



Module 8

# MONEY BASICS

Let's Discuss...

- \$ What money is
- \$ What we use as money
- \$ Characteristics of money
- \$ Roles of money
- \$ Impact of inflation on the purchasing power of money
- \$ Role of the Bank of Canada
- \$ How financial institutions work

Using money wisely is a skill – and a skill that will usually pay off. Any skill, like being a plumber, an auto mechanic, a doctor, or a dentist requires learning – what’s important to know, how things work, how to do the work, what can go wrong, and what to do in certain circumstances.

That’s the case with money too. There are things to learn about money that can help you to take better control, make better decisions, and have a better chance of achieving your goals. To help you take better control of money in your life, let’s cover a few of the “basics.” These can help build your basic understanding as you get more and more involved with money and money decisions.

How About You?



How would you rate your general money knowledge and skills?

1 2 3 4 5  
NOT VERY GOOD ————— EXCELLENT



## First question – What is money anyway?

In the old days, what people used as money often had value in and of itself. For example, some money was made from metals like gold and silver. The coins were actually valuable because of the metal they contained. A gold coin had a value based on the worth of the gold used to make it. Money made of material like gold and silver is said to have “intrinsic” value. There was actual value in the money itself.

That is not the case today. A \$100 bill doesn't contain \$100 worth of metal or any other material worth anything close to that. The \$100 bill doesn't “contain” \$100 in value – it “represents” \$100 in value. You can use a \$100 bill to buy \$100 worth of stuff. Stores, for example, will provide you with products worth \$100 in return for that colourful (and now plasticized) little piece of paper. You don't have to give them gold, or a goat, or bushels full of grapes. One little piece of paper and you can walk out with \$100 worth of product – with nobody chasing you.

But why are they willing to accept it? They accept it because they know others will accept it from them. They will be able to get something else, from someone else, worth \$100. The \$100 bill has become “legal tender” – along with the quarter, the loonie, the ten dollar bill and all our other coins and currency. Legal tender is what we officially use as money.

*Think About It*



**If you had to describe to someone what money is, what would you say?**

Money that doesn't have “intrinsic value” but, instead, “represents value” is called “fiat money.” That is what we use today. A dime isn't made of anything worth 10 cents. The same is true for the loonie, the toonie, the \$5 bill and so on. They don't have “intrinsic value” – but they do have “purchasing power.” You can use them to buy things.

In the course of history, a variety of things have served as money – gold, cows, shells, playing cards, and other things in countries around the world. But, in today's world, what is used as money has become pretty standard from country to country. That doesn't mean we all use the same money. Canada's money is different from money used in the U.S., Japan, Europe, Russia, and so on. What is common is that all countries, for the most part, use fiat money. There aren't countries using cows as currency anymore. However, in some countries you can probably still trade a cow for some things.

Trading one item in exchange for another without using money is called “bartering.” Bartering is basically another word for trading – trading one thing for something else. The problem with bartering for a modern economy is that with so many goods and services produced, setting prices would be a nightmare. What is one computer worth – 500 towels? Or 3 bicycles? Or a six-person tent? Or ½ of a good lawnmower?

*Learn About*



**Go online if you can and do some quick research on things that have been used as money in the past.**

## How About You?



**Have you ever bartered or made a trade – and exchanged one thing for another without using money? If so, how did that come about? Was it easy?**

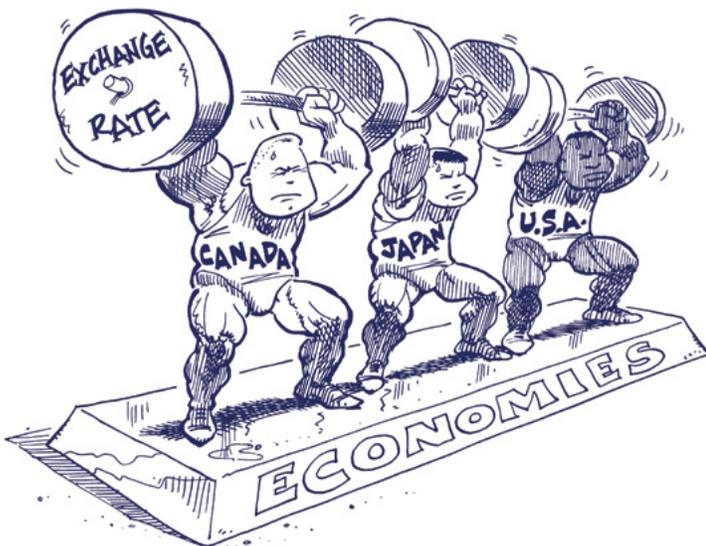
You get the picture. Money makes buying and selling (exchanging) things much easier. However, because all countries don't use the same money, there is also a need for "foreign exchange markets." You may have participated in a foreign exchange market if you have ever had to use Canadian dollars to buy U.S. dollars, or Euros, or Japanese yen. Foreign exchange markets enable the currency of one country to be exchanged for the currency of another country.

You have probably heard talk about the exchange rate of Canadian dollars in terms of the money used in another country – for example, the U.S.. You will often hear news reports talk about the value of the Canadian dollar in terms of the U.S. dollar because the U.S. is our neighbour, many Canadians travel there, and the U.S. is our largest trading partner.

## Think About It



**Have you ever had to exchange Canadian dollars for the currency of another country? If so, how did you do that? What was the cost to make the exchange? Why was there a cost? Did you use the money when you visited another country? If so, how did the costs for things compare with the costs in Canada? If costs were different than in Canada, why do you think that was the case?**



The value of the Canadian dollar in terms of the U.S. dollar will be affected by many things. It would almost be a book on its own to discuss all the factors that can affect the international value of our money. For our purposes here, just be aware that the exchange rates between the Canadian dollar and other currencies will change over time and will be influenced by a variety of factors. (If you want to learn more about exchange rates, go to the Canadian Foundation for Economic Education's website, "Money and Monetary Policy in Canada.")

So different countries use different kinds of currencies as money. But, for something to serve as money, it has to have some specific characteristics.

- It has to be durable. If we used apples, they would rot. That wouldn't work.
- It must not be easily reproduced. We could use chestnuts. They're pretty durable. But soon everyone would be planting chestnut trees. There would soon be so many chestnuts, and prices would rise so high, you'd need a wheelbarrow full of chestnuts to buy a loaf of bread.
- While it must be relatively scarce and not easy to reproduce, it can't be too scarce. If it was, we wouldn't have enough for all the exchanges that have to take place. So we could use whooping cranes – but we'd never have enough for the money we need.
- It also has to be easy to transport and carry around. We could use elephants but just try putting a couple of them in your pocket or purse.
- And finally, it has to be divisible into fractions. We use a dollar as our basic unit of currency but we also have 5/100 of a dollar (nickel), 10/100 of a dollar (dime) and so on.



Examples of early Canadian coins.  
National Currency Collection, Bank of Canada;  
Photography James Zagon, Ottawa.



So money needs to be durable, not easily reproduced, available in sufficient quantity for transactions in the economy, easily carried, and divisible. But more than anything, it has to be widely accepted as money.

So what we use as money has changed over time. How we use money has also changed. Today, we have a pretty sophisticated financial system – one in which you often don't actually need to hold or handle much money. Why? Because we have things like debit cards and online banking. We can transfer money through our computers from the comfort of our homes – or in our car – or on the bus. We can send money to someone overseas in a flash. Things have changed dramatically over the last thirty years or so in terms of money and how we use it.

*How About You?*



**How do you like to pay for things you buy? Do you carry much money on you?  
Why or why not?**

## But what roles do money serve for us?

There are three basic roles.

First, money serves as a “medium of exchange.” As we have noted, it helps us buy things from one another. It is a lot easier to use money than to barter and try to exchange one item for another. We all use money to buy things – as a medium of exchange. But this brings us to another role of money – it makes it easy to set prices.

Rather than having to set prices in terms of all sorts of things, prices are set in terms of money. How much money does it cost? What is the price? Everything has a price – in terms of money. Money is said, then, to serve as a “unit of account.” That makes things easier too.

Finally, money serves as a “store of value.” That means we can save it and use it in the future. We can store money for the future in different ways – and in different places. We can even try and do things with the money we set aside to try to increase its value – by saving or investing it.

*Think About It*



**Why might the price of a product decrease? What are possible reasons why a product might go on sale? Why might the price of a product rise?**

So let's review a list of some key things to note about money:

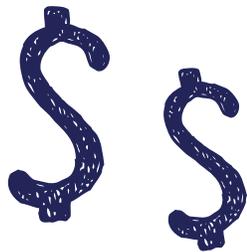
- Our money isn't valuable in and of itself. Its value is in what we can get with our money – it's “purchasing power.”
- Prices will affect the purchasing power of our money. If prices, on average, rise, that will lower what we can buy with the same amount of money. Rising prices therefore reduce the purchasing power of money.
- If prices, on average, rise in an economy, that is called “inflation.” The job of trying to control inflation in Canada lies primarily with the Bank of Canada. You can't do your banking at the Bank of Canada. It is an agency of the federal government. The banks deal with the Bank of Canada – individual Canadians and businesses do not. An important job of the Bank of Canada is to try and influence the levels of spending, the money supply, and interest rates so that prices are kept pretty stable. There is probably no more important role for the Bank of Canada than to keep the rate of inflation under control to help protect the purchasing power of Canada's money. (The Bank of Canada usually sets its sights on about 2% inflation rate for Canada's economy.)

*How About You?*



**Do you have savings or investments?  
If so, how have you saved or invested?  
Has the value increased?  
Or decreased?**

- Most of us keep much of our money in financial institutions. We have a variety of ways to get and use our money – cash, cheques, debit cards, online transfers – if, for example, we want to make a purchase – like buying a book, a meal, a car, a computer, etc.
- Credit cards are not a form of money and they don't help us get and use our money. They help us get and use someone else's money – such as money that a bank has made available to you on a credit card if you need it.
- Most of us “store” our money in financial institutions by putting it in different kinds of accounts – savings account, chequing account, savings-chequing account, tax-free savings account, and so on. We may invest some of those savings to try and increase the value of our savings in the future. For example, we might invest some savings in stocks, bonds, mutual funds, treasury bills, and so on. Therefore, by putting our money in a financial institution, we can store our money to protect it, be able to get it when we need it, and hopefully find ways to increase its value over time.
- Inflation makes it harder to increase the value of our savings. If you are able to earn 3% interest on your savings in a year, but inflation is 3%, your savings will have trouble increasing their “purchasing power.” Inflation can eat away at the value of our money and make saving for the future more difficult.
- At the same time, if inflation is 3%, gaining 3% on your money is better than earning nothing at all. If you don't earn 3%, the purchasing power of your savings may actually fall. So it is a good idea to put your savings to work to try and earn some more money for you – and to protect its value and purchasing power from inflation.



*Discuss*



### **What do you and others think of Canada's “plasticized” money?**

Before we wrap up this brief primer on money, there is another key point to make. In addition to the other key role we mentioned about the Bank of Canada – that is, influencing interest rates, the money supply, and level of spending to keep inflation under control – the Bank of Canada also produces our currency – our paper money. (Note: the Canadian Mint produces our coins.)

Since the Bank of Canada can print money, the question may come to mind – why not just print more money and give it to people and make everyone better off. Sounds like a good idea. Unfortunately, here's why it won't work.

Think of the game “Monopoly.” If you have never played Monopoly, get someone to briefly explain the game. In essence, though, here's how it works. Players roll dice and move their player pieces around the board, buy “properties” that are available for sale, trade to form “monopolies,” (get all the properties that are of the same colour or type) and build houses and hotels to try and make more money than the other players – and win the game.

At the beginning of the game, players are given a certain amount of money. They use this money to buy properties, to buy and sell properties to form their monopolies, and to buy houses and hotels. Now what if we doubled the amount of money in the game? Would the players, overall, be better off?

No. Why not? Because there is no added “value” in the game that the money can buy. There are the same number of properties, houses, and hotels. The added money can’t be used to buy anything new. The players may have more money but they will need more money, due to higher prices, just to buy the same things as they would in a game with half the amount of money. In terms of “real value,” players are no better off having twice as much money.

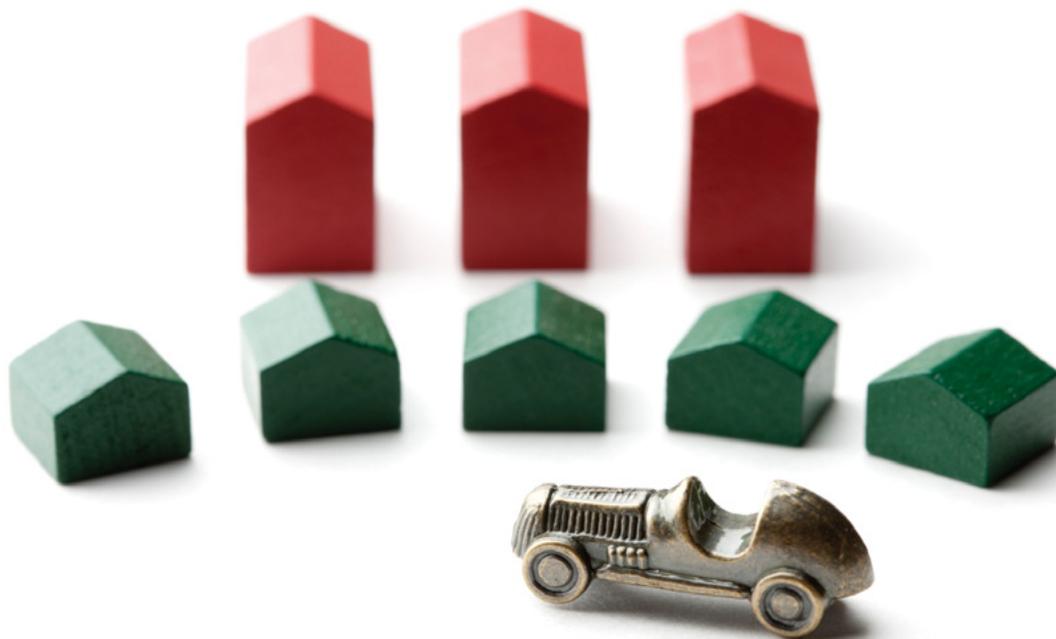
What will be the result? Prices in the game will increase. In fact, on average, they would likely double. The added money would be “chasing after” the same quantity of goods. With more money in the game, prices will be bid up as players look to build their monopolies and make exchanges with one another.

The same is true in our economy. If we add more money to the economy, but don’t produce any more, the added money will just push up prices. This brings us to a key point. Money is of little value in and of itself. We can’t eat it, wear it, or build houses with it. Its value is in what it can buy – its purchasing power. So if we have twice as much money – but prices double and we have nothing more to buy – we are no better off.

Things are different when the economy produces more. More money will be needed by the economy when there are more goods and services produced. More money will be needed so that the new items can be bought. But if it’s just the same quantity of stuff in the economy this year as last year, any added money will just lead to things costing more. And inflation will just eat away at the purchasing power of our money.

So keeping inflation under control is a key job for the Bank of Canada. If you want to learn more about interest rates and monetary policy, visit CFEE’s website, “Money and Monetary Policy in Canada.” You can access the site via CFEE’s main website [www.cfee.org](http://www.cfee.org).

That’s not an easy job. Luckily the Bank of Canada has very capable people managing our “monetary conditions.” Canada has a very good international reputation for managing our money well – as a country.





50 livres, French Regime playing card money – Reproduction, 1714, Canada.

To review – money is a “medium of exchange” (we use it for spending), a “store of value,” (we use it for saving and investing), and a “unit of account,” (it enables us to set all prices in terms of money.)

When it comes to what we do with money, everyone faces a variety of money challenges and decisions. These decisions include:

- Getting money
- Spending money
- Overall budgeting, planning and managing money
- Borrowing money
- Saving and investing money
- Protecting money
- And donating money – giving some of our money away to others

We have looked at ways of “getting money” in earlier modules. We have also looked at how to make good decisions when it comes to spending money. We’ll soon look more closely at some of the “major expenses” – the bigger things that many people spend money on. As we continue, we will look at each of these other money challenges and decisions as well. We will try and help you develop your money skills – take more control over your money – and have a better chance of reaching your financial goals.

Let’s turn our attention to the overall challenge of budgeting, planning, and managing your money.

# How Financial Institutions Work

## The Business of Banking

### Banks Aim to Earn a Profit for Shareholders

Banks operate as businesses and, as such, aim to make a profit. The profit earned by the banks can be reinvested, saved for reinvestment in the future, or distributed to shareholders – the owners of the bank. Most Canadian banks are privately owned by many shareholders and the shares are available for purchase on the public stock exchange. The shareholders receive a share of the profits, which are distributed as dividends.

*How About You?*



**Do you have money deposited in a bank? If so, how did you decide which bank to use?**

*Think About It*



**Can you think of times when banks may need to have more cash on hand to respond to depositors wanting to withdraw cash?**

### What Do Banks Do With Their Deposits?

In managing their deposits, banks will allocate their deposits in three general areas:

- **Cash reserves:** These are held to cover day-to-day needs for cash, and some are held for precautionary reasons to cover potential, unforeseen needs.
- **Highly liquid assets:** These include treasury bills, which earn interest but are quickly convertible to cash if the bank should find that it has additional cash needs. Liquidity refers to how quickly an asset can be converted to cash at a predictable value.
- **Less liquid assets:** These include commercial, consumer, and mortgage loans, which return a higher rate of interest to the bank but are less easily converted to cash and represent greater risk.

*How About You?*



**Do you actually use much cash these days to handle your purchases? How do you prefer to handle your purchases? Do you know of any costs you incur when you use other forms of payment?**

Banks will hold on to sufficient funds as cash or highly liquid assets for those clients with deposits to feel confident that they can always access their funds when needed.

The decisions made by banks about the quantity of liquid assets, such as cash, to hold in reserve are determined by a variety of factors. For example, during the Christmas season, people tend to withdraw more funds and spend more. The banks will need to have a higher quantity of liquid assets available at such times.

But not all of the banks' deposits need to be held as cash or in highly liquid form. Why? Since the vast majority of payments made today are not in cash, but via cheque, debit card, or online transfers, the banks only need to hold a relatively small portion of all their deposits to service the needs of their depositors on a day-to-day basis. The rest of the deposited funds are then put to work by financial institutions as loans or investments to earn interest – with profit being the goal.

We noted that banks will aim to earn a profit for their shareholders. Profit is defined as Total Revenues minus Total Expenses. Let's look closer at the expense side of the banking business.

## The Expense Side

What costs does a bank incur in operating its business affairs? We know that a bank incurs a cost for the funds held as interest-bearing deposits. That is, a bank has to pay interest on its deposits. In addition, a bank faces costs such as salaries for employees, property expenses for its branches and offices, advertising, branch operations, and taxes. In other words, a bank faces most of the normal operating costs that other businesses face.

Another potential expense for a bank is not as obvious – and that is the allowance for possible losses on loans. As you can imagine, banks make loans on the assumption that they will be repaid. Extensive checks are done on a borrower before the bank provides a loan in order to try to ensure the loan will, in fact, be repaid. But sometimes things don't go as planned or forecasted and some borrowers may find that they can't meet their payments. They may even encounter such hardship that they may not be able to repay the loan – or a portion of the loan. The banks have to plan for the possibility of such situations and the possible cost of loan losses.

That's the cost side of the banking business. What about the income side?

*Discuss*



**What are the various kinds of costs a business may face in producing and providing a good or service?**

## The Income Side

Banks earn income on the spread (or the difference) between the interest rate they pay to depositors and the interest rate that they charge to borrowers. But that's not the only way in which the banks can earn income. Banks invest in assets such as bonds and treasury bills that pay interest to the banks. Banks also earn income from foreign exchange commissions as people and businesses pay a fee to convert money from the currency of one country to the currency of another. They also earn significant income from a variety of possible fees that may be charged, such as those charged on/for:

- certain bank accounts as maintenance fees
- providing hard copies of bank statements
- requesting a deposit slip
- returned deposit fees (if someone writes you a NSF cheque)
- overdraft charges
- ATM fees
- notarizing documents
- lost card fees
- and others

As with any business, if a bank's total revenue exceeds its total expenses, it earns a profit. Generally, the better a bank is managed, the higher its profit and its stock price will be. However, if a bank is not managed well, and if its performance doesn't meet expectations, disgruntled shareholders may exert pressure for changes in the bank's management.

*Think About It*



**What fees might you be paying to a bank for services the bank provides?**

# Module Summary

## Say What? Possible New Terms!

- 1. Financial independence:** having access to enough income to enjoy life without having to work if you do not wish to do so. You are not reliant on others for the money you need to live.
- 2. Intrinsic value:** when money has value in and of itself. For example, money made from gold or silver.
- 3. Fiat money:** when money has no value in and of itself but only in terms of the value it represents and what it is able to buy – its purchasing power.
- 4. Legal tender:** the official money in a country that is widely accepted.
- 5. Exchange rate:** the value of one country's currency in terms of the currency of another country.
- 6. Foreign exchange market:** locations where the currency of one country can be exchanged for the currency of another country.
- 7. Bartering:** when one item is exchanged directly for another without using money.
- 8. Medium of exchange:** one of the roles of money where money makes it easier to acquire goods and services we need and want.
- 9. Unit of account:** one of the roles of money where we are able to set prices in terms of money to reflect the value of a good or service.
- 10. Store of value:** one of the roles of money whereby it is possible to save money rather than spend it and try and increase its value in the future.
- 11. Purchasing power:** the ability of money to acquire goods and services. As prices rise, the purchasing power of money falls.
- 12. Inflation:** a rise in the average price level of good and services in the economy.
- 13. Bank of Canada:** Canada's central bank that holds the responsibility, among other things, of influencing interest rates to keep prices relatively stable and protect the purchasing power of Canada's money.

## Did It Stick? Can you recall ...?

- 1.** What is money and what are the roles of money?
- 2.** What are the characteristics of something that can serve as money?
- 3.** Why does bartering pose challenges for a modern economy?
- 4.** What are the different ways people can access and use their money today?
- 5.** Why does the Bank of Canada try to keep prices stable in the economy?
- 6.** Why can't the Bank of Canada just print more money, distribute it, and make everyone better off?

## Thinkabout ... or Discuss:

- How and why could playing cards ever have been used as money?
- What are the disadvantages and harmful effects of inflation in the economy?
- Who tends to get hurt most by inflation? Who might benefit from inflation?
- How does the Bank of Canada try to keep inflation under control?
- What factors do you think might affect the exchange rate of the Canadian dollar with the U.S. dollar? Who benefits if the value of the dollar rises? Who benefits if the value falls?

## Tips & Suggestions

- Keep an eye on the rate of inflation and whether it looks like inflation may be rising. This can affect prices and interest rates.
- Be careful when doing online banking. Do your banking from secure sites – and never share “PINS” or “passwords” with others. Don’t have them on your cell phone, etc. so that, if your phone is lost or stolen, no one can find your passwords.
- Be careful in using random “ATMs” in locations where you think they might not be secure and well monitored. ATMs can be compromised by thieves to steal your PIN and then try and access your accounts. Try and use ATMs you feel you can trust and that are well protected.

## Tech Talk

On the Internet you may want to search for, or visit the web sites of:

- Things used as money
- Money in early Canada
- Bank of Canada – and Role of the Bank of Canada
- Why we worry about inflation
- Canada’s paper currency
- Factors affecting the value of Canada’s money
- Canadian Mint





# TAKING CONTROL OF YOUR MONEY

Let's Discuss...

\$ Tracking your spending

\$ Budgeting

\$ Budgeting tips

\$ A sample budget

\$ Moving out on your own

\$ Taxes

Let's assume you have found one or more ways to get money. You have an income coming in. You have money decisions to make. What are you going to do with your money? How are you going to manage it?

.....

## Tracking Your Spending

Putting together a basic "budget" can help you manage and control your money. A budget is a plan for how you use your money on a month-to-month basis. It helps you look at your expenses – both those you have each month and those that come up now and then. It helps you work out how you will cover your expenses from your income. A budget also helps you to save, build up your savings over time, and achieve your financial goals.

Think About It



**How will you afford some of the bigger things you hope for some day if you don't save for the future? Is there anything you want you know you will have to save for?**

How About You?



**Do you already have your money under control? Do you know where it's going – how you are using it? Are you able to save money or do you always tend to be short of money? How are you as a saver?**



Interestingly, survey after survey shows that most people think that having a budget is important – and budgeting is a wise thing to do. But, as surveys also show, most Canadians don't work with a budget. Why not?

Many people don't budget because they feel that they don't earn enough money to need a budget. In reality, the less money you have, the more likely it is that a budget can help you. You will want to get the most out of your money. You won't want to waste any. You'll want to make as many "good" money decisions as you can. Budgeting can help – and can help most people regardless of how much money they have.

*How About You?*



**Did you ever think of having a budget to help you? Do you already have a budget? Do you know if your family works with a budget?**

There are also many people who don't budget because they fear that a budget will put them in a "financial strait-jacket." They think a budget will have too much control over what they do. Actually, a person who fears that a budget will control them too much is often a person whose spending is out of control. If you fear a budget, you probably need to budget. A budget helps you gain control – not lose it.

Deciding to budget is a sure sign you have decided to take control of your money. But have you any idea how your money is being used – where it is going?

*Take Action.  
Take Control!*



**Whether or not you use a budget, stay in control of your money. Know where it's going. And make sure it's going where you would like it to go.**

The best way to start taking control of money is to "track your expenses." And that isn't hard today with how easy it is to carry a little notebook or use the note pad on a cell phone or other hand-held device. All that you have to do is, over a month or two or three, write down what you spend your money on: \$12 movie; \$35 scarf; \$19 book; \$80 bus pass; and so on.

Then, take a few minutes at the end of that time and write down a number of categories. These might include:

- Transportation
- Snacks, eating out, and food in general
- School supplies
- Movies, music and entertainment
- Your hobby
- Cell phone or Internet
- Savings
- And so on.

*How About You?*



**Based on how you use your money, what categories of spending would you list?**

Next, before you add up how much you have spent on each category, write down the percentage of your money you think you spend on each category.

*How About You?*



**What percent of your money do you think you spend on each category you identified above?**

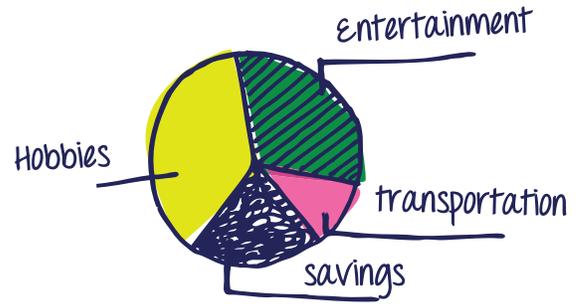
Then add up how much money you actually spent on each category. See if the results surprise you. Or see if the results come close to what you expected. This will give you one sign as to whether you know where your money is going – and if you are in control.

There is one other thing you can do too. Look at how much you are spending in each category. Is that the way you want to be using your money? Are you spending more in some areas than you would like to – or think you should? Are you saving as much as you would like – or need to?

*Take Action.  
Take Control!*



**As your life circumstances change, think of the changes this may have on how you use your money. Do you need to change your budget? Or do you now need to budget if you didn't before?**



*Take Action.  
Take Control!*



**Save some of your money! If at all possible, get into a habit of saving – even if it isn't a lot. There is a saying that "few people get rich off their income." Build up some savings if you can. It can make a big difference.**

Going through this exercise – seeing where your money is going – and thinking about where you want it to go – should tell you pretty clearly if you need to budget. If you are pleased with how things are, and happy with how you are using your money, you may not need a budget – at least not yet.

It may be that you are in control of your money and managing it well. However, as you make more money, take on new expenses, and life becomes more complicated, you may find that a having budget will help you stay in control. At the very least, on a regular basis, you should do a check on how you are using your money. Track your expenses over a period of time. See if things are still on track and how you would like them to be. Your goals may change. You may start to build a household and family. You may lose your job – or get a job – or get a better job – or get a raise.

Life is always changing. So keep in touch with how you are using your money – and check whether it is being used as you would like.

Now, on the other hand, when you track how you are using your money, you may not like what you find. You may find you are spending more on one area than you would like. You may find you aren't saving enough – or that you are charging too much on credit cards – or that you aren't able to spend money in some areas that you would like. Maybe you would like to join a club or a workout program and don't have the money to do so – based on how you are currently using your money.

If you find things are not as you would like – or if you would like to change things for some reason – or if things have changed in your life – you may find that budgeting your money will help. And even if you are happy with what you find, you may want to use a budget too – to keep you on track and to keep you in touch with where your money is going. A budget is a great way to keep control of your money – or gain control if things are not going as you would like.

Let's take a closer look at what a budget is and how it can help you.



# Controlling Your Money – Budgeting

A budget is not a strait-jacket. If anything, it can help give you greater financial freedom.

A budget helps you know where your money is going. As you work out your budget, you may find ways to cut back or ways to save more. If you can, use your budget to pay yourself first. If you pay yourself last, it often ends up that there is nothing left. Put some of your money in savings when you get it and budget how you will use the rest. Even if it is a small amount, try and start by paying yourself – with savings. And try and make saving a habit from a young age. It is a great habit to develop. It can be an important way to achieve your goals.

Basically, a budget involves comparing your income with your expenses. It gives you a picture of your financial situation – and where you may be heading. And it should give you a very clear indication of whether or not you are on the road to accomplishing your longer-term goals.

## Let's look at a sample budget.

The first thing to work out is your monthly income. That will tell you what you've got to work with.

The second step is to list your monthly expenses. Some expenses you will be able to control (for example, entertainment). Others you can't control as readily (for example, your housing costs/rent – at least you can't control them today). You can always take more control of a cost like rent by moving to less expensive accommodation or getting a roommate to help share the cost – but that will take some time.

You will usually have two categories of expenses in your budget. First, you will have your regular monthly expenses. These are expenses you know you will have each month. Second, you will have your irregular expenses – those that come up every now and then or perhaps once a year. For example, you may have an annual car insurance bill you will need to pay – or a club membership – or a new cell phone you know you are going to need soon. You will want to plan for such expenses in your budget and allocate some funds each month so that you can pay them when they are due.

As shown below, you can divide the total of these occasional expenses by 12. This will give you a target amount to set aside each month so that you are able and prepared to cover them. The monthly amount you need to set aside to cover both your irregular expenses, and your regular monthly expenses, make up your total monthly expenses.

When you add up your total monthly income and your total monthly expenses, you will see whether you are able to save money or not. You will find if you are spending more than you would like in certain areas. You will quickly see if you are in control of your money – or heading toward money problems. In short, you can learn a great deal about you and your money by creating – and using – a budget.

## A Sample Budget

### 1. YOUR INCOME:

#### A. Your Regular Monthly Income Sources

Wages/Allowance \_\_\_\_\_  
 Interest \_\_\_\_\_  
 Other \_\_\_\_\_  
**Total** \_\_\_\_\_ (RM)

#### B. Irregular Annual Income

Income tax refund \_\_\_\_\_  
 Gifts \_\_\_\_\_  
 Bonus \_\_\_\_\_  
 Other \_\_\_\_\_  
**Total** \_\_\_\_\_ (IT)  
 Divide (IT) by 12 = \_\_\_\_\_ (IM)

**Total Average Monthly Income**  
 (RM + IM) = \_\_\_\_\_ (MI)



### 2. YOUR EXPENSES:

#### A. Regular Monthly Expenses

Food \_\_\_\_\_  
 Transportation \_\_\_\_\_  
 Phone/Internet \_\_\_\_\_  
 Recreation/Entertainment \_\_\_\_\_  
 Savings \_\_\_\_\_  
 Loan Payments \_\_\_\_\_  
 Emergency Fund \_\_\_\_\_  
 Housing Costs  
 (including utilities) \_\_\_\_\_  
 Other \_\_\_\_\_  
**Total** \_\_\_\_\_ (ER)

#### B. Irregular Annual Expenses

Medical/dental costs \_\_\_\_\_  
 Insurance \_\_\_\_\_  
 Gifts/Charitable  
 contribution \_\_\_\_\_  
 Tuition/School Expenses \_\_\_\_\_  
 Clothing \_\_\_\_\_  
 Vacation/Holiday \_\_\_\_\_  
 Other \_\_\_\_\_  
**Total** \_\_\_\_\_ (IE)  
 Divide (IE) by 12 = \_\_\_\_\_ (EI)

**Total Average Monthly Expenses**  
 (ER + EI) = \_\_\_\_\_ (ME)

### 3. TOTAL MONTHLY INCOME (MI) – TOTAL MONTHLY EXPENSES (ME) = SAVINGS, BALANCE, OR SHORTFALL

*How About You?*



If you were to put together a budget right now, what do you think the result would be? Saving something each month? Spending all you make? Running short each month?

Remember though, this is a sample budget. Build your own – one that will help you. Regardless of the budget you build, there are some basic budgeting tips that might help. Let's look at some of these.

- Build your budget on the basis of what **you** need – what **you** spend money on – what **you** are hoping to achieve. People are different. Budgets are different. Make **your** budget work for **you**.
- **Use** your budget to help make your decisions about using money. If you build a budget, but don't use it, it's a waste of time.
- Keep your budget flexible. Things change. Your expenses will change. Your income will change. Keep your budget flexible so that it can change with you.
- Keep your budget simple. Nothing will turn you off budgeting more quickly than if you make it complicated and a lot of work. Keep it simple and make it as easy and enjoyable as possible.
- Be honest and realistic. If you aren't honest with yourself in preparing it, you are only fooling yourself. Be realistic in terms of what your expenses are and what you might have to give up, do without, or trade off if you are going to get something else in the future or build up your savings.
- Keep accurate and clear records. Good recordkeeping is a key part of good money management. You will be amazed to find out how much time – or money – you can save when you know where things are. The following are some of the important papers and records that you should keep and organize. Some you may have now. Some you may get in years to come.

- |   |                          |   |
|---|--------------------------|---|
| • birth certificate                             | • social insurance card  | • investment papers/<br>statements/etc. |
| • school reports and records                    | • will                   | • unused cheques                        |
| • awards received                               | • marriage certificate   | • cancelled cheques                     |
| • letters of recommendation<br>or praise        | • lease/mortgage papers  | • passport                              |
| • financial plan in which you set<br>your goals | • medical records        | • credit card statements                |
| • warranties/guarantees for items<br>purchased  | • tax papers             | • loan agreement                        |
| • receipts for major purchases                  | • your budget            | • bank records and statements           |
|   | • club membership papers |   |
|   | • insurance papers       |   |

- Don't leave these important papers scattered all over the place.
- Test your budget. Don't expect it to work out the first time that you try it. Give it a "test run" for a while. See how things go. Then, if need be, adjust your budget based on your findings.
- Budget for the unexpected. Something surprising or unexpected always comes along. Be prepared.
- Reward yourself every now and then if your budget works out well for you. Use a little of those added savings you built up to treat yourself to something as a reward for staying in control of your money.

- Budget for things that will come up once a year or every now and then – such as birthday gifts, holidays, school books, club membership fees, or car insurance. Don't be caught short when those expenses come along.
- If your budget shows you are spending more than you like – or want to – and you want to cut back, consider the following:
  - Don't pay others to do what you can do yourself.
  - Always shop with a list so you don't buy things you don't need.
  - Cut back on some of your entertainment expenses. Find some less costly ways to have fun.
  - Change how you are getting around – bus rather than taxi or car – bike rather than bus – walk rather than bike.
  - Give up or cut back on “vices” – such as smoking, lottery tickets, junk food, computer games, “apps” – things you don't really need.
  - Just do without some things. Are there things you buy now that you could do without?

If you start to budget, and find your income is the same as, or less than, your expenses, you may be able to find ways to cut back on spending to bring things into line – or to be able to save. On the income side, you may be able to look for a job, or find a new job, or take on an additional job to help increase your income. If things are not in balance, and you are spending more than you make, try to make changes to bring things into balance. It's always good to be on the plus side and be able to save – but, at the very least, try to get income and expenses so they balance.

But as much as we say that, and as much as a person might like to get things in balance, it's sometimes not possible. We may find that to manage things that come up and surprise (or shock) us, deal with “life,” fix past mistakes, buy things we need but can't afford from our current income, deal with a job loss, take advantage of an opportunity that comes up that's too good to pass up, and so on, many people borrow money.

Borrowing money can range from putting a \$5 charge on a credit card to borrowing \$250,000 for a house. Controlling your money is very important. Controlling how you use other people's money is also very important. Not being able to control debt is one of the most common ways that people get into money problems. Too much debt can mean you can't save – it can eat up your savings – or it can mean you can't afford some things you'd like to have – or do some of the things you'd like to do.

Let's turn our attention to spending on major purchases.



How About You?



**Do you have a credit card? Do you have more than one credit card? If so, are you paying off the balance each month? Or are you carrying a balance from month to month? Is that balance growing? Do you know the interest rate that you are paying on money you owe on the credit card? One of the fastest ways to have money problems is to charge more on a credit card than you are able to pay that month. Then it happens the next month... then the next... and, before you know it, you have a large balance of debt on which are you paying a lot of interest. Does this describe your situation? Or are you in control of your credit card(s)?**

## Sample Costs When Moving Out on Your Own

When you are about to move out on your own, it is often difficult to estimate the various costs that you will face. You may be aware of such costs including rent, hydro/electricity, gas, food, leisure activities, and so on. Talking with parents and friends can help you get a sense of the costs you will face – and how much those costs might be each month.

But, if you would like some online help, you can go to the following link provided by Numbeo. Numbeo, as their website states, “is the world’s largest database of user contributed data about cities and countries worldwide. Numbeo provides current and timely information on world living conditions including cost of living, housing indicators, health care, traffic, crime and pollution.”

Numbeo has cost estimates for living in Canada and you can access the site via the following link: [https://www.numbeo.com/cost-of-living/country\\_result.jsp?country=Canada](https://www.numbeo.com/cost-of-living/country_result.jsp?country=Canada)

There is also a drop-down menu where you can enter your city and it will provide you with local cost estimates. Many factors will, of course, affect the costs you will pay. But the site does give you a

Learn About



**If you are planning on moving to another town or city, check out how costs can differ from one location to another – sometimes by a great deal.**

sense of the costs and it also shows ranges from the lowest cost to the highest cost. It may help you, in addition to the help you will get from parents and friends, in estimating the costs you will face and what you might have to put in your budget for each expense. Be sure to build in a cushion in your budgeted costs especially when you are still figuring out what the exact costs could be and don’t forget to set aside money regularly to establish an emergency fund if you don’t already have one.

You can also get cost estimates from whomever is renting you the place you will move into. But those are not always precise either since people behave and act differently and therefore also use different amounts of electricity, water, internet, and so on. In the end, when you move out and move in to your own place, you will quickly find out what the actual costs you will incur will be and you can then adjust your monthly budget accordingly.

Think About It



**You hope they won’t arise, but what unexpected or surprise costs can you think of that could come up – and that you should be prepared for?**

# Taxes

Everybody knows about taxes. Usually you hear people complaining about taxes. Why do we pay taxes anyway?

Taxes are payments that we make to governments – federal, provincial, and municipal. It is the means by which governments receive the money to provide goods and services.

The primary goods and services provided by governments are called “public goods and services” – that is, goods and services that everyone should have access to regardless of their ability to pay. That includes things like public schools, hospitals, sidewalks, roadways, sewer systems, defense, judicial systems and courts, and so on.

Governments can also decide to produce goods and services that are not necessarily public goods and services but that they think should be provided. Different political parties will differ in terms of the kinds of goods and services they believe governments should provide – and voters will determine which party will form the government and put their policies in place.

If a government spends more than it takes in revenue, it runs a deficit and will need to borrow money to cover its spending. If a government brings in more in revenue than it spends, it runs a surplus. Over time, the overall level of government debt or surplus will rise or fall based on the outcome of each year. Just so you know, the federal debt, as of 2018, was over \$650 billion. If you add in the debt of the provinces, the total debt is about \$1.4 trillion.

You can see that governments, over time, have been running deficits much more than they run surpluses. You can follow the level of federal debt via the Canadian Taxpayers Federation “National Debt Clock” at <http://www.debtclock.ca/>.

We pay taxes to fund government spending. You will have the opportunity to exercise your right to vote in elections as you make decisions regarding which political party’s views and policies you support.

We pay both federal and provincial income taxes in Canada based upon the level of income we make. For example, in 2018, the following were the federal tax rates:

- 15% **on the first** \$46,605 of taxable income
- 20.5% **on the next** \$46,603 of taxable income (on the portion of taxable income over 46,605 up to \$93,208), +
- 26% **on the next** \$51,281 of taxable income (on the portion of taxable income over \$93,208 up to \$144,489),
- 29% **on the next** \$61,353 of taxable income (on the portion of taxable income over 144,489 up to \$205,842),
- 33% of taxable income **over** \$205,842.

*How About You?*



**What taxes do you know of that you pay? Some taxes are built into prices – such as when you buy gas for a car.**

*Think About It*



**What “public” goods and services do you use on a daily, weekly, or monthly basis?**

*Think About It*



**If governments owe \$1.4 trillion, think about the amount that is paid in interest on that debt each year? Who is going to have to repay that debt?**

## Learn About



**If you can, talk with your parents/guardians about tax credits they have been able to use to reduce taxable income and the amount of tax they need to pay.**

Note the term “taxable income.” That is because you may not be taxed on all your income. Certain deductions may be able to be claimed to arrive at “taxable income.” For example, if you make a contribution to your registered pension plan, that amount may be deducted from income. Certain expenses can result in a tax credit that can be deducted in determining your “taxes payable.” For example, medical expenses or charitable donations result in tax credits that can reduce taxes payable. Each province or territory also levies taxes and offers tax deductions or tax credits. Usually the provincial tax payable represents a percentage of federal tax payable but the way that provincial tax is calculated does vary by jurisdiction.

If you would like some help and guidance in completing and filing your tax return, visit the following website of the Canada Revenue Agency which is the department of the federal government responsible for administering and collecting income taxes. See: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return.html>

The deadline for paying your income tax and filing your return in Canada for a given year is generally April 30th of the following year. If you are self-employed, you can file your income tax return by June 15th. If, after completing your tax return, you owe money to the government, you will want to make sure your tax payment is made by April 30th and your return is filed by the due date or you will incur interest costs and a late filing penalty. If you are likely to get a refund – that is the tax withheld from various income sources is greater than the amount you end up owing – you should file your return as early as possible to get your refund cheque as soon as you can.

When you are employed, your employer is required to deduct income tax from each pay-cheque and submit those taxes to the government on your behalf. This is referred to as “withholding taxes” and employers are obligated to deduct them, and submit them, over the course of the year. So, when you see your pay-cheque, you will likely see a deduction for federal and provincial taxes. At the end of the year, in preparation for your tax filing, your employer will give you a T4 Statement of Remuneration Paid (slip) that will summarize the income you earned for the year, taxes deducted, etc. You will need the T4 slip as you or a tax preparer complete your personal income tax return.

The important thing about filing and paying your taxes is to make sure you file your tax return and pay the required tax on time. Tax evasion is illegal and generally involves not filing tax returns on time, claiming false deductions or not reporting all of

## \$ Tip



**When you are employed, try to make sure your employer deducts, and submits to the government, the right amount of tax that you will have to pay. This is done on a monthly basis. You probably don't want to find at the end of the year that you have to pay more taxes than was deducted.**

your taxable income. Tax evasion is against the law. In contrast, tax avoidance refers to legal steps you can take as permitted within the tax laws to reduce your tax burden. One way that you can reduce your tax burden is by making sure that you claim all the tax deductions and tax credits you're entitled to. You can also reduce your tax burden by contributing money to an RRSP or setting up a TFSA. These are referred to as "tax avoidance" strategies but they are perfectly legal.

*Learn About*



**Try to learn early about ways to reduce taxes that are payable. You don't want to learn about them later when you may have missed the opportunity to reduce the amount of taxes you paid.**

Many people who do not have complicated financial situations will prepare and file their own tax return using off the shelf tax preparation software. If you are uncertain about what can and cannot be claimed, or if you have some complicating factors, you may want to enlist some help. Perhaps your parents can provide some help or enlist the help of their tax preparer. There are professional providers who can help too – but they do generally charge a fee. If you use a service, you should check them out to make sure they are legitimate and that reviews of their services are good and that the cost is not excessive.

That's about all we can cover about taxes here. You could almost write a book on that topic alone. A visit to the CRA link above should provide you with some of the information and help that you need regarding income tax. Make sure you learn about the tax deductions that may be available to help reduce "taxable income" and the tax credits that may be able to be claimed to reduce the amount of tax that you need to pay.

There are also some saving and investing strategies and products that you can use to help reduce taxes. For example, investing in a TFSA – a Tax-Free Savings Account – may allow you to earn income without paying tax. You can deposit money into a TFSA up to a certain annual limit to save for the future. Any income or gains you earn on the investments held inside a TFSA are not taxable.

## Learn About



**Try to learn about TFSAs. They are a very helpful savings tool and can help you earn money from savings and investments that will not be taxable. They are a financial tool that young people can take advantage of for saving.**

If you deposit money into an RRSP – a Registered Retirement Savings Plan – to save for your future, you get a tax deduction for the funds deposited (again to a limit) into an RRSP. This can also help you reduce your taxes in the year the money is deposited into the RRSP. But be aware that the money is taxed when it is taken out of the RRSP later. The RRSP is meant to serve as a savings vehicle that allows Canadians to save for their retirement tax efficiently – when the money is withdrawn from the RRSP, it is anticipated that the recipient is subject to lower tax rates than they were while working.

There are other taxes, fees, and fines you will simply pay as you go. Examples include GST and HST which are sales or retail taxes you pay based on your spending. For a car, you may think of the tax that you pay when you buy gas for a car, fees you pay when you buy a license for a car, or fines you may incur when you drive a car too quickly. There are lots of other sources of government revenue that are levied through taxes, fees, and fines but these are generally paid on an ongoing basis as you go about your life and make financial and spending decisions.

## Take Action. Take Control!



**Retirement may not be on your mind now – but it will be on your mind later. Try to take control and start saving early. The earlier you start, the more you can save, and the more money you can earn on your savings, over the years. Many people starting saving too late to save the amount they would like to have in retirement to live the way they want. Don't be one of those people. Be prepared for the day you want to be financially independent – and do just what you want to do.**

# Module Summary

## Say What? Possible New Terms!

1. **Budgeting:** listing monthly income and expenses to keep track of where your money is going and to make sure your money is being used wisely.
2. **Fixed Costs:** the costs that come up on a regular basis that you have to pay each month.
3. **Irregular Costs:** the costs that come up every now and then and for which you have to plan for to be able to cover.

## Did It Stick? Can You Recall?

1. What's the value of a budget? In what ways can it help?
2. Why is it that a great many people don't work with a budget?
3. What is a good first step before you begin to create a budget?
4. Why is saving – and paying yourself first – so important?
5. What kinds of things are usually in a budget?
6. What are some important budgeting tips?
7. What are the two kinds of expenses that are usually in a budget?
8. How can a budget help you gain, and keep, control of your money?

## Thinkabout... or Discuss:

- What do young people spend most of their money on? Why?
- Are most young people today in control of their money? What are some of the causes of young people losing control of their money?
- Do young people have too easy access to credit cards? Or are credit cards almost a necessity today?
- Do you know others who are having money troubles – or who you think are headed to money trouble? If so, what's causing this? What could help them?

## Tips & Suggestions

- Track where your money is going. You should know.
- Create and use a budget if it can help you.
- Pay yourself first. Try and save some money – even a little – each month.
- Be prepared for unexpected expenses. They seem to always come up.
- Don't be afraid of budgeting – and afraid that you won't like what you will find. If you are afraid to budget, you probably need to budget.

## Tech Talk

On the Internet, you may want to search for:

- Creating a good budget
- Budgeting tips
- Simple budget templates
- How to cut back on spending
- How to save more

# SPENDING ON MAJOR PURCHASES

*Let's Discuss...*

\$ **Paying for education or training**

\$ **Buy or leasing a car**

\$ **Housing**

\$ **Cell phones and plans**

At some time in their lives, many people will face a number of major expenses or purchases.

Three of the most common ones are:

- Education and/or training
- Buying or leasing a car
- Housing

Another area of spending that is often a major one for youth is for a cell phone or hand-held device of some kind. Let's take a closer look at each of these major purchases.

*How About You?*



**What major purchases do you think you might make in your life? Which do you hope to make? How much do you think you will need to afford to make those purchases?**

## Paying For Education or Training

A good education can affect your ability to get the kind of job you want and the level of income you can earn. To get a good job, some post-secondary education or training is almost a requirement these days. Dropping out before completing high school, or not getting any further education or training after high school, can make it very difficult to compete with others in the job market.

The cost of post-secondary education and training is one of the first major costs many people face in life. It is the first reason many people go into debt. And many young people are completing their education and training today with \$15,000, \$20,000, \$25,000 or more in debt.

To prevent this, it's best to plan ahead – and to start saving early. The earlier you start saving, the more time your savings will have to grow.

How can you prepare for the cost of post-secondary education and training? Will you need to pay for your own education and training? Will parents, guardians, or other family members be able to help? Are you likely to need a loan to help out? Everyone's situation is different. In any case, to prepare for the cost, it's good to have a sense of what the cost will be.

*Learn About*



**Do some research on the Internet to see how many jobs require post-secondary education or training today – and which jobs are available to those with high school graduation only.**

## The Costs of Post-secondary Education and Training

Let's take a look at some of the more common costs.

### TUITION

Tuition fees vary from school to school and program to program. They also vary across the country. You will need to do some research to see what the costs are for programs that are of interest to you.

### APPLYING

It costs money to apply to post-secondary institutions. You only pay these fees once, when you apply. But costs can vary. Check with the guidance staff at your school to find out more.

*Learn About*



**The Investor Education Fund has information on their web site on the average tuition fees at the different Canadian universities and colleges.**

*Take Action.  
Take Control!*



**The Canadian Foundation for Economic Education has a “Building Futures Planning Guide” you and your family can use to estimate the costs of post-secondary education and training. It will also help you plan for how you will cover those costs. You can find it at <http://buildingfuturesnetwork.com/>**

### TEXTBOOKS

These costs vary by program and usually run into the hundreds of dollars. If you know you are interested in a certain area of study, do some research. The cost of textbooks will likely go up over time. But, then again, more resources may be used by students online. For the sake of planning now, assume a textbook cost of around \$800 – \$1,200 for books and course materials (FCAC).

### SUPPLIES

The cost of school supplies can really add up. It depends a lot on your chosen program of study. Supplies can include such things as paper, pens, calculators, binders, a computer, computer supplies, printer, print cartridges, and cell phone. They can also include specific equipment necessary for a particular course of study – such as laboratory equipment or clothing. It can be hard to estimate these costs but make sure to include some amount for them in your budget and savings plan.

### TRANSPORTATION

Even if you live at home, you will have travel costs getting to and from your university, college, or training program. Transportation costs will, of course, be higher if you live away from home. Include some money for travel in your savings plan.

## Good To Know



**Average tuition fees for one year of college or university in Canada for 2018/2019 range from \$2,500 – \$6,500:**

- **For an apprenticeship program, you may have to pay for the class time and also pay for tools and equipment. Today, the costs of each in-school session can range from \$200 to \$800.**

### FEES

You may also have to pay athletic fees, student union fees, health and insurance fees, and so on. These costs vary but can add up to \$800 or more per year. Some fees may be optional. But if you don't pay, you may not be able to use some services. Or, you may lose some benefits, such as insurance.

### LIVING COSTS

According to estimates, students who live away from home spend, on average, \$1,200 a month to live. This includes everything from rent to food to Internet to toothpaste. Some of these costs will apply even if you live at home. An average for living costs when staying home would be in the \$300 to \$400 a month range.

## \$ Tip



**You can save money by buying second-hand books, borrowing books from friends or family, or buying books on-line.**

## How About You?



**Do you plan on going away for education and training? If so, how will the cost be affected by moving away and not living at home?**

## Think About It



**In July 2015, the average debt for Canadian university graduates was \$26,819 according to the Canadian Council on Learning. What can you do to try and avoid having that level of debt after your post-secondary education and training?**

Take Action.  
Take Control!



**Work out an estimate of what your total annual education costs could be.**

Tuition:	\$ _____	Transportation:	\$ _____
Application fee:	\$ _____	Other fees and costs:	\$ _____
Textbooks:	\$ _____	Living costs:	\$ _____
Supplies:	\$ _____		
Grand total:	\$ _____	x Number of years for your program =	\$ _____

## Paying for Post-Secondary Education and Training

Once you have an idea of the cost for post-secondary education and training, the next challenge is to find a way to pay those costs. The following are six possible sources of money to help cover the costs of post-secondary education or training.

### 1. You may be able to work to help pay the bills.

You may be able to work part-time during the school year or full-time over the summer break to help pay for education and training. As an example, if you make \$14 an hour and work 36 hours a week, you could make about \$8,000 over the summer with 16 weeks of work. Even if you use some of your pay for spending money during the summer, you could still contribute to your education costs.

### 2. You could apply for scholarships, student loans, or grants.

You may be surprised at how many scholarships there are. Scholarshipscanada.com lists more than 21,000! And they are not just for students with high marks. Many are for students who work hard to make their school or community a better place to be. Some are for students who are going into a certain type of program and need financial help. Others are for students in certain sports or students who qualify for extra support.

The federal government's Canada Student Loans Program offers loans and grants to help students in financial need. The "grants" don't have to be paid back, but the loans will. The interest rate and pay-back terms on student loans from the government are better than on most other regular loans.

How About You?



**Do you think you will be able to help cover the costs of your education or training? If so, how much would you hope to contribute?**

\$ Tip



**Student loans are still one of the cheapest ways to borrow money for education. Rather than take out a more costly loan themselves, some parents have their child take out a student loan. Then they help their child pay off some or all of the student loan. Find out more at: [http://www.esdc.gc.ca/en/student\\_loans/pay\\_back/index.page](http://www.esdc.gc.ca/en/student_loans/pay_back/index.page)**

### **3. Your parents/guardians could help pay some of the costs from their savings or income at the time.**

Your parents/guardians may have planned ahead and saved some money to help with your education and training. They may also be able to help with money from what they earn as income while you are in school or in a training program. The following chart shows how much money could go towards your education if others were able to contribute a certain amount each month.

<b>Contribution each month:</b>	<b>Total for each year:</b>
\$ 50	\$ 600
\$ 100	\$ 1,200
\$ 200	\$ 2,400
\$ 300	\$ 3,600
\$ 400	\$ 4,800
\$ 500	\$ 6,000



*How About You?*



**Do you know if any money has been saved to help with your education or training? Have you saved any yet? Are there others who will be able to help you pay for post-secondary education or training?**

#### **4. Your parents/guardians could borrow money to help pay for your education or training.**

Some families focus on paying off mortgages or other debts when children are young. They may not have put aside savings for education. However, if they have paid off debts, they may be able to help by borrowing some money to help pay for post-secondary education. If so, they may, or may not, expect you to help pay back money that is borrowed.

#### **5. You may get financial gifts from others.**

You may get money from a family member – such as a grandparent – as a gift to help support your education and training – and they may not expect you to repay.

#### **6. You can get financial help from the government.**

We have already mentioned the student grants and loan program. But the federal government also has two education savings programs to help pay for post-secondary education and training – the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB).

### **The Canada Education Savings Grant**

Depending on the child's primary caregiver's net family income, he or she may also be eligible to receive the Additional Canada Education Savings Grant (A-CESG). This grant adds an additional 10% or 20% to the first \$500 put into the RESP each year. Over the years, if your family started an RESP early for you, you can get as much as \$7,200 towards your post-secondary education!

*Learn About*



**Learn more about the CESG at: [www.canada/cesg.ca](http://www.canada/cesg.ca) then click on CESG. You may want to share information on this site with your parents.**

## The Canada Learning Bond

Lower-income families may also get money from the federal government through the Canada Learning Bond. For anyone born after December 31, 2003, he/she may be able to get financial help up to \$2,000.

A Registered Education Savings Plan (RESP) is a type of education savings plan that:

- helps families save for children's future education.
- is available at most financial institutions.
- can be opened in your name by a parent or anyone else. You and others can then make deposits to your RESP.
- enables you to put up to a maximum of \$50,000 into the plan.

You can learn more about RESPs online from the federal government web site or in the Building Futures Planning Guide mentioned earlier.

To plan for the cost of post-secondary education and training, you'll then have to put the two together – your estimate of the total cost – and your estimate of money you think you may be able to get from different sources. This will give you an idea of how much more money, if any, you may need to save or borrow.

That covers one of the “major purchases” people often have to face. Let's look at another one – a car.



*Take Action.  
Take Control!*



**The most important thing is to think about, and begin to estimate, the costs. Don't get caught by surprise. Many young people and their families leave it too late. They find they don't have time to plan and save enough – and have to borrow. The earlier you know what lies ahead, and the earlier you begin to plan and save, the less likely you may need to take on a large debt – or any debt at all.**

# Buying Or Leasing A Car

You may not need a car now. You may not need a car at any time in your life. But at some point, you may decide to get one. If you do, will you buy or lease a car? Let's take a look at both options.

## Leasing A Car

Leasing a car involves making monthly payments for the use of a car for a certain period of time – e.g. 3 or 4 years. It involves signing a lease agreement – and these can vary quite a bit. A lease agreement usually includes things such as the following.

- The length of the lease (e.g. 36 months or 48 months, etc.)
- The estimated value of the car at the end of the lease. This will determine how much of the car's value you will be paying for.
- The down-payment – the amount you pay at the time you sign the lease. This will lower your total lease payment and your monthly payment.
- The interest or financing amount you will pay. The interest rates on leases can vary greatly and some companies will offer lower interest rates to encourage people to lease their cars.
- The number of kilometers you can drive without extra charges – e.g. 20,000 or 24,000 kms. a year. You can pick from different "mileage" allowances. The less you drive, the lower the cost. But, if you go over your allowance you will be charged a certain amount per kilometer. Your lease will tell you the cost for each km. over.
- The warranty that applies to the car.
- The total monthly cost you will pay.
- The total cost you will pay for the whole lease.

Think About It



**Do you know people who have a car but don't really need a car? When might a car be a need rather than a want for a person? And what can make a person want a car when it isn't needed?**

## Advantages Of Leasing

**Lower monthly payments:** When you "buy" a car you are paying for the total value of the car. When you lease a car, you are only paying for "part of the car" – that part you "use up" over the period of the lease. From the moment a car is sold, it "depreciates" in value. Its value will decrease each year over time. In a lease, you will pay for how much it is estimated the car will depreciate in value while you have it. By paying only for that part of the car that you will use over three years, your monthly costs will be lower than if you bought the car.

**Lower down-payment:** Whether you buy or lease a car, you may have to make a down-payment – or you may want to make a down-payment. The larger the down-payment you make on a lease, the less you will have to pay back and the lower the monthly cost. You may be able to make a lower down-payment by leasing a car than by buying a car.

Learn About



**Do you know people who lease a car? If so, you may want to see what you can learn from them as to why they chose to lease, rather than buy.**

**Lower repair costs:** If you lease a car and return it after 3-4 years, you can often avoid expensive car repairs that can come up for older cars.

**Use of a newer car:** If you prefer to stay in a newer car, leasing means you will likely get a new car every three or four years. You can also choose a different kind of car when your lease is up if you like.

**Tax advantages:** For some people, for example those who need to use a car for business, they may be able to get a tax deduction based on how much the car is used for business.

## Disadvantages Of Leasing

**You don't own the car:** At the end of the lease you turn the car back in. You don't own the car – you aren't acquiring an “asset.” As a result, you won't get to a point where you own the car and no longer have to make monthly payments.

**You have to return it as you got it:** The car is not yours to do with as you like. You will need to return it as you got it.

**You are sort of locked in:** If things change for you, and you want out of the lease, it can be difficult – and maybe costly – to get out of the lease. There are some possible options – for example getting someone else to take over your lease – but it will be more difficult than if you bought a car and could sell it.

**Higher insurance costs?** Maybe. Maybe not. Check this out prior to making your decision to see if insurance rates will be different if you lease or buy.

**The “extra” charges:** As noted, if you drive more kilometers than those in your “allowance”, you will pay for the extra kilometers. And if there is any damage beyond “normal wear and tear” you will probably have to pay for those repairs.

*How About You?*



**If you find you are facing a decision of buying or leasing a car, you may want to look into leasing if:**

- You don't have a lot of money to use to spend on a car or want to make lower monthly payments
- You don't want to worry about expensive car repairs
- You like staying in a newer car
- You need to use a car for your business
- You don't drive more than say 20,000–24,000 kms. a year
- You have a reliable source of income
- You don't care that much about owning the car and having the car as an asset

If, on the other hand, you decide you want to buy a car, the following are some general tips to help.

## Tips When Buying A Car

- Explore various possible sources for a car: dealers; private sale; cars that were repossessed and are being sold off; car rental companies and taxis and police vehicles (be aware, though, that used cars that served as taxis or police vehicles may have received pretty hard use.)
- Never buy a used car without having it inspected by a good mechanic.
- If you buy a used car, check for things such as: is there rust on the surface and under the car; how is the compression in the engine; has the car been painted or been in an accident; are the tires worn unevenly indicating a problem with the alignment; how is the smoke from the exhaust – is it white, which is normal, or is it black or blue indicating problems; are there any leaks under the car – let it sit in one spot for a while, then move it and check; do the gears shift smoothly?
- Set a limit on the amount that you are going to spend for a car and stick to it.
- If you buy a used car, make sure that there are no liens against it, that is, someone might have taken out a loan and used the car as collateral. If they did, and the lien still exists, then the car can be taken from you and sold to pay off the debt.
- Check the history of a used car if you can. Contact past owners if you can by tracing the history of the car through provincial records.
- Negotiate the price. Car dealers will bargain – and usually expect to. You may also be able to bargain if you have a car to “trade in” as part of the deal. The dealer may be able to bargain on the “trade-in allowance.”
- Buy in the winter, if you can, when fewer cars are purchased. Demand is lower and you may be able to strike a better deal.
- Keep up regular maintenance on a car – it more than pays for itself in the long run by helping to avoid major repairs.
- Read all contracts carefully.
- Never sign an offer for a car until you are absolutely sure that you want to buy it.
- Don’t be pressured into a sale. If you feel you are being pressured, back away and think about it. People are especially likely to be influenced by a friendly or aggressive salesperson. Most car dealers won’t want you to leave if they feel they are close to a deal. But if you feel uncertain – walk away and take some time to think.
- Check any warranties that are offered to see who backs them – the manufacturer? the dealer? an insurance company?
- Don’t buy a used car without seeing proof of ownership of the vehicle.
- Check the consumer reports publications and other books to research the record and reputation of the car you are considering.
- Get a receipt for any sale, and make sure that it states any equipment on the car that is to be included that might be removed by the current owner.
- Should you get a new or used car? Do you have a choice? Used cars are cheaper, depreciate less quickly than new ones, and usually cost less to insure. On the other hand, used cars often aren’t backed up by a dealer who you can go back to if you have a problem, they usually cost more to operate, and you may not know how a used car has been handled or driven by previous owners.
- Make sure that you really need a car. What are the options (bicycle, public transportation, etc.)? Is it worth the expense? And, if you get one, enjoy it and drive safely!

*How About You?*



**Are you vulnerable to sales pressure?  
How readily can you be pressured  
into a deal?**



In addition to cars, another major purchase that many people face is housing. As with cars, some people may choose to rent rather than buy – and may rent all their lives. Let's look at some of the things you might want to think – or know – about when renting or buying your home.

## Housing

### Moving Out On Your Own

One decision many people face when they leave home is whether to move out on their own or move in with one or more roommates. Both can have their challenges. If you move out on your own, the cost will usually be higher than if you were able to share the cost with others. However, living with others – including friends – can be a challenge. It is usually a good idea to establish house rules at the outset to be prepared for any issues that might arise. For example, you may find that you have differences in terms of work/study habits, or neatness/cleanliness, or how things are organized, or eating or drinking habits and personal values when it comes to things like smoking drugs, etc., or how visiting friends behave, and so on.

It is best to think ahead and have a plan for dealing with differences or disputes. Now, what about the costs of moving out? Let's assume you will rent first. Not many young people can afford to buy right away.

*How About You?*



**Do you have a car? If so, did you buy or lease the car? Why? If you don't have a car, do you think you will ever need to buy or lease a car? If so, what might affect your "buy or lease" decision? Does someone in your family have a car? If so, did they lease or buy – and why?**

*How About You?*



**Do you prefer living on your own? Or with one or more roommates? What are the benefits of each? What are the challenges? What has your experience been like if you have lived on your own or what can you learn from others who have?**

## Renter's Checklist

- Decide whether you will look for furnished or unfurnished accommodation. Do you have furniture? How about your roommate(s) if you choose to live with others?
- Are utilities (oil/gas/electricity/water/cable/Internet) included in the rent, or do you have to pay?
- How close will you be to school or work? Does the location add to, or save on, transportation costs? Will it be important to you to live in a certain area?
- If you are moving out to go to school, do you want to live on campus or off? If on, can you get into residence? If off, can you afford it? Does it cost more or less than school residences?
- What services are provided by the landlord? What are your responsibilities?
- If you have a car, is parking available? If so, do you have to pay extra for it? If not, is parking available nearby?
- What is the neighbourhood like? Safe? Attractive? One you will be happy living in?
- What are the neighbours like? Quiet? Noisy? Friendly? Does that matter to you?
- Check things such as the plumbing, wiring, and appliances. They can become very important to you once you move in. Besides, you also want to ensure that they are safe and reliable.
- Is there any storage space available if you need it? Does it cost extra?
- Check to see what access your landlord has to your place. Usually a landlord can only enter for an emergency or after giving you prior notice of 24 hours.
- Check the security of the property. Are you vulnerable to break-ins – or theft?
- How much notice do you have to give before leaving if you have to move for some reason?
- Be prepared to pay the first and last month's rent. This is a common practice. The landlord holds the last month's rent as protection. However, you should be paid interest on that money.
- You may also have to pay a security deposit when you move in to cover any possible damage at the time you move out. If there is no damage, and no repairs that the landlord has to pay for, you should get this deposit back when you move out.
- Consider getting insurance to cover any damage that might occur – for example a fire in the apartment you are renting. Renter's insurance is available if you think it is right for you.

These are just some of the things to keep in mind when you move out and rent your first place. That first move out on your own can bring many pressures, stresses, challenges, problems, and expenses. Plan it well.

Now let's take a closer look at what is involved in buying a home if that's what you may do some day.



## Purchasing A Home

### TYPES OF HOMES

One of the major decisions you will have to make when you look to “buying” a home is to decide what type you want to buy. The following are possibilities:

- Detached house: a house that stands on its own unattached to any other building
- Semi-Detached: a house that is attached on one side to another house
- Townhouse (Row House): a house that is attached to another house on both sides
- Duplex: a house in which there are two separate living areas, for example, one upstairs and another downstairs (triplexes have three living areas, fourplexes have four) – may be detached, semi-detached, or attached on both sides
- Condominium: an apartment that you buy rather than rent
- Mobile home: many areas in Canada have mobile home parks where people live in mobile homes if they wish
- Co-op: a property you purchase in conjunction with others; for example, you may own an apartment that is part of a co-op where the members of the co-op own and manage the building

You will have to decide what type of housing you prefer – and what type you can afford. Unfortunately, the two don’t always go together.

You will likely have to make trade-offs as you look for a home you want to buy. You will have to consider location, size, condition (are renovations needed?), quality of appliances, and so on.

Probably the most important factor, though, will be what you can afford. Let’s look a little more closely at the financial aspects of buying a home.

*How About You?*



**What type of housing do you prefer?  
Check out the average cost today  
for that type of housing in your area.  
What will be required to reach your  
housing goal?**

### Mortgages

Most homeowners have a mortgage – at least when they first buy a house. They may eventually pay off the mortgage and own the house outright – but most have a mortgage in the beginning.

A mortgage is simply a loan that you take out to use toward buying a home. For many Canadians it can be quite a big debt – hundreds of thousands of dollars.

It is not as difficult to borrow quite large sums of money toward a mortgage as you might think. Why? Because the lender is pretty certain of getting the funds back. Why is that? Because the funds are being used to buy an asset – a house, condo, etc. – that has value. If you don’t keep up the payments, the home you bought could be sold to get the funds to pay back the mortgage.

That is why financial institutions will want to send out an “appraiser” to check the value of the property you are planning to buy. The lender will want to make sure that you are not paying more for the house than it is worth. They want to make sure there is at least enough value in the property for them to be able to get their funds back if you, for some reason, can’t pay the mortgage.

The lender will not lend you the full amount to buy your home. There are legal limits set in terms of how much can be loaned to a home buyer. This is to try and stop people from buying homes they can’t afford.

## Learn About



**Go online and check out what the costs are of (a) different homes of different types in different areas and (b) what the cost is to “carry” mortgages of different amounts at different interest rates.**

Let's assume a purchaser has managed to save \$40,000 and needs a \$200,000 mortgage to buy a \$240,000 home. The first decision will be where to get the mortgage. It will be good to shop around and compare mortgage rates. There are web sites to help home buyers shop for and compare rates. There is a good chance your bank will match the rates offered by others if you find a lower rate elsewhere. You will need to work with the lender to see if they are willing to lend you the money. The lender will do a credit check and look into your “credit worthiness.” Let's suppose you are approved and you can get a \$200,000 mortgage.

Second, you will have to decide on the “amortization period” – the number of years over which you will plan to pay back the mortgage loan – 25 years, 20 years, 15 years? The shorter the amortization period, the lower your total interest cost.

Third, the next decision will be the “terms” of the mortgage. Because most mortgages are over many years, lenders will only set the “terms” for a certain period of time – 6 months, 1 year, 2 years, etc. up to about 7 years. You will have to consider the interest rates that are offered for different lengths of time.

\$ Tip



**Make the amortization period the shortest you can. It can save you tens of thousands of dollars in the end.**

There will be a 6 month rate, 1 year rate, 2 year rate, and so on. To make your decision, you will have to think about whether you think interest rates may be headed higher or lower.

Every time your term expires, you will have to negotiate new terms. You will do this up to the time your mortgage is paid off. Each time that your term is up, try to get the best terms you can and try and work things out so that you pay as little interest as possible.

Take Action.  
Take Control!



**The Canada Mortgage and Housing Corporation (CMHC) is Canada's national housing corporation – operated by the federal government. The web site of the CMHC has a lot of good information for home buyers. A key first step when you think about buying a house or condo is to work out what you can afford. CMHC has a “mortgage affordability calculator” to help you work out the size of mortgage you can afford. Visit their web site if you are ever looking to buy a house or condo. You can use their online calculators to help with some of your decisions.**

The degree to which you own your home (versus how much of it the lender holds) is referred to as your “equity.” If you pay \$40,000 toward a \$240,000 home, then you have \$40,000 worth of equity. If the value of that home should rise, to say \$260,000, then your equity increases. You still owe the balance of the mortgage, but your equity has increased by \$20,000. The more quickly you pay off your mortgage, the more equity you have in your home. In addition, the more valuable your home becomes, the more your equity in your home will grow.

Finally, if you ever buy a home, be aware of the costs in running a household beyond the mortgage payments – for example, property taxes, utilities such as water and electricity, repairs, heating, home insurance, and general upkeep.

As we said, a home is the largest investment that many Canadians make in their entire lives. If one day you decide to purchase a home, do all you can to make sure that you know what you are getting into and that you make a wise decision.

A major purchase for many young people is a cell phone – and not just purchasing a phone but paying the costs for using the phone. That’s where the costs can really add up. Let’s take a closer look at cell phones and plans.

*\$ Tip*



**You may make your mortgage payments monthly, bi-weekly, bi-monthly, or weekly. Pay as frequently as you can. You can save a great deal of money by paying on a weekly or bi-weekly basis rather than monthly.**

*\$ Tip*



**If you think interest rates may be coming down, go for a shorter term – 6 months, 1 year or 2 years. Then, when your term is up, and if rates have come down, you can work out a new term at a lower rate. On the other hand, if you think interest rates may be headed higher, you may want to “lock in” for a longer period – 4 years, 5 years, etc. The interest rate you pay won’t change over your “term.” So, if you can get a good rate, and think rates may go higher, go for a longer term.**

*Learn About*



**When you buy a home there are a number of costs to pay at the time you “close the deal.” These can include: fees to the real estate agent, lawyers’ fees, surveyor’s cost if a survey is needed, cost for a house inspection, and so on. If you get to where you are going to look to buy a house, learn about all the other costs involved.**

# Smartphones And Plans

Today, many, if not most, young people have smartphones or something similar to use for texting, gaming, going online, etc.

Many young people may start out with someone else paying the bill. Or you may pay for yours right from the start – or take over payments at some point. In any case, decisions you make about smartphones, rate plans, data packages, etc. can have a big impact on cost. You'll want to make a careful decision.

A good suggestion when you are exploring all smartphone options is to use the six decision-making steps discussed earlier. It can help guide your decision. In making your decision, you will need to consider things such as:

- how much can you afford to spend – a key part of any decision?
- what features do you want? or do you really need?
- how many minutes a month will you use?
- what areas will you be in when you use it?
- what rate plan should you choose – if any?

## Think About It



**If you have a smartphone, are there features you are paying for that you seldom, if ever, use?**

## \$ Tip



**If you find you need more minutes of talk-time each month or that you are using more data than you thought you would, look into changing your plan. You may be able to save money.**

## How About You?



**Do you have a smartphone? Do you pay for it yourself? Do you know what can affect the monthly cost? Do you feel confident you have the right plan for you?**

There will be many different features offered to you. Think about the ones you really need – and will use. Don't waste money on features you may never – or seldom – use.

You may be offered a free phone – or a large discount on the price of a phone – if you sign up and sign a contract with a “provider” for a period of time – e.g. 3 years. This can help you get a phone at low or no cost – but you will be committing to using that provider for that period of time.

This may be okay for you. You may find that the provider has a plan that works for you. And you can usually change the kind of plan you have, if you wish, during the contract if things should change.

On the other hand, you may not need a contract with a provider. You may just want to pay month to month and keep things flexible. That is one decision you will have to make – to commit to a plan or not.

When making your phone decision, think about how you will use the phone – talk with friends and family; send text messages; download music; play games; go online and so on. In addition, think about whether you will be using the phone in different locations – in the place where you live – in the place where you go to school – when you travel? Will you usually have access to free Wi-Fi or will you be relying on cellular service a great deal? See where service is provided for your phone without extra costs. If you use the phone outside of those areas, you can be charged “roaming fees” – and these can really add up! Look into and compare available data packages to see which would be most economical for you.

\$ Tip



**Getting out of a phone contract before it ends can be expensive. You may have to pay hundreds of dollars to do so. So think carefully about the decision you make with a service provider.**

Phone plans and providers are changing all the time. Keep in touch with the changes and the deals and terms offered. You may be able to reduce your costs – even after you sign the contract.

If you are looking to sign a contract for a phone plan, there are some things you should know or consider before you sign a contract:

1. What is included for the monthly fee you will pay?
2. What is your total monthly fee going to be – including taxes?
3. What is the charge if you use more minutes in a month than the plan covers?
4. What are the rates for long distance charges – and what are the areas where I can use the phone without paying long-distance charges?
5. What are the charges for text messaging and web browsing and downloading data?
6. Are there any special options such as free calling to a certain number of friends and family?
7. Are there ways to avoid or lower long-distance charges if you will be making long distance calls?
8. What would be the cost if, at some point, you wanted to get out of the contract?
9. Can you change the terms of your plan, at any time, without cost, during the contract?
10. What would be the best plan for you based on the amount you will use the phone – and how you will use it? Most providers will try and help you select the best plan for you – if you know how you will be using the phone.
11. See if a family member has a corporate phone plan that may allow you to join and reduce your costs.
12. Consider a family plan if more than one member of the family is getting a phone.



**Phones can be costly.  
Use them wisely.**

Phones can end up being very costly. Use them wisely. You don't want to find that a high cost each month is using up a lot of your monthly budget – or causing tension between you and a family member who may be paying your phone costs.

We have now looked at a number of major purchases that many people make – and on which they spend their money. But spending is only one thing we do with our money. You will also hope to be able to “save” and “invest” some of your money to try to earn a return and increase the purchasing power of the funds saved. Let's turn our attention now to the topics of borrowing money and using credit.

\$ Tip



**Be careful of roaming fees. If you are going to travel, you might choose not to use your phone and use internet communication when you can – or some other means of connecting. Or, if you need to use your phone while traveling, check out “roaming packages” that you can buy before you go. They can help save you money.**

# Module Summary

## Say What? Possible New Terms!

1. **Registered Education Savings Plan (RESP):** a means to save for children's education. Money deposited to the plan is not tax-deductible.
2. **Canada Education Savings Grant:** Grant program of the federal government to provide money to help people save for post-secondary education and training.
3. **Canada Learning Bond:** a federal government program to provide assistance to lower income Canadians to help them save for post-secondary education and training.
4. **Depreciation:** the gradual decline in the value of an asset from when it is new (full value) to when it has no value.
5. **Appraisal:** the estimate made of the value of a property.

## Did It Stick? Can You Recall?

1. What are the common costs involved in post-secondary education and training?
2. What are possible sources of money to help pay the costs of post-secondary education and training?
3. What are the advantages and disadvantages of leasing a car? When might a person want to lease, rather than buy, a car?
4. What are some key tips to consider when buying a car?
5. What are some of the key items in a "renter's checklist?"
6. What are the various decisions a homebuyer will face?

## Thinkabout... or Discuss:

- Is some level of post-secondary education or training basically a requirement today to get a good paying job?
- Should some amount of post-secondary education or training be free in Canada?
- Are young Canadians, in general, getting the information and guidance they need to plan well to cover the costs of post-secondary education and training?
- What are the biggest problems young people run into with cell phone plans – and how could those problems be avoided?
- What are the biggest challenges young people often face when they move out from home – and how can they best address these challenges?

## Tips & Suggestions

- Learn about the costs of post-secondary education and training – and be prepared for them.
- Start saving as soon as possible to pay for education and training.
- If you need to borrow money for education or training, look into the grants and loans available from the federal government.
- Learn about all of the expenses involved with a car before getting one – including fuel costs, insurance, licenses, etc.
- If you move out and live with roommates, make sure everything is clear from the outset about how all costs will be covered.
- Be careful when buying cell phones and plans. The costs can really add up. Consider all your options carefully – and get advice, if you can, before making your final decision.

## Tech Talk

You might want to do a search for, and check out information on, the web sites of:

- Canada Mortgage and Housing Corporation
- Canadian Automobile Protection Agency
- Canadian Automobile Association
- CanLearn
- Human Resources and Skills Development Canada – Canada Student Loans