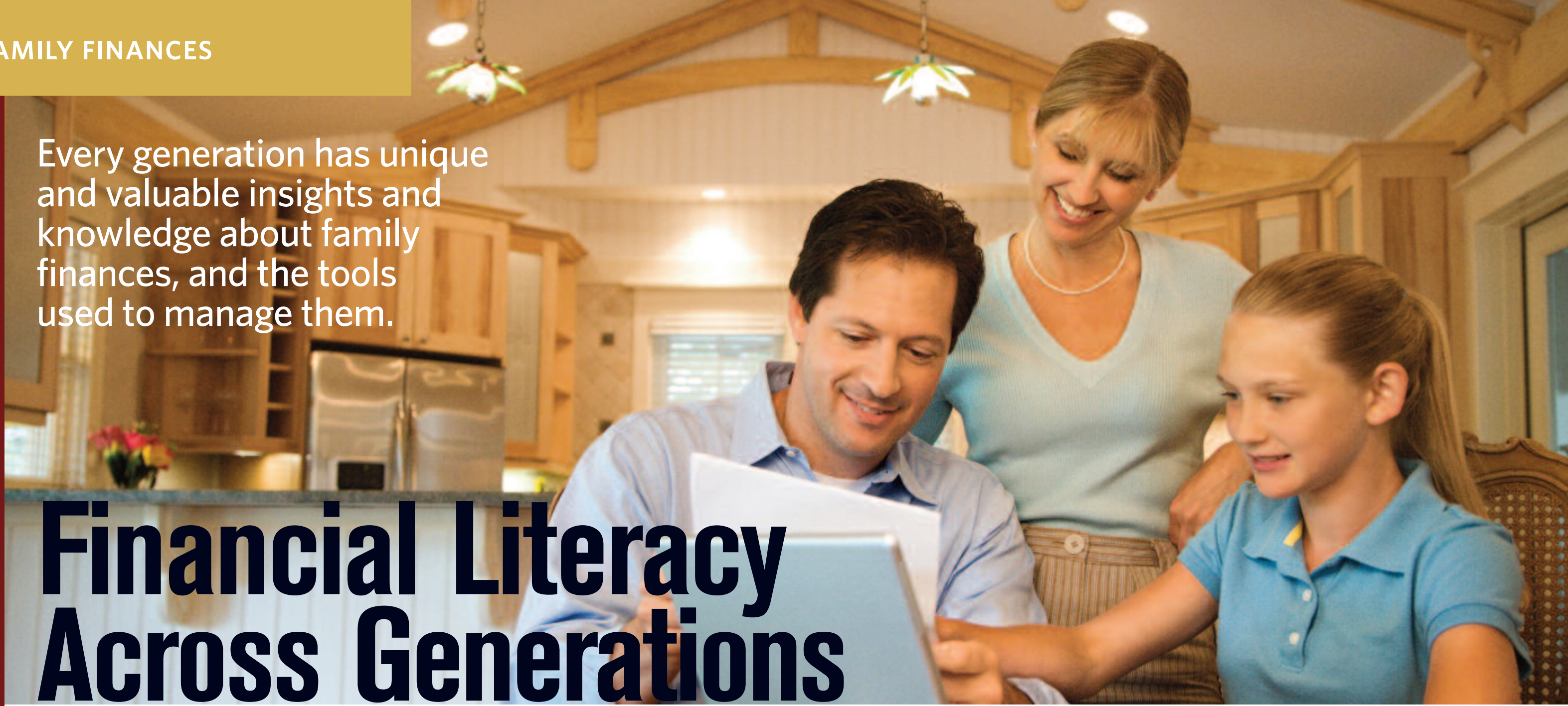

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Every generation has unique and valuable insights and knowledge about family finances, and the tools used to manage them.

Financial Literacy Across Generations

NATHAN BATTAMS

Financial literacy has become a popular term in recent years, but the importance of knowing how to manage resources is as old as money itself. Defined by the Financial Consumer Agency of Canada as the "knowledge, skills and confidence to make responsible financial decisions," financial literacy is crucial for the well-being of families because it affects our ability to monitor and manage our financial past (debt and accumulated savings), present (income and expenses) and future (wealth and investments).

Financial literacy evolves as the economic and social contexts that shape our financial responsibilities in life – and the tools we use to manage them – evolve. Our relationship with money is deeply rooted in our generational experience: 50 years ago, credit and debt were not daily realities for as many families, consumerism and advertising were not as widespread as today, and there was no online banking to help us manage household finances. Meanwhile, today's higher proportion of dual-earner households, deeper levels of student and household debt and greater access to flexible financial tools have resulted in a different world of family finance than in the past.

These unique experiences provide each generation with insights and knowledge into family finances, which means it is important for family members to have conversations to support each other in their financial decision making. In addition, family members learn new lessons about money management throughout their life cycle. A baby boomer today would likely have more insight into home buying and modern retirement realities than their adult children, while many youth might know more about web-based applications for managing family finances than their parents or grandparents. Both generations can learn from each other.

The importance of generational insights makes the family household an ideal place for discussions about financial literacy. However, many people either have a hard time discussing financial matters with their families or are reluctant to do so. One-quarter (24%) of surveyed Canadians say they do not feel comfortable discussing finances with their children. Another 28% say they do not feel they have the resources to talk about financial matters with their children. Regardless, children do see their parents as a valuable source of information on the topic; when seeking advice on managing money, 83% of surveyed Canadian youth report going to their parents for information about finances, far outranking all other potential information sources.

Whether we are pursuing a post-secondary education, buying a home, having children or retiring from a career, family milestones and transitions in work and life can all benefit from financial literacy.

Nathan Battams is a writer and researcher at the Vanier Institute of the Family.

2/3 of surveyed Canadians say they're knowledgeable about how to stay informed regarding financial issues.

64% of surveyed Canadians say the current economic situation in Canada has prompted them to become more educated about their finances.

24% of surveyed Canadians say they don't feel comfortable discussing finances with their children.

28% of surveyed Canadians say they don't have the resources to talk with their children about financial matters.

Source: BMO's 5th Annual Financial Literacy Month Survey.