



First job, first paycheque

Help your teen navigate the basics of earning, banking and saving.

Although it's still an uncertain time when it comes to employment, eventually your child will be ready to get their first job, and this will be an exciting new phase. As they

move towards increased independence, they can still benefit from some gentle guidance to help their earnings last. Here are some tips to help them manage their new financial freedom and responsibilities.

Banking 101

Now that your teen is earning a wage, they'll need a place to deposit their pay. Help them open a low- or no-fee bank account if they don't have one already. You will likely have access to and control of the account if your child is under 18. This can be beneficial as they get used to managing their money. What may seem straightforward to you – setting up direct deposit, using a debit card responsibly, avoiding bank machine and other service charges – might be a complete mystery to your teen. It's also a good idea to open a separate high interest savings account for longer-term goals.

Saving vs. spending

This is the perfect opportunity to talk about expenses, budgets and responsibilities. Discuss what you will continue to provide for your child and what they may now be expected to pay for – such as a phone, clothing or entertainment. Encourage your child to create a simple budget to help track and manage their spending. Have your teen think about things they want to save for, such as a car or post-secondary education, and how much of their earnings will go towards these goals. A good strategy is to set up automatic transfers to a savings account when they get paid, before they have a chance to spend their earnings.

Take advantage of tech

Your teen is probably never far from their phone, so suggest they set up online banking so they can view their balance, deposit cheques electronically or transfer money. Some mobile banking platforms may also offer a visual breakdown of spending. Just remind them to protect their password and avoid public Wi-Fi.

Managing income is one of the most important life skills for teenagers to learn. By teaching good habits now, you can help set them up for a healthy financial future.

UNDERSTANDING A PAYCHEQUE

Help your young worker understand the line items on their pay stub. Standard deductions include income tax, Employment Insurance and Canada/Quebec Pension Plan contributions. Part-time employees may receive vacation pay on each paycheque (about four to six per cent of their wage).[1]

DID YOU KNOW?

- There's no minimum age to open a Registered Retirement Savings Account (RRSP), as long as the child has earned income and files a tax return.
- A child must reach the legal age of majority and have a valid social insurance number (SIN) to open a Tax-Free Savings Account (TFSA).
- Assuming their annual income is quite low, a teen may benefit more from using a TFSA than an RRSP. Filing a tax return and reporting income creates RRSP contribution room that can be used later in life, when their income is higher and the tax deduction is more valuable.

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[1] www.canada.ca/en/financial-consumer-agency/services/financial-toolkit/income-expenses-budget/income-expenses-budget-2/2.html

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