

Young Adults and Money – are they ready for the real world?



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Managing Your Money

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at home are actually paying rent, and those rents are extremely low relative to the real world.

This increase in disposable income among young people, combined with the powerful influence of social media, has meant good news for the luxury industry. It's an unfortunate reality that social media bombards younger generations with pressure to 'keep up with the Joneses' – and leaves them living beyond their means to keep up with their peers. The message society *should* be sending them is 'don't

go broke to look rich'. Between high-end restaurants, dream vacations, and luxury brand names, many young people are living a lifestyle that they will not likely be able to maintain once they enter the "real life" of mortgage or rent payments, food costs, electricity, etc.

I was recently listening to a friend's story about her nearly 30-year-old daughter, who works full-time, lives at home but pays no rent, and is a wholehearted social media user. The mom was talking about how that past weekend, her daughter went shopping downtown, coming home with a designer bag.. Her daughter had dinner with friends that Saturday evening, at one of the city's most expensive restaurants, with top-of-the-line food and bottle service. It was not a special occasion; it was the norm. The whole thing was documented on Instagram for all her followers (and her mom) to see. The restaurant bill was nearly \$400 each! My friend was expressing frustration because she and her husband are far more frugal and don't live like that, and don't think their daughter should either.

"The message society should be sending young people is 'don't go broke to look rich'."

I'm certainly not assuming that all young adults are blowing their cash on opulent living that they can't afford. I'm often impressed with the children of my Baby Boomer clients who are uber-responsible with their hard-earned money and live a frugal lifestyle, well within their means. For those parents where that is not the case, it may be an opportunity to help support their young adult's financial growth and maturity with "real life" strategies. In a recent discussion with a client



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The sooner that youth learn the skills needed to adapt to the responsibilities of life, the better they will manage

looking for advice on this topic, these were my thoughts. If they are no longer in school, a job is a must. Charge them rent for room and board – if you can afford to save this money for them, put it aside for a down payment on their future home. Try to make the rent amount somewhat reasonable, not just a nominal amount. The point is for them to "feel" the real world, all within the safety of your structure. And remember, if you make it too comfortable for them, they may never leave – or at the very least become independent adults!

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Another way to support their financial growth and maturity is by educating them about financial planning – saving, debt management, investing, managing lifestyle expenses, etc. McGill University offers a free online course for beginners that covers the basics. It could be a good place to start for a young adult or anyone who wants to learn more about the basics of money management. To learn more, head over to our Facebook page! Also, talk about finances with them - not necessarily revealing all your financial details, but discuss your financial decisions and strategies – like moving money from a chequing account to a high-interest savings account or paying off a higher-interest debt, whatever it may be. Young adults are exactly that – young "adults". Adulting is not always easy, but the sooner they learn the skills needed to adapt to the responsibilities of life, the better they will manage.



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