

# My Children's Saving Options



## Helpful links for money management

Government of Canada  
[www.canada.gc.ca](http://www.canada.gc.ca)

Human Resources and  
Social Development Canada  
[www.hrsdc.gc.ca](http://www.hrsdc.gc.ca)

Government of Ontario  
[www.gov.on.ca](http://www.gov.on.ca)

Ontario Ministry of Education  
[www.edu.gov.on.ca](http://www.edu.gov.on.ca)

Canadian Bankers Association  
[www.cba.ca](http://www.cba.ca)

GO Figure  
[www.mygofigure.com](http://www.mygofigure.com)

I want my kids to grow up to be financially fit, but...  
*how do I get them started off right?*

Parents want their children to be better off. No one wants to see their children struggle financially. Experts agree that financial education should be a core component of a child's upbringing. What can you do to help your child start a financially fit lifestyle? Believe it or not you are teaching your children about money everyday. They watch how you spend it, talk about it and save it. Now is the time to make sure the financial life lessons you are passing on are the right ones.

### Shaking the Money Tree Allowance, Gifts and Jobs

Allowance is the income they can learn from. While experts disagree on how often, how much and what it should cover, they do not disagree on what an allowance represents. Allowance should be a regular, fixed amount that is given to use as they see fit. Experts recommend that an allowance should not be tied to regular family chores so that children can learn they have responsibilities as part of the family.

Birthday, holiday and other gifts often come in the form of cash. Depending on their age, extra money can be earned by taking on special chores, doing odd jobs for a neighbour or babysitting. Be clear what the job is worth, the time-line and expectations of what a completed job means. Once in high school extra cash can be earned from a part-time job.

Whatever the source of their income, the lessons you want them to learn are: the value of money, money is limited, the value of work and having money means making choices.

### The Three S's Saving, Spending and Sharing

Once children have an understanding of their income, it's time to talk about saving goals, needs versus wants, smart choices and giving to their community. When starting your children on the lifetime habit of saving it is best to have a tangible purchase in mind. Saving for a rainy day isn't anything they can relate to – saving for a game or MP3 player is much more interesting. Set up a savings plan to reach their goal in a realistic time period. Setting up a spending plan is the same thing – have them work out what their regular expenses are for treats, movies, music etc. Help them sort out their expenses from most to least important. Show how their spending and saving has to balance with their income and for the next two weeks track their spending. Finally, talk to your children about the importance of sharing their money with those who are less fortunate.

They have set goals and saved, but still fall a little short. Do they borrow? If you lend them money, make sure they understand it is a loan and not a gift. Help them figure out what they can afford to borrow, the repayment schedule and set the consequences for failing to make payments.

Understand that this is not your money it's your child's. It's their responsibility to weigh options and make choices. Guidance is OK, but make sure it is advice and not directions you are giving. Let your children make poor choices along the way, after all this is a much safer time to learn from their mistakes.

### Managing Parents Credit Union

As the CEO of Parents Credit Union you have to make decisions on how to handle topics such as borrowing, budgets and allowance limits. Regardless of the outcome, it is important that you communicate your decisions. Children will learn from hearing how you handle and make financial choices.

## “She wanted her son to learn about financial responsibility.

After discussing the type of transactions her son would be doing and his savings goal, we suggested a daily interest savings account. The son now uses his ATM card to make deposits and withdrawals while learning the value of saving and making responsible purchases.”

As told by a Credit Union  
Member Service Rep



Turn over to read about financial skills at every age, and talking to your parents about financial planning.

# We'll show you how...

Go to [mycreditunion.ca](http://mycreditunion.ca) for:

- » The Personal – False Advertising
- » Tips on Back to School Shopping

## Money Skills for Each Age Group

At every age group a different set of experiences and tools can be introduced to help develop strong financial skills. Very few 5 year olds are ready to learn about interest and your high school student is not going to be too excited by a piggy bank.

### Pre-School

- Sort coins and talk about their value.
- Have your child pay for a treat at the store or put money in a parking meter – they can see that money is used to purchase things.
- Get a 'see-through' bank so they can see their money grow.

### Elementary School

- Start an allowance and have your child open a savings account.
- Pay the allowance in denominations that encourage saving – like loonies instead of a bill.
- Set up tangible goals. Work out a spending and saving budget using their allowance as their income.
- Show how to comparison shop before making a purchase they have saved for.
- Provide opportunities to earn extra money.
- Take them with you when you volunteer.

### Junior High School

- Broaden what their allowance is meant to cover – help them work out their living expenses and adjust their allowance to cover these items, plus a little extra for fun.
- Let your child do the family grocery shopping and pass on any savings by comparison shopping and using coupons.
- Start a regular charitable giving component of their savings – let them choose what charity it goes to.
- Involve them in planning and budgeting a family vacation or outing.

### High School and University

- Introduce the concept of borrowing – consider co-signing for a credit card with a low limit. Use statements to talk about interest fees, spending and payment habits.
- Open a chequing account with a debit card.
- Involve them in a family meeting to discuss discretionary spending.
- Have them pay their cell phone bill.
- If they have a job, have them fill out their income tax return.
- Encourage saving towards their university education.
- If they drive have them budget for items such as gas and insurance payments.

Each age builds on the steps from earlier ages. If you are just starting now and your child is in junior high don't forget to open a savings account, set goals and work out their savings and spending budget. Remember, it is never too late to start a healthy financially fit lifestyle.

## Talking to YOUR Parents

You have figured out how you want to teach your children about money and are ready to set them on the path to a healthy financial lifestyle. Now are you ready to discuss money with your own parents? If you are like most, the answer to that question is a resounding "NO". Although it is a difficult subject to broach, it is a necessary one. Often we are afraid to start the conversation because it means we have to think about the possibility of illness, disability or death. But not having the conversation may leave you and your parents vulnerable should an unforeseen circumstance have you answering financial, health or estate questions on their behalf.

Starting the conversation doesn't mean that you expect your parents to divulge their balances or give over the keys to the 'kingdom'. It does mean understanding on a broad basis what they have, where they keep it and what they want done with it. It is just as important for them to understand your concerns. As a start here are a few broad areas to get the conversation heading down the right path:

- Discuss your own financial plans and the strategies you have set in place to cover any circumstances in the future. If you have not started a financial plan, ask your parents how they started theirs and what advice they give.
- Let them know that you are concerned that should anything happen their interests are well-taken care of. This means you need to understand what assets and liabilities they have - in general terms. If they are comfortable sharing details, fine but it is not necessary. What is necessary, however, is that there is a list of accounts, insurance plans and locations where important legal documents are kept. Likewise, having the details and keys to any safety deposit boxes is critical. The list must also include the names and contact information for their lawyer, accountant or other financial advisors.
- Everyone wants to avoid issues over a family will – as hard as it may be – encourage an open discussion about the general contents of the will and what their intentions are. Having that conversation with all interested parties can clear the way going forward. This also means understanding your parents' feelings about health related preferences. As their child, it may be your responsibility to make health related decisions and you will want to respect their wishes – ask your parents if they have documented their wishes as it relates to health care. If they have not, suggest they speak with someone about a living will.
- Many financial institutions have a power of attorney set-up – but be clear, a power of attorney has to be set-up at each financial institution. This is a difficult subject to broach but is very important if your parents are not able to make sound decisions for whatever reason.

Having the conversation is part of the estate-planning process and will insure that when the time comes everyone is well-prepared and able to make the best possible decisions. If you are not sure where to start or if you or your parents need some help – talk to us. As your financial advocate, we are here to help you and your family every step of the way.