expenses.

### Advantages

- Perfect for teens with earned income from jobs
- Contribution limit is the lesser of their earned income or the annual IRA contribution limit set by the IRS
- Tax-free growth and qualified withdrawals
- Can be used for college, a first home purchase (up to \$10,000), or certain medical costs (if needed)
- Excellent teaching tool for long-term investing

### Considerations

- Must have documented earned income to contribute

### Opening Minimum with Homestead Funds

- \$200 (no minimums for scheduled transfers from your bank account or paycheck)

*Homestead Funds does not offer legal or tax advice. Please consult the appropriate professional regarding your individual circumstance.*



## Building Good Financial Habits as a Family

An easy way to start your children's financial journey is by showing them the power of consistent saving. The 52-Week Money Challenge offers a fun and achievable way for families to experience how small, regular contributions can grow over time.

In this challenge, you'll start by saving \$1 in week one, then increase your contribution by \$1 each week throughout the year. By making saving a weekly family activity, you'll not only have saved \$1,378 but also have started to establish healthy financial habits.

Consider putting the table below on your refrigerator and marking off the progress each week.

### Turn setting financial goals into a family teachable moment!

Our Upcoming Goals Calculator is a great way to spark money conversations with your kids. Work together to map your saving for things they care about. You can enter different savings amounts and time horizons to show them how saving and investing can help turn dreams into reality.

Visit [homesteadadvisers.com/calculators](https://homesteadadvisers.com/calculators) to turn your family's savings goals into an adventure!

## Take the 52-week money challenge

Week	Deposit	Balance	Week	Deposit	Balance	Week	Deposit	Balance
<input type="checkbox"/> 1	\$1	\$1	<input type="checkbox"/> 18	\$18	\$171	<input type="checkbox"/> 35	\$35	\$630
<input type="checkbox"/> 2	\$2	\$3	<input type="checkbox"/> 19	\$19	\$190	<input type="checkbox"/> 36	\$36	\$666
<input type="checkbox"/> 3	\$3	\$6	<input type="checkbox"/> 20	\$20	\$210	<input type="checkbox"/> 37	\$37	\$703
<input type="checkbox"/> 4	\$4	\$10	<input type="checkbox"/> 21	\$21	\$231	<input type="checkbox"/> 38	\$38	\$741
<input type="checkbox"/> 5	\$5	\$15	<input type="checkbox"/> 22	\$22	\$253	<input type="checkbox"/> 39	\$39	\$780
<input type="checkbox"/> 6	\$6	\$21	<input type="checkbox"/> 23	\$23	\$276	<input type="checkbox"/> 40	\$40	\$820
<input type="checkbox"/> 7	\$7	\$28	<input type="checkbox"/> 24	\$24	\$300	<input type="checkbox"/> 41	\$41	\$861
<input type="checkbox"/> 8	\$8	\$36	<input type="checkbox"/> 25	\$25	\$325	<input type="checkbox"/> 42	\$42	\$903
<input type="checkbox"/> 9	\$9	\$45	<input type="checkbox"/> 26	\$26	\$351	<input type="checkbox"/> 43	\$43	\$946
<input type="checkbox"/> 10	\$10	\$55	<input type="checkbox"/> 27	\$27	\$378	<input type="checkbox"/> 44	\$44	\$990
<input type="checkbox"/> 11	\$11	\$66	<input type="checkbox"/> 28	\$28	\$406	<input type="checkbox"/> 45	\$45	\$1,035
<input type="checkbox"/> 12	\$12	\$78	<input type="checkbox"/> 29	\$29	\$435	<input type="checkbox"/> 46	\$46	\$1,081
<input type="checkbox"/> 13	\$13	\$91	<input type="checkbox"/> 30	\$30	\$465	<input type="checkbox"/> 47	\$47	\$1,128
<input type="checkbox"/> 14	\$14	\$105	<input type="checkbox"/> 31	\$31	\$496	<input type="checkbox"/> 48	\$48	\$1,176
<input type="checkbox"/> 15	\$15	\$120	<input type="checkbox"/> 32	\$32	\$528	<input type="checkbox"/> 49	\$49	\$1,225
<input type="checkbox"/> 16	\$16	\$136	<input type="checkbox"/> 33	\$33	\$561	<input type="checkbox"/> 50	\$50	\$1,275
<input type="checkbox"/> 17	\$17	\$153	<input type="checkbox"/> 34	\$34	\$595	<input type="checkbox"/> 51	\$51	\$1,326

**52 \$52 \$1,378**

*Success!*

Once you've completed the challenge, take the next step in your child's financial journey by considering opening an account with Homestead Funds.

As a money market fund, the Daily Income Fund has limited potential for income production. *You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.*

Debt securities are subject to interest rate risk, credit risk, extension risk, income risk, issuer risk and market risk. The value of U.S. government securities can decrease due to, among other factors, changes in interest rates or changes to the financial condition or credit rating of the U.S. government. Investments in asset-backed and mortgage-backed securities are also subject to prepayment risk as well as increased susceptibility to adverse economic developments. High-yield, lower-rated securities involve greater risk than higher-rated securities.

Equity securities generally have greater price volatility than fixed-income securities. The market price of equity securities may go up or down, sometimes rapidly or unpredictably. Equity securities may decline in value due to factors affecting the issuer or equity securities markets generally.

Growth and value stocks are subject to the risk, among others, that returns on stocks within this style category will trail returns of stocks representing other styles or the market overall over any period of time and may shift in and out of favor with investors generally, sometimes rapidly, depending on changes in market, economic and other factors. Growth stocks can be volatile, as these companies usually invest a high portion of earnings in their business and therefore may not provide the dividends of value stocks that can cushion stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth. Investments in value securities may be subject to risks that (1) the issuer's potential business prospects will not be realized; (2) their potential values will not be recognized by the market; and (3) they will not perform as anticipated.

As a general matter, securities of small and medium-sized companies tend to be riskier than those of larger companies. Compared to large companies, small and medium-sized companies may face greater business risks because they may lack the management depth or experience, financial resources, product diversification or competitive strengths of larger companies, and they may be more adversely affected by economic conditions. There also may be less publicly available information about smaller companies than larger companies. In addition, these companies may have been recently organized and may have little or no operational or performance track record. Diversification does not ensure a profit or protect against loss. It is a method used to help manage investment risk.

Foreign securities are subject to political, regulatory and economic risks not present in domestic investments and may exhibit more extreme changes in value than securities of U.S. companies. Investing in emerging and frontier markets may be subject to greater political and economic instability, less developed securities markets and other risks than in more developed markets.

Investing in mutual funds involves risk, including the possible loss of principal. An investment in a mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Past performance does not guarantee future results.

***Before investing in any Homestead Fund, you should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus contains this and other information about each of the Homestead Funds and should be read carefully before investing. To obtain a prospectus, call 800.258.3030 or visit [homesteadadvisers.com](http://homesteadadvisers.com).***

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