

# 4 financial gift ideas for kids

Source: SunLife Financial

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Make finances festive: Instead of giving kids cash or gifts that will wear out, break or be outgrown, why not set it up so your gift keeps giving?



It's easy to succumb to the latest cool, shiny toys when shopping for the children in your life – especially during the festive time of year. Or you might be tempted to give your children or grandchildren cash, instead of battling it out in the mall or hunting for the perfect gift online. But with a little thought, you can help the young people you love invest for the long term. Here are a few ideas for financial gifts:

## 1. Open a registered education savings plan (RESP)

Post-secondary education is getting more and more expensive, so starting an RESP as early as possible will give the children in your life the opportunity to get an education with minimal debt. Plus, you get government grants: The Canadian government will match 20% of your annual contributions up to \$500 per year (and \$7,200 lifetime), until the end of the year your child turns 17, through the Canada Education Savings Grant. There's a \$50,000 lifetime limit on the amount of contributions that can be made to each beneficiary.

## 2. Take out a life insurance policy

Most of us don't think about life insurance until we're adults, but starting a life insurance policy for a child can allow you to invest for them, if you choose a policy with a savings component. This could be an option if you've maxed out all other savings options for your children.

## 3. Start a trust fund

Trust funds aren't just for the wealthy. People from a range of income levels can use them to help provide financial security to their children and grandchildren. In addition to money, trust funds can also hold property and mutual funds. There are 2 main types of trust funds: testamentary (that take effect when you die) and inter-vivos (that you create while you're still alive). An incentive trust is a particular kind of testamentary trust that rewards your beneficiaries for actions such as completing university. Talk with your financial advisor to create the trust that's right for you and your children.

## 4. Make a charitable donation

No matter how old the gift recipient is, a charitable donation in that person's name is a lovely way to give back for the holidays. If you're giving a donation in your child or grandchild's name, you can even get them involved in the process, since younger children may not fully understand why you gave a gift to another child while they didn't get anything.

Let's be honest: Your children and grandchildren may not appreciate it now, especially if they prefer toys to trust funds, but holiday money gifts are a pleasant surprise as they get older. Help your kids and grandkids learn about money management by example – and if you really want them to have something under the tree to unwrap, get them a small gift as well.