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Kids investing earlier than their parents

Advisors can help parents looking to teach financial literacy lessons

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Canadian kids are managing their money sooner than their parents did but achieving financial independence later, according to a poll from Toronto-based Canadian Imperial Bank of Commerce (CIBC).

Most parents (73%) are hesitant to talk to their children about money because they're insecure about their own financial habits and fear they lack the knowledge and skills to do so effectively, the poll found.

On average, kids open bank accounts (age 10), receive allowances (age 9), manage their own money (age 14) and learn about their parents' finances about two years earlier than the previous generation did. Even so, survey respondents said kids aren't fully responsible for their finances until about age 20, in comparison to their parents, who were flying solo at about age 19.

Interestingly, the poll found that kids are starting to invest at about age 15, about six years earlier than their parents did, at an average age of 21.

"It's encouraging that parents are getting their kids on the right track early on, but setting your kids up for financial success is more than just opening a bank account and giving them money to manage on their own," David Nicholson, vice-president, CIBC Imperial Service, says in a statement. "It's also about having frequent conversations about money matters, which can be tough to do if you don't feel comfortable with your own finances."

Therein lies the rub: though 93% of respondents said parents need to do a good job managing their own money to set a good example for their kids, many are carrying credit card debt and struggling to stick to a budget.

This is where a financial advisor can be of service, Nicholson says. "You don't have to have all the answers, but seeking out expert advice together online or with your financial advisor can improve your family's financial literacy and confidence as a whole."

Parents looking to teach financial literacy lessons should also be aware of how digital payments play a role, Nicholson says.

"Consider what new skills your kids need to manage their money online and responsibly use debit cards and mobile wallets," he says. "Have them watch their account balance grow and shrink in real time after every deposit or purchase. You can also help them set up savings goals online where they can gain the satisfaction of watching the progress they're making as they work towards their goals."

Additional advice from CIBC? Start talking to kids about money early, save for their educations, teach relevant lessons at kids' various stages of development, and empower them to make their own decisions about money. Parents who are stressed about their finances should also seek expert advice to get their own financial lives on track.