BMO Wealth **Insights** October 2020



Six ways to teach your children the role of giving in wealth stewardship.

Beyond the tax deductions, there are many rewards to engaging in charitable giving as a family.

Children of all ages can learn how to use wealth to help improve the lives of others or to support worthy causes. Even the very young can be taught to make charitable donations and volunteer their time. Whether your family has a well-established charitable giving program or you're just starting out, there are meaningful ways to establish a culture of stewardship and philanthropy that involves the entire family. Here is a timeline of suggested strategies to help prepare your children or grandchildren as they grow and mature for a lifetime of charitable giving.

66 Your children will learn more about giving if you take time with them to participate. 99

Preschoolers

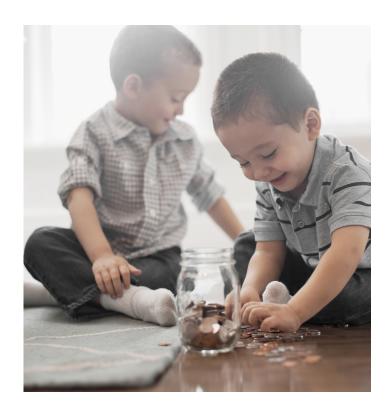
Take the kids with you when you volunteer your time

One of the most precious commodities you and your family can give is your time. From helping an elderly neighbour with yard chores to signing up at a soup kitchen, your children can see firsthand how they can help make a difference in the lives of others. Volunteering also builds self-esteem and confidence in children, while making them more aware of their community and its diversity.

Create a legacy account.

Earmark a portion of the household budget for specific charitable causes. This can be as simple as opening a designated bank account or as elaborate as establishing a trust. Consider diverting spending from even one small ongoing expense in your budget for charitable causes. As your children age, this act can demonstrate to them how one relatively small personal sacrifice can add up to a big contribution in the future.

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Early elementary years

As your children to donate to charity. As your children get older, they can begin to make donations themselves. Clothing is a perfect example, given how quickly children grow out of one size into another. As they outgrow their gently used or new clothes, encourage them to decide which items are suitable to donate. Let them put the bag together and bring it to the donation centre with you. You can take the same approach with toys that your children are no longer interested in. In addition, don't shy away from donating gifts your children have received that you know they won't ever use or wear again. Why not let someone else enjoy and use those items now?

This is also the age when children can join in charitable activities within school, scouting or religious groups. It can be tempting to simply make

a monetary donation when these groups reach out, but your children will learn more about giving if you take time with them to participate. For example, if you get a call to donate non-perishables to a food pantry, make a short visit to a local food store with your kids to choose items. Alternatively, allow them to rummage through your pantry for potential donations.

Use a save/share/spend jar system
Once your children start earning their own
money, either from gifts, an allowance or
earnings, show them how to divide their money
up for specific needs. This teaches them financial
responsibility and sets the foundation for later in
life when they will need to manage their money.
Here's how it works:

Save jar: This is money set aside for the long term. For children, it can be used to buy an expensive toy, their first cellphone or a new bicycle. As adults, this translates into traditional savings or retirement investing, such as RRSP contributions.

Share jar: This jar is designated for charitable causes. Children can take money from it when the family is making any kind of cash donation or purchasing items to be contributed. It becomes the source for a variety of philanthropic endeavours over the years.

Spend jar: These funds cover day-to-day expenses. For children, this might include a portion of their lunch money or perhaps a small contribution to a special family dinner. For adults, this money supports lifestyle needs.

Eventually, children can learn how to use a budget to designate how much money goes into each jar, and then how the jars relate to actual saving and investing accounts at financial institutions. BMO Wealth **Insights** October 2020

Older elementary and middle school kids

5 Allow children to direct a portion of the family's charitable gifts

At this point, your children may be very aware of the charities you support as a family. Consider sharing more details with them about the amounts you typically donate and how you distribute them. This is a great opportunity for you to learn what's important to your children and how they would like to help. In turn, they learn the responsibility of helping others more directly and see the effect of charitable donations. Finally, it encourages them to understand how the funds are used by the recipients, whether you give to an organization or an individual.

Middle school and older

6 Allow kids to propose charities for the family to support

This is the time for your children to learn how to research and choose a worthwhile cause. You can even ask them to submit a formal proposal to you or give a presentation about the charities they like. A good age to start this is between 10 and 12. Encourage them to research organizations online, even if they are already familiar with the charity. If the organization is local, make some time to visit as a family and see firsthand what the group does. Then, discuss the pros and cons of each to help determine which charities to support.

Create habits that can help define how your children will steward their time and wealth as they mature.?

Next, get the children involved with making the actual donation. Although it's convenient to simply transfer funds online, if you do, you'll miss out on the most gratifying step in the process – seeing the impact of the donation for the recipient. When appropriate, deliver your donation in person. This moment is often the most inspirational part of the giving process and helps encourage future giving.

Final thoughts

Importantly, these six steps create habits that can help define how your children will steward their time and wealth as they mature. For example, they're likely to continue volunteering throughout their lives if they start young. Likewise, they'll see lifelong benefits to learning how to manage money in a way that lets them achieve their goals while also helping others. Finally, researching charities and presenting options to the family will help your kids gain skills that will be useful later.

Ask your BMO financial professional for information on strategies for charitable giving that may be appropriate for your family.



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