

MICHAEL SINCERE

HELP YOUR CHILD BUILD WEALTH

A Parent's Guide to Teaching Children
to Be Successful Investors



"This book is just the kind of gentle, pragmatic approach that parents need to connect with their children to give them a head start on taking control of their financial future."

— JEFFREY BIERMAN, *TheQuantGuy.com*

PRAISE FOR *HELP YOUR CHILD BUILD WEALTH*

“This is a wonderful book about stock market investing. I highly recommend it to readers of my syndicated financial column—for both young children and interested adults. Everything you need to know to get started and remain successful in stock market investing is in this book. And that’s the savage truth!”

—**Terry Savage**, nationally syndicated financial columnist

“Readers of all ages will enjoy reading Mike Sincere’s *Help Your Child Build Wealth*. Mike introduces his readers to the stock market by taking them down an easy-to-understand path that explains why it’s important to invest in the market, how to open a stock brokerage account, how to build wealth with index funds, and how to profit from stocks. He explains key strategies for investing, as well as warning of risks to avoid. Mike is a best-selling author, trader, and educator, and he is a top-notch guide to lead readers of all ages (and you!) through the halls of the stock market.”

—**Toni Turner**, author of *A Beginner’s Guide to Day Trading Online*, Second Edition

“Michael Sincere’s latest book, *Help Your Child Build Wealth*, is his best book yet as it extends investor education to the full spectrum of the population, meaning it trickles down to teens and tweens. This book is just the kind of gentle, pragmatic approach that parents need to connect with their children to give them a head start on taking control of their financial future.”

—**Jeffrey Bierman**, CMT, professor of finance,
Loyola University Chicago Quinlan School of Business;
founder and chief market strategist, TheQuantGuy.com

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**A PARENT'S GUIDE TO TEACHING
CHILDREN TO BE SUCCESSFUL
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MICHAEL SINCERE

WILEY

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*To my wonderful mother and father,
and also Chip, Chili,
and Lizzie*

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INTRODUCTION

Thank you for buying my book. I wrote this book for parents and their children, or relatives, or for anyone else who wants to use the stock market to build wealth. Teenagers who are interested in the market can read this book on their own.

I did my best to make this one of the most helpful books about investing you will ever read. If you believe that investing in the market is complicated or time-consuming, I hope to surprise you. I wanted my book to be a fast, enjoyable, and easy read. I teach only the most important ideas—what you and your child (or children) need to know right now.

Believe it or not, making money in the stock market is not that hard, as long as you have a strategy (i.e., an investment plan) and follow a few rules. Even more amazing, you and your child can beat the pros who analyze the markets for a living on Wall Street (where the New York Stock Exchange is located).

According to statistics, your child can beat more than 90% of the Wall Street pros. Maybe you think this isn't possible or that I am making this up. Nope. Anyone in the financial world knows that 90% of the pros fail to beat the S&P 500 index each year. This fact is not a secret, but it's not information the experts like to share.

What is the S&P 500 index? To learn more about this valuable financial product, keep reading. I'll show you exactly what you need to do to beat 90% of the Wall Street pros, and also help your child generate wealth.

Before you or your child can expect to outperform the experts, however, you must know more about the stock market.

WHAT YOU AND YOUR CHILD WILL LEARN

By the time you have read all or even part of this book, you will learn about the following subjects. (Don't worry if you don't understand everything on this list, because it will be explained later.)

- Begin by opening a stock brokerage account for yourself. By having your own investment account, it's easier to explain it to your children. Later, you can open an account for them.
- Invest at least \$20 or \$25 into an S&P 500 index fund, an investment that matches the performance of the S&P 500 index. In this book, you are going to learn everything you need to know about index funds, one of the smartest financial products ever created. Part I is all about investing in index funds.
- Invest a set amount of money each month into the same index fund, a strategy called *dollar cost averaging*.
- Hold the index fund indefinitely.
- When you've gained more experience as an investor, you may decide to buy individual stocks. Choose the right one and you can make good money. Investing in stocks is explained in Part II.

SHOULD YOUR CHILD INVEST IN THE STOCK MARKET?

Your child may ask why they should invest their money in the market. The answer is simple: tell them that the stock market is one of the greatest wealth-building systems ever created. It is how many people got rich in the past and will continue to do so in the future. The good news is you can get started with a small amount of money.

Since the US stock market was created in New York in 1792, the market has moved much, much higher. Here is a fact: the S&P index has an average yearly return of about 10.26% from 1957 to 2024 (<https://bit.ly/3RtDQ9Q>).

Depending on other factors (i.e., dividends and inflation), some analysts claimed that the actual yearly return is closer to 15%, while others caution that a return of approximately 7% is more reasonable.

Most important, by following the basic investing strategies introduced in this book, your child can be millionaires well before they are ready to retire. Many people made a lot of money investing in index funds, and your child can do the same.

Fact: If someone had invested \$100 in the S&P 500 index in 1928 (before the 1929 stock market crash), that \$100 would be worth more than \$700,000 in 2024. In comparison, investing that same \$100 in a 10-year Treasury (i.e., cash) in 1928 would be worth a little more than \$8,500 (<https://bit.ly/3XGI0UX>).

Fact: A \$1,000 investment in the S&P 500 in 2014 would be worth \$3,300 in 2024 for an impressive average annual return of 12.68%. A \$5,000 investment in 2014 would have returned \$16,498 in 2024. A \$10,000 investment would have grown to \$32,997 in 2024 (<https://bit.ly/3VrJmLo>).

Money provides financial security. With the right investments, your child (or relatives) can buy what they need, travel, and enjoy the quality of life that only money can bring. I'm not saying that money is all-important, but it does make life easier. As your child goes through life, they will feel confident knowing they can handle most financial emergencies (and without relying on credit cards).

In fact, financial security is one of the best gifts you can give your child. They can achieve this goal by using some simple investment strategies. The idea is to build wealth over a lifetime so they don't have to worry about their next paycheck or paying for a medical emergency.

Some people spend their money on the lottery, hoping for a miracle. Your route will take longer but the odds of success are thousands of times greater. Fortunately, your child can have a comfortable life without waiting for a miracle.

Your child will discover that over time, stock market investing is the easiest, and one of the most dependable ways, for generating wealth. They will learn to set aside some money each month to buy shares of an index fund. Growth begins slowly, but a pot of cash could be waiting for them when they are older (as long as they follow a few rules).

Your child has a fantastic opportunity to become wealthy. Why? Because time is on their side. In fact, the earlier they start investing, the more money they can make. When you ask many older folks if they have any regrets about their finances, many say they wish they had started

investing sooner. Don't make that mistake: teach your child how to invest in the stock market now. This gives them a chance to have a financially comfortable life.

The good news is you already took the first step: you bought this book. I'll do my best to make you happy with that decision.

As you keep reading, you'll find that it's not difficult to make money in the stock market. The hard part is having the *patience* and *discipline* to follow the strategies and obey the rules. If your children can do that, they can continue to build wealth for their entire lives.

Some of you may think that you need a lot of money to make money in the market. Sure, it helps, but it is not true. All you need to get started is a few dollars (or other currency).

The goal is to get into the habit of investing, even if it is a small sum. You can invest as little or as much money as you want. Later, as your children grow older and their income increases, they should be able to invest even more of their own money.

As you may have guessed, this is not a get-rich-quick book. The strategies in here are for long-term investors. The plan is to teach you and your child how to use money to make more money.

On the other hand, I know that for some children, the stock market is about as exciting as learning geometry or trigonometry. If that sounds like your child, be patient. One day, after they see how much money is in their account, their attitude is likely to change.

Right now, my goal is to teach you what you need to know about the stock market so that it is understandable, and hopefully, rewarding. Then you can pass that knowledge onto your children (or other relatives).

Note: If you are a teacher interested in teaching your students about the stock market, my book should meet your needs, no matter their age. This information can be adjusted to any grade level.

Speaking of teaching, it's unfortunate that most teachers aren't given much time to introduce their students to investing or money management. Ideally, children should learn about saving money early in life. Instead, most learn how to spend (usually with credit cards), but not how to invest. Perhaps that's why so many people get into financial difficulties later in life.

HOW TO PARTICIPATE IN THE STOCK MARKET

There are two main ways to participate in the stock market. The preferred way is to be an *investor*, which means buying and holding index funds and other financial products for long time periods—which could be for years. This has been a proven method for generating wealth.

The other choice is to be a *trader*, which means buying and selling stocks over a very short time period. It could be a day, week, or a couple of months. Trading is a risky method best left to the professionals who do it for a living. Why? Because being a successful trader takes a tremendous amount of skill and discipline. It's extremely difficult for anyone to predict where stock prices are headed in the next few minutes, days, or months.

For most people, and especially your children, the *only* way to be in the market is as an investor. This is because investing is far less risky. Also, it's easier to make money, you buy but rarely sell, and it doesn't take a lot of time to learn.

IS INVESTING COMPLICATED?

Some people stay away from investing because they believe it is too difficult to learn. Others believe they need a lot of money to get started.

Fortunately, I cut through all of the confusion and show that investing is not that hard.

I'm not the first to create the strategies included in this book but because of my background as a teacher, I'm one of the few who can make it understandable.

To answer the question, is investing complicated?: investing is not complicated. Many people try to make it seem harder than it is. In reality, the challenge is sticking to the simple strategies that you'll learn about in this book.

LET'S BEGIN

And now, let's begin learning how to use the stock market to enrich yourself and your child. By the time you get to the end of the book, you may think differently about investing, and that is good. Although some folks chase after the next hot stock or new investment idea, you and your child will patiently invest a set amount of money each month into index funds while slowly watching your profits grow. It can't get any better than that!

I hope that reading this book will help to motivate you to discuss investing with your child. Discussing money and personal finance early in life will benefit them. Perhaps this book will help start that conversation. I also made a list of understandable definitions that should be useful (see the Glossary).

Another goal is to help your children have a healthy relationship with money. They should learn that money is important but it's not the most important thing in life (some people may disagree!). Teaching your children how to control money, rather than letting money control them, will reduce future heartache.

PART I

BUILD WEALTH WITH INDEX FUNDS

Are you ready to go on a profitable journey? In Part I, you'll learn about building wealth with *index funds*, one of the most ingenious investment products in history.

It's not only index funds, but I also write about *mutual funds* and *exchange-traded funds (ETFs)*. There is a lot of information in Part I, but I did my best to make it interesting as well as educational. You will definitely learn a lot.

Note: There are five main types of investments: cash, stocks, real estate, bonds, and alternative investments such as digital currencies (Bitcoin), collectables (art), and gold. As you will learn, the primary focus is on index funds, but I'll discuss other investments in later chapters.

