

# How to Teach Your Kids About Money

Presented by Lisa McComb

An Educational Session sponsored by the Chartered Professional Accountants of Canada (CPA Canada)



# **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

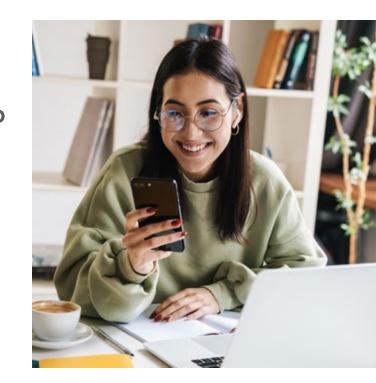
# **Teaching Teenagers**

- 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 RetirementSavings 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	Allowance continues  – weekly or monthly.	Allowance continues  – weekly or monthly.	Allowance continues  – money for post-
tool, or both? Rule of thumb – \$1 per year of age weekly.	Start shifting responsibility for how money is spent.	Transfer more responsibilities to cover basic needs and some wants.	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.	Preparing to be on their own.  Managing a larger budget.
	Show receipts.	Post-Secondary Student Budget Worksheet
	Teen Budget Worksheet	



#### **Credit Cards**

Pre-teens and Teenagers	Teenagers and Emerging Adults
Introduce concepts of:	Explain the benefits and the risks of credit cards:
<ul><li>Buy now, pay later</li><li>Due dates</li><li>Late interest payments</li></ul>	<ul> <li>Benefits</li> <li>Convenience and practicality</li> <li>Help to create credit history, earn credit rating</li> <li>Earn rewards</li> <li>Online purchases</li> </ul>
	<ul> <li>Risks</li> <li>More expensive than personal lines of credit</li> <li>Damaged credit rating with missed or late payments</li> <li>Increased spending and "bad debt"</li> </ul>

### **Cell Phones**

Pre-teens and Teenagers	Teenagers and Emerging Adults
Responsibility, safety, appropriate package, roaming charges.	Encourage use of smartphone money applications and online banking to track spending and manage their finances.



# **Virtual Spending**

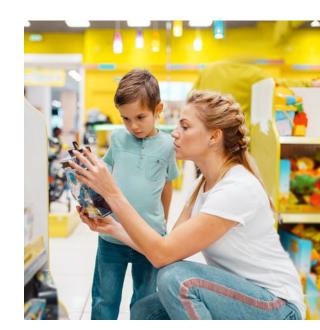
Pre-teens and Teenagers

iTunes, eBay, "accidental"
spending.

• 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**

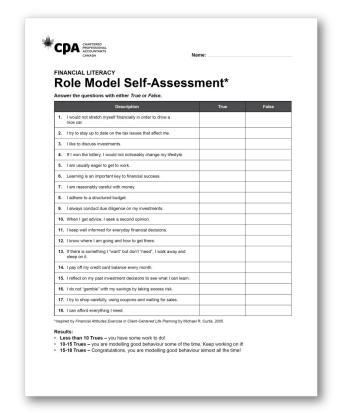
- Set meaningful financial goals
- ✓ Teach the importance of budgeting
- Teens/young adults can learn the basic concepts of investing
- Don't procrastinate!
- ✓ Volunteering your time



#### **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



#### 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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