

The Best Gift a Parent Can Give

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Money Helps, but Financial Guidance is the Best Gift a Parent Can Give

As a newly published author in my early thirties, I was both thrilled and concerned by Dale Ennis' invitation to write for Canadian MoneySaver. Knowing this well-respected, independent magazine has a readership that is predominantly, well, older than me, I wondered what I could write that would benefit such an experienced group. However, Dale saw things differently. Part of his vision for MoneySaver is to appeal to younger readers. Having recently navigated many of the challenges facing young adults, I am an ideal candidate to help today's twenty-somethings find their way financially. Since many of MoneySaver's devoted readers have grown children, this magazine is the perfect venue to reach out to new, younger audiences.

Spend Smarter, Save Bigger

My book is called Spend Smarter, Save Bigger: Finding BIG savings in your Home, Mortgage, Vehicles, Insurance and Investments. While other personal finance books talk about cutting back on small expenses to create savings, my focus is finding big savings on life's biggest expenses. Chapters one and two may be downloaded for free at www.spendsmarter.ca

Saving big boils down to two things: first, you need to create an affordable lifestyle that allows you to live comfortably while saving a significant part of your income. Young people should make it a priority to buy an affordable starter home with good appreciation potential as early as possible. Huge savings can also be realized when two people share one reliable vehicle and drive it for its entire useful life.

Second, big savings come from educating yourself on how money works so you can understand the options and risks and make the right choice. When purchasing financial services such as mortgages or investments, we usually deal with commission-based sales people. They are not there to help us secure the best rate or the lowest fees. It's up to us to know what we are paying, to compare prices and ask for a better deal.

From Indebted Students to Homeowners

Currently, I'm working as a licensed insurance representative, selling home and auto, as well as life, disability and critical illness insurance. With a degree in psychology, I examine the emotions

that motivate our spending and saving. Couples often experience conflict because they were raised with very different expectations regarding money matters. Much of my writing stems from my personal experience and the journey my husband and I have traveled. Though we began our lives together as indebted students, we are now financially secure homeowners and landlords on the path to early retirement.

My husband and I started out with substantial student loans, about \$18,000 and were left to our own devices to buy a home. With entry level homes in the Greater Toronto Area starting around \$200,000 almost 10 years ago, for us buying a home required a significant amount of planning and saving. After a year of intense saving, we put a deposit on the best deal we could find on a newly constructed town house, allowing another 9 months to keep saving up the balance of a 10% down payment and closing costs.

We also took full advantage of government programs for first-time buyers, such as the Home Buyers' Plan and paying the Canadian Mortgage Housing Corporation (CMHC) fees necessary to obtain a non-conventional (less than 25% down) mortgage. To this day, we joke that we bought that house by the skin of our teeth and we didn't have 2 twenties to rub together! However, buying a house quickly was a crucial early step to creating a solid financial foundation.

Valuable Life Experiences

I read with great interest Brenda MacDonald's article, Valuable Life Experiences, from the November/December 2005 edition of MoneySaver. On the issue of parents helping adult children buy their first home, MacDonald points out, "If we, as parents, are too quick to step in and help out, we deny our children valuable learning experiences and the satisfaction of solving problems on their own".

How true this is in my life! Had our parents stepped forward to provide a 25% downpayment, there would have been no need for us to learn how the Home Buyers' Plan could leverage a tax refund into money for a home. There would have been no pressure to hunt as hard as we did for a home offering best possible value for our money. Most important, we would have missed out on the very real satisfaction we feel knowing we bought our house completely on our own.

Helping Out

Our parents did provide us with some very crucial financial assistance at key points in those early years. In addition to my husband's \$18,000 in student loans and in spite of the financial support I received from my mom during my University years, I graduated with \$16,000 in student loans. Just before the interest charges were to kick in, mom graciously stepped in and paid off my loans. Then, as we were ready to get married, both parents agreed to cover part of the wedding expenses. With a limited budget, we were motivated to keep wedding costs under control.

The assistance we received from our families was both appropriate and made a huge difference in helping us build a strong financial foundation early on. I believe that parents should feel some responsibility to help their children obtain the necessary skills and education to succeed without being hampered by massive debt. However, it is just as reasonable to expect your children to take responsibility for managing their money effectively. As the following true story* will show, giving your children money without teaching them the best way to handle it does not prepare them to become financially successful adults.

Rose & Anne

A kind-hearted woman, Rose* is a successful, international businesswoman, wife and mother. Rose's parents immigrated to Canada when she was 6. Though Rose's parents were wealthy in China, in Canada they were decidedly middle class. Money was often tight and her parents worked long hours and raised her to be frugal and to pay for her own luxuries. Rose's family pushed her to excel in school and to study business in University. Rose built a successful career and earned good money importing innovative new products from Hong Kong to Canada and the US.

Rose wanted to give her daughter Anne* the carefree childhood she never had. She raised Anne in a beautiful house and frequently showered her with new toys and clothes. Every year the family enjoyed a fly-away vacation to destinations all over the world. Rose noticed Anne's grades slipping in high school but was too busy with her career to challenge Anne to study harder. Anne focused on her social life and scraped by with below average grades.

Anne couldn't get into University so opted instead for college, taking general arts courses. Rose paid for all Anne's expenses, not

wanting her to be distracted from her studies by a part-time job. Rose remembered the long hours she worked to pay for her own education and did not want Anne to go through the same hardship.

Three years later Anne graduated with no idea what to do next. After a few months of floundering, she eventually she found a job working in reception at a Honda dealership sorting mail and transferring calls. The pay wasn't great so Rose allowed Anne to live at home rent-free. She also needed a car to get to work, so Rose bought her a brand new Honda Civic. Anne wasn't responsible for any fixed expenses and spent all her income on clothes, dinners out with friends and vacations.

Rose even put Anne's name on the deed to her home. Rose realized that Anne was not earning enough to buy a home of her own so she and her husband planned to give Anne the house when they retired to a condo. Then, the unthinkable happened: Rose was diagnosed with esophageal cancer. As Rose battled for her health, she worked diligently to put her affairs in order, knowing that Anne wasn't very good with financial matters.

Looking back, Rose questioned if giving her daughter such a pampered lifestyle was the right decision after all. Rose just assumed that her daughter would intrinsically adopt her work ethic and financial astuteness. However, Rose realized the challenges she endured growing up had helped make her into the successful woman that she was. Rose worried how Anne would cope when she was gone.

Life Challenges

As parents, sometimes our love for our children can blind us to what is best for them. Children do deserve to have a childhood that is secure, free from worries about food and shelter, and filled with the many joys of growing up in a house full of love. However, our children also need to be challenged to develop a good work ethic, guided to the right careers and taught the value of a dollar. As they enter adulthood, children need both the financial support to continue their studies and the financial guidance to manage their money effectively.

In my column, Smart Savings, I will cover the BIG expenses we all face: homes, mortgages, vehicles, insurance and investments. I will endeavor to clarify the options and reveal the low cost alternatives that will help keep more money in your pocket.

Saving money is the one reliable path to wealth that anyone can follow, regardless of income. The bigger your savings, the faster you can achieve financial freedom. Please join me on this journey to help the next generation learn to successfully navigate the many financial pitfalls on the path to financial freedom.

*names and a few details have been changed

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