

Financial literacy

Taking a generational approach



Wealth
Management

Building sound financial management skills

An age-specific guide for younger generations

To find out more about the full scope of the RBC Wealth Management Financial Literacy program, please contact your RBC advisor.

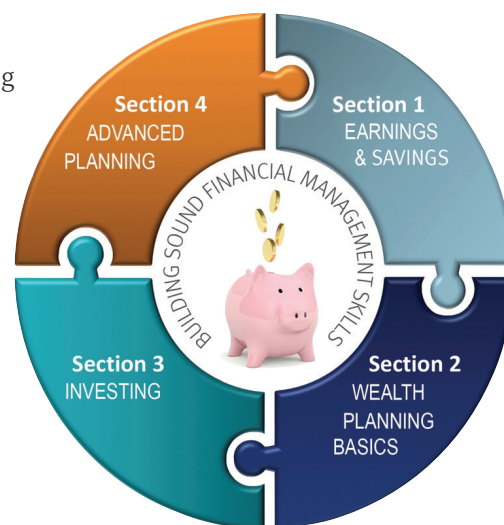
When it comes to younger generations in your family, you want nothing but the best. Equipping them with the skills they need to be successful adults is often an ongoing focus, and a solid financial education is a key part of every child's successful future.

At RBC Wealth Management, we recognize the importance of helping to build financial literacy among our clients and their families. Formal financial education, when combined with sound advice and practical learning, can help set the stage for a lifetime of informed and confident financial decision-making for you and your family.

As part of the RBC Wealth Management Financial Literacy program, a main goal is to help younger individuals better prepare for their financial futures, developing the knowledge and skills needed to manage both the growth and preservation of their financial resources.

Within the program, there are a series of financial education tools structured around four key focus areas: Earnings and Savings, Wealth Planning Basics, Investing and Advanced Planning. All have been designed to provide the resources necessary to building financial independence and confidence.

When it comes to financial education, it's never too late or too early to start. The following chart highlights a few of the key considerations for your child's financial understanding, based on their age.



Ideas for teaching children about responsible wealth management

Ages 6 to 13



Key goals



Instilling money sense begins with teaching your child:

- How to make the most of his/her allowance or earnings (based on the concept of “Spend, Save, Share”)
- Budgeting and saving strategies to help your child purchase something special (e.g. bicycle or video game)
- Philanthropy to encourage your child to give from his/her “sharing jar” to charitable causes or organizations

Allowance/ income



You can help your child by providing an allowance based on the following guidelines:

- Establish regular chores to encourage responsibility and a strong work ethic
- Initially give a set amount by age (you may want to consider a structure of spending one-third, saving one-third, and giving one-third to charity)
- Reward positive behaviour by reviewing chores, and then increase chore responsibilities and allowance levels as your child develops

Saving/ investing



Start your child’s savings and investing education with the following tools:

- A basic savings account with debit card accessibility (as appropriate by age)
- Holiday/birthday gifts ear-marked to go directly to savings
- Lessons in basic investing of your child’s savings (you and your child may want to review and discuss quarterly statements together)

Ages 6 to 13 (*continued*)

Donations/ philanthropy



You can help your child develop a philanthropic mindset by:

- Encouraging the donation of a portion of his/her allowance to a charitable cause or organization of his/her choice
- Choosing a charity with your child to research further
- Assisting your child in researching and recommending a charity for a family donation

Borrowing & spending



Introduce the importance of spending wisely and carefully planning a purchase. No credit education is recommended at this age.

Budget



At this age:

- Introduce the concept of a budget and how it works
- All food, education and clothing to be covered by parents
- Special items should be paid for by cash flow generated through your child's savings/allowance
- Encourage your child to keep savings largely intact

Education



You can help your child's philanthropic and wealth education by:

- Visiting a charitable organization with your child (and possibly his/her grandparents)

Ages 14 to 17



Key goals



During the early teenage years, it's important to encourage your child to:

- Set savings goals
- Discuss the opportunity cost of purchasing and impulse-buying

As your teenager gets older, it's important to discuss topics including:

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

Allowance/ income



At this age, you should:

- Continue with the allowance previously established and increase it based on growing responsibility and reasonable need
- Talk to your teen about trust income that's set aside for education purposes only; help him/her understand what income is available for education
- Encourage your teen to perform some community service or volunteering (a good goal would be at least 40 hours per year or in addition to their high school requirements)

Saving/ investing



Continue your teenager's savings and investing education with the following tools:

- Online banking access to go with his/her debit card-accessible savings account
- Increased limit on debit card
- Starting an educational portfolio to allow him/her to research, choose and monitor holdings
- Financial gifts made by you or other family members to your teen's investment account
- Quarterly reviews of investment performance with your RBC advisor

Donations/ philanthropy



You can help your teenager further develop a philanthropic mindset by:

- Encouraging him/her to research and recommend a charity for a family donation
- Inviting him/her to attend family donation meetings, if you have them, to see how you make decisions about charitable gifts

Ages 14 to 17 (*continued*)

Borrowing & spending



You can begin your teenager's credit education by:

- Discussing the use of borrowed money and interest, as well as the importance of using credit responsibly
- Giving him/her a joint credit card with a small limit
- Reinforcing the importance of spending money on things he/she can afford to buy
- Regularly reviewing and discussing spending behaviour

Budget



At this age:

- Special items should be paid for by cash flow generated through your teen's savings or allowance
- Encourage him/her to keep savings largely intact
- You should review cell phone statements and other spending expenses monthly or quarterly

Education



You can help further your child's philanthropic and wealth education by:

- Visiting a charitable organization with your teen (and possibly his/her grandparents)
- Helping him/her pursue or enroll in a junior achievement, summer student or company entrepreneur program
- Allowing your teen to attend an annual meeting with your RBC advisor to review financial goals
- Reviewing the concept and value of compound interest

Ages 18 to 23



Key goals



Your young adult's intermediate financial education should include knowledge of:

- His/her personal net worth
- Investing in stocks and bonds
- Gaining financial independence through budgeting and saving for financial goals
- Credit options and ratings
- Creating an independent lifestyle that's right for him/her, including the career path that will help him/her get there

Ages 18 to 23 (*continued*)

Allowance/ income



At this age, you should expect your young adult to:

- Perform some community service or volunteering (a good goal would be at least 40 hours per year)
- Find and keep a part-time or summer job
- Manage income earned from a part-time or summer job (e.g. investments, charity, personal expenses)

Saving/ investing



Continue your young adult's savings and investing education by:

- Directing financial gifts to mutual funds or other appropriate investments
- Opening a chequing account
- Opening an investment account to help teach your young adult about safety, income, growth, liquidity and tax minimization
- Reviewing investment performance with your young adult and advisor, or having your young adult set up a meeting directly with your RBC advisor
- Suggesting to set up an automated monthly savings contribution (to reinforce the compound interest concept)
- Meeting with your advisor to determine whether it would be beneficial for your child to work directly with an advisor at this stage (see the Education section)

Donations/ philanthropy



You can help your young adult further develop a philanthropic mindset by:

- Encouraging him/her to research and recommend a charity for a family donation
- Inviting him/her to become a voting member of any family foundations that you have set up

Borrowing & spending



You can enhance your young adult's financial education by:

- Slowly increasing his/her credit card limit
- Removing the joint name from his/her credit card
- Beginning monthly automatic payments from your young adult's income to cover their expenses
- Reviewing his/her spending and credit history annually

Budget



At this age:

- Luxury items should be paid for by cash flow generated through your young adult's savings, allowance or employment income
- Encourage your young adult to keep savings largely intact
- If it makes sense to do so, review cell phone statements and car expenses quarterly
- Your young adult should manage his/her own annual expenses
- You and your young adult should establish a complete post-secondary education budget
- Help him/her create a cash flow plan and understand his/her personal net worth

Ages 18 to 23 (continued)

Education



You can help further your young adult's philanthropic and wealth education by:

- Continuing to encourage charitable donations
- Working with your RBC advisor to help your young adult create a financial plan
- Discussing compound interest assumptions and expectations with your young adult

Ages 24+



Key goals



Your adult child's advanced financial education should include an understanding of:

- Portfolio management
- Asset allocation
- Wealth management
- Playing a significant role in family philanthropy
- Family governance

Allowance/ income



At this age, you should expect your adult child to:

- Earn regular income
- Set aside amounts for expenses
- Save for significant short-term and long-term financial goals such as a down payment for their first home or retirement savings

Ages 24+ (continued)

Saving/ investing



Set your adult child on the right path to a successful financial future by:

- Sharing insights or helping them choose a qualified wealth management team
- As comfortable, sharing learning or knowledge you have gained in working towards or achieving your savings and financial goals

Donations/ philanthropy



You can help your adult child further develop a philanthropic mindset by:

- Encouraging him/her to play a significant role in your family's foundation if you have one set up
- Having discussions about charitable family values or goals, and how that may be carried on from one generation to the next
- Encouraging him/her to research and recommend a charity for annual family donation – amount dependent on resources, or may be part of family foundation activities

Borrowing & spending



You can help your adult child further develop fiscal responsibility by:

- Helping him/her purchase a first home or car with credit
- Having discussions about reviewing credit history annually

Budget



At this age:

- Your adult child should set up a budget to save for purchases such as a new home, vehicle or vacation

Education



You can help further your adult child's philanthropic and wealth education by:

- Encouraging him/her to attend investment seminars
- Encouraging charitable donations
- Introducing him/her to the family's qualified advisors
- Discussing business succession planning/managing family funds with your adult child and qualified advisors
- Working with your RBC advisor and adult child to create a total net worth document for him/her

If you have any questions
about the information
contained in this guide,
your RBC advisor would
be pleased to assist you.



**Wealth
Management**