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<THE FRIBBLE>
Monday, May 3, 1999

The Granddad Fund

by George Stateham (george@stateham.com)

I became a Fool relatively late in life, so I missed the chance to educate my children in Fooldom. I want to start my grandchildren on the Foolish path, but I am struggling with how to do it. I want to get them interested in how stocks work, so I think ownership in individual stocks will be better than an index fund or a SPDR. I also want to start by giving them individual shares. But I am not going to plunk \$5,000 into an account for each of them. I want the stock to be of interest to them. I don't think stock in an industrial company like Du Pont is going to be very interesting to a pre-teen.

I finally decided to form Granddad's Investment Fund. I bought stock in **Gap Inc.** ([NYSE: GPS](#)), created some official-looking stock certificates, drew up a set of goals and rules for the fund, and awarded some of my shares to them. The certificates have all the goals and rules printed on the back so they get used to looking for the fine print. Of the companies with good growth I could choose from, I picked Gap because the kids seem to like their commercials and one granddaughter loves Old Navy clothes.

Accounting for all this is going to be a bit of a chore at first. However, as I award more stocks, and their part of the fund grows, their share will eventually be enough to open a custodial account in their name.

The following are the goals and rules of the Fund. (You will note I plagiarized a little from The Motley Fool.)

GRANDDAD'S INVESTMENT FUND (GIF)

Goals of the Fund

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The Fund is established April 12, 1999 with the following goals:

1. To teach the grandkids about the value of saving and investing.
2. To teach the grandkids about the stock market and other methods of investing.
3. To enrich the grandkids mentally and monetarily.



General Rules of the Fund

Granddad is the Fund Manager.

1. The Fund Manager is the final authority in all decisions related to the Fund. All such decisions will be made with the goals of the Fund and interests of the grandkids in mind. The Fund Manager will decide when and what stocks are awarded to grandkids.
2. The Fund Manager will pay commissions on stock purchases in the Fund so the grandkids have no transaction costs.
3. Stocks in the Fund will be normally held in the Fund Manager's brokerage account.
4. The Fund Manager will issue to the grandkids, certificates representing their holdings in the Fund. These will be for a specific number of shares in specific companies, not shares in the Fund in general. The intent is for the grandkids to own shares in publicly traded companies without the cost of setting up separate accounts or issuing individual stock certificates.
5. The Fund Manager will consider as an investment, any stock recommended by any grandkid, but as stated above, holds the final decision on what stock(s) are purchased by the Fund.
6. If a grandkid wants to invest some of his or her money in a stock through the Fund, The Fund Manager will put the money in the Fund and account for it. The stock purchased must be one the Fund Manager is willing to hold in his portfolio. This is to allow buying enough shares to keep the cost of commissions from becoming a burden.
7. The Fund Manager may from time to time trade the stocks. For example, he may sell Gap and buy something else. The grandchild will receive a new certificate for an equal value of the new stock. Outdated certificates should be returned by the grandkid to the Fund Manager.
8. The Fund Manager will hold and invest any dividends, not necessarily in the same stock.
9. There is no guarantee that Granddad will always be able to do this. While it is his intent to award stock to all grandkids at an appropriate age, that may not be possible.
10. If something happens to Granddad, Grandma Lynn will become Fund Manager. If something happens to both of them, then their Trustee becomes the Fund Manager. The Fund will be discontinued and the proceeds distributed as described below.

11. The Fund Manager may at anytime discontinue the Fund. In the event the Fund is discontinued, the value of the grandkids' holdings will be distributed in a manner appropriate for the grandkid's age.
12. The Fund Manager will from time to time send reports on how each grandkid's stocks are doing.
13. Granddad will always answer questions about GIF if a grandkid asks.
14. Any grandkid can cash out any or all of his or her share of the fund at anytime after he or she reaches age 18.
15. The Fund Manager may change or add to the rules at anytime but always with the goals of the Fund and the interests of the grandkids in mind.

It is very early in the going, but both the grandkids and their parents are responding favorably. The parents have shown the kids how to check their stock price on the Internet and they are doing so regularly. On top of being the right kind of thing to do, it is a lot of Foolish fun.

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