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WealthWisdom

Financial Lessons From the Summer Job

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Remember the days of old, when the summer job was a rite of passage? For those of us who grew up before the digital era, an article in the popular press may strike a nostalgic chord: "newspaper delivery was the first rung on many an economic ladder. Traditional summer work taught generations of teens about life, labour and their place in the universe."[1]

If your child or grandchild has landed a summer job, congratulations! While many parents may breathe a sigh of relief that a summer job will keep children from being glued to their screens, this is an opportune time for young folks to learn how to navigate life — being punctual, taking responsibility and working alongside others. It may also be a good opportunity to reinforce financial lessons that can contribute to generational wealth planning. Here are a few key considerations:

- **File a Tax Return —** Often, the income earned from a part-time job is less than the basic personal amount (BPA) for tax purposes (i.e., a non-refundable tax credit available to all individuals that eliminates the tax on the first $16,129 of income (federal, 2025)). As a result, some may choose not to file an income tax return if no taxes are owing (assuming the earnings are under the annual BPA). However, this results in a lost opportunity for kids to generate Registered Retirement Savings Plan (RRSP) contribution room (more below). Additionally, those who are 19 years or older may be entitled to the GST/HST credit and a Canada Carbon Rebate payment if they live in select provinces: AB, SK, MB, ON, NB, NL, NS, PEI*.[2] Consider also that supporting a (grand)child to complete the task of filing their own paper tax return can be an excellent teaching moment.

- **Contribute to an RRSP —** This may be a great time to teach a child about the RRSP: the opportunity to compound savings on a tax-deferred basis and reduce a current or future personal income-tax liability by claiming the RRSP deduction on your tax return. If the child doesn't contribute to the RRSP in the current year, any unused contribution room will carry forward. Even if they do contribute to the RRSP, they can elect to defer the RRSP deduction until a future year when they are in a higher tax bracket to optimize the tax savings. Building up an RRSP may provide additional benefits as children grow older. This includes accessing up to $60,000 from the RRSP under the Home Buyers' Plan to aid in the purchase of a home, or using the Lifelong Learning Plan to borrow funds from the RRSP on an interest-free basis to fund eligible education and training.

FOOTNOTES:

1. www.wsj.com/articles/in-praise-of-the-teen-summer-job-1429890052canada.ca/en/revenue-agency/services/tax/businesses/topics/keeping-records/where-keep-your-records-long-request-permission-destroy-them-early.html
2. https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4215/climate-action-incentive-payment.html

FOOTNOTES:

3. www.wsj.com/articles/why-teens-need-a-sense-of-purpose-1518264001

- **Open a Bank Account —** If a child hasn't already opened a bank account, a summer job can be the perfect catalyst. A savings account can teach kids to set financial goals and develop the habit of putting money aside regularly to achieve them. This is also an opportunity to introduce other valuable concepts, such as budgeting or understanding compound interest. Some savings accounts now pay small amounts of interest, or funds can be transferred into short-term GICs, providing a hands-on demonstration of how savings can grow. For those over the age of 18, consider opening a Tax-Free Savings Account (TFSA), which allows funds to be invested and grow on a tax-free basis.

- **Establish Credit —** Many banks offer student or youth credit cards (some prepaid or requiring a co-signer), which may be a way to teach the importance of building a credit history and credit score. While some parents provide kids with supplementary cards on their own accounts, this doesn't allow kids to see how debt can quickly accumulate or to learn the importance of making payments on time. If a child manages their own credit card, they will have a better idea of how purchases quickly add up, as well as how to manage payments, establish credit and build a credit history.

Many great financial lessons can come from a summer job. As one newspaper article reminds us, "teens with a sense of purpose do better in school and are more resilient and healthier…but, these days, they are also the minority."[3]

How Raymond James Ottawa Can Help

If you need support in exploring strategies for teaching financial responsibility, building savings or planning for a financial future, please call the office.

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Financial Lessons for Each Stage of Life

In brief, here are some ways you can help support the financial well-being of kids, at every stage of life:

1. UNDER AGE 10

- Introduce an allowance when work is done
- Teach savings through the use of a piggy bank
- Teach about basic costs through trips to the grocery store

2. AGE 10 TO 18

- Set up a bank account
- Teach high-level cash flow management: spending using cash and high-level budgeting
- Use debit cards to teach about reducing balances
- Encourage a part-time job to learn about earning money and paying taxes; help kids file tax returns; teach them to contribute to the RRSP
- Teach about the RESP in preparation for post-secondary school

3. AGE 18 TO 24

- Introduce credit cards and debt; teach the value of a credit score
- Set financial goals for education
- Teach investing; Open TFSAs, FHSAs and other investing accounts

4. AGE 25+

- Support discussions on career, home purchases, marriage, and families
- Provide counsel on setting short, medium and longer-term goals
- Have family discussions about shared values and succession planning

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