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How to Start a Conversation With Your Grown Children Who Haven't Started Investing Yet

Ever get that sinking feeling when your boss says, "Can we talk privately?" or the even scarier, "We need to talk"? It could mean anything from bad news to a simple lunch invite, leaving you wondering why they chose such a dramatic opener.

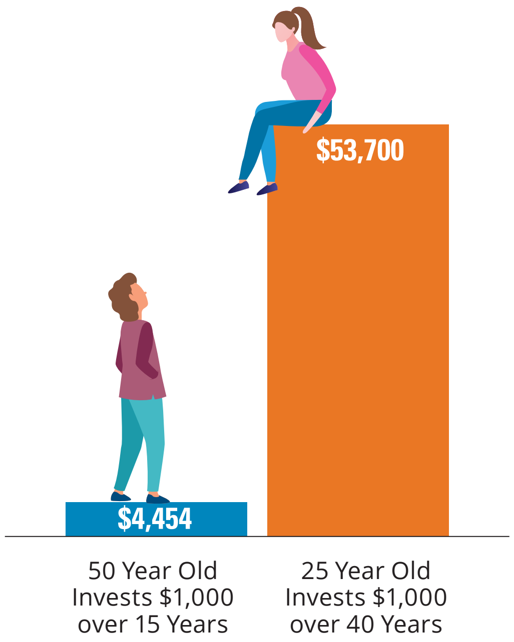
Similarly, if you're trying to chat with your 20-something kid about investing, the way you start the conversation is crucial. Many parents stumble right out of the gate, shutting down the discussion before it even begins. Here are some conversation starters to help your son or daughter take steps toward a better financial future..

What We'll Cover:

- Things to say
- Things not to say
- Objections they may have (and how to respond)

Time: The Secret Weapon of Investing

What a one-time investment of $1,000 can look like over time



Source: Investor.gov Compound Interest Calculator, The chart above is for illustrative purposes only. Assumes a hypothetical 10% return average annual return on investment compounded monthly and does not take into account taxes, transaction costs, or market declines, For illustrative purposes only. The illustration doesn't represent any particular investment, nor does it account for inflation.

First, Things to Say

Telling your kid, "You need to start investing," might just get you an eye roll and a bored look. Instead, try something like:

"Do you know why you have a huge advantage over me when it comes to investing?"

This kind of question sparks curiosity. Your child might wonder how they could possibly have an edge over you, given your experience and resources. But the truth is, young people have the ultimate advantage: time. It's the secret weapon in investing.

Your son or daughter might not realize how beneficial it is to start investing early, even with just a small amount. Here's how you can help them understand that every year they delay is a missed chance for financial growth.

Share this hypothetical scenario:

A 25-year-old and a 50-year-old each invest a one-time investment of $1,000, earn a 10% average annual return and keep it invested until they're 65 years old. Since 1926, the average annual return of the S&P 500 Index was 10.3%. For the last 40 years, 1984–2023, it was 11.3%.[1]

Over the course of 40 years, the 25-year-old would end up with $53,700. With only 15 years in the market, the 50-year-old would have $4,454.[2]

The difference is clear. Investing early, and allowing compound interest to grow, can pay off.

"Do you think you could ever be a millionaire?"

This question spark both curiosity and doubt. Many 20-somethings are focused on short-term financial goals like paying off student loans, affording rent, and enjoying their independence. Becoming a millionaire might seem out of reach, especially when they're just trying to stay afloat. But in reality, starting to invest early and consistently can make it a very achievable goal.

For example, if a 25-year-old starts investing $160 each month and earns a 10% annual return in a tax-deferred account, they could have $1,011,853 by the time they turn 65.[2] Plus, as they progress in their career and their salary increases, investing $160 each month will become easier, and they might even be able to invest more, boosting their overall returns. This scenario can help them see that becoming a millionaire is more attainable than they might think.

Company 401k Matches Can Make It Even Easier to Become a Millionaire

If a company offers a 401(k) match, it can significantly reduce the amount needed to contribute from one's own pocket to reach $1 million. For example, if a 25-year-old invests just 3% of their salary into their company-sponsored retirement

Could Your Son or Daughter Be a Millionaire?

Imagine that a 25-year old begins investing $160 each month and earns a 10% return annually, in a tax-deferred account, until he or she turns 65. At 65, this investor could end up with $1,011,853.

25-YEAR-OLD INVESTS **$160/MONTH**

AT AGE 65 CAN END UP WITH **$1 MILLION**

(10% return, tax-deferred account)

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plan, which might be around $80 a month, and the company matches it with another $80, they could reach $1 million by age 65 with an average annual return of 10%. This doesn't even account for salary raises and higher contributions over time, meaning they could hit $1 million even sooner.[3]

Your son or daughter might get excited about the possibilities that come with consistent investing over time. Often, just seeing what's achievable can be the motivation they need to start working towards their goal. Now that we've covered how to kick off the conversation, let's talk about some common challenges parents face when discussing investing.

Second, Things Not to Say

Some conversation starters, even if they seem sensible, can backfire. Avoid saying things like:

"Investing is the most important financial goal you should have right now."

While it might sound like solid advice, insisting that investing should be your child's top priority can come off the wrong way.

For many 20-somethings, investing for a distant future might not seem practical. They might be more focused on immediate financial concerns like student debt. This direct approach, without acknowledging how little money is needed to start investing, might make your child feel like you don't understand their financial struggles.

"You need to stop spending so much and start saving more."

This might be true in theory, but no one likes being told what to do. There's even a scientific term for it: psychological reactance, which is the brain's response to a perceived threat to freedom. For example, anti-smoking ads can sometimes make people want to smoke more.[4]

Criticizing your child's spending habits can come across as disapproval of their lifestyle and values. Young professionals often prioritize spending on travel, experiences, and convenience, enjoying their hard-earned money now rather than later.

By making this statement, your son or daughter might see you as out of touch with their reality. Instead of sparking a conversation about investing, it could lead to an argument.

Now that we've covered some conversation pitfalls, let's discuss potential objections your son or daughter might have.

Third, Objections They May Have (And How to Respond)

Even if you do a great job of showing your son or daughter the benefits of investing early, they'll still need to make some financial sacrifices, which might not be very appealing. They might have strong objections, especially if they're dealing with debt and their peak earning years are still far off. Here's how to address some of their concerns:

"I don't have enough money to invest."

This is a common misconception among young people. In fact, 45% of Millennials who don't invest said this is the reason.[5] Simply acknowledging, "You're not alone in thinking that," can go a long way in showing empathy.

From there, you can suggest that they might have more to invest than they realize. Offer to help them create a monthly budget and show how even small amounts can add up over time.

Share this scenario:

A person invests $50 per month, earning 10% average annual return.	
After 1 year	$628
After 3 years	$2,089
After 5 years	$3,872
After 10 years	$10,242

Source: Investor.org Compound Interest Calculator. The chart above is for illustrative purposes only. Assumes a hypothetical 10% return average annual return on investment compounded monthly and does not take into account taxes, transaction costs, or market declines, For illustrative purposes only. The illustration doesn't represent any particular investment, nor does it account for inflation..

"I'm afraid to lose money in the stock market."

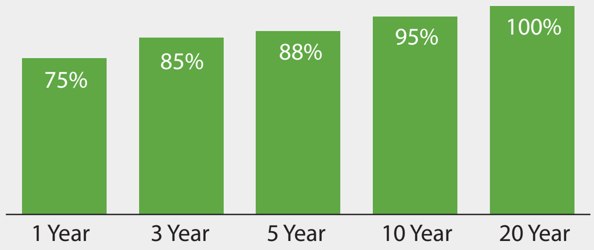
This is a valid concern, especially for young people who experienced the 2008 financial crisis, the market drop of 34% by March 2020, and the more than 21% drop by June 2022. Start by acknowledging that, yes, the stock market can be volatile in the short term. However, historically, the risk of losing money in equities decreases over time.

The Possibility of Negative Returns Has Decreased Over Time

This graph shows all of the 1-, 3-, 5-, 10-, and 20-year periods that the S&P 500 Index produced a positive return. Historically, over the short term, there was more of a chance for a negative return. But the possibility of a negative return decreased over longer periods of time.

Source: Morningstar and Hartford Funds, 8/24

Percentage of Rolling Periods With Positive Returns for the S&P 500 Index (1926–2021)



Past performance does not guarantee future results. For illustrative purposes only. The performance shown is index performance and is not indicative of any investment. Investors cannot invest directly in an index.

But What if They Still Won't Listen?

You can't force your adult child to take action. When money's tight, saving for the distant future can seem impossible. And ultimately, financial arguments aren't worth damaging your relationship.

You could offer to connect your child with someone else who isn't their parent. Maybe set up a quick introductory meeting with your financial professoinal. Or, ask a friend or sibling who has invested successfully to talk to your son or daughter. Sometimes, hearing advice from someone other than a parent can be more effective.

To Summarize

First, consider a positive and intriguing approach to bringing up the topic of investing to your child. Make sure they know that investing involves risk, including the possible loss of principal. Second, be aware of how seemingly reasonable statements can have unintended consequences. Third, know how to acknowledge and respond to common objections that many 20-somethings have about investing.

Your Approach is Key

We all want our kids to have a secure financial future. It can be easy to forget what it was like navigating the world at their age, trying to gain independence while feeling financially constrained.

When you bring up investing, think about how you'll start the conversation to show empathy—and avoid making their heart race like yours does when you hear, "We need to talk." By following these tips, you can have a much more productive discussion.

Next Step

This week, try using one of the conversation starters from the first section with your son or daughter. After that, you can connect them with your financial advisor to help guide them through their early investment decisions.

Investing involves risk, including the possible loss of principal.

[1] Morningstar and Hartford Funds, 8/24

[2] Investor.org Compound Interest Calculator. Assumes a 10% average annual return on investment compounded monthly.

[3] Hartford Funds, 8/24

[4] *Why We Hate People Telling Us What to Do*, Psychology Today, 6/6/19. Most recent data available.

[5] 43% of Millennials Aren't Investing — and That's a Problem, Yahoo Finance, 6/27/19. Most recent data available.

[6] *S&P 500 Sets First Record Since February, Erasing Its Coronavirus Plunge*, The Wall Street Journal, 8/18/20; S&P 500 tumbles nearly 4% to new low for the year, closes in bear market territory, CNBC, 6/12/22

S&P 500 Index is a market capitalization-weighted price index composed of 500 widely held common stocks.