



**SMART
TIPS**

**Helping the
next generation
'spend smart'**



FCNB



We are FCNB.

We develop programs and resources to help support New Brunswickers with their financial decision making.

We help protect consumers and enhance public confidence in New Brunswick's financial and consumer marketplace – and we do that by providing both regulatory and educational services.



CONTACT US

Financial and Consumer Services Commission of New Brunswick

Saint John Office

85 Charlotte Street
Suite 300
Saint John, NB
E2L 2J2

Fredericton Office

225 King Street
Suite 200
Fredericton, NB
E3B 1E1

Toll Free 1.866.933.2222

Facsimile 506.658.3059

info@fcb.ca

www.fcb.ca



SMART TIPS

Let's face it – talking about money gives most people the heebie-jeebies. We want to change that.

We want to create an environment where it's easy and fun to talk about money, where it becomes a comfortable topic of conversation with children and in turn, children are excited to learn more. When people gain an understanding of healthy financial practices and put them into action, our communities will see positive economic and social changes.

In our recent Smart Tips campaign, we asked New Brunswickers to pass their best financial tips on to the next generation. They had a lot of great personal insight and experience to share.

In the following pages you'll see we grouped the tips into themes. We asked our education experts, Marissa and Sam, to share their own insights on the tips New Brunswickers submitted, and then to give feedback on tackling these topics. The information in this eBook is designed to be easy-to-use everyday.



MARISSA



SAM





THEME #1: SAVINGS

We've all heard the term "saving money for a rainy day" but actually putting money aside, and staying disciplined to do it every week, or every month, can be difficult. In fact, there are many ways that money can just slip through our hands without us even realizing it.

According to a 2012 survey from the [Canadian Securities Administrators](#), more than 36% of New Brunswickers had no savings or investments set aside for their future. Helping children understand money and how it works will shrink this number – because they will be better equipped to establish responsible financial habits that will last a lifetime.



Good habits are formed over time through determination, repetition, and social influence.



The way we interact with and think about money as adults, is informed by how we see our parents and those close to us interact with money when we're young.

If you're not saving, or you want to make saving a habit for your children, here are some tips to get you started on the right path.



MARISSA'S SAVING STRATEGIES:



MAKE IT EASY ON YOURSELF:

Setting up automatic deposits to a bank account you can't access without visiting the bank branch in person is the easiest way to make savings happen. The money gets debited from your account each payday, and placed into a separate savings account automatically.



EVERY DOLLAR COUNTS:

Whether you put away a little or a lot – it all adds up over time. By setting achievable, measurable goals, you'll see your progress and celebrate your milestones. For example, if you want to buy a new bike to commute to work, set milestones and rewards at key increments until you hit your goal.



SEEING IS BELIEVING:

Whether you're an adult saving for a trip, or helping your child learn to save for the first time, a change jar is a great way to see your savings add up. You can also use the jar as a way to explain compound interest to your children: at the end of every month, help them total up the savings, and then pay them a percentage of interest on the total. Each month you can show them how much they've saved, and how much interest they've earned!



TALK ABOUT MONEY:

Talking about money with your kids is important. It'll help them understand the value of money, understand why it's important to save, and make them comfortable asking questions.



PAY YOURSELF FIRST:

This is a good rule to follow, but make sure you pay the money into your bank account. Don't simply reward yourself with "stuff." Think of it as paying your future self by putting money directly into a savings account.



NEW BRUNSWICK'S SMART TIPS TO SAVE:



BARBARA

The tip I would share, and have shared with my children about money, is to start putting away a little with each paycheque (or allowance) they receive, whether it's \$5, \$10, \$20 a month...They are never too young to start saving...



KATIE

Start a savings account early. Even if you only deposit \$5 or \$10, try to do this at least once a week. Do not withdraw. You can set it up so that you have to go to the bank to withdraw. You'll be amazed at how fast it adds up. :)



ELISE

Live **BELOW** your means. In other words, spend less than you make and **SAVE/INVEST** the difference.



TODD

The other day my 6 year old found a dime on the ground and said. "Daddy, what can I get with a sail boat". I said not much. She then threw it behind her. I picked it [up] and explained to her that while one sailboat may not buy much, many sailboats can buy something of value. The moral of the story here – save your sailboats.



JUDITH

I encourage children to set aside in a savings account 10% of any amount of money they receive as gifts. This way, once they enter the labour market, they will already be used to saving part of their income, and they will be saving for future needs.





THEME #2: BUDGETING

Once you start saving money, it's important to stay focused on your goals and stick to a plan. The best way to stick to a plan is to develop a budget.

Whether you're developing a budget for yourself or you're helping your children, there are some key questions you should ask yourself. The answers will help guide your decision-making.

- What are you trying to accomplish?
- What's your timeframe?
- How much does it cost?
- Where will the money come from?

Once you've answered these questions, it's time to set up a plan. You can download a copy of [Make It Count](#) for tips and worksheets to help your children set goals and create a budget of their own.



Creating a budget is a great way to reinforce the idea of the value of money.

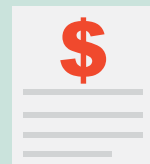


Involving your children when planning for household finances, at least at a very high-level, will let them see how much things cost. An easy way to do this is by making a real-world comparison personal to him or her. For example, compare the cost of a box of cereal and a carton of milk with how much they earn per week for an allowance. Once they have an understanding of how much things cost, you can get creative together to think of how to save money. Maybe it's looking for sales at the grocery store on cereal, or remembering to turn off the lights or TV when they leave a room to cut down on a power bill. When everyone thinks about savings, everyone wins.

The process doesn't need to be intimidating. Just do it one step at a time!



Even though budgeting can seem like a scary or restrictive practice, it's actually the best way to ensure you're using your money wisely.





SAM'S BUDGETING STRATEGIES:



Step 1: DOWNLOAD A BUDGET TEMPLATE.

At FCNB we've made it easier and set one up for you, so you just need to download it [here](#).



Step 2: LOOK AT YOUR SPENDING HABITS.

Gather your paystubs, bills and receipts. For the next month, keep a journal of all the things you spend money on including miscellaneous expenses, housing, transportation, savings, debt repayment, and day-to-day items like groceries, clothing, and entertainment. Add in the small things like coffee or snacks. They can add up too!



Step 3: FILL IN YOUR BUDGET.

Use the information you gathered in step two. Don't forget to add savings and debt payments in to your budget! The general rule of thumb is to set aside a minimum of 10% for savings and 15% for debt repayment.



Step 4: KEEP REVIEWING YOUR BUDGET.

If you're spending more than you make, or you don't have enough to set aside for savings and debt repayment, make some adjustments and look for areas where you can cut back or save.



NEW BRUNSWICK'S SMART TIPS TO SAVE:



TODD

One of the best tips I could give is to create a budget. This is the best way to track money coming in and out. If there is a budget in place, then planning for major purchases and saving for the future is made easier.



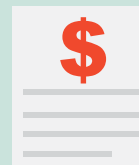
MARC-ANDRÉ

Plan expenditure and allocate expenses among various expense items. Make a budget for each expense items and control less essential spending, such as restaurant meals.



RANIA

When you are teaching children about money, teach them the importance of dividing their money into three groups: give, save, and spend. This will teach them the value of saving for the future, as well as how to manage the cost of everyday purchases.





THEME #3: SPENDING

Let's face it – spending money is fun. But it's important to be disciplined about how you spend your money. We've established that saving money is important and budgeting can help you stay on the right path, but spending will always have a certain allure.



Delayed gratification sounds boring. How do parents teach this important concept to young people? There are many tips and tricks parents can use to help children with the concept of delaying gratification, when it comes to spending money.

If you're a parent and you're looking for ways to teach your child about spending money, here are some things you can try...



MARISSA'S SPENDING STRATEGIES:



OPEN A SAVINGS ACCOUNT:

If your child asks for a big ticket item, like a bike or an instrument – help them open a savings account. This way, they can contribute towards the purchase of the item by saving their money.



USE MILESTONES:

Use an upcoming family trip or activity and mark the days off in the calendar as the event approaches. You can use milestones leading to the trip, such as crossing off the days, or putting money in a jar, as ways to talk about it and imagine leading up to the fun you'll have when the big day arrives.



GOAL SETTING ACTIVITIES CAN HELP:

If you've downloaded [Make It Count](#), use the goal-setting activity to help your child set a goal and keep track of their progress.

Another important aspect of teaching your children about money is to make sure they understand the value of the money they have and the value of the item they're looking to buy.

Buying things can be fun, and is a big benefit of earning money. But it's important to understand, and teach younger children, how to spend money responsibly.



Drawing comparisons to things that children understand, such as how many chores they'll need to complete in order to afford a toy they want, is a good start.



NEW BRUNSWICK'S TOP SAVINGS SMART TIPS:



LAUREEN

Delay your gratification. If you want to buy something really special, set a goal with the amount of money you are making. Wait to make your purchase after taking the time to save. Sometimes, that waiting time makes you realize you like something that you thought you loved. Today, too many people "buy into" BUY NOW PAY LATER - and boy do they "dearly pay" with interest and stress on the family budget. Advertisements make it sound so easy and beneficial. Waiting to make the purchase is worth the wait and you feel good about achieving your goal. You will appreciate and take care of something you have earned the money for, far more than what is easily handed over to you, because you simply asked for it and got it without earning your way!



RACHEL

Using your debit card may give you a false sense of financial security as you do not see the actual money that you are spending. It is important to closely monitor all of the transactions going through your bank account so you can better manage your finances.



DAPHNA

Before spending money, ask yourself: "why do I want to buy this and is there something more important I could be saving for?"





THEME #4: MANAGING DEBT

Establishing good credit is important for your financial future. When used properly, credit allows you to make larger purchases in the future, such as a car or securing a mortgage for a home.



It takes discipline to borrow and manage debt responsibly. Knowing how much credit you should have and how to manage it isn't always easy or intuitive.



Spending should coincide with your budget, and you should only spend based on what you can afford to pay back in a relatively short amount of time.

There are some key principles of credit that will help you whether you're managing your own debt or trying to teach your children about debt and how to manage it.

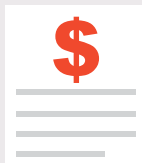
The first thing to remember is that buying on credit can be expensive. Whenever you buy on credit, interest and other borrowing fees can increase the cost of whatever you're buying.

Another thing to remember is that credit makes it much easier to spend beyond your means.

Being an irresponsible borrower can hurt your credit history. As a responsible borrower, you make payments each month, make payments on time and only use credit when you know you've got the money to pay back the lender. If you have a history of being late or missing payments, lenders – like banks or car dealerships – can turn down your request for credit. Borrow responsibly to make sure that credit will be there when you need it.

of borrowing? Next time they ask to borrow money to pay for something they want, charge them interest and set up a payment schedule. Make sure they understand the importance of sticking to the payment agreements, and let them know that you will only be able to lend to them again if they make their payments on time! If you're learning about credit for the first time, the following page has some helpful tips.

Looking for a way to teach your children about the concept





SAM'S DEBT MANAGEMENT STRATEGIES:



GIVE YOURSELF A COOLING-OFF PERIOD:

If you don't have the money to make a purchase, ask yourself if you really need it, before buying on credit. Walk away and give yourself time to consider the purchase.



HAVE A PLAN TO PAY OFF YOUR DEBT BEFORE YOU MAKE A PURCHASE:

Know how much time it'll take to pay off, and where that money will come from in your budget.



THINK ABOUT THE LIFESPAN OF THE PRODUCT BEFORE YOU BUY IT:

If the item you purchase will only have a four-year life, but it'll take 10 years to pay off, you will likely have to replace the item before you've finished paying for it.



ALWAYS READ YOUR CREDIT CONTRACT:

If you decide to make purchases with credit, it's important you know the interest rate you're being charged, the term, the total cost of credit, the amount of time you have to pay off your bill without being charged interest, when your payments are due and how long you have to make the payments.

Talking to your children about money from a young age sets them up with smart money habits to help them succeed later on in life. Incorporating small, daily activities – such as the ones found in [Make it Count!](#) – can help children understand the concept of debt, without worrying about household costs.



NEW BRUNSWICK'S TOP DEBT MANAGEMENT SMART TIPS:



ÉTIENNE

Beware of credit cards! Using a credit card to make purchases can be very convenient, especially when shopping online, but you have to be careful. The credit card balance can slowly climb up every month and, after a year, the debt may prove difficult to repay. A good rule of thumb is to consider credit as a short term loan. In most cases, you should try to pay up your credit card balance in full each month. This way you avoid debt, and you avoid interest charges.



DAN

Live within your means and stay on top of bills. [It's] harder to catch up than it is to keep up.





THEME #5: THINKING AHEAD

Interest earned and interest paid is a key concept to understand when it comes to saving and/or borrowing money through loans or credit cards. Explaining how interest works, on the other hand, can be tricky.



When teaching children and youth about how interest works, it's helpful to use stories and examples. This helps them understand how these concepts work in the real world. Marissa has given us some examples to get us started:

HOW SIMPLE INTEREST WORKS

Sam deposits \$100 into a savings account with an interest rate of 5% per year. Every year, she'll earn 5% of the \$100 deposited, or \$5. Here's a look at how that simple interest would add up over a five year period:

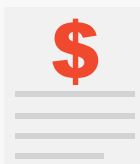
Year	Interest Earned	\$ in Sam's account
1	\$5	\$105
2	\$5	\$110
3	\$5	\$115
4	\$5	\$120
5	\$5	\$125

HOW COMPOUND INTEREST WORKS

Taylor deposits \$100 into a savings account with an interest rate of 5% per year. In the first year she will earn 5% of the \$100 deposit, or \$5. In the second year she will earn 5% interest on \$105 (the original \$100, plus the \$5 she earned after the first year), or \$5.25.

With compound interest, every year the amount of money Taylor earns through interest will grow. Let's look at how that \$100 will grow if Taylor leaves it in her savings account for five years:

Year	Interest Earned	\$ in Taylor's account
1	\$5	\$105
2	\$5.25	\$110.25
3	\$5.51	\$115.76
4	\$5.79	\$121.55
5	\$6.08	\$127.63



To help your children understand the importance of thinking ahead and making a plan for the future, start with something more timely like saving for college or university. Then, once they've graduated and entered the workforce, the importance of saving for retirement will resonate more.

With the power of compound interest, the earlier you start saving, the less money you'll need to put away to meet your savings goals.

Remember: time is an asset as you build your savings.



NEW BRUNSWICK'S TOP "THINKING AHEAD" SMART TIPS:



VINCE

Start putting money into an RRSP or TFSA as soon as you can and do it regularly. Take even \$20 or \$10 per pay if that is all you can afford. The sooner you start the sooner it will start to grow. If you start in your early 20's, by the time you reach retirement age, all that money you put in when you were young will have multiplied many times over. Just remember... the earlier the better!



BRENDON

When purchasing your first vehicle, make sure to factor in an estimate of repair costs over the life of the vehicle in order to avoid defaulting on payments or inheriting a fancy lawn ornament with an empty tank of gas.



CATHRYN

I wish I'd listened to my father and started an RRSP as soon as I got my first job! Compound interest is incredible!!





A GRANDFATHER'S LETTER

Getting the conversation started about money and financial responsibility is an important goal for New Brunswick families.

That is why we were so touched to receive, along with many hundreds of other smart tips from all around the province, a copy of a letter written by a grandfather to his granddaughter. He shared his advice and his experience with his granddaughter as she prepared to begin life as a university student, and was kind enough to share his letter with all New Brunswickers through the Smart Tips website.

We have included some excerpts of it below...



GRANDFATHER'S TOP SMART TIPS:



It is imperative to situate the importance of money and learn how to manage it. It is not the most important thing in life, but a basic amount is needed. Having money for luxuries is fun, but not very important overall; having money for the basics of life is critical.



It is important to realize that every dollar one has, or will have, comes from somebody's work.



Be very aware and wary of debt. It can easily become a problem.



Financially, and otherwise, education is the best investment there is.



Money matters vary with age.



You will have to be extremely careful when signing leases, cable and internet contracts, and other necessities. Similarly you will have to be extremely strong about not lending money or paying more than your share in any relationship. When you're starting out, you have to look out for yourself.



Finally, in finances, everyone has to learn to make a budget. It simply consists of writing what money we will have each month, listing each expense, and determining what we will have left-over for optional spending. We can set this up so that we break even, or set aside a little bit for savings and unanticipated expenses.





HAVING “THE TALK” ABOUT MONEY

Children learn from watching their parents and the people around them. Communicating openly and honestly with our children about money, the value of money, and responsible habits is incredibly important in preparing them to deal with the financial decisions they will have to make as they get older.

Relax and remember – you don’t need to be a financial expert to talk to your children about money. Resources like those available through FCNB, and the tips and tricks in this e-book can set you on the right path.

Helping children understand how to live within their means and plan for their dreams and goals can instill a sense of confident independence and help prepare them to be self-sufficient.



ONLINE RESOURCES



fortune.fcnb.ca



www.fcnb.ca/lifestages/students.html



www.fcnb.ca/FCNB-blog.html



www.securities-administrators.ca/investortools.aspx?id=82



/FCNB



@FCNB_



/TheFCNB/



/fcnbc.ca