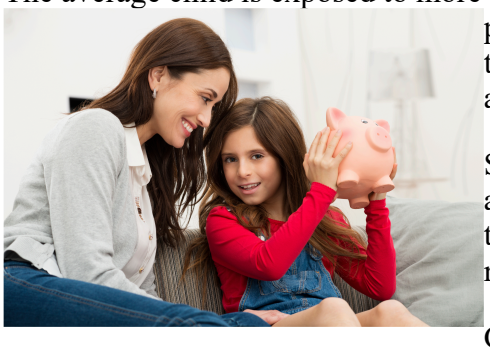
Teaching your child about personal finances

The average child is exposed to more than one million ads by the time he or she reaches the age of 21. The pressure to consume and spend is intense, so it is important for children to learn basic money management skills. They can then grow up with an understanding of the consequences of living beyond their means.



Starting the journey towards financial literacy and responsibility begins at a young age. As soon as children can count, you can introduce them to the concept and purpose of money. Practice basic arithmetic using real money. Play cashier and have your child learn to give you change.

Consider these tips when teaching financial responsibility to your child:

- **Don't give kids everything they ask for and don't feel guilty about it.** It is vital that children learn not to make impulse buys and instead save for what they really want and need. As reported in The Stanford Marshmallow Study, self-discipline and the ability to delay immediate gratification can lead to long -term goal achievement and lifelong success. Kids who are able to resist instant gratification tend to have more successful marriages, higher incomes, greater career satisfaction, better health and more fulfilling lives than most of the population.

- **Open a savings account.** Take your children to your bank or credit union and have them open up their own savings account. Every time they deposit birthday money or part of their allowance, they'll see their savings grow. Let them withdraw money to purchase something they've been saving for. Not allowing them to withdraw money might deter them from further saving. Allowing older children to withdraw small amounts via an Automatic Teller Machine (ATM) can also demonstrate the impact of bank charges!

- **Give an allowance.** Give money in denominations that encourage saving. If the amount is $5, give five loonies and encourage your child to save at least one.

- **Teach them about debt.** A great way to get children and teens to understand how credit and overall debt works is by lending them money for a special purchase. First explain how it works – that you will lend them a certain amount but you will also charge them interest at a specified percentage. After they repay the loan from their allowance or savings account, let them compare how much they originally borrowed versus how much they actually paid.

- **Alert older kids to the risks of credit cards.** College and university students are often offered credit cards by financial institutions and if they're not good money managers, this can lead them into debt. Consider using one of your paid-up credit cards to purchase something expensive your teenager wants. Every time the monthly credit card bill comes, share it with your teen so he or she can see the impact of high interest rates and have him or her pay you the minimum required. Do this every month until the purchase is paid off. Of course, if they want to pay off the balance once the lesson has been learned, that's okay too!

- **Involve your child in buying decisions.** For example, you have $10. You can buy two boxes of your child's favourite cereal or three boxes of the one that's on sale. Ask your child which is the better option.

- Let kids earn extra money. Give your kids the opportunity to earn extra cash by washing the car, weeding the garden or shovelling snow. Understanding that earning money involves hard work will make them less likely to spend it recklessly.

- **Let them make mistakes.** You don't get financially savvy kids if you do everything for them. Let them set their own goals and make their own mistakes. Be firm though. If your children spend all of their allowance on candy, don't give them more money – or buy anything for them – until their next allowance. They'll soon learn to manage their money more responsibly.