

Empower Your Kids With Money Skills

November is Financial Literacy Month – a great reminder to brush up on our financial knowledge and, even more importantly, pass on what we know to our children. Here’s a primer, by life stage, on how to help your kids learn about managing money.

Pre-school

Before children reach school age, it’s challenging to comprehend the notion of money. Once they have a decent grasp of language, introduce them to basic financial concepts. For example, show them different coins or bills, and start teaching them to count as well. Explain how people work hard to earn money so they can acquire what they need, such as food or clothes. When grocery shopping, inform them that you cannot simply bring things home. You must give the store money in exchange for these items. The more you take home, the more money you pay the store. This will get kids thinking in simple terms about the relative value of money.

While pre-school kids are generally too young for chores, you may reward them with loose change for commendable actions like putting away their toys. Tell them that when they’re older and want to buy things, they can use the money they’ve been saving up. They might not grasp the true meaning of money, but they’ll learn that the coins and bills they’ve saved will allow them to get things they desire.

Grade school

Now that your kids understand the basics of money, opportunities arise to learn about money management. If they earn an allowance for chores, teach them the importance of saving some for future expenses (e.g., purchasing a toy), while also keeping some available for an inexpensive indulgence. This will help them foster a healthy attitude toward money, knowing they can delay gratification while also enjoying the present. Opening a bank account may reinforce the points about saving and spending.

Many kids operate a lemonade stand (or something similar) to earn a few dollars. This is a great way to learn about budgeting, as they must balance the cost of supplies with the pricing of their product. Also, running this “business” helps them learn the value of a dollar. With their hard-earned money in hand, it encourages them to decide whether they need a certain item now or should save for something else. Your kids will learn about financial responsibility, good planning and making wise choices.

High school

At this stage, your kids are becoming young adults who’ll find the concept of financial independence appealing. They want to control their money but also need to be accountable and save for the future (e.g., post-secondary education). If you’ve been instilling positive money habits, they’ll remain on track to achieve financial autonomy.

In addition to savings accounts, consider a chequing account or even an investment account if they've put away cash from part-time jobs, birthday gifts, etc. An RRSP (if they have any earned income) will illustrate the power of tax deferral and compound returns. Teach your teens how credit/debit cards work and their benefits and drawbacks. Also, they should learn about managing/paying bills (e.g., phone, internet) and maintaining the discipline to stick to a budget so they can live within their means.

Regardless of life stage, your kids will have questions about money, so be prepared to offer honest answers, practical advice and age-appropriate lessons on how to be financially savvy. Also try to model positive financial behaviour, since kids will recognize when your words and actions don't match. If you're not careful with money, it'll be harder for your kids to follow the path to financial security. Show them the right way and they'll benefit for life.

A knowledgeable, trusted advisor can help you hold constructive money conversations with your children. Contact us today.



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