Why it's important to start teaching kids about money early on

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SPECIAL TO THE GLOBE AND MAIL
PUBLISHED 3 HOURS AGO

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Many parents are breaking the taboo of talking about money with their kids and turning to advisors for help on how to best educate them.

For advisors, it's an opportunity to support parents as they shape their children's saving, spending and investing habits and to deepen their relationships with clients.

"Rarely is there anything more important to clients than their children," says Rona Birenbaum, founder and certified financial planner (CFP) at Caring for Clients in Toronto.

She says money conversations with kids early in life could also help to protect the family's wealth in the longer term.

"Parents have a major influence on the financial literacy and money attitudes of their children," Ms. Birenbaum says.

A recent Leger survey shows that more than half (54 per cent) of Canadian moms and dads felt their own parents weren't proactive enough in teaching them about money and budgeting. The survey, commissioned by Royal Bank of Canada's youth money management app, Mydoh, shows that almost two-thirds (65 percent) also believe their relationship with money was affected by their parent's relationship with finances. Sixty-eight per cent wished their parents had taught them more about managing finances.

Ms. Birenbaum says advisors can help parents educate their kids about money by first talking about their own financial influences.

"There's a lot of great dialogue that can emerge when you talk to the parents about their upbringing," she says, noting that each parent will have their own financial influences.

"Once they connect to how impactful their financial upbringing was, or wasn't, and how it influenced them, you can transition into how they would do things differently with their own kids."

Parents should also decide what money values they want to pass down to their kids, including saving and investing and any desire to donate to charities.

Ms. Birenbaum says children in the same family may also have different attitudes about money despite their parents' influences and will make different decisions as they grow older. She advises parents to adopt different strategies for each child, depending on factors such as whether they're more likely to save or spend money they earn or receive as gifts.

"You have to tune into what motivates them, treating your children as the individuals that they are," she says.

Parents may also disagree on the types of money lessons to give kids, such as whether they should work in their teenage years or focus on school. Ms. Birenbaum says advisors can step in and help parents devise a plan they both agree on.

"Parents need to get aligned with what the approach is going to be. An advisor can help mediate, problem-solve and come up with different ideas," she says.

"The tactic for how you deal with it has to be comfortable for both parents."

'Keep the conversation simple'

Many young adults are also getting into investing influenced by social media and more accessible online trading platforms, which makes early money education even more critical, says Wes Ashton, co-founder, director of growth strategy and portfolio manager at Vancouver-based Harbourfront Wealth Management Inc.

"There are different thoughts about how to invest, so a conversation starting with how to sock it away and explaining how money makes money before they invest is important," he says.

In some cases, he says parents will ask advisors to talk to their kids directly about saving and investing, hoping the information will be better received.

"Some kids may not want to take financial advice from their parents, but they're open to talking to somebody else who is a professional," he says.

"They might take the comments a little differently than they would if it comes from mom and dad."

He says advisors should keep the conversation simple, focusing on near-term financial goals such as purchasing a car, travelling or buying their first home – and less on retirement.

"When you're just starting your first job, it's really hard to wrap your head around retirement that's maybe 40 years out," he says.

“Sometimes, if there’s too much information, it overwhelms them, and maybe they won’t do anything.”

Let ‘young adult children invest’

Conversations about building credit are also important for younger adults, says An-Lap Vo-Dignard, senior wealth manager and portfolio manager with the Vo-Dignard Provost Wealth Management Group at National Bank Financial Wealth Management in Montreal.

“They need to understand the importance of borrowing money and paying it off on time to build their [credit history] and prove to lenders they can handle credit,” he says.

He also encourages parents to let their young adult children invest a few thousand dollars on their own to get some experience in the stock market.

“I tell them, ‘It’s better they learn with $5,000 than when they inherit $2-million later on, and they gamble it,’” Mr. Vo-Dignard says.

“If the parents are too involved, I don’t think it teaches the children.”

For philanthropic parents, Mr. Vo-Dignard points to getting the children involved in their charitable giving, especially if they want to pass on those values to the next generation.

Ms. Birenbaum says advisors can also help parents strike a balance between educating them about money and its importance and ensuring they understand that wealth doesn’t automatically deliver happiness.

“It’s about helping them understand, over time, how integral money is to create a certain quality of life, but that it’s not everything,” she says.

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