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By Susan Carr-Templeton /

Let Teenagers Help You with Investments



It does not take a research report to figure out that the early trendsetters in fashion and electronics are teenagers. If you have teens, or have been around them, you instantly know how they are into the latest clothes or gadgets.

I once had a highly regarded colleague at a prior investment management firm who was a research analyst for retail sector stocks. He often took his teenage daughter and her friends to the mall so he could see which stores they liked and what products they bought. His stock picks were some of the best in the retail sector.

Another reason to pay attention to what teens are buying is that they are some of the biggest spenders on goods and services. “Last year young shoppers spent over \$170 billion—double the amount just 10 years earlier,” according to ABC News.

A year ago, I set up a brokerage account for each of my two daughters at TD Ameritrade, a discount brokerage firm. Since the sum of money was small and transaction costs were a problem (\$8.99 per trade), I suggested they each pick only two stocks in which to invest. I realize this strategy goes against the grain of diversification, but I wanted my daughters to engage in the market, and I certainly was not going to let them loose with a large amount of money. I also believe it is more important to invest in the right sector or asset class rather than in the right stocks, so I like to use exchange-traded funds (ETFs). However, I knew that approach would bore them. My daughters picked Apple (AAPL), Starbucks (SBUX), McDonald’s (MCD), and Free People (owned by Urban Outfitters, URBN).

For those of you who invest in individual stocks, you know the incredible run that these stocks have had with the exception of URBN.

Obviously there was no fundamental analysis done on the company’s financials to drive their purchase decisions other than their knowledge that these retailers were incurring an acceleration of topline growth (my description, not my daughters’). It is not a strategy that I recommend other than a good starting point for some investment ideas. Subsequently, you will need to do your own analysis prior to investing.

The greatest benefit for me has been to see their enthusiasm about investing and their pride in their success. I am grateful we took this course and especially grateful that we did not start investing in 2008. So, if you are a stock picker, I recommend you take your teenager shopping, or find a teenager and grill him or her about shopping habits.

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