



INVEST EARLY IN FINANCIAL EDUCATION

Young adulthood can be an exciting time, but it may also be a period of uncertainty—especially about finances. Think back. Did you learn about paying off debt only after completing your post-secondary education?

Kids don't have to learn about how to manage money the hard way. Talk to the young adults in your life now about their finances and future financial success. Start a conversation with these ideas.

Use credit cards

Discuss how a credit card can help build credit history when used responsibly. A good credit history will be important when renting an apartment or making a major purchase down the road. Encourage young adults not to spend more than they can pay off each month and to always pay bills on time. If the balance isn't paid off each month, interest will be charged on the unpaid balance.

Track budgets

Try describing a budget as a financial roadmap to achieving saving goals. Show young adults how to keep track of what they earn and spend over the year in order to figure out their average expenses and savings. Knowing this allows them to adjust their budget based on their current needs and lifestyle expectations.

Budgeting doesn't have to be complicated. It can be as simple as filling in a spreadsheet with a few basic spending categories, or even done on a smartphone app.

Start investing

Investing can seem daunting, especially for young adults. However, for younger people, just getting started is important. It exposes them to market ups and downs and the emotions that can go along with that. "Also, time is on their side," says Carissa Lucreziano, Managing Director, CIBC Financial Planning and Advice. "The longer they're in the market, the higher likelihood of making their ambitions a reality."

Consider these basic principles when talking with a young adult:

Diversification—Explain that having a mix of different types of investments and asset classes can help reduce risk by stabilizing performance, especially during market volatility.

Dollar-cost averaging through a regular investment plan—Investing money consistently means paying yourself first. One benefit is that when you buy shares regularly, you accumulate more when prices are lower. Another advantage is that you can increase the amount you invest as your salary grows.

Responsible investing—Responsible investing is about investing in businesses that are working towards long-term social change. Interest in responsible investing is growing. In 2015, it accounted for \$1.50 trillion in assets under management in Canada. By 2017, that number increased to \$2.13 trillion.¹ One reason for this shift is that millennials want to make investment decisions that consider societal impact and believe their investments can create positive change.



Let your young adult know that their investment dollars can make a statement about their values and can even change the world.

Giving back can pay back

Today, most teenagers need to complete a certain amount of volunteer hours to receive a diploma. So, they may already be familiar with the many benefits of volunteering. These experiences can also form the basis of a résumé.

For young adults, donating money to a charity can be another way to give back. Monetary donations not only allow an organization to continue its vital work, but also improve a donor's emotional wellbeing. In fact, researchers have found a positive relationship between charitable giving and happiness.²

"Of course, there are also tax benefits," says Lucreziano. "The cost of a donation can be reduced by claiming tax credits on an income tax return." If young adults decide to give to charity and are looking to claim their donation at tax time, it's important to determine which organizations can issue official donation receipts and what types of gifts qualify. Be sure to check out the Canada Revenue Agency's [website](#) for more tax information.

Young adulthood is an exciting time of life. It's also a great time to learn financial fundamentals. We're happy to speak with the kids in your life about how to get started. Contact us anytime. For more information about financial education for all ages, please visit CIBC's [SmartStart Advice Centre](#).

1 <https://www.riacanada.ca/responsible-investment/#how-ri-works>

2 https://dash.harvard.edu/bitstream/handle/1/11189976/dunn,%20aknin,%20norton_prosocial_cdips.pdf?sequence=1

Clients are advised to seek advice regarding their particular circumstances from their personal tax and legal advisors.

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