

Money sense for teens

The teen years are an exciting stage of life. Between high school, extra-curricular activities, friends and maybe a part-time job, they can be really busy too. Being a teen means being more independent and learning the life skills you'll need to be on your own. An important one of those skills is responsible money management. Understanding how to make money, how to save it and how to spend it wisely will make your teen years – and your future – a lot more fun and a lot more comfortable.

WHERE DOES YOUR CASH COME FROM?

If you aren't already getting a weekly or monthly allowance to cover some of your basic expenses, talk with your parents about starting one.

Another way to earn money is through a part-time job like babysitting, working in a grocery store or local fast-food outlet. If you've got an entrepreneurial streak, why not start up your own business, like dog-walking, lawn-mowing or snow-shovelling? You can set your own rates, your own hours and you can work in your own neighbourhood, making transportation a non-issue. Make up some great flyers advertising your services and then deliver them in person. If you can introduce yourself in the process, you may come home with your first booking.

You might also receive cash gifts from time to time, maybe on your birthday or another special occasion. You might want to add those funds or a portion of them to your savings.

Great website

Check out the RBC Better Student Life website at www.betterstudentlife.ca. It's loaded with articles, podcasts, calculators and tons of info for students like you – whether you're looking for job ideas, planning for university, dreaming of spring break or a post-graduation trip to Europe.

BUDGETING BASICS

Knowing where your money is coming from and where it's going are key. A budget puts all of that information in one place and helps you manage your spending and save for your goals.

Online budget help

Use the RBC Budget Calculator found online at www.rbcroyalbank.com/student/budgetcalculator/ to record all of your expenses and income – you supply the numbers, it does the math, you print it out. If only sticking to the budget were this easy.

Basically, a budget records all of your income sources and all of your expenses. Once you've subtracted your total expenses from your total income, you'll be able to see where you may need to generate additional income or where you have a surplus (read on for information on the big benefits of proactively saving some of this cash). Remember, a budget is a guideline to help you stay on track. You'll need to adjust it from time to time as your needs change. And if you don't follow it perfectly all the time, don't stress about it! Money management is an ongoing learning process.



SMART SAVING

Most experts recommend the save-spend-share concept when it comes to handling your money. This means that whenever you receive money, you put some aside in savings right away (a good guideline is 10 per cent), you possibly put a similar amount aside for charitable donations and you spend the rest.

Where you keep your money is another important consideration. Keep your money in your wallet and nothing too exciting happens to it. Keep it in the bank or invest it, and that money will grow more money. If you don't already have a bank account, ask your parents or meet with their banker to open a student bank account. You'll get your own debit card, and your money will earn interest. If you are interested in learning more about investing, ask your parents if you can meet with their advisor to learn the basics.

How compound interest works

The amount of interest your money earns in a bank account depends on the interest rate. If the rate is five per cent, for example, in a year a \$100 balance will grow to \$105.

Starting	\$100.00
1 year	\$105.00
2 years	\$110.25
3 years	\$115.76
4 years	\$121.55
5 years	\$127.63

THE ABCs OF CREDIT

During your teen years, your parents may decide it's time for you to have your first credit card. Why? Using credit responsibly is another important life skill. You will need to use credit when buying your first home or car, and now is a good time to learn how to use it wisely.

Having a credit card is a big responsibility. Your parents and their banker can help you better understand what credit is and how to use it wisely. Make sure you do your research before you sign up for your first credit card. You should think about annual fees, interest rates and spending limits. There are also a lot of different perks and rewards for different kinds of cards. For example, RBC Royal Bank offers a Student Visa card, which has no annual fee and additional perks like discounted long-distance calling.

Once you find a card you like, you will need to find out if the associated costs and interest rates to the card, then decide if it's the right card for your needs. Don't forget, you can always ask your parents and their banker for advice and help in finding the best option for you.

The key to managing credit is to keep it simple, to spend only what you can afford to repay and to make all of your payments on time.

INTERESTED IN INVESTING?

As your savings grow, you may want to start exploring the world of investing to help them grow even faster. There are two main types of investment accounts: registered and non-registered. Registered accounts are usually set aside for retirement. The money in the accounts also generates tax savings for the year in which you deposit the money. Non-registered accounts (which include stocks, bonds, GICs, mutual funds and more) can be used to save for shorter-term goals, like buying a car. Your parents' RBC investment specialist can help you learn more, open your first investment account, and develop a plan that will help to meet your goals.

If you want to practice your research and investing skills, try setting up a practice portfolio. RBC Direct Investing has a practice account that gives you a good idea of the work, risk and rewards involved with managing an investment account. Learn more in the orange box below.

Cool tool

Want to get your feet wet in the world of investing? Through RBC Direct Investing™, you can open a risk-free, cost-free practice account that will allow you to get comfortable with investing products and strategies before putting real money on the line. Speak to us today to set up your account, or for more information, visit www.rbcdirectinvesting.com/practice-accounts.html.

GIVING BACK

At this stage of your life, you may already be making regular contributions to your community through community service, charitable donations or both. You may also have your own views on the charities you'd like to support, either on your own or through your family. Consider researching a charity. Is it a registered charity? What do they use the funds for? When recommending a cause at your next family meeting, provide a sound case for support in your presentation, and your family may well incorporate your suggested charity into its annual philanthropic plan.

WHAT'S IMPORTANT TO YOU?

Looking ahead toward life after high school can be a lot to think about. Your parents' RBC banking and investment specialists can offer advice as well as a wide range of materials to help in any or all of the following areas:

- Planning for college or university
- Budgeting
- Starting to invest your savings

TAKE ADVANTAGE OF EXPERTS

Learning the money skills you'll need to make it on your own is no small task. Your parents, maybe even your grandparents, and their RBC advisors are there to help you learn all about how to earn it, save it, share it and spend it wisely. Don't be afraid to ask lots of questions.

HOW WE CAN HELP

Whether it's helping you to set up a budget, determine or understand your key financial priorities, open a bank account, obtain a credit card or credit line, start investing or all of the above, RBC has different experts who can help. Working with you and your parents, we can help you create a plan to meet your current financial needs, as well as your longer-term goals. And if you're leaving for school, we can help you manage most of your financial needs online or over the phone. When things must be dealt with in person, a meeting will be arranged with an RBC advisor near your school.

SEVEN WAYS TO PROTECT YOURSELF AGAINST THEFT AND FRAUD

- 1 Never give out your Social Insurance Number (SIN) unless you're filling out a government form like a tax return. Your SIN provides access to a lot of information about you, and it should be carefully protected.
- 2 Never leave your debit or credit cards or purse unattended at work or in your car's glove compartment – both are common targets for thieves.
- 3 If you're away on holiday, take cash or traveller's cheques with you whenever possible and store your credit cards in the room or hotel safe.
- 4 Plan for what you'll need, and take only that amount of cash with you for a night out with friends (this will protect your cards and your budget).
- 5 Record your credit cards and their numbers, and keep the list in a safe place. This will be helpful information if you need to report a lost or stolen card.
- 6 If your card is lost or stolen, notify the credit card company immediately.
- 7 Review your monthly financial statements carefully. If you notice any transactions not made by you, contact the bank or credit card company right away.

Parents' corner — Information for your parents to read

At this stage, consider depositing your teen's allowance directly into his/her bank account on a monthly or quarterly basis to reinforce basic banking and budgeting skills.

Discussing budgeting and saving strategies to help your teen save for a special purchase. Introducing a credit card and closely monitoring your teen's use and understanding of credit will help to instil responsible borrowing habits for the future.

If you wish, an RBC banker can help to coach your teen on budgeting, credit and preparing for the financial aspects of post-secondary education. For children under 19, RBC Royal Bank offers the RBC Leo's Young Savers account, which is a good way to manage saving and everyday banking. Visit www.rbcroyalbank.com/products/deposits/leo-young-savers-account.html for more information. If you are looking for ways to help your child build their savings, consider having your RBC investment specialist discuss investment basics with them. Or take the next step and consider depositing their savings into basic investments like GICs or mutual funds.



RBC Wealth Management®

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