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FINANCIAL LITERACY

ACHIEVING YOUR FINANCIAL FREEDOM

The skills, knowledge and tools to help you make **the right choices** about your future.

PHOTO: BIGSTOCK

INSPIRATION

65% OF TEENS AND 73% OF PARENTS CITE PARENTS AS THE PRIMARY SOURCE OF INFORMATION ABOUT MANAGING MONEY

Apps such as RBC's "Learning Money with Leo", are a great source to get children engaged in learning about their finances.
PHOTO: COURTESY OF RBC

Turning children into educated, confident savers

Question: What are the consequences if children don't become financially literate?
Answer: A lifetime of debt and unmet goals.

Due to our country's debt crisis, preparing the next generation about personal finance is critical now more than ever before. Financial literacy is a pillar which provides life support to a better future. In a world of rapid information, it is easy to lose sight of what matters the most. But young adults today have become more aware of life's harsh realities which encompasses increased tuition fees combined with significant financial decisions which arise soon after graduation. "People are primarily interested in the implications of debt and how credit cards work, but many individuals aren't properly taught about it," says Tom Hamza, President, Investor Education Fund. By giving youth the necessary skills at an early age, they develop confidence to successfully manage their finances.

Learning can be fun

According to the 2012 Investor Education Fund (IEF) study, 69 percent of students think personal finance lessons should be taught in the classroom, an increase of 12 percentage points from a similar study done in 2009. In Ontario, the government has just introduced financial education into the school curriculum. This power move is the first step towards change and whether in the classroom or at home, the key is to create an environment which is both educational and entertaining. "You have to keep it interesting. That's the starting point. Practical firsthand experience makes the difference for kids," states Hamza. Take going to the grocery story for example; teach the basics such as allocation of budget and understanding the value of money. Give children an opportunity to handle money and make decisions by allowing them to buy their own lunches too; one of many examples which will enhance their decision making skills.

Grow one day at a time

Financial education is a life long journey. A child who is financially educated gains a basic set of skills which can be built upon for many years to come. "Youth have the potential to become productive members of society," says Stephen Ashworth, Acting CEO, Junior Achievement. He continues, "We have to understand the world that students live in. It's not about reading out of a text book, lessons have to be interactive." If the necessary tools aren't provided, a teen may find themselves struggling to achieve financial goals, creating avoidable debt and going through preventable challenges.

When you know better, you do better

Pursuing financial literacy with a fun and consistent approach opens the minds and ears of youth who will soon join the workforce and navigate life after post secondary. Bottom line, money management skills are essential. With resources so easily accessible, there's simply no excuse. "Time is wealth. The earlier you start, the better off you are," affirms Hamza. Defining goals, understanding debt and how to manage it are the puzzle pieces needed to see the overall picture. Finance is a practical topic and mastering it is within our capabilities.

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INSIGHT

Tom Hamza
President, Investor Education Fund

"Time is wealth. The earlier you start, the better off you are."

Proper teenage financial literacy starts from the education you receive as a child. A survey done by the IEF in 2012 on high school students uncovered the following:

1. 70 percent of Ontario high school students say that learning how to manage their personal finances is important or very important.
2. 69 percent of students think personal finance lessons should be taught in the classroom, an increase of 12 percentage points from a similar study done in 2009.
3. Only four in 10 respondents feel they are somewhat or very prepared for managing their personal finances after high school
4. High school students who felt their school provided most or all of the personal finance information they need are twice as likely to "always budget" (29 percent), compared to other high school students (15 percent). In most schools 42 percent of students "never budget." This number drops to 18 percent in schools thought to provide all or most of the personal finance information students need.
5. 55 percent of students admit their knowledge of money could be better.

SOURCE:
INVESTOR EDUCATION FUND.
WWW.GETSMARTERABOUTMONEY.CA

NEWS

INSIGHT

Peter Wouters
Director, Tax & Estate Planning;
Director, Retail Insurance Products and Marketing

What you need to save and how it works

How long will it take to double your money? Divide 72 by the rate of return on your investment. eg. If you earn 6 percent on your investment you will double your money in 12 years.

Let the power of compound interest really work for you. You end up with a much bigger nest egg the longer you let your money grow. Start early and you'll need less money or a lower rate of return to reach the same goal.

A single deposit of $10,000 plus annual deposits of $1,000 made at the beginning of each year, earning 6 percent will grow to $141,237 in 30 years. Wait just five years before starting and your money will only grow to $101,075 a loss of over $40,000!!!

Better reason to start saving now.

PETER WOUTERS
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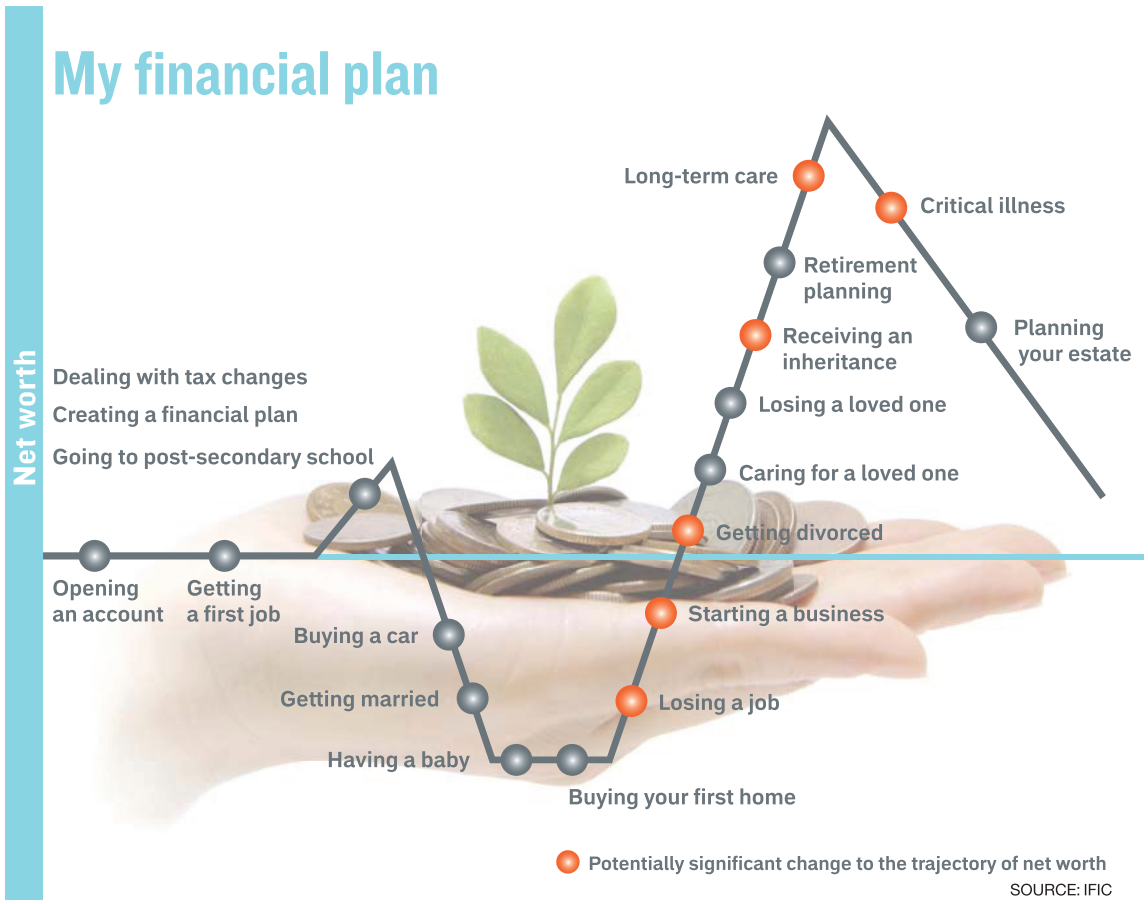
HOW TO INVEST YOUR MONEY AND WATCH IT GROW

Question: Are you struggling to meet your financial goals?
Answer: If you prioritize and execute a long-term plan, you'll be a lot richer

Canadians are living longer and our government's safety net has become insufficient to catch their financial expectations. However with a little bit of money, professional guidance, and a long-term plan, security lies ahead. With millions of baby boomers retiring and depending on very limited resources, there's a greater need to become self-reliant. Financial independence is a widespread goal amongst the population, but the knowledge gap which currently exists creates many roadblocks. Canadians have record high debt and tend to concentrate on immediate needs instead of long-term goals. "The biggest mistake is not starting at all. Part of planning means responding to things you can predict and when the unpredictable comes up, knowing your options so you can take your hand off the panic button," says Peter Wouters, Director, Tax & Estate Planning and Retail Insurance Products and Marketing, Empire Life.



SOURCE: IFIC

Seek professional help

It's never too early or too late to start planning for your future. The best person to talk to is an accredited financial advisor. It is recommended that you interview two or three in order to find a professional who understands your goals and has your best interest at heart. The first step is to make a commitment followed by a plan of action. Greg Pollock, President & CEO of Advocis says, "Plans are dynamic. Look at all of the goals that are particular to you because everyone has different needs." Consider contingencies such as a disability, critical illness, or death within the family. Reassess how these circumstances will impact your life and what you can do to protect yourself. "The sooner you start the more you can take advantage of time, which can be on your side, and the less you have to rely on the rate of return which you can't control," affirms Wouters.

You need three things to reach your goal: time, money and rate of return. Focus on the two components you can control, time and money working for you, which can ease the pressure on getting a high rate of return and taking on more risks to reach your goal.

Stress proof your plan

"A stress test provides comfort and confidence," states Wouters. Life is all about change and at the drop of a dime an emergency can occur. Examine your plan regularly so that you can adjust it before something happens. Once it is designed to do a job, ensure that your goals are supported with the right options available to you. Protect your assets and don't underestimate the need to do it sooner rather than later. Your actions will create discipline.

Invest with confidence

"In addition to questions and concerns, there's also excitement around the opportunities that market participation brings," declares Joanne De Laurentiis, President & CEO of Investment Funds Institute of Canada. Young investors should consider opening a Tax Free Savings Account because of the tax benefits. A Registered Retirement Savings Plan is a good option as well. The big payoff is that you have a far better chance to save enough money to do the things you want to do in the way you want to do them, for as long as you live," states Wouters.

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