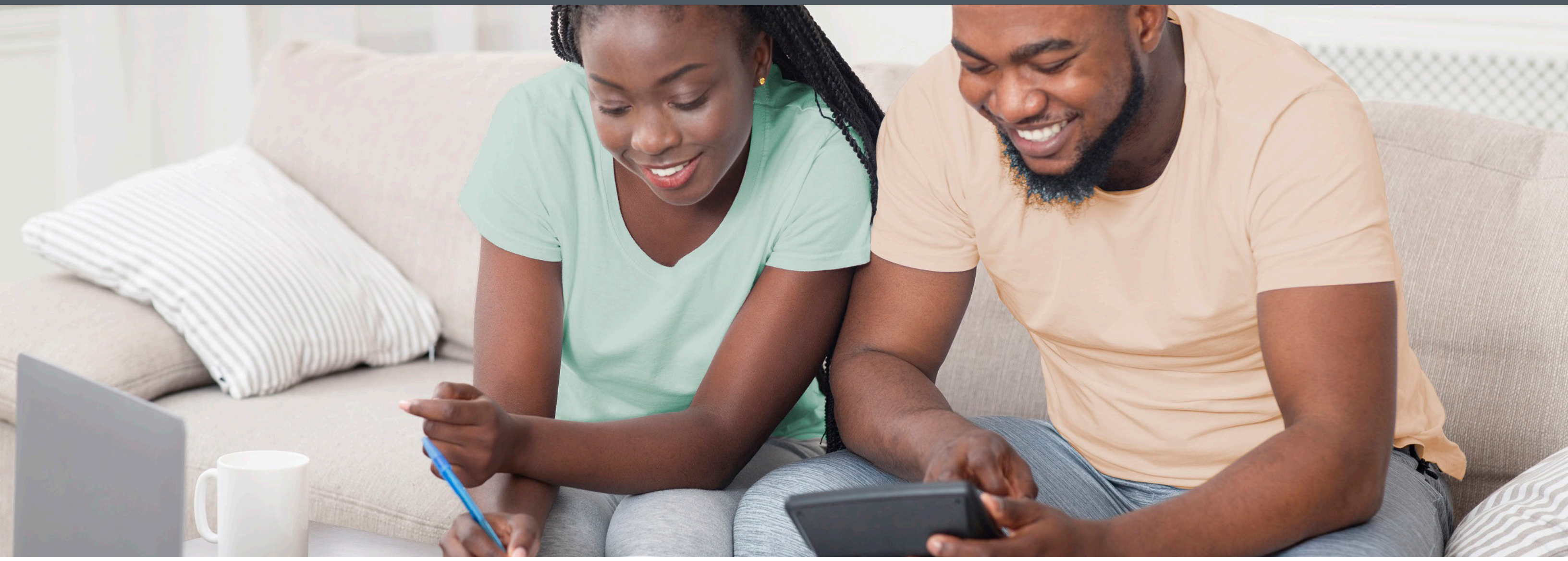
PRIVATE WEALTH MANAGEMENT

CIBC WOOD GUNDY

ONE-TO-ONE INSIGHTS

NOVEMBER 2020



INVESTING IN FINANCIAL KNOWLEDGE

This year's pandemic has shown us how quickly our lives can change. But having a solid understanding of your finances, and a plan for your money can help you weather the challenges. This November is Financial Literacy Month, and it's even more important this year as we reflect on lessons learned during these unusual times.

Whether you've got youngsters in your life who need guidance or you're in the early saving and investing stages, consider these insights that can help lead to financial success.

Teens deserve more credit

While it may seem like the teen in your life has ample time to learn about finances, they'll be choosing their post-secondary school path in the next few years. The sooner they learn good financial habits the better off they'll be in the future.

"When I was a youth, the words of wisdom were 'pay yourself first'," recounts Richard Voss, Director and Senior Wealth Strategist, CIBC Wealth Strategies. "This is even more important today as there are now many ways to purchase goods and services—like online shopping—making it easier to spend." By prioritizing needs over wants, kids learn good money habits.

As a father of two youths, Voss knows kids can be averse to taking advice. That's why he suggests comparing savings goals to relatable activities when talking to them. "I would advise teenagers to take a goals-focused approach with their money, just like they do with school, sports, arts, music, and other passions." Teens also have time on their side. If an 18 year-old saved just $100 monthly at a 3% annual return, they could have $17,306 by the age of 30.[1] This CIBC calculator demonstrates the power of saving early and consistently.

Building credit history is also an important step for teens. Consider adding them as an authorized user on a credit card with a lower limit or helping them secure their first credit card so they may establish a credit history safely. Of course, everyone is unique and you know best if this is appropriate for your teen.

Invest in your 20s

This is a dynamic time where youth typically transition from students to career-bound adults. For some, paying down student loans is a priority; for others, milestones may include moving out on their own, or buying their first car. Whatever the circumstance, understanding the value of wealth accumulation may be a challenge at this stage in life. No matter the financial background, Voss suggests, "Continuously invest in yourself by building and developing the knowledge and skills needed for career and financial success."

For savings and investing purposes, now's the time to consider opening a Tax-Free Savings Account (TFSA), which allows Canadian residents who are at least 18 years old to earn investment income tax-free. The funds can be used as emergency savings, or for major goals like buying a home. It's also a good way to start investing in stocks, ETFs, bonds and more.

The 30s pay off

This life stage often brings larger financial commitments and responsibilities. If you or someone you know have hit this decade, they're likely paying down a mortgage, raising children or purchasing a vacation property.

Working with us to develop a wealth plan can help relieve the stress of competing priorities. It's important to maximize the benefits of long-term compounding by saving and investing regularly in a diversified portfolio. Voss suggests setting up a regular investment plan to "help ensure your savings are put to work."

At this stage, it's important not to put retirement on the back burner, especially as we're living longer. This is where having a Registered Retirement Savings Plan (RRSP) is key to save for the golden years. An RRSP allows you to defer tax payments on contributions and income earned within the plan, making this a great investment tool for retirement.

At any age, Voss tells us, "In practically all areas of planning the highest probability of success is with strategies that are simple and straightforward, and long term in nature. The sooner you start, the 'longer' you have to achieve your goals, and the smaller the impact each goal will have on your day to day consumption."

We're here to provide financial guidance and advice to you or the young people in your life. Contact us anytime. For more infor-mation about financial education for all ages, please visit CIBC's Private Wealth Management Insights.

[1] *https://www.cibc.com/ca/tools/regular-investment-calc/regular-investment-start.html*