

How to Teach Your Kids About Money

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Agenda

- The Goal and the Challenges
- Age-Appropriate Teaching
- The Evolution of Financial Decisions
- Allowance and Budgets
- Credit Cards and Cell Phones
- Virtual Spending
- Tools, Aids, Resources
- Q&A

The Goal

- To raise financially independent, responsible children who are happy, healthy and successful.
- If we don't succeed, what are the consequences?
 - Supporting adult children financially.
- It's worth the effort to start teaching now!



Top Challenges For Parents

- Children are too young, not interested.
- Lack of knowledge, lack of time, lack of opportunity.
- Not good at it yourselves.
- Procrastination.
- It's never too late to learn how to do things better!



Teaching Young Kids



- What is money?
- Value for money and relative value.
- Where does money come from?
- Saving in a Piggy Bank.
- Teachable Moments.
- Charitable birthday donations made easy

Teaching Pre-teens



- **Earning money:**
 - Part-time work and odd jobs
- From piggy banks to real banks
- Opening a youth account

Teaching Pre-teens



- Match savings
- Access/debit card issues
- Advertising and peer pressure
- Debrief on spending experience

Teaching Teenagers

- Earn through their first real job
- Cash is King!
- The double-edged sword of compound interest
- Pay yourself first and make it automatic
- Track spending
- Use personal values to set goals



Teaching Emerging Adults

- Paying for post-secondary education
 - Your savings, including RESP withdrawals, child's savings/earnings, co-op programs, loans
 - Student loan interest can be tax deductible



Teaching Emerging Adults

- Filing a tax return
- Tax breaks for students
 - Tax credits for tuition fees, education and textbooks
- Tax advantaged savings
 - Tax-Free Savings Account
 - Registered Retirement Savings Plan



The Evolution of Financial Decisions

	Young Kids	Pre-teens	Teenagers	Emerging Adults
Earn	Allowance, Gifts, Tooth Fairy	Allowance, Part Time/Odd Jobs	Allowance, First Real Job - Pay Cheque	Allowance, Employment Income, Tax Return
Save	Piggy Banks	Youth Bank Account	Youth or Savings Account, GICs	Bank Accounts, GICs, RRSPs, TFSAs
Spend	“Teachable Moments”	“Whose money?” Spending online	Budgets, Tracking, Value-based Goals	Student Debt, Budgets, Credit Cards
Share	Birthday Party Money for Charity	Giving Time and/or Money to Charity	Fundraising, Community Work	Volunteering
Invest	Lemonade Stand: Encouraging Entrepreneurship	Start-Up Capital: Takes \$ to Make \$	Compound Interest	Invest for Long-Term Goals

Allowance

Young Kids	Pre-teens	Teenagers	Emerging Adults
Payment for chores, money management tool, or both? Rule of thumb – \$1 per year of age weekly.	Allowance continues – weekly or monthly. Start shifting responsibility for how money is spent.	Allowance continues – weekly or monthly. Transfer more responsibilities to cover basic needs and some wants.	Allowance continues – money for post-secondary education.

Budgets

Pre-teens	Teenagers	Emerging Adults
Work together on a budget. Decide who pays for what.	Increased responsibility for clothing, transportation and entertainment. Show receipts. <i>Teen Budget Worksheet</i>	Preparing to be on their own. Managing a larger budget. <i>Post-Secondary Student Budget Worksheet</i>



Credit Cards

Pre-teens and Teenagers

Introduce concepts of:

- Buy now, pay later
- Due dates
- Late interest payments

Teenagers and Emerging Adults

Explain the benefits and the risks of credit cards:

Benefits

- Convenience and practicality
- Help to create credit history, earn credit rating
- Earn rewards
- Online purchases

Risks

- More expensive than personal lines of credit
- Damaged credit rating with missed or late payments
- Increased spending and "bad debt"

Cell Phones

Pre-teens and Teenagers

Responsibility, safety, appropriate package, roaming charges.

Teenagers and Emerging Adults

Encourage use of smartphone money applications and online banking to track spending and manage their finances.



Virtual Spending

Pre-teens and Teenagers

iTunes, eBay, “accidental” spending.

Teenagers and Emerging Adults

- Use caution regarding websites that ask for confidential financial information.
- Sharing personal information, including on social media, could lead to identity theft.
- Beware of scams and fraud, including debit and credit card fraud.
- Remind to protect personal information, documents, passwords and PINs.



Key points

- ✓ Start early and lay the foundation
- ✓ Take advantage of “teachable moments”
- ✓ Keep the information age appropriate
- ✓ Form good money habits early
- ✓ The importance of budgeting



Key points


- ✓ Set meaningful financial goals
- ✓ Teach the importance of budgeting
- ✓ Teens/young adults can learn the basic concepts of investing
- ✓ Don't procrastinate!
- ✓ Volunteering your time



Tools and Aids

Worksheets for parents and children

- Goal-Setting Worksheet
- Post-Secondary Student Budget Worksheet – Balancing your budget
- Teen budget
- Role Model Self-Assessment
- Values Validator

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Name: _____

FINANCIAL LITERACY
Role Model Self-Assessment*

Answer the questions with either *True* or *False*.

Description	True	False
1. I would not stretch myself financially in order to drive a nice car.		
2. I try to stay up to date on the tax issues that affect me.		
3. I like to discuss investments.		
4. If I won the lottery, I would not noticeably change my lifestyle.		
5. I am usually eager to get to work.		
6. Learning is an important key to financial success.		
7. I am reasonably careful with money.		
8. I adhere to a structured budget.		
9. I always conduct due diligence on my investments.		
10. When I get advice, I seek a second opinion.		
11. I keep well informed for everyday financial decisions.		
12. I know where I am going and how to get there.		
13. If there is something I "want" but don't "need", I walk away and sleep on it.		
14. I pay off my credit card balance every month.		
15. I reflect on my past investment decisions to see what I can learn.		
16. I do not "gamble" with my savings by taking excess risk.		
17. I try to shop carefully, using coupons and waiting for sales.		
18. I can afford everything I need.		

*Inspired by *Financial Attitudes Evolve in Client-Centered Life Planning* by Michael R. Curtis, 2005.

Results:

- **Less than 10 Trues** – you have some work to do!
- **10-15 Trues** – you are modelling good behaviour some of the time. Keep working on it!
- **15-18 Trues** – Congratulations, you are modelling good behaviour almost all the time!

Resources

- *Raising Money-Smart Kids: How to teach your kids about money*
cpacanada.ca/financialliteracypublications
- CPA Canada session “*Are You a Good Financial Role Model for your Children?*”
- Office of the Superintendent of Bankruptcy of Canada
ic.gc.ca/eic/site/bsf-osb.nsf/eng/h_br01854.html
- *Make it Count* – Manitoba Securities Commission
makeitcountonline.ca/csa/parents/index_en.html



Questions?

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