OPINION

Top 10 hard money truths for teens and young adults

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We need to raise our game in teaching teenagers about money and, no, that does not mean finding new ways to explain the wonders of compound interest.

Equipping young people for financial success today requires us to recognize that high-school students are graduating into a world that will test their ability to live the same lives as previous generations. Permanent jobs with pensions are hard to come by, houses are expensive and social media has amplified the power of consumerism.

I recently gave a presentation to the non-profit Canadian Foundation for Economic Education on 10 things we need to teach kids about money in schools and at home. Here are the highlights:

Student debt is good debt if you pick the right program

We need to do a better job of helping students understand the economic consequences of what they study. Enough with "follow your passion." Follow the money, or at least keep it in sight when deciding which degree(s) to pursue.

Looking after your credit score is your most important financial task as a teen and twentysomething

Credit scores are a summary of how well you repay your debts, so they're crucial for nailing the best possible rate on a mortgage or car loan. But there's a lot more to credit scores than that. Landlords may consult credit scores when sizing up potential tenants, employers may consult them and so may property insurers when setting your premiums. A solid credit score is an indication that you're a responsible person.

Credit cards are vital, but also a trap

Credit cards are essential today for young people in their late teens and older as a means of paying for goods and services bought online. With a low credit limit, say $500 or $1,000, the risk of getting into debt is contained. Using the card for purchases that can be paid off quickly is an effective way to build a good credit score. Never carry a balance.

Social media and advertising will entice you to spend more than you should

It's important to help young people understand how advertising and social media press buttons that make us compliant spenders.

There's a big difference between saving and investing

Saving is money you want to keep safe for use in the next one to five years. Investing is for long-term wealth-building, and the ideal time frame if you have much exposure to the stock market is 10 years or more.

Investing is not a home run hitting contest

And then there's gambling, which is the technical term for taking flyers on hot stocks. The can't-miss path to investing success is to put some money into your investment portfolio every payday for as long as you're working.

Some will never own a home, and that's okay

The average price of a house in Toronto, Hamilton, Vancouver and Victoria ranges from $600,000 or so to just under $1-million. Roughly 25 per cent of the population lives in these cities, which means a lot of young adults may never be able to afford houses. They'll instead rent and they'll do fine financially if they are diligent about investing the money they save by not having to pay property taxes and upkeep/maintenance.

Not having a car is a great money (and environment) saver

Car sharing beats car owning when you're young.

Saving for retirement is your most important long-term financial task

There are no pensions in the gig economy, which is corporate-speak for temporary work. Even if you do have permanent work, there's no guarantee of a quality pension. That leaves responsibility for retirement saving in the hands of young workers. Keep that in mind when assessing how much house you can afford.

There is no rush to be financially stable – in your early 30s is fine

The wrong way to look at longer lifespans is more time at the end of life. Instead, think of having more time to reach milestones like completing a post-secondary education, landing a good job and buying a house. If you retire at 70, you can buy a house in your late 30s or even at 40 and still have time to save.