

## YOUR MONEY

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### **Never too early to start teaching kids about money**

Parents should start by setting a good example

Remember the old adage of “do as I say, not as I do”? Well, as most parents have learned, kids don’t necessarily follow that advice. Like it or not, children are very impressionable and constantly watch your every move. That being said, the first step to teaching your children about finances is to make certain you are setting a good example.

It's important to start them as young as possible. The earlier you instil smart money habits, the more likely they are to stick. Once they are routine, they will very likely become second nature and your children will thank you at some point down the road. It is also a good idea to set up savings accounts for your children as soon as possible so they can be more actively involved and can watch their savings grow.

An allowance is another excellent learning tool. To really teach your children the value of money, consider an incentive-based plan where they must earn their allowance. Rather than simply giving them money, tie in some small household chores or have them earn ‘bonuses’ if they achieve goals in things like scholastics or sports. If you are unsure how much allowance to provide, you may wish to ask around with other parents to determine a suitable amount.

As a part of the allowance process, it is also important to tie in the notion of spending versus saving. Consider setting up a system wherein any

funds they put into their savings account will be matched by you to some degree. In the long run, this will help teach them about the importance of saving and the beauty of compounding.

Remember, those who learn the value of compounding interest are destined to collect it. Those who do not are doomed to paying it.

You should consider investing the accumulated savings. You may choose to invest the funds in a simple money market fund or an ETF. Either way, you should ensure the investment is relatively conservative and one that is expected to show steady returns.

Finally, you should teach your children about the merits of setting up a proper budget. They need to learn how to handle their spending money in a responsible manner. Teach them how to prioritize their spending. Also, don’t forget to discuss debt and the dangers that can come along with a desire to keep up with the Jones’.

The road to financial independence doesn’t have to start in your adult years. The sooner you get your children learning smart money habits, the better. It’s never too late to start and I encourage you to promote smart money habits both through open discussion and responsible actions.

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