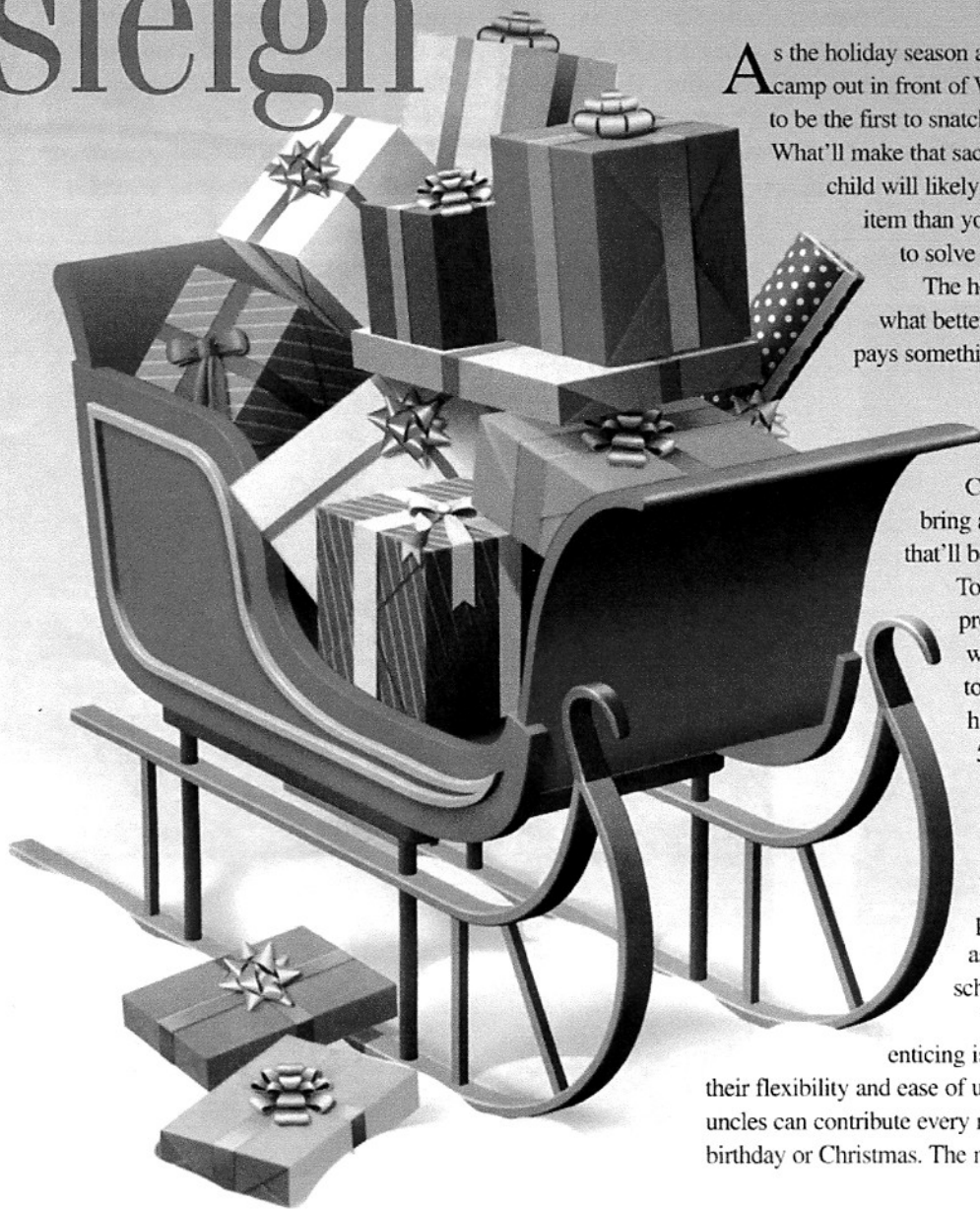


Riding on Santa's investment sleigh



As the holiday season approaches, who really wants to camp out in front of Wal-Mart the night of Thanksgiving to be the first to snatch up this year's hottest toy at 6 a.m.? What'll make that sacrifice even more painful is that the child will likely spend less time playing with the item than you spent waiting in line. Here's how to solve that problem and a few more.

The holiday season is all about giving and what better way is there than to find a gift that pays something back toward high school, college or that first automobile? It's true, handing your teenaged niece a

wad of cash in those Christmas card money holders will bring a smile to her face, but that's money that'll be gone in a day at the shopping mall. Today, there are more financial products available than ever that truly will continue to keep giving for years to come. Some of these gifts that I have touted before, such as College 529 plans, allow virtually anyone to set up a tax-free account on behalf of a child.

Other possibilities include an Education IRA, another tax-free product that can be used for college as well as grammar school or high school expenses.

What makes these investments so enticing is not only the tax-free aspect, but also their flexibility and ease of use. Parents, grandparents, aunts and uncles can contribute every month, every quarter or every birthday or Christmas. The money is under the control of the

parents and can be switched to another child should Johnny decide to join a rock band instead of attend your alma mater.

Another possibility is a "kid's" mutual fund. There are several of them available today including one from Monetta Financial Services, based in Wheaton.

Monetta has created a product called the "Monetta Express Investment Program" which is basically a mutual fund for kids. What makes it interesting is that it is established around a train theme. The more the child saves and earns in the account, the more railroad cars he or she receives.

Kids can also earn prizes by breaking secret codes, playing learning games on Monetta's Web site and reaching pre-determined savings goals. Accounts can be opened for as little as \$250 by joining the automatic investment plan for at least \$25 per month or a minimum investment of \$1,000.

With new accounts, Monetta sends out an information package with a mouse pad and some other office supplies as well. Bob

Bacarella, president of Monetta, says the mutual funds and the games simply teach kids how to save money.

"The secret to saving money for college is to do it on a regular basis," Bacarella said. "You don't put in \$250 and hope it grows to \$10,000. And with the market being down for the past three years, these are your buying opportunities when you can buy stocks cheaply and dollar-cost average them in."

In addition, Monetta has created a 24-chapter investment tutorial for junior high and high school students that teaches basic investment techniques and concepts to teens.

Monetta isn't the only one offering an investment tool for kids. Stein Roe has its Young Investor fund with a minimum investment of \$1,000. Stein Roe also sends kids a special package that includes a quarterly newsletter called "The Dollar Digest," an owner's manual and an activity book. Another fund with a similar idea is USAA First Start Growth.

Truth be told, none of these funds has blazed new trails in terms of performance, but none has performed much worse than many other funds over the past few years either. The point to remember is that it's a start for kids, not an end.

Now for the tricky part. If the child isn't yours, speak with the parents ahead of time. A custodial account in a child's name could ultimately hurt his or her ability to receive financial aid for college, says Cindy Menker, a certified financial planner with Contour Financial in Orland Park.

"I think financial gifts are great, especially for folks who may have estate-planning issues and need to get money out of their estate," Menker said. "The one downside with children is financial aid. So if I give my child some stock in his name, colleges are going to look at 35 percent of that asset as something that could contribute to financial aid, versus only 6 percent if it's in my name."

One positive is that for children under age 14, the first \$700 of investment income is

tax-free, the second \$700 is taxed at the child's rate, which is usually lower than the parents', and the rest is taxed at the parents' rate.

Another fun option is a direct stock purchase (DSP) or dividend reinvestment plan (DRIP). Both products allow individuals to purchase shares directly from a company. Many companies offer such programs on their Web sites, but most company's can be accessed through Sharebuilder.com.

Younger kids might like Wm. Wrigley Jr. Company, the Chicago-based gum maker, which sends a box of gum to each of its shareholders around the holiday season each year. Walt Disney Co.'s direct stock plan requires a \$1,000 initial investment, but that might pay back a little when taking the family to Disney World. The company provides discounted admission fees to its parks for shareholders. A cheaper alternative would be to buy a few shares in the company through a broker.

For girls graduating into young women, try Intimate Brands, the parent company of Victoria's Secret and Bath & Body Works. The fun part for them isn't necessarily the share price, but the \$10 gift certificate they receive with the annual report each year.

To purchase a stock for someone else, simply list that person's name as the recipient in the enrollment form. If a child is under age 18, the account is managed as a custodial account in the adult's name.

The idea behind all of these investments is that they are a great vehicle in which to teach kids about investing and the markets. None comes without risk, but that too is a valuable lesson taught to kids and adults alike. The best part about them is they always fit and last for years.■