

INTERGENERATIONAL WEALTH PLANNING: IN PRAISE OF THE SUMMER JOB

Remember the days of old, when the summer job was a rite of passage? Those of us who preceded the digital era may connect with an article in the popular press that reminisces on this bygone era: *"newspaper delivery was the first rung on many an economic ladder. Traditional summer work taught generations of teens about life, labor and their place in the universe."*¹

If your child or grandchild has a summer job, congratulations! This may be a wonderful way to continue instilling financial lessons that will support generational wealth planning. 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. Some of the greatest financial lessons can also come from the experience of a part-time job, and here are a handful of considerations:

File a Tax Return — Often, the income earned within 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 \$15,000 of income (federal, 2023)). As such, some may choose not to file an income tax return if there are no taxes 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). Those ages 19 or over may be entitled to the GST/HST credit of up to \$467 (2023) and a climate action incentive payment if they live in select provinces: AB, MB, ON, SK, 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. Finally, an added bonus of filing a tax return is that the child may have any income tax withheld at source refunded back to them, if under the personal exemption.

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, such as accessing up to \$35,000 from the RRSP under the Home Buyers' Plan to aid in the purchase of a home.

Open a Bank Account — If a child hasn't already opened a bank account, a summer job may be the impetus. A savings account can



help kids learn how to set financial goals and work toward them by putting money aside regularly. Other concepts can be introduced, such as how to make a budget or understanding compound interest — with rising rates, some savings accounts now pay small amounts of interest, or funds can be transferred into short-term GICs, all of which can demonstrate how funds can grow. If the child is over the age of 18, consider the opportunity of opening a Tax-Free Savings Account to take advantage of tax savings.

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. And, 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

1. <https://www.wsj.com/articles/in-praise-of-the-teen-summer-job-1429890052>; 2. <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4215/climate-action-incentive-payment.html>; 3. <https://www.wsj.com/articles/why-teens-need-a-sense-of-purpose-1518264001>

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