

Helping the next generation build financial security

Raising financially confident children is one of the greatest gifts we can give as parents and grandparents. Whether your goal is to fund higher education, encourage responsible money habits or provide a head start on retirement savings, there are several proven strategies that can set kids on a path toward lifelong security. Below are some key approaches to consider.

529 plans: The gold standard for education savings

When families ask, “Where do I start?” the answer is often a 529 plan. A 529 plan allows you to save for future education expenses in a tax-advantaged way. Contributions grow tax-free, and withdrawals remain tax-free as long as they are used for qualified higher education costs. Many states, including Illinois, also provide state income tax benefits for contributions.

In Illinois, Bright Start and Bright Directions are the two main 529 options. Both are easy to open (all you need is your child’s Social Security number) and simple to use. Even better, anyone — grandparents, aunts, uncles, friends — can contribute. That makes birthdays and milestones a natural opportunity to add to your child’s future education fund.

529 plans are flexible too:

- **Transferable:** If one child doesn’t use the full balance, funds can be moved to another child.
- **Convertible:** Thanks to recent rule changes, up to \$35,000 can be rolled into a Roth IRA for your child’s retirement, if the account isn’t fully used for education.

Given the rising cost of education, starting early is key. Even small, regular contributions can have a meaningful impact over time.

Roth IRAs: Harnessing the power of time

For children who earn income, whether from a summer job, babysitting or part-time work, a Roth IRA can be a powerful tool. Because most teens earn less than the federal standard deduction (nearly \$16,100 in 2026), they often owe little to no federal income tax. This makes Roth contributions especially compelling: they use after-tax dollars, but the growth and withdrawals in retirement are tax-free.

Parents can encourage saving by matching their child’s contributions. For example, if your teen puts \$1,000 into their Roth IRA, you could match it with another \$1,000. Over decades, the impact of compounding growth can be extraordinary! What seems like a small sum today could become a

substantial retirement nest egg.

Teaching smart money habits

While saving for the future is critical, teaching kids how to responsibly manage money day-to-day is just as important.

- **Debit cards with parental controls:** Tools like the Greenlight card allow parents to transfer funds, monitor spending and even introduce budgeting lessons in a safe, controlled environment.
- **Credit cards for young adults:** When teens turn 18, becoming an authorized user on a parent's credit card can help them establish a credit history. Later, they may transition to secured or student credit cards. By age 21, they can access a full range of credit products, making early guidance essential.

These steps not only prepare kids for financial independence but also help them build strong credit profiles early on.

Balancing today and tomorrow

Conversations about money with children can be challenging, especially when the concept of retirement feels so far away to a teenager. But by framing saving as a partnership (parents covering essentials while kids save toward goals), you help them understand both the value of money and the importance of discipline.

Even modest contributions, whether toward a 529 or a Roth IRA, can pay lifelong dividends. Just as importantly, these strategies ensure parents and grandparents don't have to compromise their own retirement security to support the next generation.

Conclusion

From 529 plans to Roth IRAs, from debit cards to credit-building strategies, families today have more tools than ever to teach and prepare children for a strong financial future. The earlier you start, the more powerful the results.

At Mesirow, we are committed to helping families build intergenerational wealth and confidence. To explore which strategies make the most sense for your family, reach out to your advisor or connect with us here.

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