

HOW TO GIVE YOUR KIDS A FINANCIAL LEG UP



Kids grow up fast, and with age should come independence — not just physical independence, but financial, too.

But just how much financial independence is the right amount? It's a fine line between being in control of your kids' money matters and giving them the space they need to learn how to be financially responsible.

By the time kids reach their teens, and certainly once they head off to university, they should know how to budget, save and spend wisely. And it's a lesson best learned at home.

6 WAYS TO PREPARE YOUR TEENS FOR FINANCIAL INDEPENDENCE



1. Get a job: A part-time job is a great way to start building a good work ethic and financial accountability and independence. When a teenager has to work to earn money, they may start to gain a real appreciation for the value of a dollar. Encourage your child to take on a part-time job, even if it's babysitting on the weekend or working a few hours a week at a local coffee shop. It's also a good idea to lay some ground rules about how they spend their earnings, such as putting a minimum of 10 per cent into a savings account, or contributing a certain amount to their cell phone bill or entertainment spending.



2. Split the bill: Cell phone bills can get out of control when you have a teenager in the house — or even away at school. If your child is old enough to have a part-time job and go off to school, they can start to contribute toward their bills. Even if you can afford to pay their way, teaching them how to be financially responsible by covering some of their costs will only serve them well later in life when they're out on their own. You could offer to pay half the bill, or pay the first six months when they head off to school and until they get settled.



3. Learn to use credit: This is a tricky one and should be approached with caution and your child's age/maturity in mind. However, credit is a reality of life, and learning how to use it wisely is a valuable lesson best taught at a young age. To get your child used to using a credit card and paying off a balance, you can try giving them a supplementary card linked to your account — with very strict rules. Enforce a maximum amount they can charge per month with the caveat that they must have enough money to be able to pay the balance off in full at the end of the month. Getting them into good credit habits early on will pay huge dividends later in their financial life.



4. Bank on it: Opening a chequing or savings account for your child is a great way to help them gain a sense of independence and responsibility. It can also be a great incentive for them to build their savings, and to set and reach financial goals — they'll get excited when they see the numbers adding up in their account.

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5. Create a budget: A budget is a fact of life for most people and something children should start learning about at a young age, even in the simplest of terms. Help your teen set up a budget that includes their income (either from a part-time job or allowance), some of their set expenses, which could include paying part of their cell phone bill or going to the movies with friends, and savings goals they want to set money aside for. Get them in the habit of tracking their budget at the end of each week or month to see how they're doing.



6. Set financial goals: Goal setting — both in life and finances — is a great lesson for any child to master. Help your teen create tangible financial goals, whether it's saving for post-secondary school or a new smartphone, tablet, outfit or activity. Then, create a plan to help them meet those goals, like setting aside a certain percentage of their allowance or earnings each month.

Disclaimer

The information provided is not intended as complete financial advice. This information is only intended to give a brief summary of the topic for discussion purposes. It is recommended that you speak with a financial expert who can provide more detailed financial advice based on your individual situation.

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