Manage Your Money

MANAGE YOUR MONEY

Participant Workbook

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INTRODUCTION

Financial literacy is the ability to understand and interpret financial matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving (especially for college), tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, the value of money, etc. You can read more about the definition of financial literacy at **www.investopedia.ca**

Financial literacy is an imperative life skill to aid you in your ongoing success as you move from youth to adulthood.

With the right supports in place and the knowledge behind you, it's possible to make and achieve all your financial goals.

YOU!PAST,PRESENT AND FUTURE

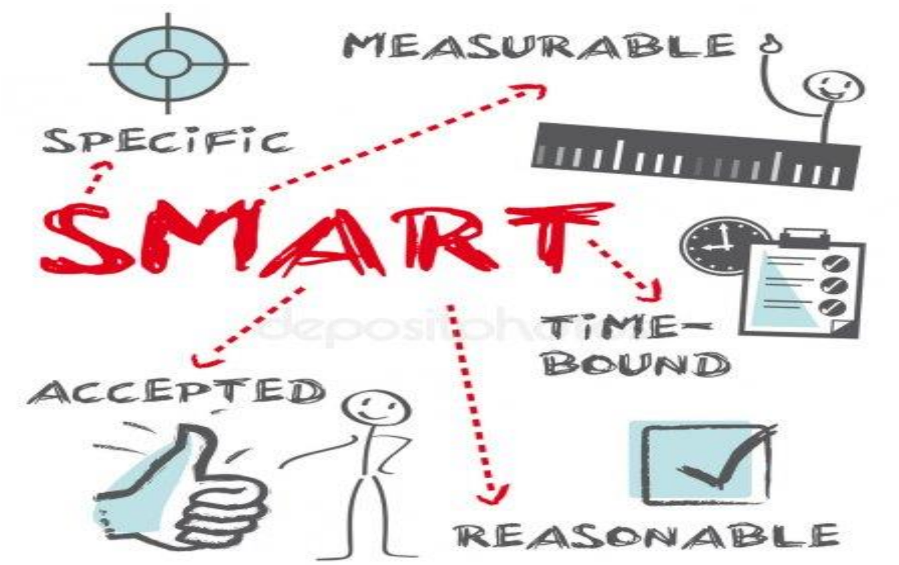
LOCUS OFCONTROL

Your attitude is affected by who you believe has control over situations that occur in your life. The Locus of Control identifies who you believe controls your future.

An individual with an **internal** locus of control believes that he or she controls his or her own future. An individual with an *external* locus of control believes that others control his or her future.

Extremes on either end of the locus of control are not healthy. Realize that individual effort and a belief in the ability to perform well translate to individual success. However, external factors also influence your ability to achieve personal goals. Take responsibility for your actions and try your best.

GOALSETTING



Goals will help you become more focused; help you increase your self-esteem; and help you overcome procrastination, fear, and failure. Setting goals will help you become more successful in your career. By setting and focusing on goals your career plans will become clear and meaningful.

Creating **S.M.A.R.T goals** can be the key to success. Stands for specific, measurable, attainable, realistic and timely.

Specific –A specific goal has a much greater chance of being accomplished than a general goal. To set a specific goal you must answer the six "W" questions:

Why: Specific reasons, purpose or benefits of accomplishing the goal.

EXAMPLE: A general goal would be, “Get in shape.” But a specific goal would say, “Join a health club and workout 3 days a week an hour a day.”

Measurable –Establish concrete criteria for measuring progress toward the attaining each goal you set.

When you measure your progress, you stay on track, reach your target dates, and experience the exhilaration of achievement that spurs you on to continued effort required to reach your goal.

Achievable –When you identify goals that are most important to you, you begin to figure out ways you can make them come true. You develop the attitudes, abilities, skills, and financial capacity to reach them. You begin seeing previously overlooked opportunities to bring yourself closer to the achievement of yourgoals.

Example: An Unachievable goal would be, “Save $80,000 this summer” an Achievable goal would be “to save $50 from each paycheck this summer”.

Realistic –To be realistic, a goal must represent an objective toward which you are both **willing and able** to work. A goal can be both high and realistic; you are the only one who can decide just how high your goal should be. But be sure that every goal represents substantial progress.

Timely – A goal should be grounded within a time frame. With no time frame tied to it there’s no sense of urgency. If you want to lose 10 lbs., when do you want to lose it by? “Someday” won’t work. But if you anchor it within a timeframe, “by May 1st”, then you’ve set your unconscious mind into motion to begin working on the goal.

COST OF LIVING AND INCOME TAXES

KEY TERMS

Key Term	Definition
CPP	Canada Pension Plan provides a basic benefits package for retirees and disabled contributors.
Commission	A type of income that is a percentage of a selected "base" amount.
Cost of Living	The average amount of money an individual or family can expect to spend on food, clothing, housing, heat, utilities, transportation and other basic expenses
CRA	Canada Revenue Agency is Canada's federal agency responsible for income tax and trade regulations.
EFT	Electronic Funds Transfer is a system of transferring money from one bank account directly to another without any paper money changing hands.
EI	Employment Insurance that allows individuals who have recently lost a job to receive financial assistance
Emotional Purchase	A purchase made to satisfy an emotional need or desire
ESA	Employment Standards Act which regulates the minimum wage
Gross Earnings	The total of all of your cash earnings, including regular pay (i.e., your straight salary or your hourly rate times the number of hours worked in the pay period); overtime pay; and vacation pay
HST	Harmonized Sales Tax of 13% on the sale of most goods and services, though some are exempt
Impulse Purchase	A purchase made "on the spot" without much consideration
Informed Purchase	A purchase made after careful consideration of alternatives
Income Tax	Tax levied by the government directly on income
Income Tax Return	The tax form or forms used to file income taxes. Tax returns often are set up in a worksheet format
Inflation	The rate at which the general level of prices for goods and services is rising, and, subsequently, purchasing power is falling.
Minimum Wage	The lowest wage an employer can legally pay their employees
Need	Something that is essential, a necessity that is required for everyday life

Net Pay	Total all your deductions, subtract them from your gross earnings, and you're left with your net pay. That's what you're actually taking home
Piecework	A rate of pay per unit of production
Priorities	What needs to be done and in what order
Salary	A yearly amount divided by the number of pay periods in the year
Wage	A rate per hour worked
Want	Something that is wished for, a desire or something that is not necessarily needed for survival

THE COST OF LIVING

The Cost of Living refers to the average amount of money an individual or family can expect to spend on food, clothing, housing, heat, utilities, transportation and other basic expenses. In Canada, the cost of living varies from one community to another and is difficult to estimate with accuracy. The cost of food and other items fluctuates. Visits to the dentist, prescription medicines, some school expenses and long- distance telephone calls are other expenses common to many households.

If you have a job, your take-home pay will be reduced by mandatory deductions for income tax, Canada Pension Plan and employment insurance. Some workers also pay union dues, medical and dental insurance or contribute money into a retirement savings plan, which further reduce the amount of money they take home.

Canadians are required to pay taxes on their purchases. The federal government collects a Harmonized Sales Tax (HST) of 13% on the sale of most goods and services, though some are exempt. We will look into this more later in this chapter.

C.O.L.A.

The government has also begun a protective program called COLA, cost of living adjustment, which is in place to offer protection to citizens with regards to the **cost of living.**
For example, those who are living on their social security would be protected as the cost of living increases; adjustments can be made to their income to maintain their living.

The Employment Standards Act (ESA) regulates this wage. The following table shows the changes to minimum wage in Ontario from 20017-2018. The Ontario minimum wage had remained constant since June 2014 but was increased as of June 1, 2018.

Minimum Wage Rate	March 31, 2010	June 1, 2014	October 1, 2016	October 1, 2017	January 1, 2018
General Minimum Wage	$10.25 per hour	$11.00 per hour	$11.40 per hour	$11.60 per hour	$14.00 per hour
Student Minimum Wage	$9.60 per hour	$10.30 per hour	$10.70 per hour	$10.90 per hour	$13.15 per hour
Liquor Servers Minimum Wage	$8.90 per hour	$9.55 per hour	$9.90 per hour	$10.10 per hour	$12.20 per hour

The following is related to youth participants of the Family and Children's Services.

The cost of living also affects the rates for CCSY (Continued Care Supports for Youth). For example, under the previous ECM (Extended Care and Maintenance) program from April 2000-July 2007 the average monthly rate was $663.00. It then rose in July of 2007 to $765.00.

For the 2010-2011 year, the average monthly rate for ECM youth that were living on independence was $824.00 and $849.00 for the caregiver contract (youth that had remained in their foster placements past the age of 18).

With the new CCSY program, a youth can receive financial support of $925.00 per month. This can be provided directly to the youth, a caregiver or landlord on their behalf, or a combination of both. The support is intended to address basic needs like food and shelter. CAS's may provide additional support for things like transportation, moving, etc.

THE ANATOMY OF A PAY-CHEQUE

Anyone who has ever cashed a pay-cheque knows that there's a big difference between what you make and your actual take-home pay. Let's review a typical pay-cheque and decipher what each component means.

Sample company Name, 123 My Home Street, WINIPEG MB CANADA, R2W 2Y8	EARNINGS STATEMENT
John Smith	

EMPLOYEE ID	PERIOD ENDING	PAY DATE	CHECK NUMBER
123456	2013/11/25	2013/11/20	321654

INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR TO DATE
REGULAR	20	80	1,600.00	CPP	65.03	1,495.69
OVERTIME	25	5	125.00	EI	28.62	658.26
				INCOME TAX	305.90	7,035.70
				UNION DUES	10.84	249.32
				LIFE INSURANCE	4.94	113.62
				LONG TERM DISABILITY	7.01	161.23
				CANADA SAVING BONDS	8.00	184.00

YTD GROSS	YTD DEDUCTIONS	YTD NET PAY	CURRENT TOTAL	DEDUCTIONS	NET PAY
39,675.00	9,897.82	29,777.18	1,725.00	430.34	1,294.66

Name & Address: This is your name and address. Be sure to check that your employer has all the correct information.

Pay Period Information: This identifies what period of work you are being paid for.

Rate & Hours Information: This shows how many hours you are being paid for and at what rate. Be sure that this is accurate for the pay period.

Gross earnings: The total of all of your cash earnings, including regular pay (i.e., your straight salary or your hourly rate times the number of hours worked in the pay period); overtime pay; and vacation pay.

Statutory deductions: An employer has a legal obligation to withhold statutory deductions, which, in order of priority, are: CPP or QPP (Quebec only) contributions, EI and QPIP (Quebec only) premiums, and federal and provincial income tax. Everywhere except in Quebec, provincial tax is collected as part of the federal income tax deduction. Quebec has separate deductions for federal and provincial taxes.

Net pay: Total all your deductions, subtract them from your gross earnings, and you're left with your net pay. That's what you're actually taking home.

INCOME TAXES AND FILING RETURNS

Each year, the Government of Canada requires you to file a **tax return** to the Canada Revenue Agency.

Income Taxes are levied by the government of Canada for a variety of reasons. Every person or organization that has an income is expected to pay **income taxes**. In Canada, violating the terms of payment or even absenting yourself from paying the income taxes might invite harsh penalties from the Canadian Government.

Not all people have to pay the income tax and not all people need to pay the same amount of tax. The department of income tax of the Government of Canada has made provisions for certain persons exempting them from paying their taxes. For those who have to pay the taxes, there are tax tables which specify for what amount of income how much of tax will be required to be filed.

Income: There are various forms and applications available for different categories of incomes and methods of incomes.

Most countries and particularly Canada do not tolerate tax violations. Even absenting yourself from filing of your income tax returns will attract certain stringent measures from the income tax personnel. For those who have filed their income tax returns, the government offers certain deductions that might in turn be a blessing for most of the people.

Filing of the **taxes** is a constitutional duty of every individual who earns a taxable income. Likewise, filing of the income tax returns is also mandatory for every person. The taxes paid help the development of the country and hence it is required that every person pays their taxes and files their income tax returns.

NEEDS WANTS AND PRIORITIES

Whether you are contemplating which type of gum to buy at the corner store or getting that new pair of jeans, it is important to understand what is motivating you to spend your money. This will help you to determine whether or not your purchase is necessary.
A **need** is defined as something that is essential, a necessity that is required for everyday life. Some examples would include food, shelter and clothing. When thinking in terms of purchasing, items that fall into the category of need rank higher in terms of your priority list.

Priorities determine what needs to be done and in what order. Juggling priorities is the key to reaching goals. You may need to adjust priorities to reach certain goals. Before priorities can be put in order, you need to determine what they are. Sometimes your first priority is not necessarily what’s most important in life; it is just that a particular activity demands the most attention at a specific point in time.

A **want** is defined as something that is wished for, a desire or something that is not necessarily needed for survival. Examples of a want may include buying a new CD, going to the movies or planning a vacation or holiday.

What motivates us to make the purchases that we do? Sometimes after weighing the pros and cons and considering all the needs, wants and prioritizing we are still inclined to make a purchase based on *emotions*. Other times, we are motivated by that *impulsive* need to spend our money. It is important to be able to reflect on the type of spender you are and knowing your triggers in terms of risky purchase decisions.

An **impulsive purchase** can be made when you are waiting in the check-out line and the As Seen on TV stand of goodies catches your eye. You make a quick decision given your physical environment and being pressed for time.

An **emotional purchase** could be that CD you buy yourself to sooth your sorrows after a bad break up, despite not having the funds to cover your other expenses.

An **informed purchase** could be that new lap top that you have been saving up for, and researched a number of hours about to ensure it suited your needs best and compared its cost to several different stores to get the best deal.

Over time, technology evolves and new products hit the market on a daily basis in our day and age. This is a great area to find examples of applying consumer knowledge to purchase decisions. We've all seen or heard of the lines of people at BestBuy or FutureShop at mid-night, itching to get their hands on the latest gaming system or computer innovation. Whatever motivates these people to make that must have purchase can be a learning opportunity for us all. We have seen over the year's technology such as the VCR come out with a bang, and fade out in popularity as well as practicality. Rushing out to buy the newest microwave at one time cost consumers upwards of $600, and now, $100 for a new one or $10 at a yard sale and you're all set! Delaying the gratification of having the newest and said to be best of something, can save you a lot of money in the long run, if you exhibit patience, consider your needs, wants and prioritize your spending.

BUDGETING,BANKING AND BORROWING!

KEY TERMS

KEY TERM	DEFINITION
Budget	A detailed financial plan used to allocate money for a specific time period
Chequing Account	A deposit account offered by financial institutions for managing day-to-day financial transactions, such as paying bills, making purchases with a debit card, depositing your pay-cheque, and sending or receiving email money transfers.
Credit Card	Issued by a financial company giving the holder an option to borrow funds, usually at point of sale.
Debt Management Plan	A service provided by the Ontario association of credit counsellors. These are non-profit agencies created to help individuals experiencing financial distress. It is a voluntary agreement between you and your creditors.
Expense	This is money being spent. Examples of some expenses associated with being a student include tuition, textbooks, school supplies, transportation etc. Expenses you have because of life needs include food, shelter, clothes etc.
GIC	Guaranteed investment certificate is an investment option that is generally considered low risk.
Income	The money coming in. This money may come from your parents/ caregivers, grants, student loans, and/or employment
Payday Loan	A type of short-term borrowing where an individual borrows a small amount at a very high rate of interest.(not a good option)
Personal Financial Management	The process of controlling your income and your expenses.
RRSP	Registered retirement savings plan is a legal trust registered with the Canada Revenue Agency and used to save for retirement
Savings Account	A deposit account offered by financial institutions that pays interest on your deposits (the principal) and is a good way to save money for short-term goals.
TFSA	A tax-free savings account is a kind of savings account registered with the federal government. It allows you to earn investment income without paying taxes.

FINANCIAL MANAGEMENT AND BUDGETING

Personal financial management is the process of controlling your income and your expenses. Your **income** is the money coming in. This money may come from your parents/caregivers, grants, student loans, and/or employment. While you are a student income may be minimal, however after finishing school, you will start your new career and your income could increase. Although you need to be careful handling your money presently, this becomes even more important later in your career.

An **expense** is money going out. This is money being spent. Examples of some expenses associated with being a student include tuition, textbooks, school supplies, transportation etc. Expenses you have because of life needs include food, shelter, clothes etc. Then there are other expenses such as for hobbies, entertainment and miscellaneous activities.

The best way to manage your money and still be able to buy some of the extras you want is to create a budget. A **budget** is a detailed financial plan used to allocate money for a specific time period. A budget reflects your goals and specifies where your money goes in order to reach these goals. The objective of a budget is to control and prioritize your spending to match these goals. Be as precise and honest as you can when you are creating and working with a budget.

There are many different types of budgets that you can create for everyday situations or a onetime need. For example you can create a budget for your everyday expenses and to maintain a healthy financial management system. You can also create specific budgets, for example for a trip you may be planning, or a wedding is another popular specific budget that you can also find templates for online.

Cash management is the key to good budgeting. Carry only a small amount of cash with you and keep track of what you are carrying. It is too easy to use cash and you will usually spend more cash if you have it readily available. A good cash management practice is to track every single transaction you make. Keeping a mental record of how much money you have and are spending results in inaccurate accounting. Many individuals forget how much money has been spent and where it has gone. Physically record all deposits and withdrawals made with your debit card or bank teller. Reduce your trips to the ATM as well. Budgeting may seem daunting, but it doesn’t have to be complicated. It’s not so much what you make but how you spend it that’s most important. And in order to know how to stay in the black, you need a budget, the roadmap that tells you how much you have coming in and where it all goes.

10 STEPS TO CREATING A WORKABLE BUDGET

1. GATHER THE FACTS	It all starts here. Find your financial records for the last three months or so. This includes bank statements, credit card statements, recurring bills and bills for things such as heat, water, hydro, cable, cell phones etc. Don't forget to include all your little extras in terms of spending, for example, morning coffee, magazines, buying lunch etc. Those expenses will be crucial when you are looking for places to trim down.
2. CREATE A WORKSHEET	Once you have the facts you have to organize them in a way that gives you a clear picture of what you spend and on what. It may not be pretty, but it will tell you what you need to know. The best way is to use a worksheet. The financial consumer agency of Canada (FCAC), is a federal agency whose job is to protect and inform consumers about financial services. The FCAC online resources include a number of tip sheets and workable spreadsheets to help you to plug your own expenses into a budgeting format.
3. FIXED VS. DISCRETIONARY SPENDING	You can now break your spending into fixed and discretionary costs. Fixed costs are such things as mortgage or rent, car payments, and insurance. You must pay them every month and the usually don't change in terms of the amount. You have more control over discretionary expenses. You have to buy groceries, but you do not need Hagen- dazs super premium ice cream. Other areas to take a look at include gasoline, dining out, movies, clothes and that latte every morning. Small things can add up quickly.
4. RULES OF THUMB	Your housing costs should be less than about one-third of your gross income, financial planning experts say. That includes heat, hydro and property taxes. The Canada home mortgage corp. Has a mortgage affordability calculator to help crunch the numbers. Another rule of thumb is that your monthly debt payments should not exceed 40 percent of your gross monthly income. This includes housing, and such things as car loans and credit payments.
5. PAY YOURSELF FIRST	You've heard this one before. That's because it's the best way to save money. Try to put away 10 percent of each pay cheque, preferably using an automatic debit on payday. If you can't manage 10 percent, try 5 percent. Anything is better than nothing and you'll be surprised at how easy it is. Build that into step 2 when you are creating your budget.
6. CUT OUT NON-ESSENTIALS	Do you really need to buy lunch five days a week? Can you live without that $5 skinny mochaccino? Make it a treat rather than a fixture. You might be able to eat out less often, or dine at a less expensive restaurant. Try leaving your debit or credit card at home to avoid impulse purchases.

7. PAY MORE THAN THE MINIMUM	When it comes to your debt, interest rates are everything. Pay bills on time to avoid service charges and sky-high rates on credit cards. Pay more than the minimum balance. For instance, if you owe $1,000 on a Mastercard that charges 18% interest and the minimum payment is $40 per month, it will take you nearly two and a half years to pay off the debt – and you'll wind up paying close to $1,263! Industry Canada has a calculator that can help you compare Visa and Mastercard against store specific credit cards, lines of credit, and rent to own programs. You can also change the minimum payment and interest rate information.
8. SAVE FOR A RAINY DAY	For safety, your best bets are a high interest savings account. You'll be lucky to get an annual rate of 2 or 3 percent, but it's better than the fraction of a cent you're getting, if at all, in your savings account. Find an account with minimal fees or consider a tax-free savings account.
9. REVIEW AND ADJUST	Review your budget regularly to make sure that you are staying on track. Compare actual spending to the budget and look closely at instances when you've spent more than you planned. Was your plan realistic? Should you adjust by cutting in one place and adding in another? Your spending patterns will change some from month to month, but by keeping track of your income and expenses carefully, you know exactly where your money goes.
10. BUILD IN A REWARD	You endured the pain, so build something in to reward yourself for sound financial management. Don't be afraid to splurge (a little) when you meet your goals to save money or trim the budget – fancy dinner, new shoes, a shiny new gadget, and then, back to the plan!

Monthly Budget

Month of: ________

Income

PAYCHECK 1: ________________
PAYCHECK 2: ________________
OTHER INCOME 1: ______________
OTHER INCOME 2: ______________

Debts

DEBT	MIN. PAYMENT	BALANCE

Savings and Sinking Funds

SAVINGS FOR	BEGINNING BALANCE	ENDING BALANCE

Monthly Expenses

EXPENSE	AMOUNT	INCOME SOURCE
TOTAL:	$	

How did you win with money this month?

WHERE SHOULD I KEEP MY MONEY?

Now that you have begun working and started to create a budget for your income and expenses, dealing with a financial institution is another major step involved in personal financial management. If you have not already done so, you will need to open an account with either a **bank branch** or **credit union**.

There are a few differences between a bank and a credit union:

- **Ownership:** The most important difference between the two institutions is the ownership. All banks are owned by a person, persons or stockholders. They are largely for-profit entities, which strive to continually make money for anyone invested in the bank itself. A credit union, however, is usually a nonprofit organization that is owned by the membership of the union, namely the people who hold accounts. This places the individual account holders of a credit union at a huge advantage as they have a direct say in how the operation is run. Also, this can mean lower interest rates on loans as there isn't a giant push to increase equity.

- **Business focus:** Banks and credit unions provide many of the same services, but their overall focus is usually different. A bank is mostly interested in business and consumer accounts. This includes all business and credit loans and can include mortgage loans as well. A bank makes the most of its money from these accounts from interest and fees, so it is within its best interest to keep these types of accounts at the forefront of its business. Because a credit union is smaller in scope, its focus tends to be on individual accounts, consumer deposits and small loans. While not having the type of capital a business owner might be looking for, credit unions are great for individual consumers and personal loans.

WHAT EXACTLY IS A CREDIT UNION?

Credit unions are co-operative financial institutions, owned and controlled by their members. One of the fundamental principles of a credit union is democratic control. As shareholders, all credit union members have a voice in setting their credit union's direction at the local level. Each credit union member has one vote, regardless of the amount of deposits or shares they have in their credit union. Members also elect their credit union's board of directors, which is responsible for governing their credit union.

While each credit union is an independent, democratic and locally-controlled financial institution, all credit unions share a common bond: their dedication to the people and communities they serve. In addition, all credit unions are guided by the seven Co-operative Principles, which shape credit union business decisions and governance, setting them apart from other financial institutions.

Currently, about one out of every three Canadians belongs to a credit union.

TYPES OF ACCOUNTS

There are two main types of accounts, at either a bank or credit union that you will be using, a savings and a chequing account.

A **savings account** is a deposit account offered by financial institutions that pays interest on your deposits (the principal) and is a good way to save money for short-term goals. A savings account can also build an emergency fund for unexpected expenses. Savings accounts often include only a limited number of transactions and may have higher transaction fees than a chequing account. Certain savings accounts require a minimum deposit to set up the account.

A **chequing account** is a deposit account offered by financial institutions for managing day-to-day financial transactions, such as paying bills, making purchases with a debit card, depositing your pay-cheque, and sending or receiving email money transfers. A chequing account is a good way for most people to manage their day-to-day banking needs. Some chequing accounts pay interest on your deposits. However, when a chequing account pays interest, it usually pays a lower interest rate than a savings account does.

Once you've identified the services you need, find out how much it will cost to get those services. Start by looking at no-fee accounts to see if they meet your needs. It is important to be aware of the terms the financial institution requires in order to be able to access an account that has no fees attached to it.

Additional services

Consider other features that may be of value to you. For example, you may be willing to pay a little more for an account that offers an online spending tracker, email alerts when money is withdrawn from your account, or waives the annual fee of a credit card.

Note how many of your transactions are done at an ABM, online or by phone and how many are done at tellers. Some financial institutions charge higher fees for transactions done at tellers**: Shop around.**

Special packages

If you are a student, youth, senior or newcomer to Canada, you may be able to choose from banking packages especially designed for you. These packages usually cost less than similar accounts for other consumers, offer added benefits, or may have no monthly fees for a limited time.

You may need both a chequing and a savings account to suit your financial needs, once you have established the type of account you need, you will also have to decide the features that will be helpful for you to have associated with your accounts. Knowing this will help you to choose the right financial institution, whether it be a bank or credit union, ask yourself…

Service fees

Most financial institutions do not charge monthly fees for maintaining an account. However, you may still have to pay fees for transactions such as withdrawals or transfers.

Some financial institutions offer a limited number of free transactions; others require you to maintain a minimum monthly balance if you want to avoid paying fees; and some offer an unlimited number of free transactions. Find the financial institution that has not only the services that you want, but also good interest rates and few or no fees. Be cautious and read the fine print when you see the term "no fees" as this may come with certain stipulations to qualify for this type of service perk.

Your financial institution must provide you with a copy of the account agreement, which lists the terms, conditions and fees of the account. Keep a copy for your records and be sure you understand all the terms, conditions and fees before signing up for the account. Ask questions about anything that is not clear or that you don't understand and always read through and know clearly what you are signing!

If you use your account to save money, you will need to make only occasional transactions, such as withdrawals. Still, if you do need to withdraw money from your account, ask your financial institution the following questions:

- Is there a fee for withdrawals; at the teller, ABM from your bank or an opposing bank?
- Can you access your money from a conveniently located ABM; how many are within your area?
- Do you have to transfer money from your savings to a chequing account before you can withdraw the money? If so, you may need an extra day to transfer the money before withdrawing it.
- Can you transfer funds to another account over the Internet or by telephone?
- What type of online or over the phone banking does your account have; paying bills, transfers etc.?

SPECIFICS ABOUT SAVINGS ACCOUNTS

Shop around when choosing a savings account and compare these features:

Interest rates

Financial institutions pay interest on the money you **deposit** into your account. Each month, the financial institution deposits the interest owed to you directly into your account. The higher the interest rate, the more money you will earn.

Financial institutions sometimes offer high-interest introductory rates which run for a certain length of time, after which the rate may be lower. Make sure that you will still earn a competitive rate after the introductory period ends and that you understand the terms of any introductory offers.

What is compound interest?

With **compound interest**, the money you **earn** in interest is added to the principal, and also starts to earn interest. The more often your interest is compounded, the more your account will grow.

Ask your financial institution how often it compounds the interest in your account.

TAX FREE SAVINGS ACCOUNTS (TFSA)

A Tax-Free Savings Account (**TFSA**) is a kind of savings account registered with the federal government. It allows you to earn investment income without paying **taxes**.
Canadian residents aged 18 or older who have a valid Social Insurance Number (SIN) can contribute up to a set limit of $5,000 each year to a TFSA. The key benefit is that you do not have to pay taxes on earnings within the account (including interest, dividends or capital gains) or on money you withdraw from the TFSA. Other features to note are contributions to the account are not tax-deductible, you can carry forward the unused contribution room, and increasing the allowable limit in future years. As a TFSA is not tax-deductible an RRSP is, however may not have as many features. It is important to make the best informed decision.

Your TFSA can contain the following types of investments:

- cash
- guaranteed investment certificates (GICs)
- government and corporate bonds
- mutual funds
- publicly traded securities or stocks.

Caution: If you have already reached your contribution limit of $5,000 for the calendar year, and you withdraw money from your TFSA, you cannot re- contribute to your TFSA in the same calendar year without paying an over- contribution penalty charge. However, your annual contribution limit **for the following calendar year** increases by the amount you withdrew.

Most banks and federally regulated trust companies in Canada are members of CDIC. Deposits in credit unions are covered to a similar or greater level by provincial deposit insurance plans, which vary by province. Most financial institutions are members of the CDIC and your deposits are insured.

SPECIFICS ABOUT CHEQUING ACCOUNTS

The **number of transactions** you have in a month can be a large factor in terms of the type of chequing account you should be using. Look over your records, and count how many times you make each of the following transactions:

- cash withdrawals
- bill payments (online, by cheque, over the phone, or in person at a branch)
- debit card purchases
- email money transfers
- pre-authorized debits, ex. Rent coming out automatically
- pre-authorized transfers to a savings account, Tax-Free Savings Account (TFSA)

or Registered Retirement Savings Plan (RRSP).

Adding up the number of transactions of each type that you do can help you determine how many monthly transactions you need to have included with your banking package.

Also, look at how often you often you need services for which you may have to pay additional fees, such as:

- personalized cheques
- overdraft protection
- safety deposit box
- money orders
- drafts

Paying **extra fees** for a service you use regularly can be **expensive**. If there are certain products or services that you use often, such as email money transfers, look for a chequing account that includes those products or services as part of the monthly fee, or offers them to you at a discount. Your bank account is much like a cell phone plan, if you are a person who texts often, you would need a plan that includes unlimited texting at a reasonable rate. The same type of logic should be applied when choosing an appropriate banking package to suit your needs.

Make sure you understand what is included and how much you will pay by asking:

- What is the monthly fee?
- How many transactions of each type are included in the monthly fee?
- Are there extra fees for certain types of transactions, such as transactions made at a teller?
- What fees apply to transactions over the monthly transaction limit?
- What are the fees if you go into overdraft? What are the interest rates?
- Will the financial institution reduce or waive fees if you keep a certain balance in the account?
- Are you able to get a discount on the fees if you have other products with a single financial institution?
- What are the extra fees if you use another institution's ABMs?

Tips to minimize fees

Use electronic and self-serve transactions (online, telephone, ABMs) whenever possible. These usually cost less than in-branch transactions.

Use the ABMs of your own financial institution, instead of those from other institutions. Many financial institutions charge a fee for withdrawals made at another financial Institution's ABM.

Minimize the number of transactions you make. If you are charged a fee for each withdrawal or have limited transactions, try withdrawing one large amount instead of several smaller ones.

Ask for cash back from your account when making a debit card purchase in stores that allow cash back free of charge.

Make a choice based on the services that are important to you, cost, customer service and convenience.

Be sure you understand all the terms, conditions and fees of the account before signing up for it. Keep a copy for your records and ask questions about anything that you don’t understand.

From time to time, re-evaluate your needs and preferences. Find out if your financial institution, or another one, offers a chequing account with similar features to your own, but with no monthly fees, or a monthly fee that is less than what you are paying now.

BORROWING

Now that we have looked at managing money that you have earned, let’s talk a little about managing money that you may have borrowed. There are types of loans, or borrowed funds that you can obtain from a number of different sources. Diving into the world of credit cards and loans, we are going to look at the difference between acquiring good versus bad debt as well.

LINES OF CREDIT

A line of credit is a type of **loan** that lets you borrow money up to a **preset limit**. You can use the funds as needed, up to a specified maximum and pay the loan back at any time. You are charged interest from the day you withdraw money, until you pay the loan back in full.

Advantages

Interest rates for lines of credit are **lower** than they are for credit cards, personal loans or other short-term loans. There are usually no set-up fees, annual fees or penalty charges for paying off your line of credit at any time, depending on the product and the financial institution. If you have a bank account with the same financial institution that you use for your line of credit, you can set it up so that any overdraft on your regular bank account is transferred to your line of credit, which can help avoid unnecessary fees. You are only charged interest on the amount used. For example, on a credit line of $25, 000 available, but you have only used $5, 000 you are charged interest on the $5, 000 only.

Disadvantages

With easy access to money from a line of credit, some people can get into serious financial trouble because they don't **control** their spending. The interest rate on a line of credit could go up, depending on whether you have a fixed or variable rate, and market conditions. If interest rates increase, you may have difficulty paying back your loan. Usually, you are required to pay the interest every month, but you may not have to make regular payments on the amount you borrowed (principal). This may mean you will pay a lot of interest and take a long time to pay off the loan.

CREDIT CARDS

A **credit card** is issued by a financial company giving the holder an option to borrow funds, usually at point of sale. Credit cards charge **interest** and are primarily used for **short-term** financing. Interest usually begins approximately one month after a purchase is made and borrowing limits are pre-set according to the individual's credit rating.

What is a Credit Card Agreement?

The credit card agreement or card member agreement is a contract that defines terms and conditions in using a credit card. It also explains **penalties** that may apply if you mispayments or violate other terms of the agreement. Credit card companies send these agreements to customers when they first issue the credit card with instructions to keep the document in case it is needed for future reference. This procedure is carried out for the company to prove if needed at a later date if you have broken a term or condition, they will instruct you to refer to your terms of agreement with respect to that card.

What are Terms and Conditions in the Credit Card Agreement?

The credit card agreement states the terms and conditions under which the credit card could be used. This agreement specifies the rights and obligations of customers under the contract they sign. Do not hesitate to get in touch with a customer care official with your credit card company. You can ask them to explain all clauses of the agreement that you cannot understand. It is their job to make sure you are fully informed of the contract's terms and conditions. Once you affix your signature on the document, you automatically assume full responsibility for everything that is written in the cardholder agreement.

BE SMART WITH YOUR CREDIT CARD; TIPS TO HELP YOU USE YOUR CREDIT CARD WISELY

Credit cards can be useful and convenient. But if you aren't careful about how you use them, you can put yourself on a path to serious financial trouble. You could build up debt that might take you years to pay off or damage your credit rating.

Know what you're getting into. When you sign up for a credit card, you are entering into a **legally binding contract**, so it's important that you understand the terms and conditions.

Credit card applications from federally regulated financial institutions must have an "information box"' that outlines key features of the credit card like **interest rates** and **fees**. But don't stop reading there. Review the complete terms and conditions so you're aware of other important details, such as:

- your PIN and your liability in case your card is lost or stolen
- who is liable if you share the card with a "joint borrower" or "secondary user"
- any restrictions and limitations on reward programs and benefits
- how to cancel the card

1. **Know yourself and your spending habits:** Before you start shopping around for a credit card, think about how you will use it and set some guidelines for yourself. A credit card doesn't increase the amount of money you have available to spend. Continue to live within your means and your budget.

2. **Limit the number of credit cards you apply for:** Every time you apply for a credit card, it's recorded by the credit reporting agencies. Applying for too much credit can damage your credit rating by creating the impression that you may be relying too heavily on credit.

3. **Avoid impulse buys:** especially if you don't have the money available in your bank account to pay for the item. Ask yourself if you really need to make that purchase right away (or at all), or if it can wait until you have the money to pay for it.

4. **Aim to pay off your balance in full by the due date every month:** Carrying a balance means that everything you charge to your credit card actually costs you more than the purchase price, because you are paying interest.

Credit card statements for cards issued by federally regulated financial institutions have to include an estimate of how long it would take you to pay off your current balance if you were to only make the minimum payment each month and didn't charge anything else to your credit card. For example, if you buy a new flat screen T.V. for $1,000 and pay only the minimum each month, it will take you almost 11 years to pay it off in full and it will have cost you $1,989 ($989 in interest)—almost twice the actual price of the T.V.

1. **If you have to carry a balance, try to make payments as soon as you can** to reduce your costs, because interest is charged daily. And always try to pay more than the **minimum amount owing**.
2. **Make regular payments to help build a good credit history**. Paying the balance **in full** every month will show other lenders that you are a **responsible borrower**. On the other hand, if you make payments late or miss them entirely, you hurt your credit score.
3. **If your monthly balance is growing, stop using your credit card until you get your finances under control.** Use **cash** instead of a credit card. Look at your budget for ways to trim your spending.
4. **Avoid taking cash advances on your credit card.** You are charged **interest** from the day you take the advance until the day you repay the entire amount, and unlike regular credit card purchases, there is no grace period on cash advances from a credit card.

   Instead, use your debit card to get cash from own financial institution's ABM, or use the "cash-back" option that some merchants offer when you pay with debit. If you don't have enough money in your account, look at your budget to see where you can trim your spending.
5. **Every month, carefully check your credit card statement** to make sure that there are no **errors**. It's a good idea to keep **receipts** for all of your credit card purchases so that you can verify the amounts against your statement. If you find an error, report it to your credit card issuer right away.
6. If your credit card has a rewards program, **avoid increasing your spending or buying things you don't need just to get points.** If unexpected expenses come up, talk to your financial institution about your options. There may be alternatives to using your credit card that will cost less in interest, such as a line of credit.
7. **Keep your card, your PIN, and your security code secure**. If you share your PIN or security code, you risk being held financially responsible for unauthorized transactions.

ACQUIRING DEBT

When you look at your bills each month, you may feel overwhelmed by the amount of money that you're spending on debt. Sometimes debt might seem like a trap that you only want to fight your way out of, but not all debt is bad.

When a lender looks at your **credit report** to see what kinds of accounts you have, they will look at some debts more favorably than others. If you're focusing on getting out of debt,

you first need to understand which debts are considered bad and which are considered G ood.

Good Debt

Some of your debt might be considered an **investment**. You're probably thinking, "How can anything as bad as debt be considered an investment!" If you took on the debt to purchase something that will increase in value and can contribute to your overall financial health, then it's very possible that debt is a good one.

For example, a home purchase can be considered to be a good debt. Since homes usually appreciate in value, the mortgage loan you take out to pay for the home is an investment. Another example of a good debt is a student loan taken out to finance a college education. Earning a college degree or diploma usually means that you'll make more money over your lifetime.

Good debt is obtained through making **wise decisions** about your future, not for the sole purpose of having good debt. Let's say you're analyzing your financial picture, trying to decide how to pay off your debts. It's usually a good idea to focus on paying off your bad debts first. Since they provide no value, they're more costly than your good debts. You should pay off credit cards and auto loans before tackling mortgages or student loans.

Some people consider using good debt to pay off bad debt, like getting a mortgage for $110,000 instead of $100,000 and using the extra to pay off credit card balances. This isn't a good idea for several reasons. First, repaying debt with debt is never a good idea. Second, it ends up taking longer to pay off the mortgage than it would have otherwise. Third, the higher mortgage increases your monthly payments and the time it takes to build equity in your home. Use cash to repay debts, not more debt.

You must still be careful that you don't take on too much debt, even if it's good debt. If you're overloaded with debt, then it doesn't matter whether the debt is good or bad, it still hurts your financial health.

Bad Debt

In contrast, you must be cautious of acquiring bad debt. When you use debt to finance things that can be **consumed**, you aren't accumulating good debt. This is the kind of debt that creates an **unhealthy** financial situation. Credit card debt is often considered bad debt because of the nature of items that credit cards are used to purchase. You should never accumulate debt to purchase everyday items like clothes or food. If you use a credit card for these types of purchases, you should pay the balance in full each month.

Even debt used to finance a vacation is bad debt. Even though it might help you feel better and be more productive once you return, a vacation does not appreciate in value. Don't use debt to pay for a vacation and especially don't use it to pay for a vacation you can't afford.

THE DANGERS OF PAY DAY LOANS

A **payday loan** is a short-term loan that you promise to pay back from your next pay cheque. A payday loan is sometimes also called a payday advance.

Normally, you have to pay back a payday loan on or before your next payday (usually in two weeks or less). The amount you can borrow is usually limited to 50 percent of the net amount of your pay cheque. The net amount of your pay cheque is your total pay, after any deductions such as income taxes. For example, if your pay cheque is $1,000 net every two weeks, your payday loan could be for a maximum of $500 ($1,000 divided by 50%).

A payday loan is a very **expensive** way to borrow money. Payday loans are offered by privately owned payday loan companies and by most cheque-cashing outlets. The federal government does not regulate these companies.

How does a payday loan work?

Before giving you a payday loan, lenders will ask for proof that you have a regular income, a permanent address and an active bank account. Some payday lenders also require that you be over the age of 18.

To make sure you pay back the loan, all payday lenders will ask you to provide a postdated cheque or to authorize a direct withdrawal from your bank account for the amount of the loan, plus all the different fees and interest charges that will be added to the original amount of the loan. The combination of multiple fees and interest charges are what make payday loans so expensive.

How does the cost of a payday loan compare with other credit products?

Payday loans are much more expensive than other types of loans, including credit cards. But how much are you really paying? How does the cost of a payday loan compare with taking a cash advance on a credit card, using overdraft protection on your bank account or borrowing on a line of credit?

Let's compare the cost of using different types of loans. We'll assume that you borrow $300, for 14 days.

	PAYDAY LOAN	CASH ADVANCE ON A CREDIT CARD	OVERDRAFT PROTECTION ON A BANK ACCOUNT	BORROWING FROM A LINE OF CREDIT
INTEREST	—	$2.13	$2.42	$1.15
	+	+	+	+
APPLICABLE FEES	$50.00	$2.00	—2	—
	=	=	=	=
TOTAL COST OF LOAN	$50.00	$4.13	$2.42	$1.15
COST OF THE LOAN EXPRESSED AS A PERCENTAGE OF THE AMOUNT BORROWED.	435% PER YEAR	36% PER YEAR	21% PER YEAR	10% PER YEAR

1. The costs and fees shown in these examples are for illustration purposes only.

2. The monthly service fee you pay for your banking service package often covers any processing fees for overdraft protection. To be sure, check your account agreement or talk to your financial institution.

3. This is an estimate of the annual cost of the loan. This is calculated by adding together all of the fees, charges and interest charged after 14 days, and projecting this cost over a one-year period. Although the cost is expressed as a percentage of the amount borrowed, it does not represent the annual interest rate.

STAYING ON THE SAFE SIDE

KEY TERMS

KEY TERM	DEFINITION
Bonds	A certificate issued by a government or a public company promising to repay borrowed money at a fixed rate of interest at a specified time.
Capital Gain	An increase in the value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price.
Diversification	Having a mix of investments
Dividend	A distribution of a portion of a company's earnings, decided by the board of directors, to a group of its shareholders.
Dumpster Diving	Going through an identity theft victim's trash, looking for bills they've discarded or anything else they've thrown away that contains personal information
Equities	Stocks or shares
Fraud	Wrongful or criminal deception intended to result in financial or personal gain
Identity Theft	When a person steals any of your personal information and pretends to be you
Interest	Lenders make money from interest, borrowers pay it
Liquidity	Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets.
Mutual Funds	An investment that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks
Phishing	The activity of defrauding an online account holder of financial information by posing as a legitimate company
RDSP	Registered disability savings plan
Real estate	Property such as homes, land or buildings
RESP	Registered education savings plan
Return	The profit or growth that an investor makes on an investment
Risk	The level of uncertainty associated with an investment
Risk Tolerance	The level of risk you are comfortable with

WHAT IS IDENTITY THEFT?

According to the Federal Trade Commission, since 2003, more than 10 million people annually have been victims of identity theft. Identity theft is when a person steals any of your personal information---including your name, a credit card number or your Social Insurance Number---and pretends to be you. Once an identity thief has your personal information, they can open a credit card/ bank account in your name and going on a spending spree without ever paying the bill; withdraw funds from your bank account; or give your information to police officers during an arrest, which will lead to a warrant for your arrest when that person fails to appear in court. It could take you years to reclaim your identity and repair the damage done.

HOW DOES IT HAPPEN?

You may unknowingly provide your personal information to a fraudster over the phone, via an email or on a fake website that is made to look like a real business.

Your computer may also be infected with a virus program called malware, that tracks every time you press a key on your computer keyboard, then stores that information and sends it to fraudsters.

Fraudsters may also take or copy personal identification like your birth certificate or Social Insurance Number (SIN) card to steal your identity.

PREVENTING IDENTITY THEFT

- Never give out personal information over the phone when you receive a phone call. You should ask for the company’s phone number and call them back once you verify it is the correct number of the company. If they refuse, or if the number does not belong to the company they claim to be from, it is most likely a scam. If you are the one who placed the phone call to your bank or credit card company, it is OK to give them your information. Just make sure that you are in a private place and cannot be overheard.
- Never click on a pop- up or link you are not familiar with online.
- Make sure your computer is protected with antivirus software to prevent hackers from gaining access to your information.
- Never provide your personal information unless you have initiated the communication and trust whom you are communicating with.
- Keep your personal information in a secure place,
- Never email your personal information.

REPAIRING THE DAMAGE

you suspect your identity has been compromised contact the credit bureaus and your bank and credit card companies. Immediately close all of your accounts to prevent any further damage.

File a **police report** and provide as much information as you can. The police track identity thieves, and if there is a pattern to the theft, the thief could be easier to catch.

If a thief used your identity during an arrest, any issues with criminal records against you will be eliminated. You should not have to file for bankruptcy, and none of the damage done is permanent.

CREDIT AND DEBIT CARD FRAUD

When your credit or debit card, card information or your personal identification number (PIN) is stolen and used to make unauthorized purchases or transactions, you become a victim of credit or debit card fraud.

HOW DO THIEVES GET YOUR INFORMATION?

- Retrieving financial information out of your mailbox or garbage
- Skimming your card through a secondary reader that copies the magnetic stripe information
- Hacking into merchant databases and stealing credit card information
- Planting small devices on gas pumps that record your credit card number
- "Phishing" for your credit card information with a fraudulent email that looks legitimate.

HOW TO PREVENT DEBIT/ CREDIT CARD FRAUD

- Protect your financial information, do not share your credit/debit card, card number or PIN with anyone.
- Use your hand to cover the keypad when entering the PIN at a retailer or a bank machine.
- Keep your credit/ debit card in sight when you make purchases to prevent skimming or double swiping.
- Record your credit/ debit card number, card details and whom to contact in case of theft or loss. Keep this information in a secure place along.
- Check your bank and credit card statements every month and report any errors or unauthorized transactions. If you receive a paper copy of bank/ credit card statements, keep them in a safe place, and shred them when you no longer need them.
- When setting your PIN, do not use an easily guessed PIN. You may be responsible for any loss if your PIN is your name, address, telephone number, date of birth or Social Insurance Number.
- Only use your credit/ debit card online on trusted sites. Look for websites with addresses starting with **"https"** or a **padlock image** on the page. This will indicate that the information entered on these pages and the transmission of the information is secure. Some antivirus programs offer web browser extensions to

determine websites, legitimacy.

WHAT TO DO IF YOU ARE A VICTIM OF CREDIT/ DEBIT CARD FRAUD

If you become a victim of credit card fraud, you may be protected by one of the consumer protection policies set in place by American Express, MasterCard and Visa. Some conditions may apply. Ask about these policies when applying for your card.

If you think you have been a victim of fraud, take the following steps immediately:

1) Start a written log: record when you noticed the fraud and the actions you took, including names of people you spoke to and dates of communications.
2) File a report with your local police.
3) Contact your financial institutions and any other companies (e.g. phone company, cable provider, etc) associated with your card.
4) Advise Canada's two credit rating agencies, TransUnion and Equifax.
5) Contact the Canadian Anti-Fraud Centre, a national anti-fraud call center, at **1-888-495-8501** or **info@antifraudcentre.ca.**

INVESTING; UNDERSTANDING THE BASICS

Before making investment decisions, it is important to understand basic concepts.

Risk: Risk is the level of uncertainty associated with an **investment**—that is, the possibility that the investment will not grow or that you may even lose part or all of it. Every type of investment involves some risk. Generally, the higher the potential return, the higher the risk will be.

Return: Return is the **profit** or **growth** that an investor makes on an investment. The return can vary greatly, and for many types of investments it cannot be predicted with certainty. An investment's return can come in two forms:

Income: including interest or dividends, or

Increased Value:(also called capital gain), enabling you to sell your investment for a profit. You can have a negative return if your investment loses value (also called capital loss).

Risk tolerance: Risk tolerance is the **level of risk** with which you are **comfortable**. If you are willing to take the chance of losing some or all of your investment in exchange for the potential of earning a larger return, you have a high risk tolerance. If you prefer little or no risk, your tolerance is low.

Liquidity: Liquidity is the ability to **cash in** or **sell an investment** quickly to gain access to the funds without significant **penalty**. Liquidity can be important if you are planning to use your savings or investments in the short term.

Diversification: Diversification involves having a **mix of investments**. It is a way to **reduce risk**. By holding a variety of investments, you reduce the likelihood that all of them will not increase in value or lose money at the same time.

Taxes and investments

Taxes will affect the **return on your investments**, but taxes affect different investments in different ways. For example, you have to report interest income yearly and pay tax on it, but you may be eligible for a tax credit on income that you receive from dividends.

With capital gains, you don't have to pay tax until you sell or transfer an investment and receive some income, and then you pay tax only on half of the increase in value. Visit the Canada Revenue Agency (CRA) website for more information on capital gains.

Taxation is a complex area with many specialized rules. Unless your investments are very simple, it is helpful to get advice on tax planning from a professional with expertise in this area. For more information on taxes visit the CRA website. CRA offers an online course on taxes called Learning About Taxes.

The Government of Canada has created a variety of registered savings plans that offer **tax benefits** to investors. They let you avoid or delay some of the taxes you pay.

Common Types of Investments

There are many types of investment options, some more complex and risky than others. Before choosing an investment, it is important to understand and be comfortable with its risk level. The most common categories of investments include:

- **Savings-like investments** such as guaranteed investment certificates (GICs) and treasury bills. Savings-like investments are generally considered to be low-risk investments.
- **Fixed-income securities** such as government and corporate bonds. These types of investments are considered low-risk.
- **Equities**, also called stocks or shares. These types of investments are generally considered high-risk.
- Real estate.
- **Mutual funds and exchange traded funds** are also common investment options. It is important to know what types of investments are included in a fund before you invest in it, because that mix will have an impact on your risk level.

It is also important to look at the fees that apply to your investments because they will have an impact on your return.

GOVERNMENT SAVINGS AND INVESTMENT PLANS

Once you establish your saving and investing goals, the next step is to work toward achieving them.

The Government of Canada encourages saving and investment toward specific goals, such as retirement and education. Several government plans offer tax benefits to Canadians.
They let you avoid or delay some of the taxes you would otherwise pay. These include:

- **Registered Retirement Savings Plan (RRSP):** An RRSP helps you save for **retirement**. Contributions to your RRSP are tax- deductible. Your savings can grow tax-free until you withdraw the money.
- **Tax-Free Savings Account (TFSA):** A TFSA is a savings account registered with the federal government. Contributions are not tax-deductible but anything you earn on money in the account will not be **taxable**.

These government-sponsored plans can hold a variety of savings and investment types. To find out more, speak to a financial planner or advisor.

Investment Fees and Costs

The investment fees and costs you pay will depend on the **types of investment** you make and how you purchase them. The costs will have some impact on your **returns**, so it is important to understand how much you are paying and what for. You can then decide whether the service is worth the cost.

Most fees and costs relating to investments fall into five categories:

1) Costs to buy an investment
2) Costs when you sell an investment
3) Investment management fees
4) Financial advisor fees
5) Administration fees for registered plans

Not all types of costs apply to all investments. In some cases, costs such as sales commissions are included in the price you are quoted to buy the investment. This is generally the case for **bonds**.

Costs to buy an investment

If you buy investments such as **stocks** and **exchange traded funds**, you will usually pay a trading fee every time you make a purchase. For this reason, it is better to limit the frequency of your purchases. Brokerages and investment firms set their own fees, so the amount will depend on the company you use.

For “**no load**” mutual funds, there is no fee to purchase units.

Other mutual funds charge “**front-end load**” fees when you buy them. The fees are generally a percentage of your purchase price.

Costs when you sell an investment

With some mutual funds, instead of paying a fee when you buy the investment (“front- end load” fee), you pay a fee when you **sell**. This is known as a “**back-end load**” fee.
The fee is generally a percentage of your selling price. It is normally highest in the first year after purchase and gradually decreases for every year you hold the investment. If you hold the investment long enough (often for several years), the fund dealer might agree to waive the fee. Think carefully before agreeing to buy funds with back-end load fees because the fees come out of the selling price of the investment and can be as much as 7 percent if you want to sell in the first year.

Investment management fees

Investment funds, including **mutual funds** and segregated funds, charge a fee for managing the fund. The fees are called the Management Expense
Ratio (MER) and may include an ongoing commission paid to advisors who sell the fund to their clients. The MER is paid regardless of whether the fund makes money. It is deducted before calculating the investor’s return.

Advisors Fees: Advisors are paid in different ways, depending on the type of service they provide. For example, an advisor helping you put together a financial plan might be paid an hourly fee, whereas an advisor making trades on your behalf might be paid per trade.

If you plan on using an advisor it’s important to know exactly what kind of services the advisor provides and the cost, as well as how the advisor is paid.

While most advisors strive to give good advice, advisors who are paid by commission have an incentive to encourage you to invest where they will earn the highest commission. Those who are on salary, on the other hand, may have an incentive to promote what their employers offer. Ask for information on your investing options and fees before you purchase any investment product.

WORKING WITH A FINANCIAL PLANNER OR ADVISOR

Investing can be complicated, and many people simply do not have the time to acquire the knowledge and confidence needed to invest effectively on their own. A financial planner or advisor can help them.

How and Where to look

Advisors belong to professional groups in their industry. The following industry groups can be good places to start searching.

Group Name	Role
Financial Planning Standards Council (FPSC)	Develops, enforces and promotes standards for financial planning in Canada.
Advocis (Financial Advisors Association of Canada)	Information on designations of financial advisors.
Investment Industry Regulatory Organization of Canada (IIROC)	National self-regulatory organization that oversees all investment dealers in Canada. List of IIROC-regulated firms.
Mutual Fund Dealers Association of Canada (MFDA)	National self-regulatory organization and representative of firms that sell mutual funds in Canada.
Portfolio Management Association of Canada (PMAC) (formerly the Investment Counsel Association of Canada)	Representative of investment counsellors and portfolio managers in Canada.

Investing on your own

Investing on your own may be an option if you are confident about your investing knowledge and have the time to follow developments in the financial market. If you are new to investing, it is probably better to work with an advisor.

Enactus SLC

Our mission is to reduce poverty by creating comprehensive solutions to issues within our greater community.

Established in 2009, the Enactus SLC team consists of a group of students from St. Lawrence College Kingston who create and deliver projects that help to reduce hunger and promote entrepreneurship, financial literacy and environmental sustainability.
This handbook represents the evolution of efforts since the team began to bring financial literacy to youth.

The Manage Your Money Participant Handbook helps youth learn the skills they need to take control of their finances as they enter adulthood. Navigating personal finance requires confidence and knowledge. With the help of the Manage Your Money Facilitation Guide and supplementary videos, **participants learn about practical topics such as budgeting, understanding pay stubs, taxes, insurance, banking options, and more**. As of 2014, 116 youth from Family and Children's Services have graduated from the Manage Your Money program. Facilitation guides and videos are available to help you run a Manage Your Money program in your community. For more information please contact us through our web page.

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