

a Parent's Guide to Raising Money-Smart kids



AUTHOR
Robin Taub, CA

ILLUSTRATOR
Farida Zaman

FOREWORD

The Canadian Institute of Chartered Accountants recently commissioned research about the level of financial literacy in Canada, and the results—consistent with the research and recommendations of the Federal Task Force on Financial Literacy—were a wake-up call: Canadians need to improve their financial literacy skills!

If you are like most Canadians, you believe that responsible money management is an important life skill—and one that should be taught to kids. The research shows that most parents feel it's their responsibility to teach their kids about money management, and many have tried. But a vast majority of parents feel they have not been very successful at it. They feel they don't have the information they need, and they don't know how to approach the subject with kids of different ages. They recognize that they need help and they are willing to listen and learn. That's why this book was written. We believe that the earlier kids are taught, the greater the likelihood of their financial success throughout life.

As chartered accountants, we know about money. We hope this book will give you the information and skills you need to communicate effectively with your children about important money matters. We hope that it will also make you more aware of your own behaviour around money and the type of financial role model you are to your kids currently—and the type of role model you can become. It may also lead to improvements in your own financial health as you become more skilled in understanding, practising, and explaining money management. Finally, we hope it will help your kids feel more confident about their financial decisions.



Kevin Dancey, FCA

President & CEO

The Canadian Institute of Chartered Accountants

Acknowledgement:

Reprinted (or adapted) from A Parent's Guide to Raising Money-Smart Kids, 2011, with permission of Chartered Professional Accountants of Canada, Toronto, Canada. Any changes to the original material are the sole responsibility of the author (and/or publisher) and have not been reviewed or endorsed by the Chartered Professional Accountants of Canada.

CHAPTER

1



"Dad, how much money do you make?"

Getting to Money Smart

TABLE OF CONTENTS

FOREWORD	iii
-----------------	------------

INTRODUCTION	xi
---------------------	-----------

CHAPTER 1: GETTING TO MONEY SMART

Why Is It Important to Raise Money-Smart Kids?	2
---	----------

What Are the Challenges to Raising Money-Smart Kids?	3
---	----------

What Kind of Financial Role Model Are You?	4
---	----------

Is Money a Taboo Topic in Your Home?	4
--------------------------------------	---

The Big Picture: Household Finances	5
-------------------------------------	---

Budgeting: Overhead expenses and discretionary spending	5
---	---

Closing a financial gap	7
-------------------------	---

How Your Values Influence Your Financial Decisions	8
---	----------

The Ten Healthy Habits of Financial Management	9
---	----------

Key Points	15
-------------------	-----------

Resources:

Role Model Self-Assessment	16
----------------------------	----

Cash Flow Calculator	17
----------------------	----

RRSP Net Worth Worksheet	19
--------------------------	----

Values Validator	22
------------------	----

CHAPTER

2



"Mommy, I know money doesn't grow on trees—it comes from the bank machine!"

Teaching Young Children

CHAPTER 2: TEACHING YOUNG CHILDREN

Earn	26
What is Money?	26
Bills and coins	26
Barter	27
Foreign currencies	28
The value of a dollar	28
Where Does Money Come From?	
(No, the answer is not the ATM machine!)	29
Birthday and Tooth Fairy Money	30
Allowance: Payment for Chores, a Money Management Tool, or Both?	31
When do I start and how much do I give?	32
Limitations or laissez-faire?	32
Save	32
Multi-Slotted Piggy Banks	33
Spend	34
Teachable Moments	34
At the grocery or corner store	34
At the mall	34
At the restaurant	35
Planning a birthday party	35
Board games	36
Share	36
Get a Gift/Give a Gift	36
Donating Change for a Charity—It Adds Up!	37

CHAPTER

3



Teaching Pre-Teens

TABLE OF CONTENTS

Invest	37
Encouraging Entrepreneurship—Beyond the “Lemonade Stand”	37
Key Points	38
 CHAPTER 3: TEACHING PRE-TEENS	
Earn	40
Jobs: Babysitting, Dog Walking, Car Washing and Other Odd Jobs	40
Allowance Revisited: Payment for Chores, A Money Management Tool or Both?	41
Know what motivates your kid	41
How much allowance to give?	42
Limitations or laissez-faire	43
Save	43
Piggy Banks to Real Banks	43
Matching Savings	44
Chequing Accounts	44
A Story about Setting Goals	45
Spend	46
Getting Out in the World	46
Spending their own money vs. yours	46
Media and advertising	47
Brand names and peer pressure	47
Cell phones	48
More Teachable Moments	49
Debit and Credit Cards	50
Virtual Spending: iTunes, eBay, etc.: How Do You Make the Spending Feel Real?	50

CHAPTER

4



"Thanks, man!"

Teaching Teenagers

A PARENT'S GUIDE TO RAISING MONEY-SMART KIDS

Share	51
Fostering an Attitude of Gratitude	51
Helping those less fortunate	51
Invest	52
Cashflow 101, the Board Game — Monopoly on Steroids!	52
Entrepreneurship Revisited	52
Key Points	53

CHAPTER 4: TEACHING TEENAGERS

Earn	56
Their First “Real” Job	56
Helping Them Understand Their Pay Cheque	57
Paying for Good Grades	58
Online Consignment Sales	59
Save	60
Cash is King	60
Using Personal Values to Set SMART Goals	61
Emma Taylor’s Goal-Setting Worksheet	62
Paying Themselves First — and Making It Automatic	63
Spend	63
Allowance: Increased Financial Responsibility	63
Budgeting	64
Tracking Spending	65
Needs vs. Wants Again	66
An Ecological Approach to Financial Responsibility	67
Spending Wisely	67

CHAPTER

5



"It's like totally delicious—wait till you try it. And it only costs \$5.95."

Teaching Emerging Adults

TABLE OF CONTENTS

Stored Value Cards	68
Negotiating and Bargaining	68
Tipping	68
Share	68
Raising Money <i>At</i> School	68
Raising Money <i>For</i> School	69
Invest	70
Investing for Short- and Medium-Term Goals	70
Simple vs. Compound Interest	71
Key Points	74
Resources	
Teen Budget Template	75
Goal-Setting Worksheet	76

CHAPTER 5: TEACHING EMERGING ADULTS

Earn	79
Why File a Tax Return?	79
Tax Breaks for Students	80
Scholarships and Bursaries	80
Save	81
Tax-Advantaged Savings	81
Tax-Free Savings Account (TFSA)	81
Registered Retirement Savings Plan (RRSP)	82
The “Latte Factor®”	82

A PARENT'S GUIDE TO RAISING MONEY-SMART KIDS

Spend 83

Paying for Post-Secondary Education	83
Is Your Kid Prepared To Be On Her Own?	84
Credit Cards Revisited	85
Fraud, Scams and Identity Theft	87
Preventing identity theft	87
Preventing credit or debit card fraud	87
A note about social media	87

Share 88

Volunteering Your Time	88
Philanthropy is a Family Affair	89

Invest 89

Long-Term Investing: Start Early and Invest Regularly	89
Stocks, Bonds and Other Investments	90
The Benefits of Diversification	91
Asset Allocation and Security Selection	91
A tale of three investors	92

Key Points 94

Resources

Post-Secondary Student Budget	95
-------------------------------	----

RESOURCES 99

ABOUT THE AUTHOR 103

ACKNOWLEDGEMENTS 104

INTRODUCTION

To get the most out of your reading, you should understand a few things about how the book is organized. The first chapter sets the stage, explaining why it's important to help your kids become money-smart. It also covers what that implies about your own responsibility to be smart with your money so that you can teach by example, because a good example really is the best teacher.

But beyond your own example there is the very basic need to talk to your kids about money. How do you approach it? We've given a lot of thought to this question, and the conclusion we've reached is that there are really five basic aspects of money that can be used to structure an ongoing conversation. First there's the fact that in order to have money you have to earn it. Then, once you've earned it, there are really just four things to do with it:

- Save
- Spend
- Share
- Invest.

Chapters 2 through 5 are directed to parents with kids at different stages— young children (5 to 8 years old), pre-teens (9 to 12 years old), teens (13 to 17 years old), and emerging adults (18 to 21 years old). Each chapter is organized around the five aspects of money just discussed—**Earn, Save, Spend, Share** and **Invest**. There are suggestions for family discussions and activities designed to reinforce these concepts. Each chapter also contains quotes from parents talking about how they approached financial literacy with their kids, quotes that sometimes remind us that there is often humour even in the most serious topics.

We hope that the suggestions in this book, and the real-life experiences of other parents, will make your conversations with your kids easier and more effective. We also welcome your ideas and anecdotes. Please email us at: moneysmartkids@cica.ca

Acknowledgement:

Reprinted (or adapted) from A Parent's Guide to Raising Money-Smart Kids, 2011, with permission of Chartered Professional Accountants of Canada, Toronto, Canada. Any changes to the original material are the sole responsibility of the author (and/or publisher) and have not been reviewed or endorsed by the Chartered Professional Accountants of Canada.

for a copy of this book
please contact
Dan Muzzin, CA
Macdonald Realty Ltd.
call 604-813-3795
email to dan@danmuzzin.com
www.danmuzzin.com