

Last Minute Gift Guide

Stuff your stockings with stocks

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by Joseph Matthews on Dec 16, 2014



What is a typical last-minute gift? An expensive shirt, a box of candy, a coffee mug, a picture frame?

As you consider what to give your loved ones this holiday season, ask yourself, how useful are these gifts? Are they ultimately destined for a tag sale? How quickly will they lose their value?

What can you give that has the potential to become more valuable as time passes? The answer is: stocks.

With some careful planning, giving the gift of an investment to your loved ones can be hugely rewarding, particularly coming from parents and grandparents to children.

Select a stock in a solid company with an established history of improving performance — an investment you don't plan to sell for many years. Buy it and keep tabs on it regularly over the next couple of decades to make sure it continues growing, as past history, of course, is never a guarantee of future performance. Select one with an automatic dividend reinvestment program. Alternatively, direct the company to send dividend checks directly to the child as a quarterly surprise.

Even if you have a substantial chunk of money to invest at once, don't forget the key to success: diversification.

Buying stock for your children or grandchildren can be a tool for saving for college. Remember, it is important to limit the amount of money in the child's account if college scholarships may be sought down the road. The main savings account for college should be in the parents' names as colleges tend to reduce the amount of financial aid for students with large amounts of money in their own names — even if in a trustee account.

Investments are a great educational tool to teach your children about finance, saving for the future and understanding equity markets. Some of the gains might even be used to teach the importance of philanthropy.

Talking about investments can be a nice lead-in to a family discussion of a topic that typically is taboo: money. Too often, parents think money should not be discussed in front of the children. That's a good way to prevent them from learning ... even if they are learning from your mistakes.

Where should you invest? Research on companies that may be good investments can be assigned to the child as they become adept at using the Internet and other resources, including company reports, on stock performance over time.

As children grow and develop specific interests, you may be able to match investment opportunities with their interests, making the process all the more interesting. For a child interested in computers, for example, you may want to look at high-tech companies that manufacture electronics. Does the youngster love a particular food or drink? Find out how that food and beverage manufacturer is faring financially.

Of course, you may not want to limit yourself to stocks alone. Consider gifting other investment types such as mutual funds, bonds, deposit certificates, treasury bills — even gold coins.

'Tis the season for giving your loved ones a gift that may secure true "appreciation." A gift that may bring joy for many Christmases to come.

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