

# How Can Parents Setup Their Children to Become Millionaires? Work Smart, Not Hard!

By Jasmin Vazquez

Video: [Introduction to Compound Interest](#) (Khan University)



Two years ago, I became the mother of my first child. The world immediately became so much scarier. Can I provide him a life of quality? I quickly figured out that my job is to make sure he does not live in poverty while working over forty hours a week. A conscious parent will do whatever it takes to set up their child to have a higher quality of life than themselves. The answer is not to work 80 hours a week.

The answer is using compound interest to work for you.

If you own a credit card, you already know about compound interest. In this case, it works against you. Have you ever paid for something on a credit card because of the cashback rewards, and then paid the minimum payment each month? Not only did you lose the reward, but you end up paying almost double for the same purchase. Elizabeth Harris of Forbes magazine says that, “Appreciating the value of compound interest is at the heart of avoiding and managing debt — but also building wealth.”

Many middle-class Latinos work very hard but fail to put even a small chunk of money to the side for savings. This is a fatal mistake. Did you know that putting as little as \$20 aside per month in a high interest mutual fund (>9%) for fifty years would leave you with \$235,132? The same \$20 contribution per month in a traditional savings account (<1%) at your local bank, after fifty years, would give you less than \$15,574. Where would you rather save?

Utilizing financial concepts like compounding interest can save you a lot of stress and give you more time at home with your family. But most importantly, it will rewrite your family’s financial future.