

Financial Tips for Your Daughter

[Host]

Successfully managing money is an important aspect of everyone's life, no matter what your age, gender, or stage of life. In fact, there is no better gift you can give your daughter than the gift of financial literacy. Unfortunately, very little about financial awareness is taught to our children at either school or university, so it is incumbent on you to provide these life-changing skills and expertise. In honour of International Daughter's Day, today's podcast will focus on some easy-to-follow tips to get your daughter started.

We are joined today by our special guest, [guest], who joins us from _____. Welcome, [guest]. I'm delighted to have you here. Let's get started with some thoughts from you. Is starting to learn about financial literacy as a teenager just too young to start, [guest]?

[Guest]

Thanks, [host]. I'm so happy to join you today. To answer your question, it is NEVER too early to start practicing good money habits. In fact, I would argue that you could start talking to your children well before their teen years. Generally, however, I would suggest that you begin more serious discussions about money basics with your daughter when she is in her teenage years.

[Host]

That's great advice, [guest]. I really wish that my parents had had those important money discussions with me because I had to learn the hard way and through making many mistakes. What are the top tips that you suggest for women with teenage daughters?

[Guest]

Great question. Managing your money can seem like a challenging concept for anyone so I like to keep the concepts simple at this point. Here are my top 5 tips:

1. Even if your daughter is not making a lot of money, or simply relies on an allowance, the first step is to help your daughter determine her income. Whatever the number is, this represents the baseline for all her saving and spending decisions.
2. The teenage years are a perfect time to learn how to develop and adhere to a budget. Have your daughter list out her expenses based on two key categories of saving and spending. Saving will include things like starting an education fund, saving for a new laptop or a vacation with friends, for example. Spending, on the other hand, includes those amounts spent on things like eating out, clothes, beauty, and entertainment. Help your daughter set realistic, achievable goals.
3. Now is the perfect time to help your daughter develop a tracking system for her expenses, whether it be saving receipts, jotting down her expenditures in a notebook or developing an online tracking system. Help your daughter to regularly review her budget to see if, and where, she should cut back, if required. This is a

- time when peer pressure can be difficult so talk to your daughter about the importance of saying no or having a backup plan in place is difficult. This might include not bringing extra money or her debit card, for example.
4. If she hasn't done so already, have your daughter open one or more savings accounts to help her get into the habit of saving. Encourage her to put the money she receives as gifts into savings as well and review her account statements so she can see how her money grows over time. By prioritizing saving now, your daughter learns the value of discipline.

[Host]

Those are very smart and practical tips, [guest]. And it really seems like any teenager could understand and put those into practice. It sounds like that, at this stage in their life, your daughter should learn the basic principles of budgeting, saving and spending? Why is it so important to start so young, [guest]?

[Guest]

Even if your daughter is not making a lot of money, your teenage daughter has the distinct benefit of time and the ability to see how small, regular savings can grow over time. By learning these basics now, your daughter will be able to learn from her mistakes and develop habits that will enable her future financial security, while building confidence and a nest egg at the same time. There is no better time than as your teenage daughter approaches adulthood to help shape her financial behaviour.

[Host]

Very sound advice [guest]. I know I'm asking a lot of you, but could you talk to me a little more about your top tips for my daughter as she starts out on her career and a lifetime path of financial awareness and management?

[Guest]

Great question, [host]. I'd be delighted to share more! How about I give you another one of my famous top tip lists?

1. At this point in her life, your daughter needs to start an emergency fund, which provides a financial cushion that can keep her afloat in a moment of need. Having an emergency fund is crucial since it can help your daughter avoid borrowing more if she has debt. These funds might cover things like unexpected medical bills, a loss of job, or an automobile repair, for example. The amount your daughter should put aside varies but a fair rule of thumb is to have enough money to cover three to six months of living costs.
2. Teaching your daughter about the importance of investing is very important for her future, but it can also be confusing and time-consuming if she has a busy career. Automating her investment plan can make things much simpler and remove that overwhelming feeling. A systematic investment plan, called a SIP, is one of the ways to automate investing which may help mitigate the risk of timing the market. They can help you build up your portfolio in the long run by letting you invest a small amount at period intervals like weekly, monthly or quarterly. This money is then invested in the mutual fund of her choice, thus leaving the management of the money to a full-time professional.
3. Retirement planning is the single most important goal for every one of us. While it will likely seem like a long time away for your daughter just starting out her career, your daughter should start saving as soon as she starts working. It's the process of preparing today so that she can achieve her goals and dreams for the future.

She should be putting aside at least 10-15% of her gross salary, and don't forget that there may be a plan at her workplace that she can also take advantage of.

4. As your daughter embarks on her career and a lifetime of financial management, now is a good time to start establishing a good credit history. At some point, most people will need the convenience of a credit card or will need to borrow for a larger purchase, like a car or a house. Your daughter can do a few things today to prepare for when she might need credit in the future. These include ensuring she pays all bills and parking tickets on time, for example.

[Host]

That is certainly a lot of very helpful information, [guest]. I sure wish you were around when I was trying to figure all of this out....! If I might summarize, it sounds like it's really important to develop good budgeting and spending habits, learn how to track and monitor budgets from an early age, to set goals and set up saving accounts, and learn the basics of investing, amongst others. Does that sound accurate to you, [guest]?

[Guest]

I couldn't have said it better myself, [host]! It's also a great time for your daughter to actively learn more, read books, and ask for advice when she needs it. She will only get better at creating and achieving her financial goals.

[Host]

It's so true. Without taking up too much more of your valuable time, do you have any last financial management tips for those of us who have daughters in their thirties? Even though they no longer need us as much at this age, our role as life teachers never ends, right?

[Guest]

I'd be happy to, [host]. Most people spend their twenties building a solid financial foundation for the future. At this point, she has hopefully started an emergency fund, is saving for retirement, starting to invest and establishing a good credit history, among others. Your daughter has likely become more comfortable with who she is in her twenties, and with what her future priorities are. Now that she is older, and probably somewhat wiser, your daughter needs to continue to learn key money skills that can help her maintain control of her finances, avoid debt, save more, and achieve the dreams of her future. This is the decade to keep building and protecting her wealth.

Some key areas of focus right now include:

1. Remind her that she is halfway to retirement so ensure she is maximizing both personal and retirement plans.
2. Ensure she is sticking to her budget and, ideally, not spending all her pay cheque. Her needs, wants and dreams have likely changed since her twenties, so encourage your daughter to revisit her budget and to adjust for life changes such as getting married, having children or buying a house.
3. She should continue to increase her emergency fund balance, if possible, to ensure that she has at least 6 month's worth of living expenses.
4. Continue to pay herself first so she can better save and reach her future financial goals.

5. She should increase her insurance coverage to provide financial security for her partner, dependents and family. Additionally, as your daughter's assets grow, she may need more insurance to cover them. Ideally, experts recommend at least 10 times her annual salary in coverage.
6. By now, your daughter may be married or in a long-term committed relationship. It's so important that your daughter gets comfortable talking to her partner about money, income, expenses, financial goals and agreed-upon timelines. Encourage her to establish a routine to openly and honestly discuss finances.
7. Now is the time for your daughter to diversify and take more calculated risks when investing. At this age, her asset allocation should be heavily weighted towards equities, and it's important that she periodically rebalances her portfolio to ensure that she maintains her optimal asset allocation to achieve her financial goals.
8. Lastly, although your daughter may feel like she has many years before she needs to worry about writing her will, now is the time to do it. Wills aren't just for old people! They are critical to life planning and financial well being and can also make life much easier for your daughter's dependents and family in the event of an untimely passing.

[Host]

Wow. You really know your stuff, [guest]! Thank you so much for sharing all this invaluable advice! As we know, it takes a lot of time and discipline to become financially savvy and to build and maintain healthy money habits. The thirties will be a decade full of financial responsibilities for your daughter but, with careful and dedicated financial planning in place, your daughter can build a healthy financial life for both now and in the future.

I hope this podcast has provided you with some valuable insight as to how to help guide your daughter on these most important aspects of her life, financial literacy and confidence.

Thanks so much for joining us, _____, and for your invaluable insights.

And thank you to all our listeners! Keep joining us for our every episode and we will continue to bring more informative episodes!

Thank you!