

# First Nations Financial Fitness

**Your Guide for Getting Healthy, Wealthy, and Wise**



**Aboriginal Financial Officers Association  
of British Columbia**

## **Acknowledgements**

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Funding for this handbook was provided by Aboriginal Affairs and Northern Development

Special thanks to the Aboriginal Financial Literacy Committee for their guidance in the development of the First Nations Financial Fitness Handbook and First Nations Financial Fitness Video Clips.

Aboriginal Financial Literacy Committee: Susan Willis, Aboriginal Affairs and Northern Development, Stewart Anderson, Vancouver City Savings Credit Union (Vancity), Laurie Audet, Public Guardian and Trustee of BC, Mike Mearns, Aboriginal Financial Officers of BC and Sue Hanley, First Nations Technology Council.

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## Foreword

In the language of my people, *uhh-tak-shiih* is the concept we use to describe lifelong learning. In the past, education was used as a weapon of oppression, but it can now be the key to unlocking the full potential of our people.

Financial literacy is an important component of lifelong learning. Today, we are all faced with an assortment of complex financial decisions, and we require a great deal of awareness and knowledge to be comfortable making even the most basic financial decisions. Unfortunately, many of our people lack the skills necessary to make such informed decisions related to money and investment.

I would like to acknowledge and thank the authors of *“First Nations Financial Fitness: Your Guide for Getting Healthy, Wealthy and Wise”* for providing the wealth of information that is offered within the following pages. This handbook includes many practical and pragmatic resources that our people can use to help them find their path towards becoming more financially informed.

I hope families will bring this information and exercises alive in their homes, around their kitchen tables or while driving their children to school. May you enjoy the teachings in this handbook and empower yourselves to gain the financial knowledge necessary to create positive change and become more “financially fit.”

Shawn A-in-chut Atleo  
National Chief of the Assembly of First Nations

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# 1. Introduction

This handbook is a tool to help you help yourself. The purpose of sharing the handbook is to provide you (the reader) with information, tools, and resources to help you make informed decisions about your relationship with money.

As our elders have taught us, when we are learning, it is important to look at the past, present, and future. We need to acknowledge our past and understand how it influenced the present situation so we can move forward to creating our future. In respect for that teaching, we share the journey of financial literacy by looking through the lenses of the past, present, and future.

## 1.1 Past

It's important to note that pre-contact Aboriginal people were a strong and vibrant self-sustaining people. We lived off the land in harmony with nature and with one another. We had assets and items for trade, and we had strong values that guided how we used our assets and how we traded with others.

Our wealth was not measured in “bling” like fat wallets, fancy houses, fast cars, nice jewellery, or credit cards. Our wealth was measured in our ability to manage and sustain our resources. We demonstrated our wealth through caring and sharing with others.

The potlatch system is an example of financial literacy in a pre-contact context. We showed our wealth by giving and sharing. Wealth was managed through potlatch and it worked — we did not have

the poverty and dependency we have today. Our people had clothes on their backs and food in their bellies. In 1884, the potlatch system was banned and so were our teachings about wealth management.

## 1.2 Present

Today, many Aboriginal people struggle with dependency and poverty. Some people are stuck in a “welfare” mindset and some work very hard to get out of poverty but can never get ahead. Others make a decent living but barely manage to get from one pay cheque to the next.

Without the potlatch system, we are missing our teachings about wealth management. We need to look for new ways to learn about money and how to manage it. With today's technology, we have access to telephone and online banking, electronic tax filing, and other options for saving and investing our money. Many resources are also available for learning how to manage money.

## 1.3 Future

Just like our ancestors, we have the ability to be wealthy. We can access supports and services to learn how to make our money work for us instead of us working for our money. When we have the skills, knowledge, and confidence to make smart decisions about our money, we can achieve our financial goals.

In the spirit of potlatch, our friends at AFOA BC share this handbook and the knowledge within its pages with you.

## 2. Financial Fitness

### 2.1 Objective

This section talks about money and ideas about money. After reading this section you should be able to answer the following questions:

- What is financial literacy?
- Am I financially literate?
- How do I become financially literate?

### 2.2 What is Financial Literacy?

So what is financial literacy anyway? It might be easier to understand if you think of financial literacy like financial fitness. When you are financially fit you are able to make informed choices about finances and you understand how your choices are going to impact your wallet and your life. People who are financially fit know how to make decisions that will help them enjoy life and ensure their basic needs are met. Financially fit people plan for their future and can manage financial surprises because they've trained for these situations by saving and planning.

When you're physically fit, you are able to enjoy many activities like running, hiking, playing sports, and playing with your children or grandchildren without getting tired or sore. But people don't stay physically fit without working at it. You have to make good choices about eating healthy food, getting enough sleep, and exercising regularly. It takes effort; you have to train.

The same is true for financial fitness. To enjoy the benefits of financial fitness, you have to train. You have to obtain information, knowledge and skills and apply them so you can make good choices



about how you treat your money and how your money treats you.

Have you ever thought about how you treat your money? Do you like to save it all, afraid to spend a penny? Do you spend it the same day you get it? Do you pay all your bills first and hope you have enough left over for your basic needs?

How does your money treat you? Does it grow in your savings account because your bank pays a good interest rate? Is it magical and disappears quickly? Is it truly cold, hard cash because you keep it in your freezer? Or is it dirty money because it's buried in your back yard? Don't laugh. Some people don't trust banks and have resorted to keeping their money in a freezer or burying it in their yard.

No matter what your relationship is with your money now and no matter what your financial fitness level, this handbook can help you improve both.



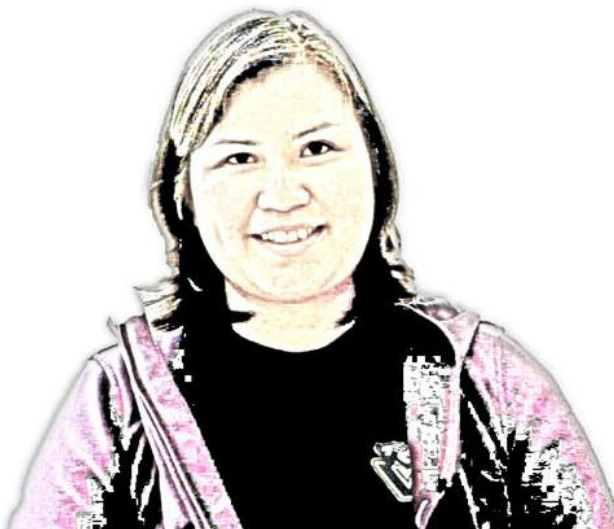
*Financial fitness is defined as the ability to make appropriate decisions in managing finances.*

## 2.3 Am I Financially Literate?

Financial literacy means that you have the skills and knowledge to make informed decisions and choices about how you plan for your future and how you spend and save your money. It's important that you not only have the skills and knowledge, but that you also apply them! Here are some questions that might help you figure out if you are financially literate:

- Do you know what interest rate you pay on your credit card?
- Do you have money saved in case of an emergency?
- Do you have a handle on your personal finances?
- Have you thought about a retirement savings plan?

If you answered yes to all four questions you are in good shape! Here are some more questions that might help you determine if you are financially literate:



- Are you “maxed out” on several credit cards?
- Is there more month than money, that is, do you run out of money before you get your next pay cheque?
- Do creditors call you about unpaid bills?
- Have you ever “bounced” a cheque?

If you answered “yes” to two or more of these questions, you need to work on your financial fitness. But, don't worry. This handbook will help you get started and there are lots of people you can go to for more information to help you become financially fit.

## 2.4 Do I Have to Have Lots of Money to Be Financially Fit?

No. People can have lots of money and not be financially fit and people with very little money can still make good financial decisions. How much money you have does not determine if you are financially fit. It's having the skills and knowledge to make informed choices about what you do with your money that determines if you are financially fit.

## 2.5 How Do I Become Financially Fit?

Good news! By reading this handbook, you are off to a strong start in becoming financially fit. Taking the time to read this handbook shows that you have the desire and willingness to learn more about money and wealth management and that's important.

The key to becoming financially fit is to build your skills and knowledge about money, savings, spending, credit, investing, and everything else people do with money. Then you can use what you



learn to make choices for you and your family that help—not hurt—your bank account.

This handbook will help you learn about all those skills. You can also get more information from websites, books and other helpers, such as people who work at your bank or credit union. Friends and family are also good resources. Has someone in your family made good money decisions? Talk to them! It may help if you make a list of questions you want to ask before meeting with them.

On a final note, remember that having the tools and knowledge is only part of the process. To actually be financially fit, you must also apply that knowledge and change the way you treat your money!

## **2.6 Learning Resources**

These websites and video clips can help you learn more about money:

<http://practicalmoneyskills.ca/>

<http://practicalmoneyskills.ca/resources/freematerials/consumer/>

This link provides an overview of an online learning financial fitness program called “Money Matters”. Check with employment agencies in your community to see if they offer this program to their learners.

<http://www.aspect.bc.ca/online-store/your-money-matters>

This video clip gives an introduction to banking:

<http://vimeo.com/27346969>

## **2.7 Tips Just for You...**

### **2.7.1 Teens**

In this short video, seven young people talk about their attitude and perspective about money.

<http://www.youtube.com/watch?v=CxalNaRhlg>

This video features the story of Jennifer — a young woman who is well established and on her way to reaching her financial and life goals. She shares her recipe to becoming financially fit.

<http://vimeo.com/27457233>

### **2.7.2 Families**

Book: *Just Shopping with Mom* by Mercer Mayer.

This book helps families with young children talk about needs versus wants. In the story, the children want to buy candy and treats while they shop with their mother.

## 3. Cash Flow

### 3.1 Objective

This section talks about ways to get money and where it goes. After reading this section, you should be able to answer the following questions:

- What are some potential sources of income?
- Where does my money go?
- What are my expenses?
- Why was money taken off my pay cheque?

### 3.2 What Are Some Potential Sources of Income?

Income is any money that you get. It can come from a variety of sources. For example, a person can earn money through employment (including babysitting, yard work, and delivering papers), receive social assistance benefits or employment insurance, inherit a lump sum of money, sell something for cash,

collect a pension, receive a settlement or gifts of cash, receive First Nation Disbursement, and so on.

Can you think of other sources of income? What are they?

It's important to note that where, when, and how you get money can influence where some of that money goes.

### 3.3 So Where Does My Money Go?

Well, a number of factors influence where your money goes. For example, if you are a 10-year-old receiving an allowance, your money may go to buying a new toy or saving for a video game. If you're a college student working part-time, you may be using the money you earn to pay rent, put gas in your car, or save to buy a new laptop. The following chart illustrates some examples of where people may spend their money. The examples are based on a monthly average.



Who Receives the \$	Source of \$	Amount of \$	House Bills	Living Bills	Personal Items	\$ Suckers!
Single Mom with One Child	Income Assistance (I.A.) and Family Bonus (F.B.)	\$945.58 (I.A.) \$123.50 (F.B.) \$1069.08 Total	Rent \$500.00 Hydro \$70.00	Groceries 258.00 Diapers \$75.00	New Shoes \$36.00	Smokes \$70.00 Bingo \$30.00 Eating out \$20.00
Single Elder	Disability Pension	\$981.43	Mortgage 350.00 Hydro \$114.00	Groceries \$200.00 Bus Pass \$40	Birthday Gifts for Grandkids \$25	Casino \$250.00
20 Year Old	Minimum Wage Job 35 hours / week x 4 weeks	\$1225.00	\$0 (Living with Parents)	Car Payment \$350 Car Insurance \$125.00 Gas \$90.00	Cell Phone \$265.00 Clothes \$179.00	Poker \$240
Two Parent Family with Two Children	One Parent Working Full-Time	\$2880.00	Rent \$800.00	Car Insurance \$121.00 House Insurance \$140.00 Savings Account \$150.00 Life Insurance \$100.00 Groceries \$320.00 Gas \$130.00 Dog Food \$70.00	Hockey Fees for Child \$45.00 Clothes for Kids \$90.00	ICBC Fines \$150 Vet Bill \$267.00 Car Repair \$116.00

### 3.4 What Are Expenses?

Expenses are everything that you pay money for during the month. They make up a large part of where your money goes. Expenses can include rent/mortgage payments, debt or loan payments, utility bills (including hydro, natural gas, oil, water/sewer, telephone, cable, and so on), childcare fees, groceries, insurance

payments, transportation, dining out, as well as miscellaneous items such as gifts, haircuts, and pet expenses.

### 3.5 Understanding Your Pay Cheque

Congratulations, you earned your first pay cheque! But be prepared when you open that first cheque because you might be surprised that you didn't receive as much

money as you expected. When you are an employee at a company, the government requires your employer to deduct part of your earnings. These deductions include taxes, Canada Pension Plan (CPP), Employment Insurance, and Benefits.

*As soon as you start working, you need to think about retirement because the money you save now will grow until the day you retire. If you start saving early, you will have much more money when you retire.*

## HOW TO READ A CHEQUE STUB!

## SAMPLE PAY STUB

(INFORMATION ON HOW MUCH YOU MADE, HOURS OF WORK, AND DEDUCTIONS BOTH FOR THIS PAY PERIOD AND YEAR TO DATE)

### FUN COMPANY

987 Street  
Port Alberni, BC  
X1X X0X  
SIN 123 456 789

**PAY PERIOD**(NUMBER OF DAYS OR WEEKS YOU WILL BE GETTING PAID FOR)  
**01/03/2011 to 14/03/2011**

**PAY DATE** 14/03/2011  
**CHEQUE NO.** 000123  
**JOHN DOE**  
**123 RYE**  
**PORT ALBERNI, BC, X1X X0X**

EARNINGS RATE (YOUR PAY PER HOUR)	HOURS	THIS PERIOD (MONEY YOU EARNED THIS PAY PERIOD)	YEAR TO DATE (MONEY YOU EARNED TO DATE)
\$10.00	70	\$700.00	\$3500.00

DEDUCTIONS (AMOUNTS TAKEN OFF YOUR PAY CHEQUE SUCH AS THE EXAMPLES BELOW)	THIS PAY PERIOD (DEDUCTIONS FOR THIS PAY PERIOD)	YEAR TO DATE (DEDUCTIONS OF YOUR PAY YEAR TO DATE)	DESCRIPTIONS
FEDERAL INCOME TAX	\$63.75	\$318.75	<b>INCOME TAX:</b> DEDUCTIONS FROM YOUR PAY THAT THE GOVERNMENT USES TO PROVIDE SERVICES IN CANADA  <b>CPP:</b> PENSION FUND DEDUCTIONS TO PROVIDE MONEY FOR WHEN YOU RETIRE, IT MAY ALSO PROVIDE BENEFITS FOR YOU AND YOUR FAMILY IF YOU ARE DISABLED  <b>EI:</b> THESE ARE DEDUCTIONS TO PROVIDE YOU WITH INCOME IF YOU ARE LAID OFF OR PREGNANT. THIS BENEFIT MAY NOT APPLY IF YOU ARE FIRED OR QUIT YOUR EMPLOYMENT  <b>OTHER DEDUCTIONS:</b> THESE MAY BE ADDITIONAL RETIREMENT SAVINGS, UNION DUES, LIFE INSURANCE ETC.
BC PROVINCIAL TAX	\$8.85	\$44.25	
CANADIAN PENSION PLAN (CPP)	\$22.50	\$112.50	
EMPLOYMENT INSURANCE (EI)	\$12.50	\$62.50	
RRSP	\$40.00	\$200.00	
TOTAL	\$147.60	\$738.00	
GROSS PAY	\$700.00	\$3500.00	<b>GROSS PAY:</b> THE AMOUNT OF MONEY YOU MADE BEFORE DEDUCTIONS
NET PAY	\$552.40	\$2762.00	<b>NET PAY:</b> THE AMOUNT OF MONEY YOU MADE AFTER DEDUCTIONS

### RESOURCES

Service Canada provides information on CPP  
Human Resources and Skills Development (HRSDS) provides information on EI.  
Your Supervisor or Human Resource department can help you understand your deductions

### 3.6 Learning Resources

These websites and video clips can help you learn more about cash flow:

<http://www.servicecanada.gc.ca/eng/faq/index.shtml#jobs>

This Service Canada page provides information about employment opportunities for Aboriginal people:

<http://www.servicecanada.gc.ca/eng/audiences/aboriginal/employment.shtml>

This video clip provides a great overview of financial literacy:

<http://www.youtube.com/fcacan#p/c/0/LdhSVzr11Bw>

This humorous video clip shows how day to day purchases can add up over time:

<http://www.youtube.com/watch?v=HSxvS10FNp8>

### 3.7 Tips Just for You...

#### 3.7.1 Kids

This link has a great budget template for kids:

<http://www.moneyandstuff.info/pdfs/SampleBudgetforKids.pdf>

#### 3.7.2 Teens

<http://www.moneyandstuff.info/budgetingbasics.html>

#### 3.7.3 Adults

Book: *Your Money or Your Life* by Vicki Robins

Visit this website for an overview of the 9 Step Process to Get on Track:

<http://ymoyl.wordpress.com>



## 4. Money Traps and How to Avoid Them

### 4.1 Objectives

In this section, we look at some of the pitfalls and traps we can fall into with our money. Sometimes, we fall into these traps because we find ourselves needing some cash quickly or because our earnings don't quite match our spending habits. In this section, we address common money traps and how to avoid them. We also discuss the following concepts:

- How short-term loans really work.
- How to know if a short-term loan is really the right answer.
- How spending habits can contribute to decreased cash flow.

### 4.2 Short-term Loans or "Loans till Payday"

Wouldn't it be nice if money grew on trees? Then, whenever we needed some cash, we could just get it from the money tree. Although some businesses would like you to believe this is possible, money trees, unfortunately, don't exist.

People sometimes find themselves in a situation where they need some cash quickly. Perhaps they need to pay for an unexpected expense such as a car repair

or medical bill or they may need more cash quickly because of poor planning or spending more money than they made in income. One way people may choose to get some quick cash is by getting a short-term loan or "payday loan". However, these types of loans can be a very high risk and an expensive way to get money.

The types of businesses who offer these short-term loans are usually private companies that charge not only very high interest rates but also additional service and lending fees. When you add up all these additional costs, you can be making a costly decision. Before you agree to or sign for this type of loan, be sure you read the contract carefully and that you understand all the fees being charged and what penalties apply if you cannot repay the loan at the agreed upon time.

Although short-term loan companies offer the convenience of quick cash, you have to ask yourself "is it really worth it?" To compare the cost of a payday loan to other loan sources such as a short-term cash advance on a credit card or line of credit, read this handbook sponsored by the Financial Consumer Agency of Canada: *The Cost of Payday Loans*. (You can download it from <http://www.fcac-acfc.gc.ca/eng/resources/publications/mortgageLoan/PaydayLoans/PDF/PaydayLoans-eng.pdf>).

### 4.3 Is a Short-term Loan the Answer?

Before you agree to a short-term loan, ask yourself "How badly do I need this cash?" Most short-term loans are based on a 14-day lending period. When considering this type of loan, you need to consider what the cost will be to you for a short-term gain.



Businesses that offer these kinds of loans are in business to make money and, if you don't repay your loan on time, they can charge interest rates of up to 600% per year. If you compare this to a cash advance on a credit card, which could be around 19% per year, or a line of credit loan from your bank, which may be as low as 3% per year, you can see that you are paying a whole lot more for the convenience of a short-term loan. Before deciding to get a short-term loan, ask yourself the following questions:

- Do I really need the money right now?
- Have I exhausted all other sources for getting the money?
- How much is this loan really going to cost me?
- Am I sure I will have the money to repay it on the due date?

Ideally, you would have money saved to cover unexpected expenses and emergency situations. No one likes to think about having to deal with an emergency, but if you plan ahead and have a safety net in place, you could save a lot of money in the long run. Talk to your bank about setting up a back-up plan, whether it's an overdraft on your chequing account, a credit card that you can use in an emergency, or a line of credit that you can access when needed. But remember, like all aspects of financial planning, you have to show restraint and only use the back up plans when all else has failed and it's your last resort. Also be sure you pay back the money you borrow as soon as possible.

If you find yourself in a situation where you need a short-term loan, you may need to consider how you got there.

#### **4.4 How Did I Get Here? Do My Spending Habits Match My Income?**

It's easy to fall into the trap of just spending without thinking about the consequences. Sometimes our spending becomes a habit that's hard to break or we might be trying to keep up appearances or impress someone. Maybe we have to support someone else or we just can't say no when someone asks for something. Whatever the case may be, it can take a lot of work to keep your spending habits under control.

The first step to controlling your spending is to be aware of what you are spending your money on. Most people don't realize how much they spend on the little things—a coffee here, a movie there, a couple bucks for an ice cream or magazine. All these little purchases add up and can put you in a position where your spending far exceeds your income.

Some people believe it will all work out in the end—perhaps they will get a windfall, inherit some money, or find a new job—or that everyone has some debt in their life and it's nothing to worry about. But if you don't face the reality of your spending and make a plan that actually fits your current income, you could find yourself facing some serious consequences.

Being financially fit is not always easy. It requires making some hard decisions, showing restraint with your spending, and understanding how the financial system works when it comes to borrowing money. When you make the effort, you will start seeing the benefit and rewards of being in control of your financial future.



## 4.5 Learning Resources

To get the real scoop on short-term (payday) loans, check out these Websites:

The Cost of Payday Loans:

<http://www.fcac-acfc.gc.ca/eng/resources/publications/mortgageLoan/PaydayLoans/PDF/PaydayLoans-eng.pdf>

Payday Loans Explained:

<http://www.fcac-acfc.gc.ca/eng/consumers/creditloans/paydayLoan/index-eng.asp>

Before You Sign Any Contract: 10 Things You Need to Know:

<http://www.fcac-acfc.gc.ca/eng/resources/publications/rightRespons/TSContracts-eng.asp>

## 4.6 Tips Just for You....

### 4.6.1 Teens

Here are a few tips to get started being financially fit:

- Practice smart financial planning now.
- Practice using a budget – even if it's just for your allowance.
- Put a little money away for a rainy day.
- Start a savings account, even if you save just a little bit every month.

### 4.6.2 Family

Plan Ahead! It's easy to put off financial planning because it seems like such a huge task. But if you set small achievable goals for yourself and do a little bit each day, the benefits will pay off and you will feel good about being in control of your finances.

Budgeting is the key. Remember it doesn't have to be perfect. Each month you continue working on and adjusting your budget makes the task easier and easier.

## 5. What Is a Budget and Do I Need One?

### 5.1 Objectives

This section gives you a good understanding of what a budget is and how it works to help you organize your income and spending habits. After reading this section, you should understand the following concepts:

- How a budget works.
- Income and expenses.
- The difference between needs and wants.

### 5.2 How Does a Budget Work?

Before we can discuss how a budget works, we first need to understand what a budget is. A budget is a document that lists all the income you expect to come into your household (money in) compared to all the expenses you expect to pay out (money out). Often people find it easier to

make a budget than to stick to the budget. But, like anything else in life, budgeting takes practice and the more you practice the better you will be at it.

A budget is a great tool to help you become more financially fit. It helps you understand where your money comes from and where it goes. It's easy to spend a couple bucks on a cup of coffee or to grab some fast food because, at the time, it's only a couple bucks. But when you start to add those costs up over time, they can become a huge expense and a big part of the reason that you don't have enough money for the things you really want! A budget not only helps you look at where your money is going, it helps you plan for future goals that could include buying a house or car, taking a vacation, or saving for retirement.

The important thing to remember when you create a budget is that you're creating it for you. You might want to save money, pay off debt, or just keep track of where



you're spending your money. Your reasons for keeping a budget will probably change over time. No matter what your reason is for creating and following a budget, your budget needs to be realistic, flexible, and accessible for you.

If your budget is not realistic (perhaps it leaves out some items that you really can't live without), you are more likely to abandon your budget and go back to your old spending habits. However, no matter how carefully you plan your budget, unexpected expenses still come up. Your budget needs to be flexible so you can adjust for those situations without feeling that you need to give up the budget completely. Finally, a budget is more accessible if you keep it simple and usable. When your budget is easy to understand and use, you are more likely to stick to it.

## **5.3 Understanding Income and Expenses**

Since budgets are based on money in (income) and money out (expenses), knowing your potential income and expenses for a given month is the key to a successful budget.

### **5.3.1 Income**

Income is any money you have coming in to your household. It could include wages or earnings; benefits you receive from the government such as child tax credit, HST rebates, and child care subsidies; tips (if you're in the service industry); and investment income (savings accounts that pay interest or interest on investments). The money you receive from all of these sources added together is your income.

When you plan your budget, estimate your monthly income based on your regular income sources. Although unexpected sources of money, such as a "bonus" cheque, surprise inheritance, or lottery win, also count as income, they don't

happen for many people and can't be counted on. If you're fortunate to receive some money that you weren't expecting, you can always add it to your budget later.

### **5.3.2 Expenses**

Expenses are everything that you pay for during the month. Expenses include major items, such as rent/mortgage payments, debt or loan payments, utility bills (including hydro, natural gas, oil, water/sewer, telephone, cable, and so on), childcare fees, groceries, insurance payments, transportation, dining out, as well as miscellaneous items, such as gifts, haircuts, and pet expenses, coffee, magazines, lottery tickets, and so on.

Expenses can be a little more difficult to predict because our lives are always changing and we often don't notice the little things we spend money on. It's helpful to look back over the months to see what kind of expenses you had in the past and use that information to help you with your budget.

## **5.4 Identifying Needs and Wants**

On a simple level, needs are those things you must have while wants are things that you would like to have but could live without. In reality, determining which items are needs and which are wants can be quite challenging. When planning a family budget, in particular, the topic can become a heated discussion because everyone's interpretation of needs and wants is different!

We know the basic needs for survival are food, water, and shelter. We also understand that this is the very minimum of our needs and a budget must be realistic. If you leave out items that are really important to you or your family members, you won't be able to stick to your budget. When you plan a budget, it

is worth the time and effort to sit down with your partner/significant other and other family members to discuss what the family's needs and what they want.

Further complicating needs and wants is that items you need may have different levels of cost. For example, you might need a cell phone for work, pleasure, or communicating with family. However, do you need the top of the line cell phone plan or can you get by with a less expensive plan? Only you can make that decision. If you decide that you must have the better cell phone plan, then include that cost in your budget. To afford it, you may need to sacrifice something else that you want.

Other things to take into consideration are expenses that don't have to be as costly. Do you need to have a brand new bike? How about skates, snowboard, or winter coat? There are many good deals to be found at second hand stores or in the classifieds. Although it may take a bit more effort to find what you're looking for, there are many good deals out there and the savings could be significant!

Discussing these issues will help you and your family set your priorities.

## **5.5 Learning Resources**

Most Canadian financial institutions have online programs to help you with your budgeting. And, if you use online banking, you may already have access to personalized budget planning. Many of these sites will help you categorize your income and expenses, "remember"

frequent transactions, and even categorize them for you automatically.

Do you have a smart phone? There are lots of apps out there that will help you stay on track with your budget.

You can also check out these websites for other tips and ideas:

<http://practicalmoneyskills.ca/>

<http://www.youtube.com/watch?v=23zgHpS9034>



## **5.6 Tips Just For You**

### **5.6.1 Elders**

This video clip features the story of Elizabeth, a financially fit Elder who is enjoying semi-retirement thanks to her smart planning.

<http://vimeo.com/27309881>

## 6. Budget Basics

### 6.1 Objective

This section shows you how to create a budget. You can use the template to create your own personalized budget for you and your family. After reading this section you should understand the following concepts:

- How to create your own personal budget.
- The need for flexibility in your budget.
- The importance of monitoring your budget.

### 6.2 Getting Started on Your Budget

You can use these steps to create your own budget or simply copy the template on the following page.

1. List all potential sources of income for each month.
2. List all potential expenses.
3. Make sure your expenses aren't greater than your income. This is the

tricky part where you need to take a good, hard look at where your money is going (especially the wants) and adjust it to suit your personal priorities.

4. If the expenses are greater, look at which categories you can cut back on so that your expenses equal your income or, ideally, that there is some income left over after expenses. Remember your budget has to be flexible, realistic, and fair. Don't make your budget too difficult to stick to and be sure there is money set aside for things you enjoy.
5. Evaluate and adjust. Remember your budget will change as your day-to-day life changes. The key to a successful budget is recognizing the changes and having the ability to adjust your budget as needed.

Here is a sample budget that you can use as a template for creating your own budget. You can change, delete or add categories as necessary.

INCOME (monthly)	Estimated	Actual
<b>Salary and Wages</b> After tax (net)		
<b>Other Income</b> (Child tax benefits, investment income)		



<b>Total Income</b>		
<b>EXPENSES (monthly)</b>	<b>Estimated</b>	<b>Actual</b>
<b>Life Expenses</b>		
<b>Housing</b>		
Rent or Mortgage		
Home maintenance/repairs		
Home Insurance		
Property Tax		
Other		
<b>Utilities</b>		
Cable		
Telephone		
Cell phone		
Internet		
Electricity		
Gas		
Other		
<b>Transportation</b>		
Public Transit		
Car Payment		
Insurance		
Repairs		
Fuel		
Other		
<b>Day-to-Day</b>		
Groceries		
Clothing		
Child Care		
Other		
<b>Financial</b>		
Bank fees		
Credit Card Payments		

Loan Payments		
<b>Fun Expenses</b>		
Restaurants		
Entertainment		
Fun Clothing		
Family/Gifts		
Vacation		
Pets		
Other		
<b>Future Savings</b>		
Emergency Fund		
Investment (RRSP, savings)		
Other		
<b>Total Expenses</b>		
<b>TOTAL INCOME</b>		
<b>Less TOTAL EXPENSES</b>		
<b>TOTAL LEFT OVER</b>		



## 7. Staying On Track

### 7.1 Objective

This section talks about the importance of staying on track with your budget. We can all set goals and have great ideas, but if we don't take action or stick to our plan, we will never achieve our goals. If you take the time and make the effort to create a budget, then you owe it to yourself to stick with it. Think of how good it will feel when you reach your goal. After reading this section you should have a basic understanding of the following concepts:

- Recognizing budget blowers.
- Organizing and tracking spending.
- What to do when you get off track.

### 7.2 Recognizing Budget Blowers

Budget blowers are those purchases we make that don't fit into our budget. Sometimes, we make the purchase and don't think about the impact on our budget until later and, sometimes, we think about the impact but make the purchase anyway.

One of the biggest budget blowers are those "little" expenses—a morning coffee, a soft drink, a lottery ticket. It's important to remember that small purchases add up over time and these "little" costs can do a lot of damage to our budgeting efforts.

For example, many people like a nice, hot latte on their way to work. After all, there's nothing wrong with a little coffee to jump start your work day...and it's only pocket change, so it won't impact your budget...right?

Well, you be the judge. On average, a latte costs \$5. If you stop for a latte every day on your way to work, it will cost you \$25 a

week! Here's a snapshot on how that adds up over a year:

Daily Latte Cost = \$5

Weekly Latte Cost = \$25

Monthly Latte Cost = \$100

Yearly Latte Cost = \$1200

\$1200 is enough money to insure your car for year or go on a vacation!

Another sneaky budget blower can be found lurking in your relationships. Maybe you have a friend or relative who's always asking to borrow money. You want to help them out and they only need a little bit like five or ten dollars. However, these small loans can add up quickly, especially when they don't pay you back. If you lend a friend \$10 a month and they never paid you back, it's like throwing \$120 dollars out the window each year.

We've covered two examples of budget blowers, but it's important to know there are a lot more. Budget blowers include shopping trips, gambling (bingo, casino, poker nights), online auctions, buying tabloid magazines, and any other expenses that you haven't included in your budget.



To be successful with your budget and achieve your financial goals, you need to be aware of budget blowers that get you off track and have a plan to address them. For example, if you like to read the weekly gossip magazine that costs \$5, you could spend \$20 a month. But, if you start a magazine exchange group with three of your friends, you could take turns buying the magazine and then circulate one copy. This would bring your costs down to \$5 a month and you would save \$15 each month and still get to read all the latest gossip!

Take a look at how this magazine example could affect your yearly budget:

<b>Magazine Budget Blower</b>		<b>Magazine Budget Balancer</b>	
Weekly Cost	\$5	Weekly Cost	\$5 (but only one week per month)
Monthly Cost	\$20	Monthly Cost	\$5
Yearly Cost	\$260	Yearly Cost	\$60
Budget Blower	\$260!	Savings	\$200

## 7.3 How to Organize and Track Spending

Keeping track of where your money comes from and where it goes is the most important step in understanding your spending habits. Have you ever found yourself asking the question “where did all my money go” just a few days after payday? Well, the good news is that tools and tips are available to help you keep organized and on track with your spending.

### 7.3.1 Spending Journal

A spending journal is a cost effective method to help you track your spending and stay organized. All you need is small notebook or pocket calendar. Shop around and see if you can find one with a folder to hold receipts.

For just a few dollars you can use this tool to track your spending for the entire year.

Each time you make a purchase keep your receipt and enter the purchase in the notebook / calendar. Once a week, add up all your receipts and make sure they match your notes and are entered in your notebook / calendar. At least once a month, add up all your spending and compare it to your budget.

### 7.3.2 Cash Envelopes

This low cost method is helpful for people who are visual learners and want to keep things simple.

To track your spending using cash envelopes, simply label each envelope with the appropriate expense and put the appropriate amount of money in the envelope. You may want to have two categories of envelopes; one for “needs” and one for “wants”. When you have used up the money in an envelope, you cannot spend any more money on that expense unless you adjust your budget.

For example, if you budget \$30 a month for dining out, you would put \$30 in an envelope labelled “dining out”. If you go out for lunch three times and spend \$10 each time, you would have no money left to dine out for the rest of the month. If you really wanted to go out to eat again, you would have to adjust your budget to find money in some other category that you could spend on dining out.

Important: If you use cash envelopes to manage your money, be sure you keep them in a safe place.

<b>Needs</b>	<b>Wants</b>
Rent or Mortgage	Movie with Spouse
Hydro	Swimming with Family
Groceries	Cable
Phone	Saving Account for New Couch
Gas and Insurance	

### 7.3.3 Electronic Budget Tracking

There are hundreds of free tools available on the Internet that can help you track your expenses electronically. Your financial institution may also offer personal finance trackers that can assist you in tracking your expenses. Some of these tools are linked directly to your online banking services making this option very simple and convenient.

The most important thing to remember is to record **every** time you spend money—whether you are paying bills or buying a lottery ticket or paying for a fitness class—write it down. Keep track of every penny in and every penny out. Increasing your awareness of where your money goes will help you take control of your financial situation. When you are aware of what spending habits are getting you off budget, you can take corrective action to get back on track.

You may think that tracking expenses is a lot of work, but once you get into the habit, it does get easier and will become second nature. If you take the time to make a budget you owe it to yourself to stick to it. Tracking your expenses helps you to determine if your budget is working and, if it isn't, where you need to make changes.

### 7.4 What to Do When You Get Off Track

If you've ever used a GPS to help navigate to a destination, then you know that if you take a wrong turn, a friendly voice will announce "recalculating". Well, that's what you need to do if you have gone off track from your budget—you need to recalculate.

First of all, recognize that making the budget is the first step. If you've taken the time to make the budget, then you are off to a strong start. If you've gone off track,

it indicates that something isn't working and you need to reassess. Ask yourself these questions:

- Where did I go off track?
- How did I go off track (for example, using the credit card or borrowing money)?
- How much did I go off track?

Then you need to recalculate. If increasing your money in is not an option, you will need to trim your expenses somewhere.

## 7.5 Learning Resources

Prefer to use something online? Check out these websites:

<http://www.mint.com/canada>

<https://money.strands.com/>

<https://www.budgetpulse.com/>

<http://www.moneyproblems.ca/household-budgeting.htm>

This video clip covers debt management and the truth about bankruptcy:

<http://www.youtube.com/watch?v=SanULZIOz6k&feature=relmfu>

## 7.6 Tips Just for You...

### 7.6.1 Teens

Learn to budget and manage your money now. It will definitely pay off for you in the long run. Check out these games:

[www.practicalmoneyskills.com/games/](http://www.practicalmoneyskills.com/games/)

### 7.6.2 Families

Include the whole family in budget planning. If everyone is working together towards a common goal, it will be much easier to get there!

Check out this website for some great tips on ways to teach your kids about money:

<http://life.familyeducation.com/money-and-kids/teen/34462.html>

## 8. Family Matters – Conversation Starters about Money

### 8.1 Objective

Chances are that if you ask your family, “Who wants to talk about money at the dinner table tonight?” you won’t get an enthusiastic “I do”. Not to worry, it’s all in your approach. Change your approach, and you can change the response you get. This section provides tips and tools for starting healthy conversations about money. After reading this section you will have a basic understanding of the following concepts:

- How to talk about money with your partner.
- How to talk about money with your family.

### 8.2 How to Talk About Money with Your Partner

Did you know that money is one of the top reasons couples argue? It’s no wonder people cringe when they know they have to have “the talk”. But the truth is, sooner or later, if you’re in a relationship, you will need to talk about money with your partner. Couples need money for food, shelter, clothing, entertainment, vacations, savings, transportation ... the list could go on and on. The point is that there is simply no avoiding talking about money. The following tips will help you start a healthy conversation about money with your partner.

#### 8.2.1 Timing is everything

If your honey is grabbing their coffee and rushing out the door because they’re late for work, chances are you’re not going to have a productive conversation if you say,

“I’ve been thinking. We need to talk about our retirement plan.”

Choose a time when you both have at least a half an hour to talk without interruptions, and make sure it’s not a time when one or both of you are tired. It might help if you schedule time at a future date rather than expecting your partner to drop what they’re doing at the moment you broach the subject.

#### 8.2.2 Keep the conversation respectful.

Set the stage for how you want the conversation to go BEFORE you start. Here’s a suggestion for what you can say to begin your discussion,

*I’m glad we both made some time to talk about our finances today. I think we both want our discussion to be productive, so let’s stay focused on working together. There’s no point in blaming anyone for our current situation, let’s focus on how we can fix it and make sure we don’t find ourselves in the same spot again.*

Sometimes we may be frustrated and think one person is to blame for the financial situation, but it’s important to focus on moving forward and not staying stuck. You can still acknowledge and address the problem but it won’t be productive to say, “It’s all your fault that we’re broke.” Identify the challenges without blame and your conversation will likely be a lot smoother. Using “I” statements helps remove blame yet still addresses the challenge. Here are a few examples of “I” statements:

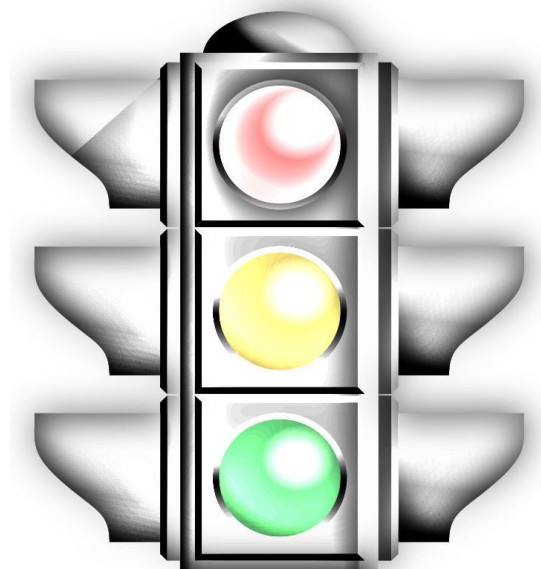
*I feel like I’m a bad parent when we don’t have enough groceries for the kids’ lunch.*

*Can we put the money spent on poker towards groceries? If there is anything left over, we could decide together where it should be spent.*

*I feel frustrated that we are broke a lot. We both have good jobs, so we should be able to be in a better position. I wonder if you feel the same way. What can we do together to change this situation?*

*I've been thinking a lot about how we spend our money. I think we can do a better job of being more responsible. If we created a budget together, it could help us reach our goal of buying a new couch sooner. What do you think?*

It's not uncommon to get off track, especially if you have seldom discussed money before. If you find your conversation is turning into the blame game take a quick time out.



Stop – acknowledge the situation. “We are off track.”

Proceed with Caution – Ask yourselves the following questions:

- If we continue this discussion will the outcome be helpful or hurtful?
- What do we need to get back on track?

Here are a few examples of what you might say to get back on track:

*It feels like we are getting off track. We know that blaming or getting mad is not going to help our discussion. I need \_\_\_\_\_ (fill in the blank) to feel better about continuing this discussion. What do you need?*

*This is important stuff we need to work through. Our tension and frustration levels seem to be rising. Maybe we should take a 15-minute time out then start back where we left off before we got frustrated.*

Sometimes a timeout is all you need. Taking a break from a tense discussion can help you regroup and refocus on your original goal for the discussion.

### 8.2.3 Set financial goals together then create a plan for how to achieve them.

When you have something positive to look forward to it helps motivate you to stay on track. Setting a goal you can both be excited about is a positive action that you can share responsibility in. When people are working toward a common goal, it doesn't seem as though you are making a sacrifice. It's a choice because you both want to succeed.

## 8.3 How to Talk About Money with Your Family

*I need money for my school field trip. Can I have some money for gas? I need new shoes. I want a new toy! How come Mikey always gets new clothes and I get the hand-me-downs? What's my allowance? I'm 10 years old now, I should get more allowance. Can we go to Disneyland this summer? My friend Kylie gets to go to Disneyland every year!*

Needs, wants, pressures...it's challenging to help your children and family



understand how the family finances are run, especially if you're not so sure yourself. One of the ways you can tackle this issue is by holding a monthly family budget meeting. This meeting provides an opportunity to talk about money, planning, goals, and needs vs. wants. While you may not cover all these topics in your meetings (your topics will vary depending on the maturity of your children), you could certainly address some of them.

An added bonus of these meetings is that your family becomes closer and you become a role model for being financially fit. You are showing them that not only is it OK to talk about money, but it's important to do it.

Here are some general guidelines for your consideration:

1. Set a regular date and time for your meetings. A regular schedule ensures that all members have adequate time to think about the topics they'd like to discuss.
2. Create some regular standing items so the meetings have a structure. For example, at the start of each meeting, you may want to have everyone check in with a money goal that they set for the month or, if you have a family goal, you might provide a status report of where the family stands in terms of reaching that goal.
3. Share only what you need to share. It's not necessary to have your accountant attend the meetings and provide annual reports, flow charts, and a review of all your bank statements! Provide a general overview of the family finances and talk in general, easy-to-understand terms. For example, we have \$45 in our family fun fund. Would you like to go bowling on Saturday or put it towards purchasing a new DVD player?
4. Set family goals and monitor progress

at every meeting. Many families like to save for a family vacation. You can discuss how much it will cost and how you can save the money to go at your Family Budget Meetings.

Involve the whole family in your planning and you are sure to generate excitement. Here are some ideas to get you started:

- Where do we want to go for our vacation?
- How many days?
- Will we stay with friends and family, camp, or stay in a hotel?
- How much money do we need to set aside?

Family budget meetings are a great way to teach your children to be financially fit. If you don't teach your children about money someone else will, and you may not like the lessons they learn.

## **8.4 Learning Resources**

### **Tips Just for You...**

#### **8.4.1 Couples**

<http://www.oprah.com/money/How-to-Talk-to-Your-Spouse-About-Money-Problems>

<http://www.oprah.com/money/Create-a-Budget-in-6-Steps>

<http://www.oprah.com/oprahshow/Gary-Neumans-Marriage-Action-Plan>

#### **8.4.2 Families**

This article by Dr. Phil offers some great advice about talking to children about money:

<http://www.drphil.com/articles/article/602>

This link provides an easy to understand explanation of how families have both money coming in (income) and money going out (expenses). It is a helpful tool for parents teaching their younger children (age 5–12) about the value of money. The

cartoon offers a fun way for children to grasp concepts like saving and making money.

<http://www.youtube.com/watch?v=5Z8uw1zjjiE&feature=related>

This video clip features a family on dealing with real life challenges related to money. The clip highlights what happens when one person in the family makes poor decisions and how it impacts relationships.

<http://vimeo.com/27301108>

This clip features the same family and money challenge but offers a healthier way to tackle the money issue.

<http://vimeo.com/27309881>



## 9. Credit and Credit Cards—the Good, the Bad and the Ugly

### 9.1 Objective

This section gives you a good understanding of how credit cards work. You will learn about the benefits and pitfalls of having a credit card. You will also learn about the different kinds of credit cards and what to do if you get into too much credit card debt. After reading this section, you should understand the following concepts:

- What's good and bad about credit cards.
- How to get out of credit card debt.
- How pre-paid credit cards work.

### 9.2 The Good, the Bad and the Ugly Side of Credit Cards

Having a credit card is like walking around with a loan from your financial institution right in your wallet. This small piece of plastic means that you have an agreement with your financial institution. This agreement allows you to borrow money to pay for goods and services with your credit card and requires you to pay back the money by a certain date.

All credit cards have limits that say how much money your financial institution is willing to lend you. While you may be thinking, "Wow, this sounds great! I need a credit card," you need to know that there is more to having a credit card than the convenience it offers.

The good points about credit cards are:

- Convenience – credit cards are easy to use and can be safer than carrying large amounts of cash with you.

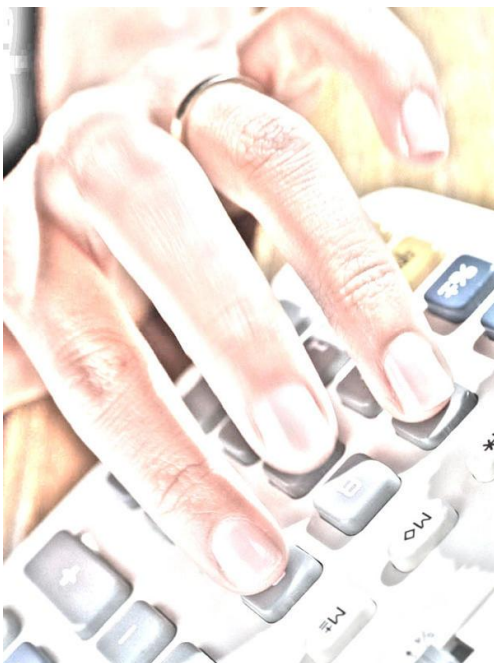
- Establish Credit Rating – Credit cards are often the first credit people obtain. If you make your payments on time, stay within your limit, and pay off your balance every month, you will establish a good credit rating. Having a good credit rating helps you qualify for personal loans, mortgages, or lines of credit.
- Ease of use – credit cards provide an easy way to buy things online, over the phone, and in person.
- Easy currency conversion when traveling – credit cards are particularly handy when you are traveling to countries that use a different currency. Let's say you were driving in Seattle and your car was low on gas, but you didn't have any American money on you. You could just use your credit card and whatever you paid for gas would be converted to Canadian dollars on your next statement.
- Reward programs – Some credit cards offer reward programs that can help save you money. Rewards can be used for many items and services including, air travel, insurance, or cash back.

The bad points about credit cards are:

- Ease of over spending – Because credit cards are so easy to use, some credit card users don't keep track of their spending. At the end of the month they find they don't have enough money to pay for what they charged.
- High interest rates – Many people get stuck in the "making only the minimum payment" cycle. If you only

make the minimum payment, you end up paying a lot more for items than what the price tag read in the store. For example, let's say you just received your first credit card and it has a 9% introductory interest rate. You buy an MP3 Player for \$284.00 and pay it off at the end of the month; the MP3 Player cost you \$284.00. But if you only make the minimum payment of \$7.07 each month until the amount is paid off, that same MP3 Player will cost you \$339.39!

- Ability to ruin your credit rating – If you don't use your credit card properly, it can ruin your credit! If you don't make your payments on time, skip payments, or go over your limit and carry a balance every month, you will get a bad credit rating. When you have a bad credit rating, you won't qualify for personal loans, mortgages, or lines of credit. Not only will it be difficult to get a loan when you need it, you will end up paying a higher interest rate and possibly incur more fees, which means you will end up paying a lot more money for your purchases.



- Fine print –There are LOTS of details in the fine print! Often a credit card sounds like a good deal until you read the details. Some of these details include annual fees, a higher interest rate if you miss a payment, extra fees if you go over your limit, application fees, cash advance fees and more. It's important to read all the details in your credit card agreement so you understand how much you are being charged and for what services.
- Temptation – Some people get sucked into collecting credit cards like hockey cards! Everywhere you go nowadays someone is eager to offer you "a great deal." Airports, concerts, and shopping malls are all places where financial institutions set up booths to offer consumers credit cards. Most of the time you are lured by a "special gift" like a t-shirt, set of knives, or 25% off your first purchase. If you are collecting credit cards chances are you are collecting balances and fees too.

*Did you know the average debt-to-income ratio in Canada is 150%? That means that for every \$1,000 we take home in pay, we spend \$1,500!*

### 9.3 The Ugly – How to Get Out of Credit Card Debt

If you have credit card debt, you are not alone. The buy now/pay later approach is convenient, popular, and costly.

A 2011 study noted that Canadians who carry a balance on credit cards have an average outstanding balance of \$6,938.00. When you add the interest, which ranges from 9 – 25%, you can see how you end up paying a lot more when you use credit cards!

\$6,938.00 with a 9% interest rate = \$642.42 in interest. Your \$6,938 debt has now grown to **\$7,580.41**.

\$6,938.00 with a 17% interest rate = \$1,179.46 in interest. Your \$6,938 debt has now grown to **\$8,117.46**.

\$6,938.00 with a 25% interest rate = \$1,734.50 in interest. Your \$6,938 debt has now grown to **\$8,672.50**.

When you carry more debt than you have the ability to pay, you are headed for financial trouble.

Once you are in financial trouble, you need to accept responsibility and take action to repair your financial situation. In taking responsibility, you need to accept that the credit card company or the financial institution that issued you the credit card is not to blame. It's important to recognize that your actions and choices got you into your financial mess, and they can get you out of it too. But remember, even if you repair your credit and pay off your credit card debt, you will find yourself in the same situation again unless you change what got you into the debt in the first place...your spending habits.

So how do you get out of credit card debt? Fortunately, there are free credit counselling agencies that can help you. They will help you resolve your situation with as little stress as possible.

Credit Counsellors can help you:

- Repay your debts by simplifying your debt into one monthly payment
- Explore your options to get out of debt and get back on track
- Create a budget so you can effectively manage your bills and expenses
- Save lots of money in interest

To find a credit counselling agency, you can look in your local phone book or do a search on the Internet.

If you'd rather resolve your debt issues on your own, here's how to get started:

1. List all your debt including all credit cards, lines of credit, pay day loans, student loans, car financing,...you get the idea.
2. Now list the interest rates beside each debt. Sort the list to show debt with the highest interest rate at the top of your list and the lowest interest rate at the bottom.
3. List what your minimum payment is beside each debt. This is what you have to pay each month so you don't ruin your credit (To reduce you debt, you will have to pay more than the minimum payment.)

Now that you know how much you owe and to whom, it's time to get busy paying down your debt. Start by paying off the debt with the highest interest rate first while maintaining the minimum payments on all your other debt. If you can pay more than the minimum payment, that is even better.

Once you pay the most expensive debt, move on to the next one. You may also want to cancel your credit cards so you are not tempted to use them while you're paying everything off.

Another option to deal with your debt is to consolidate. A consolidation loan will pay off your debts and give you one monthly payment. Generally, these types of loans have a lower interest rate than credit cards, so you can save money. To find out if a consolidation loan is right for you, talk to your financial institution.

## 9.4 How Pre-paid & Secured Credit Cards Work

Pre-paid and secured credit cards offer some of the advantages of regular credit cards without all of the risks of over spending. With both pre-paid and secured credit cards, you pay money upfront to use them, but they do have some differences.

### 9.4.1 Pre-Paid Cards

You can purchase pre-paid credit cards from gas stations, convenience stores and even Canada Post. The amounts range from \$50 to \$250 dollars. Pre-paid credit cards are often given as gifts or used by people who do not have a regular credit card.

The good things about Pre-paid credit cards are:

- Privacy – you are pretty much anonymous.
- Convenience – they are generally accepted wherever Visa and MasterCard are accepted.
- Lower interest rates – They don't carry the high interest rates that traditional credit cards do.
- Easy to get – No credit check or bank account required.
- Available for use immediately – no waiting required.
- Prepaid and controlled by you.

The bad things about Pre-paid credit cards are:

- They don't help build or re-build your credit.
- They are often not accepted at hotels / motels.
- They often have surprise hidden fees (like an inactivity fee).
- They can expire after 12 months—even if you have a balance!

### 9.4.2 Secured Credit Cards

The main difference between pre-paid and secured credit cards is that secured credit cards help you build or re-build your credit.

Each financial institution offers different variations of secured credit cards so it's important to talk to someone at your branch to learn more. Most secured credit cards require you to leave a deposit to be eligible.

The deposit is often double what your credit limit will be. For example, if you want a \$500.00 secured credit card, you need to leave a deposit of \$1,000.00. If you honour your agreement, you get your deposit back. Sometimes, financial institutions give the deposit back after 6 months and sometimes after 12 months.

It's important to read the secured credit card agreement so you know and understand the terms of your specific card.

## 9.5 Learning Resources

This clip offers advice on getting rid of credit card debt from money expert, Gail Vax Oxlade (the host of Til Debt Do Us Part and Princess).

<http://www.youtube.com/watch?v=mNLU7p72uQk&feature=relmfu>

Need a plan to get out of debt? Then this is the tool for you! This easy to use "Own up to Your Debt" worksheet helps you add up all your debt and tells you what your payments will be if you want to pay your debt off in 1, 2, or 3 years.

[http://www.debtfreeforever.ca/resources/own\\_up\\_to\\_debt\\_worksheet.html](http://www.debtfreeforever.ca/resources/own_up_to_debt_worksheet.html)

This cartoon video clip uses humour to explain how credit cards and interest rates work. It is an easy to understand clip appropriate for all age groups.

<http://www.youtube.com/watch?v=83wtyEqD1fc>

This link provides a great overview for understanding credit card fees:

[http://www.fcac-acfc.gc.ca/eng/resources/publications/paymentoptions/CCFees/CCFees\\_toc-eng.asp](http://www.fcac-acfc.gc.ca/eng/resources/publications/paymentoptions/CCFees/CCFees_toc-eng.asp)

This link provides tips on how to deal with debt collectors:

<http://www.fcac-acfc.gc.ca/eng/resources/publications/budgetMoneyMgmt/TSCollAgency-eng.asp>

## **9.6 Tips just for you...**

### **9.6.1 Families**

Did you know that your credit card company might charge you an Inactive account fee if you have not used your credit card for a period of time? Just

because you cut up your credit card or it expired doesn't mean your financial institution has closed your account.

If you no longer need your credit card, make sure you contact your card issuer to cancel your card. Make a note of the date and time you called and to whom you spoke to, so you have a record that you cancelled the account. Your financial institution should also send you a record of the cancellation and you should keep a copy of that too.



## 10. Banking 101

### 10.1 Objective

A 2004 study noted that some Aboriginal people have never had contact with a financial institution nor had their parents. Financial institutions offer many benefits for managing your money; it's unfortunate that many Aboriginal people do not access them.

Having an account for your money with a financial institution is one way to keep your money safe, help you save, and manage your finances. After reading this section, you will have a good understanding of the following concepts:

- Types of financial institutions.
- What accounts are and how you can use them.
- How to open an account.



*Even if you do not have a bank account, you can still cash a Government of Canada cheque in your name that is under \$1,500 for FREE at any financial institution that has tellers. Examples of government cheques include goods and services tax (GST) credits; income tax refunds; old age security benefits; employment insurance; and child tax credit benefits.*

### 10.2 Different Types of Financial Institutions

In Canada, there are several different types of financial institutions. The two main institutions people are most familiar with and tend to access are Banks and Credit Unions.

Both keep your money safe and offer services like low cost bank accounts, chequing accounts, savings accounts, life insurance, mortgages, and loans.

The main difference between banks and credit unions is ownership. Credit unions are non-profit organizations owned by their customers, who are called "members".

Another difference is that banks are subject to federal laws while credit unions are subject to provincial laws.

### 10.3 Common Questions about Opening an Account

#### Who opens an account?

Anyone can open an account. Although there is no law that requires you to put your money into a financial institution, there is Canadian law that gives everyone the right to open a deposit account with a financial institution. Here are some things you should know:

You can open an account even if:

- You do not have a job
- You don't have money to put in your account right away
- You have been bankrupt
- You have a criminal record
- You owe money

A bank or credit union may refuse to open an account for a person if:

- The person doesn't provide proper identification.
- They have reasonable grounds that the account will be used to commit fraud or illegal activities.
- The person has committed fraud or other illegal activities in the past 7 years. The most common type of fraud is making a fake deposit. Making a fake deposit is when you use your bank card at an ATM to deposit an empty envelope but claim to be depositing money.
- They think the person trying to open the account is misrepresenting information (not being truthful about the questions they need answered to open an account).
- They think the person trying to open the account is a threat to other customers or employees and may cause physical harm, harassment, or other abuse.

If a financial institution refuses to open a personal account for you, they must tell you of the refusal in writing. The bank must also tell you how to contact the Financial Consumer Agency of Canada.

### **What type of account do I need?**

Most financial institutions offer different types of accounts, such as chequing

accounts and savings accounts. The type of account you need depends on your circumstances.

Some questions to consider when deciding which account is right for you include:

- Do you own a home business?
- Do you write cheques?
- Are you trying to save money?
- Do you have good credit?
- Do you have children?
- Do you need life insurance?
- Do you use your bank card frequently?

The best way to figure out what type of account you need is to talk to a professional at your financial institution. Together you can discuss your goals and needs and decide what type of account will work best for you.

### **When is the best time to open an account?**

Well, it's never too early and never too late to open an account. If you have money, want to save money, or need money, it's time to open an account.

### **Where do I go to open an account?**

You can go to any financial institution to open an account. You want to make sure the institution can meet your needs and has a good reputation. Shop around to see what financial institutions in your area provide the services you need.

### **Why should I open an account?**

People open accounts for different reasons. The main reasons are to keep your money safe and to build credit. Have a look at the video clip "Why Open an Account?" in the Learning Resources list. This clip highlights a variety of reasons you may want to open an account.



## 10.4 How to Open an Account

To open an account, you need to go into the branch where you'd like to open an account in person. You need to bring your identification with you. All financial institutions require specific identification to open an account. Below are the choices for identification as published by the Financial Consumer Agency of Canada.

Choice 1 – Show two pieces of ID from List A:

List A

- Canadian driver's license
- Current Canadian passport
- Canadian birth certificate
- Social Insurance Number (SIN) card
- Old Age Security card with your Social Insurance Number (SIN) on it
- Certificate of Indian Status
- Provincial or territorial health insurance card (this cannot be used in Ontario, Prince Edward Island or Manitoba)
- Certificate of Canadian Citizenship or Certification of Naturalization
- Permanent Resident card or a Citizenship and Immigration Canada form IMM 1000, IMM 1442, or IMM 5292

If you don't have two pieces of ID from List A above, you can use choice 2 or 3.

Choice 2 – Show one piece of ID from List A and one piece of ID from List B, below:

List B

- Employee ID card with your picture on it
- Debit card or bank card with your name and signature on it

- Canadian credit card with your name and signature on it
- Client card from the Canadian National Institute for the Blind with your picture and signature on it
- Current foreign passport

OR

Choice 3 – Show one piece of ID from List A and have someone the bank knows confirm that you are who you say you are.

Once you provide your identification to the teller, they will ask you a series of questions to identify what type of account will best suit you.

This process could take some time so it's important to make an appointment with your financial institution. This ensures that both you and your financial institution set aside the time required to open an account.

Watch the video clip titled "Opening a Bank Account" under the Learning Resources to see, step by step, what is required to open an account.

## 10.5 Learning Resources

Visit this page on the Financial Consumer Agency of Canada's website to explore what type of savings or chequing account is right for you.

<http://www.fcac-acfc.gc.ca/eng/resources/toolCalculator/banking/index-eng.asp>

The following link provides an overview of reasons why you may want to open an account:

<http://vimeo.com/27353696>

This link walks through step by step how to open an account:

<http://vimeo.com/27343193>

## 10.6 Tips just for you...

### 10.6.1 Teens

It's never too early to start building your credit. By opening an account you can begin to build a relationship with your financial institution and build your credit at the same time. There are many benefits for a young person opening an account. Here's how you can learn more:

1. Make a list of all the questions you have about banking and opening a bank account.
2. Do an Internet search on the financial institutions you want to know more about. You may want to choose a branch close to where you live or work. See if you can find answers to your list of questions.
3. If you still have questions call the financial institutions, they'd be happy to help.
4. Make an appointment at the financial institutions you are considering. Making an appointment ensures the staff will set aside the time to sit with you and go through your questions.
5. Talk to friends and family members that you trust. Is there someone you

admire because of their ability to manage their money? Talk to them and get advice on how they chose a financial institution.

### 10.6.2 Families

Juggling all your family responsibilities can be overwhelming. Kids, soccer practices, walking the dog, getting groceries, making dinner...ugh who has time to pay bills!?

You do! Have you ever thought about online banking? When you bank online you can set up your bills to be paid automatically on your payday. Canada Post even works with financial institutions to deliver free online mail. You can receive, print, pay, and store over 200 bills. This free online mail service delivers phone, hydro, cable, and credit cards bills all online.

If you have a phone and computer and are registered with your financial institution for online banking, you have everything you need to simplify paying your bills. Call the number on the back of your debit card and the customer service representative can walk you through how to set up automatic bill payments.

# 11. Savings 101

## 11.1 Objective

This section covers why and how to save money. Chances are if you are earning money, you are spending money, and if you are spending money you should be saving money too.

Not surprisingly, saving money does not come naturally to most people. As we learned in the other sections of this handbook, most behaviours related to how we spend and manage our money take planning, time, and effort. The same is true for saving. If you take the time to plan and make the effort to follow the plan, you will achieve your goals. The trick is to acknowledge the importance of saving, make it part of your plan, and stick to it. After reading this section, you should understand the following concepts:

- What saving means.
- Why people save money.
- How to save money.

## 11.2 What Does Saving Mean?

Saving can mean spending less than full price for an item, like buying something on sale, and it can also mean putting money away for a later date. We will explore both concepts of saving in this section.

Alex is shopping around for a new cell phone. He finds one on sale that is \$20 cheaper than what he budgeted for and buys it. Is he saving money?

Yes, at this point, he is saving because he spent less than what he planned to spend.

Now what if he spends the \$20 he saved on the purchase price to buy a cell phone case. Is he saving money?

No, because he didn't spend less money than he budgeted. He spent the full amount that he allowed for the purchase of a new cell phone.

This example demonstrates the definition of saving as meaning spending less. Now, let's look at a different definition of saving — putting money away for a later date.

Money expert, Gail Vaz Oxlade, explains saving like this:

*To “save” means to take the money out of your cash flow and put it somewhere where it remains unspent. You may have a short-term goal for that money... like buying a new computer. Or you may be putting that money away for the long term – like retirement. But you have put the money somewhere and can look at it and say, “Hey, I saved that money.”*

Based on the money expert's definition of saving, Alex did not save.

Although, Alex had a cost savings when he spent less than he had budgeted to buy the phone, he spent the money he saved on something else. If, instead of spending the \$20, Alex put the money into his savings account, he would have saved according to the money expert's definition.

## 11.3 Why Save?

Sometimes items that we want or things we want to do cost more money than we have. We can either go without those things or we can put some money aside regularly and save until we have enough money to buy the thing we want.

Everyone saves money for different reasons. We all have different goals and different values about saving and spending money. Here are some examples of why people save money:

**Retirement** – when we are finished our working careers and ready to leave employment, we need to have money to live on.

**A down payment for a house or first and last months' rent** – if you are currently living with your parents rent free, chances are that sooner or later you will want to move out and have a place of your own. If you want to buy a house, you need to save money to use as a down payment on a mortgage. If you plan to rent a place to live, you still need to save money for the first and last months' rent.

**Vacations** – many people enjoy travelling and like to take vacations. To pay for a vacation, you need to save for flight tickets, travel insurance, food and lodging, and all the other costs that go along with taking a vacation.

**Education** – some people want to go for further schooling after they complete Grade 12 and graduate from high school. This is called Post Secondary Education. In 2003–2004 the average cost of a four-year program was \$58,000.00. That equals \$14,500.00 each year or just over \$1,200.00 each month. You can see why people need to save to go to school!

**Luxury Items** – younger people may want to save for a new bike or video game console. Adults may want to save for a new boat. These examples are items that we want, but don't need for our survival.

These are just a few examples of why people may save their money. There are many more reasons people save money. What you save for and how you save are

very personal and there is no right or wrong way to save.

## 11.4 How to Save

A recent study found that young Canadians are saving less than their parents and grandparents did at the same age. Some of the reasons given for not saving include, the cost of living being too high and not making enough of an income to save.

If you learn how to live below your means, you would have more money to save. What does living below your means require? Well, here's an example — if you earn \$2,000 dollars a month and your living expenses are \$1500 dollars a month, you are living below your means, and you would have \$500 dollars a month that you could put into savings.

Now let's say Grayson and Maddex are both saving \$500 a month with the goal of paying cash for a new car in 5 years. Grayson puts \$500 a month into an old shoebox that he hides in the closet. Maddex puts his \$500 a month into a savings account that earns 3% interest.

By putting his money into a savings account that earned interest, Maddex earned an additional \$450.00. He can use that extra money for car insurance.

Amount saved each month	Interest Rate	Total Accumulated in 5 Years	Total Saved	Total Interest
Grayson \$500	0%	\$15,000.00	\$15,000.00	\$0
Maddex \$500	3%	\$15,450.00	\$15,000.00	\$450.00

Savings accounts, term deposits and guaranteed investment certificates (GICs) are three options available to help people save money. The Social and Enterprise Development Innovations (SEDI) provides these definitions and summaries:

### Savings Account

- Depositor (you!) receives a passbook in which deposits and withdrawals are recorded.
- Average interest rate is fairly low and may vary slightly from institution to institution.
- Funds are easily accessible, in person, at an ATM, or through Internet banking.
- Some accounts make it more difficult to access this money. You would have to transfer it to a chequing account.
- Passbook can be updated at an ATM or by the teller

### Term Deposits

The financial institution pays a fixed amount of interest for a fixed amount of time, usually for longer than one year.

#### Benefits

- No risk
- Simple
- No fees
- Offers higher interest rates than savings accounts and lower interest rates than a GIC

#### Trade-offs

- Money “locked in” for a fixed term compared to a savings account where funds are easily accessible
- Withdrawal penalty if cashed before the end of the fixed term (the penalty may be higher than the interest you earned)

### Guaranteed Investment Certificates (GICs)

The financial institution pays a fixed amount of interest for a fixed amount of time, usually for longer than a year.

Most institutions require a larger minimum deposit than for a term deposit.

#### Benefits

- No risk
- Simple
- No fees
- Offers higher interest rates than savings accounts and Term Deposits

#### Trade-offs

- Money “locked in” for a fixed and longer term compared to a term deposit
- Withdrawal penalty if cashed before the end of the fixed term (the penalty may be higher than the interest you earned)

Everyone saves for different reasons. What you save for and how you save will vary depending on your goals, income, and expenses. You may have short or long term savings plans. Here are some examples:

Short-term savings could be saving for a vacation, wedding, guitar, bike, or computer. Generally, short-term means 2 years or less.

Long-term savings could mean saving for retirement, a down payment for a house, or your child’s education. Generally, long-term savings means more than 2 years.

## 11.5 Learning Resources

This link offers easy practical tips on saving money even if you're broke:

[http://www.ehow.com/how\\_5015788\\_easily-month-even-youre-broke.html](http://www.ehow.com/how_5015788_easily-month-even-youre-broke.html)

This link for parents provides easy to follow family discussions and activities for children and youth aged 5 – 15:

<http://community.bmo.com/smartstepsforparents/steps>

This link offers a variety of helpful resources for children through to seniors. Here you can learn about savings, retirement planning, and estate planning and tax benefits to name a few:

<http://www.milliondollarjourney.com/>

This link from the same website offers tips specific to saving:

<http://www.milliondollarjourney.com/my-saving-strategies.htm>

This video clip provides some information about investing:

<http://vimeo.com/27305376>

## 11.6 Tips just for you...

### 11.6.1 Teens

Did you know that if someone invested \$1,000 a year for seven years while they were between the ages of 19 and 25 and then invested nothing more that, at age 65, they would have more money than someone who waited until they were 26 and invested \$1,000 a year for 40 years?

### 11.6.2 Families

- Transferring just \$50 a week to a higher-interest saving account can add up to \$2,600 plus interest in just one year.
- Shifting your mortgage payments from monthly to accelerated bi-weekly can help you pay your mortgage off sooner and save you lots of money in interest.
- Using your debit card frequently could add up to over \$30 a month in service charges, that's \$360 a year! Make sure you get on a banking plan that suits your day-to-day banking needs so you don't pay more than you need to.



## 12. The Benefits of Filing a Tax Return

### 12.1 Objective

Many Aboriginal people think they do not need to file an income tax return. Some common misconceptions include: "I'm status. I don't pay taxes so I don't need to file" or "I didn't have any income so I don't need to file" or "It costs money to file a tax return and I can't afford to pay for it". This section addresses these misconceptions and discusses the benefits of filing a tax return. We will address the following topics:

- The facts about filing income tax returns.
- Tax credits and benefits.
- How to file an income tax return.

### 12.2 The Facts on Filing Income Tax Returns

First of all, let's address those misconceptions.

*"I'm status. I don't pay taxes so I don't need to file."* Well it's not quite that simple. There are many considerations and the laws are always changing. The bottom line is, when in doubt; check it out! Call and talk to a Revenue Canada representative at **1-800-959-8281**

*"I didn't have any income so I don't need to file."* Not true! In fact, if you have not had any income, there is even more reason to file! No-income or low-income individuals and families may qualify for a number of credits. We'll talk more about these credits later in this section.

*"It costs money to file a tax return and I can't afford to pay for it."* There are free options to help you file. The Community Volunteer Income Tax Program assists those unable to complete an income tax

return by themselves. The [Volunteer Tax Preparation Clinics](http://www.cra-arc.gc.ca/tx/ndvdl/vlntr/clncs/bc-eng.html) (<http://www.cra-arc.gc.ca/tx/ndvdl/vlntr/clncs/bc-eng.html>) are generally offered between February and April of each year; however, some tax clinics operate year-round and, best of all, the service is free.

Now that those misconceptions are out of the way and you are ready to file, let's talk about tax credits and benefits.

### 12.3 Tax Credits and Benefits

By filing your income tax return, you could receive the following credits:

- GST/HST Credit
- BC HST Credit
- BC Low-Income Climate Action Tax Credit

You may also be eligible for other benefits such as:

- Canada Child Tax Benefit, which includes the BC Family Bonus and BC Earned Income Benefit
- National Child Benefit Supplement
- Universal Child Care Benefit
- Working Income Tax Benefit

*It's important to file your tax return because you could receive more money from the Federal and Provincial governments through tax credits and benefits. By simply filing your income tax return, a single person may receive approximately \$585 more each year; a single parent with one child could receive \$4,700 each year, and a two-parent family with two children may receive up to \$8,600 more each year. Ready to file now? Here's how...*

## 12.4 How to File an Income Tax Return

There are several ways to file your income tax return:

- By mail – you can mail a paper income tax return to the tax centre using the envelope included in your tax package. Income tax return forms can be downloaded from the Canada Revenue Agency website at: <http://www.cra-arc.gc.ca/menu-eng.html>. You can also pick one up from any Canada Post outlet or at an Employment and Income Assistance Office.
- By phone – you may be eligible to use **TELEFILE** (<http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdl/tlfl/menu-eng.html>), which is a fast and easy service that allows you to file your income tax return by phone.

There is also a simplified electronic service called "Service for Seniors." This service allows seniors to file their income tax return, at no cost, using a touch-tone telephone. To use Service for Seniors, the taxpayer calls the existing TELEFILE service at 1-800-959-1110. For more information on Service for Seniors, go to: <http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdl/tlfl/snrs-eng.html>



- By Internet – you may be eligible to use **NETFILE** (<http://www.netfile.gc.ca/menu-eng.html>) if you are completing and sending your own income tax return, or **EFILE** (<http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdl/fl-nd/menu-eng.html>) if you are having your return prepared and sent by an authorized service provider. There are several no-cost tax applications for NETFILE for low-income families.

## 12.5 Learning Resources

The following link is the Canada Revenue Agency website with information for Aboriginal Peoples. Here you will find all sorts of information related to taxation.

<http://www.cra-arc.gc.ca/brgnls/menu-eng.html>

For a list of the available tax clinics in British Columbia, check this link:

<http://www.cra-arc.gc.ca/tx/ndvdl/vlntr/clncs/bc-eng.html>

## 12.6 Tips just for you...

### 12.6.1 Seniors

- If you qualify for full pension (old Age Security and Guaranteed Income Supplement) you will need to provide proof that you have lived in Canada your whole life.
- Seniors who qualify for Guaranteed Income Supplement (GIS) must file on time or their GIS payments would be interrupted in July.

### 12.6.2 Families

- Parents with low income must file on time to receive their Child Tax Credit or their payments would be interrupted in July.
- If you are low income you may qualify to receive the GST/HST and BC Climate Benefits.

## 13. Understanding It All—Family Fun

To help you and your family practice and reinforce the information and skills about financial fitness covered in this guide, we put together some activities and games that you can use.

### 13.1 Family Table Talk

When you sit down at the table to talk to your family about money, it can sometimes be hard to get the conversation started if you've never done it before. The following exercises can help you start discussions about money with your family.

1. Ask each person to write down what they would do if they won a million dollars. Ask them to share their ideas.
2. On small pieces of paper, write down the following questions and randomly give them out to everyone. Have everyone share their answers.
  - The best thing I ever saved my money for was...
  - The worst choice I ever made with my money was ...
  - If I had questions about money and my finances, I would talk to \_\_\_\_\_ because \_\_\_\_\_.
3. On a blackboard or large piece of paper, walk everyone through this exercise about how much money they would need to live on their own.
  - Ask them for their ideas about how much rent or mortgage payments, utilities, food would cost. Write it down.
  - Include entertainment, sports, birthdays, vehicles, and so on.
  - Introduce the idea of retirement and see how much money you would have to save to retire at 55, 60, 65.

The goal of this exercise is to introduce budgeting and the importance of starting to save at an early age.

## 13.2 Financial Fitness Quiz

How much do you know about financial fitness? Answer the following questions to find out. (The answers are on page 50)

1. An account balance is
  - a) The amount of money you have in one of your accounts.
  - b) When your expenses are the same as your income.
  - c) When you balance on one foot and count.
2. Your net pay is
  - a) The amount of tax you pay on your income.
  - b) The amount of income you have left after all the taxes and other deductions are taken off.
  - c) The amount of money you have before any deductions are taken off.
3. An asset is
  - a) Everything you have that has monetary (money) value plus any money owed to you.
  - b) Something you really dislike about yourself.
  - c) A profit making business.
4. If you went to college and earned a 4-year degree, you would make this much MORE money than you could expect with only a high school diploma?
  - a) About 20% more.
  - b) About 70% more.
  - c) About 10 times as much.
  - d) No more; you would make about the same either way.
5. Which of the following credit card users will end up paying the MOST in finance charges each year?
  - a) Hailey, who always pays off her credit card bill by the due date every month.
  - b) Jordon who only pays the minimum amount each month.
  - c) Mike, who pays at least the minimum amount each month and more when he has the money.
  - d) Sarah, who generally pays off her credit card in full but, occasionally, will pay the minimum when she is short of cash.
6. What are some good things about credit cards?
  - a) They establish credit.
  - b) You can earn rewards or points with some cards.
  - c) If you pay off your balance in full every month, you don't have to pay any interest.
  - d) They fill out the card slots in your wallet.
  - e) All of the above.
7. Sometimes people may find it easier and more manageable to combine all their loans into one. This is called:
  - a) Impossible
  - b) Bankruptcy
  - c) Consolidation
  - d) Foreclosure

8. A Budget
  - a) Is a bad word that we should never say out loud.
  - b) Is a way to track your income and expenses.
  - c) Scares people.
9. When you have more than one debt, you should pay
  - a) The debt that has the highest interest rate.
  - b) The debt that you owe the least amount of money on.
  - c) Any friends or family you owe money to first.
  - d) You should not worry about it, you will probably win the lottery one day and then people will be coming to you to borrow money!
10. Your PIN
  - a) Is your personal identification number used to identify you when using bank cards or credit cards.
  - b) Should be posted as your status on Facebook.
  - c) Should be something everyone knows about you like your birth date or phone number.
11. A bounced cheque is
  - a) A rubber cheque that you can give to your friends as a joke – they will really like it.
  - b) A cheque the bank refuses to cash or pay because you don't have enough money in your account to cover it.
  - c) A cheque that is dated for the future.
12. Overdraft protection means
  - a) You are protected from strong overhead winds and drafts.
  - b) Any cheques you write will be charged to someone else's account.
  - c) If you write a cheque for more money than what is in your account the bank will cover it. (Although they may charge you a fee, as well as interest).

## 13.3 Word Search

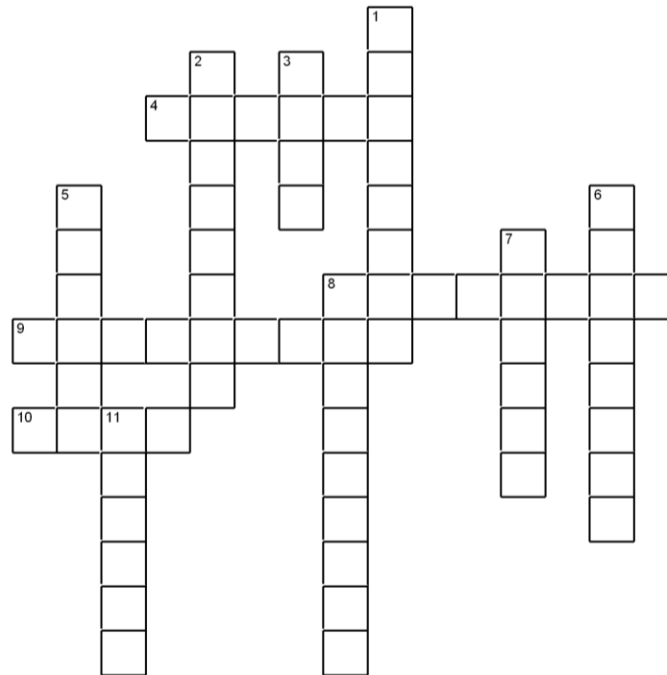
rent mortgage electricity bankruptcy transaction credit card repossession overdraft savings pension insufficient borrowing



1. An agreement with your bank to take out more money from your account than it currently contains
2. A method to purchase that you have to pay the amount you borrowed plus interest
3. A loan for a house
4. What type of account would you have your wages paid into?
5. This is what you pay to your landlord
6. Not paying your mortgage can result in....
7. This can be shut off if you don't pay your Hydro bill
8. If you have bad credit you will have trouble doing this
9. If you can't pay your bills you may have to go through
10. Benefits from employment often include this type of income when you retire
11. when you don't have enough money to cover a purchase the debit machine may say this about your funds
12. Type of fees banks charge to cover using bank machines and money transfers



## 13.4 Crossword



insurance interest budget investing credit debt identity chequing bounce internet income loan

### Across

4. Wages, Tax Credits and Benefits are Income or Expenditure
8. Which of the following is not a essential expense: food,rent,internet,hydro
9. When you buy bonds or shares you are
10. This is how much money you owe

### Down

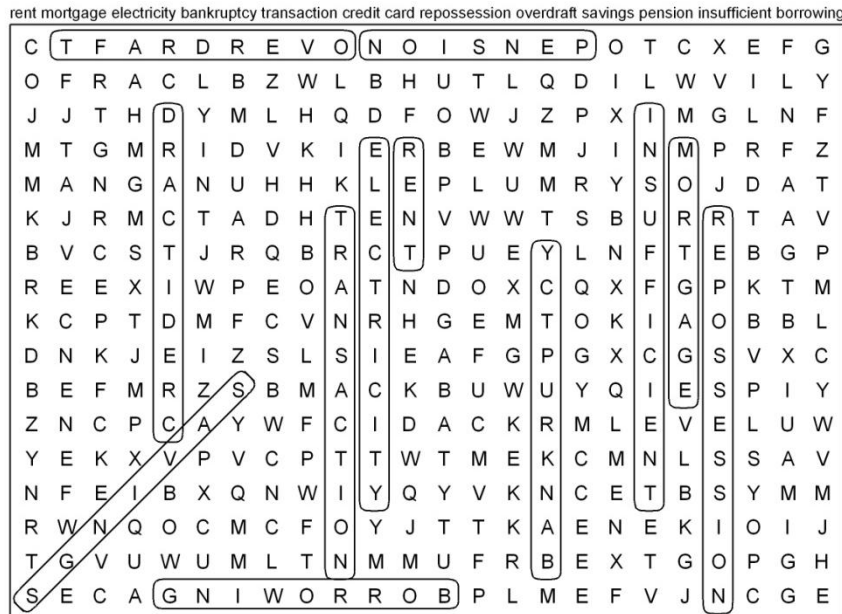
1. Type of bank account
2. When you keep your money in a bank you earn
3. An amount of money you borrow from a bank and repay
5. When you write a cheque and don't have enough funds to cover it you cheque is said to
6. Giving out your private information could lead to this type of theft
7. This type of report tracks if you are eligible for loans
8. When you have a loan you should buy this so if you are hurt or out of work the Bank will cover your payments
11. You create this to track spending and savings

## 13.5 Answer Key

### 13.5.1 Quiz

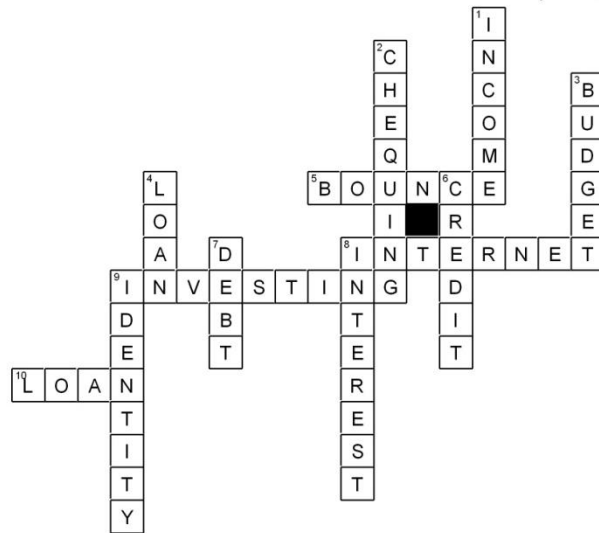
1 – a; 2 – b; 3 – a; 4 – b; 5 – a; 6 – e; 7 – c; 8 – b (but some people think a & c as well); 9 – a; 10 – a; 11 – b; 12 – c

### 13.5.2 Word Search



1. An agreement with your bank to take out more money from your account than it currently contains [OVERDRAFT]
2. A method to purchase that you have to pay the amount you borrowed plus interest [CREDITCARD]
3. A loan for a house [MORTGAGE]
4. What type of account would you have your wages paid into? [SAVINGS]
5. This is what you pay to your landlord [RENT]
6. Not paying your mortgage can result in.... [REPOSSESSION]
7. This can be shut off if you don't pay your Hydro bill [ELECTRICITY]
8. If you have bad credit you will have trouble doing this [BORROWING]
9. If you can't pay your bills you may have to go through [BANKRUPTCY]
10. Benefits from employment often include this type of income when you retire [PENSION]
11. when you don't have enough money to cover a purchase the debit machine may say this about your funds [INSUFFICIENT]
12. Type of fees banks charge to cover using bank machines and money transfers [TRANSACTION]

### 13.5.3 Crossword



loan interest budget investing credit debt identity chequing bounce internet income loan

### Across

5. When you write a cheque and don't have enough funds to cover it you cheque is said to [BOUNCE]
8. Which of the following is not a essential expense: food,rent,internet,hydro [INTERNET]
9. When you buy bonds or shares you are [INVESTING]
10. An amount of money you borrow from a bank and repay [LOAN]

## Down

1. Wages, Tax Credits and Benefits are Income or Expenditure [INCOME]
2. Type of bank account [CHEQUING]
3. You create this to track spending and savings [BUDGET]
4. When you borrow money it is a [LOAN]
6. This type of report tracks if you are eligible for loans [CREDIT]
7. This is how much money you owe [DEBT]
8. When you keep your money in a bank you earn [INTEREST]
9. Giving out your private information could lead to this type of theft [IDENTITY]

## 13.6 Learning Resources

This website provides some great activities and games for teaching money concepts:

<http://www.moneyandstuff.info/activities.htm#understanding>

## 14. Glossary

<b>ATM</b>	<b>Automated Teller Machine.</b> Machines where, using a bank card, you can access your bank accounts to withdraw or deposit money, pay bills or transfer money between accounts.
<b>Appreciate</b>	To grow in value. Stocks, bonds, RRSPs and some assets, such as property, can increase over time. You may purchase a stock when it is valued at \$5.00 per unit and over 3 years it can appreciate to be valued at \$6.00 per unit.
<b>Asset</b>	In the financial world, an asset is something you own that has value. Money in your bank account is an asset, a house that you own is an asset.
<b>Balance</b>	The amount of money remaining in an account. In banking, your balance is what you have left after all deposit and withdrawal transactions have been processed. If you receive a bank statement your “balance” will be the money that is left in your account.
<b>Bank Account</b>	An account you have at the bank where you can deposit and/or withdraw money.
<b>Bond</b>	An investment that you can purchase from a bank, which will grow into more money based on an assigned interest rate.
<b>Bounced cheque</b>	A cheque the bank refuses to cash or pay because you don’t have enough money in your account to cover it.
<b>Budget</b>	A document used to organize and track income and expenses.
<b>Career</b>	A job or profession that someone does (usually for a long time).
<b>Cheque</b>	A piece of paper that you can use to give permission for a bank to give money from your bank account to someone else. You can use cheques instead of cash. Cheques are usually printed by your bank and you fill in the information about who you want to give the money to and how much money you want to give, and then sign it. The amount you write on the cheque is withdrawn from your account, by the bank, and given to the person/business to which you wrote the cheque.
<b>Chequing Account</b>	An account you set up at the bank that allows you to transfer money to other people using cheques.
<b>Child Tax Credit</b>	A benefit received from the Government of Canada that provides financial assistance to help eligible families pay for some of the costs of raising their children who are under the age of 18.
<b>Compound Interest</b>	Interest that is paid on an original amount of money, as well as on the interest that money has already earned.
<b>Consumer</b>	A person who buys goods or services.
<b>Credit</b>	Money that a bank, business, or person allows someone else to use and then pay back in the future.

<b>Credit Card</b>	A card that represents a credit agreement. A bank or financial institution may give a credit card that can be used to pay for goods or services before the money is actually deposited in the account. The credit card owner agrees to pay back the borrowed money at a designated time. If full payment is not made on the payment date, interest will usually be charged.
<b>Credit History</b>	A record of how well someone has paid back their loans, bills or debts.
<b>Credit Union</b>	A financial institution similar to a bank and that provides many of the same services as a bank. Credit unions suggest they focus more on their members rather than profits and are an important contributor to their community.
<b>Currency</b>	Money that a country uses. In Canada, our currency is the Canadian dollar.
<b>Currency Exchange Rate</b>	The value of one country's money when converting it to another country's money.
<b>Debit Card</b>	A card issued by your bank that allows you direct access to your bank account. You can use your debit card to deposit or take money out of your account at an ATM. You can also use your card to make purchases at stores, restaurants and businesses that have a debit machine.
<b>Deductions</b>	Money that is taken off your pay cheque. Some of the basic deductions in Canada are Employment Insurance, Income Tax, Employee Benefits, and Pension Plans.
<b>Deflation</b>	The opposite of inflation. Deflation occurs when prices drop over time.
<b>Deposit</b>	Putting money into an account. Cash, cheques and electronic transfers that are added to your account are called deposits.
<b>Dividends</b>	The amount of a company's profits that the company pays to people who own stock or shares in that company.
<b>Exchange Rate</b>	The rate at which things are exchanged.
<b>Expenses</b>	Items that money is spent on, such as rent, food, bus fare and clothing.
<b>Financial Literacy</b>	The knowledge and skills to make informed decisions about money.
<b>Financial Planner</b>	Someone who helps you plan how you spend and save your money. They can help you plan for your future.
<b>Fixed Income</b>	An income level that does not change, that is, you receive the same amount of money each month. Usually people on a fixed income do not have a lot of extra money or financial freedom to make large purchases.
<b>Gross</b>	In terms of income, gross refers to the amount of money you received before anything is deducted (like taxes).
<b>Guaranteed Interest Certificate (GIC)</b> -	An insured time deposit with a bank. When you sign up for a GIC, you agree you will not use the money in your deposit for a specified amount of time, usually 6 months to 5 years. When you honour your agreement, you can earn a guaranteed interest rate so your money appreciates.

<b>Guaranteed Income Supplement (GIS)</b>	A benefit from the Government of Canada for low income pensioners. The amount received depends on the person's income and marital status.
<b>HST</b>	<b>Harmonized Sales Tax.</b> A tax that, in BC, is 12% added on to most goods and services that you buy. (There are some items that are exempt, or are not charged, HST.)
<b>High Interest Loans</b>	Money borrowed with a high interest rate.
<b>Income</b>	The amount of money a person has coming in to their household.
<b>Inflation</b>	The continual increase of the price of goods and services over time.
<b>Insurance</b>	Financial protection against possible loss or damage. You could have insurance on your house, car or life. In the event of accidental damage to the insured property or person, you would receive money to help deal with the situation.
<b>Interest</b>	Extra money paid to someone else when you borrow money or money that may be paid to you when you have invested money.
<b>Interest Rate</b>	The amount, usually expressed as a percentage, that determines how much additional money you pay (loan) or receive (investment) when borrowing or lending money.
<b>Invest</b>	Using your money to earn more money by purchasing things like bonds, real estate) that will increase in value.
<b>Investment Portfolio</b>	A record of all the investments a person has.
<b>Loan</b>	An agreement to use money that belongs to someone else and pay it back at a later date.
<b>Liability</b>	Something (often a payment of money) that a person is legally responsible for.
<b>Line of Credit</b>	A type of loan, usually from a bank. It is usually set up like a bank account that can be easily accessed when money is needed. Interest is charged on money borrowed from this account.
<b>Net</b>	The amount of money you receive as earnings AFTER all deductions (taxes, and so on) have been taken off. This is often referred to as your "take-home pay".
<b>Overdraft</b>	An amount of money that you are allowed to take out of your bank account that is greater than the amount you deposited. Interest and fees are usually charged on the money that is borrowed.
<b>PIN</b>	Personal Identification Number. This is your personal, secret code that allows you to access your bank account. You will need your PIN if you access telephone banking, online banking or an ATM.
<b>Portfolio</b>	A mix of stocks, bonds, and cash grouped together to balance your risk and reward.



<b>Principal</b>	The original amount of money that is put in the bank (or investment) or the original amount of money that is borrowed.
<b>Profit</b>	Money that is made (through earnings, investment, and so on) after all other expenses or deductions are paid.
<b>RRSP</b>	Registered Retirement Savings Plan. An account for saving money for when you retire. It is helpful because it can reduce the amount of taxes you are required to pay to the government.
<b>RESP</b>	Registered Education Savings Plan. A way for parents to save for their children's post-secondary education that has some tax benefits.
<b>Salary</b>	The amount of money that is paid to an employee in a year. This amount is usually divided up equally and made in payments once every two weeks or twice a month.
<b>Savings Account</b>	A bank account where you can put your money to save it for future expenses.
<b>Taxes</b>	An amount of money that the government requires people to pay. It can be dependent on your income, the goods or services you are purchasing, the value of your property, and so on. This money is collected by the government and used to run government programs and services.
<b>Wage</b>	An amount of money paid to a worker based on the number of hours or days they work.
<b>Withdrawal</b>	In banking, this means taking money out of an account.