

It's Time to Bring Kids to the Table

Many of us spend our lifetimes working hard to build wealth, but how do we preserve this wealth if we wish to create a legacy? You've likely heard of the "shirtsleeves to shirtsleeves in three generations curse," suggesting that 70 percent of affluent families lose their wealth by the third generation.¹ This should remind us that despite efforts to manage our own wealth, it may amount to little if we fail to prepare the next generation.

The basic lessons haven't changed: Imparting good saving and prudent spending behaviours, helping children to set and achieve goals and teaching the virtues of investing and growing wealth. Today, young people face new challenges: the escalating catering to instant gratification, "fear of missing out" (FOMO), social media pressures of keeping up with the Joneses and financial misinformation spread by "influencers," to name a handful.

Starting early can yield significant outcomes down the road. Learning the basics of saving and spending can help to prevent bad credit habits. Recognizing how saving and investing can grow funds over time can help to set goals. It's helpful to remind younger folks of the benefits of getting a head start: investing \$265 per month at age 25 would yield over \$1 million by age 75 at a rate of return of 6 percent, but starting at age 45 would require almost \$1,000 per month.

The ultimate goal should be to help kids achieve financial independence as adults. Instilling good financial skills at a young age can also help to preserve wealth upon a future generational transfer.

If you don't know where to start, the table above provides ideas for each stage of life. We are here to act as a resource. In brief, here are some ways we have helped families with financial education:

- **Helping set up an in-trust account or small investment account.** This may include purchasing a GIC to teach younger folks about interest income or exploring mutual funds/ETFs or shares that are relatable (Apple, BMO, Disney, etc.) so they can learn how the stock market works.
- **Supporting family meetings** to help younger folks understand our role as advisors and the services we provide: expertise, objectivity, planning and simplifying lives.
- **Helping young adults open and manage a TFSA, FHSA or RRSP,** supporting them in identifying goals and treating them as individual clients to foster independence.

If you are looking for support as you plan ahead for a generational wealth transfer, please get in touch.

1. <https://www.nasdaq.com/articles/generational-wealth%3A-why-do-70-of-families-lose-their-wealth-in-the-2nd-generation-2018-10>

Financial Lessons for Every Stage of Life

Under Age 10

- Introduce an allowance when work is done
- Teach savings through the use of a piggy bank
- Teach about basic costs through trips to the grocery store

Ages 10 to 18

- Set up a bank account
- Teach high-level cash flow management: spend using cash and high-level budgeting
- Use debit cards to teach about reducing balances
- Encourage a part-time job to learn to earn money and pay taxes; help kids file tax returns; teach them about the RRSP
- Teach about the RESP to prepare for post-secondary school

Ages 18 to 24

- Introduce credit cards, debt; teach the value of a credit score
- Set financial goals for education
- Teach investing; Open TFSAs and other investing accounts

Ages 25+

- Support discussions: career, home purchase, marriage/families
- Provide counsel on setting short, medium and long-term goals
- Have family discussions: shared values, succession planning



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