THE GLOBE AND MAIL

PERSONAL FINANCE

Is there a right age for kids to learn about money?

ANNA SHARRATT
Special to The Globe and Mail

Published Tuesday, Jun. 27, 2017 8:26AM EDT
Last updated Tuesday, Jun. 27, 2017 8:26AM EDT

Gary Rabbior started his son's financial education early. The president of the Canadian Foundation for Economic Education, he recalls a trip to buy an expensive driving simulator with his then eight-year-old son – a toy he had spent months saving up for.

"It never really worked and we threw it away," he recalls, adding that his son still remembers that the item wasn't worthy of purchase and that it didn't bring him happiness.

What was most important to Mr. Rabbior was that his son make a financial mistake – and learn from it to help prevent financial errors later in life. "Some mistakes are great learning opportunities," he says. "It's key to make mistakes when it's safe."

Yakos Spiliotopoulos agrees. The founder of Extra Ed, an extracurricular financial literacy program that's offered through some of Toronto's elementary schools, he uses mock credit cards with kids to help them comprehend the practical aspects of managing money, such as saving, the cost of living, and the effect of debt. And he makes sure they understand the impact of their financial decisions.

He thinks that for all the provincial roll-outs of financial literacy – Ontario announced an enhanced financial literacy program in grade 10 last February – there's still a need for financial education among kids, especially those in grade school. That's because the current elementary financial literacy program offerings are largely at the discretion of teachers, says Mr. Spiliotopoulos. His two lunchtime pay-what-you-can financial literacy programs target students in grades 1 to 3 and 4 to 8.

"We focus on the concept of savings, the concept of debt. Who do you owe money to? How much does it cost to keep you alive," he says.

Canada fares pretty well when it comes to financial literacy. It recently came second among 15 countries in the Programme for International Student Assessment (PISA) financial literacy survey administered by the Organization for Economic Co-operation and Development (OECD) in 2015. But the survey, which polled 15-year-olds on their knowledge of financial concepts, did reveal weaknesses, particularly in Ontario where the gap between the highest scores and lowest scores was the largest in the survey.

As well, fewer than two in 10 (19 per cent) of Canadian high-school graduates agree that as a young adult, they know everything they need to know about personal finance, according to a 2011 B.C. Securities Commission survey that assessed financial literacy.
Mr. Rabbior admits that Canada is a patchwork of financial literacy curriculums, with each province offering different programs, and this needs to be changed. "There are major curriculum changes going on across the country," he says, adding that those in charge of the financial curriculums in the provinces converged on Ottawa last week to discuss integrating their approaches.

Mr. Rabbior says that what educators do agree on is that teaching financial literacy requires more than just introducing the concept in one course. "There's a recognition that you have to build it over time."

He says that financial literacy initiatives are dependent on two major factors to work: teacher buy-in and parental involvement. “There needs to be teacher professional development – it affects their willingness to teach [financial literacy],” he says. “It is also important to get parents involved in learning as well.”

Talking about money at a young age

Most financial literacy experts agree that there’s no magic age to teach financial literacy. Instead, parents and educators should expose their kids to money as soon as they can. “We’re big advocates of starting young,” says Mr. Rabbior. “Set those good habits early.”

Kelley Keehn, a personal finance educator, says that for kids under five, using a piggy bank to save money is a great first start, as is dialogue around why saving is a good idea. For kids aged five to 10 years, she suggests continuing with the piggy bank, but adding a short-term savings account to the mix. “Ask your child: ‘What are you going to save up for?’” she says. Discussing simple financial goals while doing some math around how much a child has saved can also help teach the concepts of saving.

Between the ages of 10 and 15, Ms. Keehn advises parents encourage their kids to set specific goals – such as saving for a school ski trip. This is the period in which kids should be made aware of how much things cost – and the amount their parents spend on items and events for them. She says that as kids near 16, they should look at earning some income from a paper route or babysitting.

Mr. Rabbior feels that financial learning should involve real-life scenarios, ensuring that financial literacy is taught in a hands-on manner, rather than theoretically. “Every decision should involve a tradeoff,” he says, to make kids aware of what they’re losing and gaining in a financial transaction.

Ms. Keehn says that once a child is 16 or older, they should be made aware of what happens when you don’t pay a credit card balance in full. “It can’t just be finger-wagging,” says Ms. Keehn, “It has to be relevant.” Tell them that “‘If you wrack up credit-card debt and don’t pay it off, here is how it will play out,’” she says. Online calculators can also be a great tool in explaining how interest accrues, says Ms. Keehn.

Regardless of teaching, modelling by parents is critical, she says. “If kids are being taught one thing and you’re buying on wants, then there’s a disconnect there,” she says. Ms. Keehn suggests parents work with a certified financial planner (CFP) to manage their own finances and set a good example. “Integrate that into the family dynamic,” she suggests.

“We have to give young people the tools to help them walk down the path,” says Ms. Keehn.