Now available as an eBook

MONEY AND YOUTH

A GUIDE TO FINANCIAL LITERACY

Gary Rabbior
Canadian Foundation for Economic Education

Investors Group

ONE CANADA CENTRE, 447 PORTAGE AVENUE, WINNIPEG, MANITOBA R3B 3H5

For 90 years, Investors Group has been building long-term relationships with Canadians of all ages. We believe it's important to teach people about personal finances at an early age so they can reach their financial goals at every stage of their lives.

While there are many things that compete for your money, the challenge is how to save enough for your future goals, while still meeting your needs today. That's the reason why the Canadian Foundation for Economic Education created the Money and Youth program nearly 20 years ago. It's also why Investors Group has supported this initiative since its inception.

The Money and Youth program provides youth, parents and educators the resources to discuss important financial literacy topics and helps youth to gain everyday skills like managing and saving their money.

The proportion of students in Canada who hold a job while attending school has steadily increased. In fact, close to half of all college and university students will be balancing the demands of working while getting an education. Many young Canadians also earn an allowance or receive gifts of cash from family. This means the current generation has more opportunity to earn, save and spend than ever before.

We know that when young people become financially knowledgeable, they are better equipped to undertake their economic and financial roles, responsibilities and decisions now and in the future with confidence and competence.

We hope you find *Money and Youth: A Guide to Financial Literacy* helpful in setting future goals and in providing you with practical ways to help meet your goals.

John Wiltshire
Senior Vice-President, Marketing
Investors Group Inc.

Now available as an eBook

MONEY AND YOUTH

A GUIDE TO FINANCIAL LITERACY

Gary Rabbior
Canadian Foundation for Economic Education

Please visit www.moneyandyouth.cfee.org for more resources and to download a free eBook version of *Money and Youth*.

MONEY AND YOUTH

by Gary Rabbior

The Canadian Foundation for Economic Education (CFEE) wishes to express our sincere thanks to Investors Group for their generous support for the production and distribution of *Money and Youth* across Canada for over 16 years – and over 400,000 copies.

Investors Group

CFEE also wishes to extend our appreciation to Power Corporation of Canada and the Investment Funds Institute of Canada (IFIC) for providing support towards the printing of this new edition of *Money and Youth*.

POWER CORPORATION OF CANADA

IFIC THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

The Canadian Foundation for Economic Education wishes to thank those who have given their permission to reproduce copyrighted material in this publication. Statistics Canada information is used with the permission of the Minister of Industry, as Minister responsible for Statistics Canada. Information on a wide range of data is available from Statistics Canada and can be obtained from Statistics Canada's Regional Offices, its web site at http://www.statcan.gc.ca, and its toll-free access number 1-800-263-1136.

Design & Production: Sylvie Desjarlais

Copyright© Canadian Foundation for Economic Education 1997, 2002, 2006, 2012, 2015, 2016

110 Eglinton Avenue West, Suite 201, Toronto, Ontario M4R 1A3
Tel: 416-968-2236; Fax: 416-968-0488; Toll-free: 1-888-570-7610
E-mail: mail@cfee.org; Web site: www.cfee.org

Est également publié en francais sous le titre : LES JEUNES ET L'ARGENT

Contents

Money and Youth

Preface

Today's world is full of opportunities. As changes occur and our society evolves, those who are well prepared will be able to take advantage of them. There are opportunities to do new things, generate new ideas, accomplish new tasks, and set new goals. Although change creates stress for many, for those prepared to take control of their lives, the future can hold much promise.

Taking control of one's life can mean many things – pursuing a good and relevant education, building personal and family relationships, setting priority goals and objectives, developing skills related to areas of personal passion (the things we love to do), and so on. Taking control of one's life helps to instill confidence, determination, and commitment. These, in turn, can lead to accomplishment, personal success, and happiness.

If we don't take control of our own lives, we are more vulnerable to outside influences. The goals and objectives of others may lead us to where they want us to go – not necessarily where we want to go. Knowledge and skills can help people take more control.

The world of money is one area where many people often feel they lack control. They may even feel they are out of control. Many, if not most, Canadians never had much in the way of financial education – at school or from parents. We hope to change that for the next generation.

Schools are now starting to include financial education in the curriculum. Equipped with knowledge, skills, and experience, young people will be able to plan for, and take more control over, their money and financial affairs.

The Canadian Foundation for Economic Education, in partnership with Investors Group, has produced this publication to provide youth with information that we believe will help them to better understand the world of money. We believe it will help enable them to begin to take more control over their financial future – and improve their chance of achieving success.

CFEE's primary goal is to support improved economic and financial literacy and the development of enterprising skills. In doing so, we hope to help young people be better able to undertake their economic roles, responsibilities, and decisions, with confidence and competence. It is our hope that Money and Youth will make a significant contribution toward achieving that goal.

Acknowledgments

A number of individuals have contributed to the production of this publication over the years and through a number of revisions and updates. For their counsel and advice, I would like to thank them. Note that the positions shown are those of each person at the time he/she reviewed the book.

- Alison Bowie, Department Head of Home Economics, Daniel McIntyre Collegiate Institute (Winnipeg, Man.)
- Rod Campbell, Executive Director, New Brunswick Centre for Educational Administration (Fredericton, N.B.)
- Maria Cho and Breda Casey-Walls, Teachers, George Vanier Secondary School (Toronto, Ont.)
- Lori Cranson, Program Director, The Learning Partnership (Toronto, Ont.)
- Marg Daniel, Program Department Level 2, Scarborough Board of Education (Scarborough, Ont.)
- Clarence De Schiffart, Career Services, Nova Scotia Department of Education and Culture (Halifax, N.S.)
- Jan Haskings-Winner, Teacher, Birchmount Park CI (Toronto, Ont.)
- Richard Jarco, Educator, Senior High Academic Re-entry Program (S.H.A.R.P.), River East School Division (Winnipeg, Man.)
- Bill Jennings, Educator, Frontenac Secondary School (Kingston, Ont.)
- Paul Johnston, Provincial Coordinator, Nova Scotia Links, Nova Scotia Department of Education and Culture (Halifax, N.S.)
- Smita Joshi, Economic/Enterprise Education Consultant, Newfoundland Department of Education (St. John's, Nfld.)
- Sandra Mahr, Educator, Bishop Strachan School (Toronto, Ont.)
- Armand Martin, Director, Social Sciences Unit, Saskatchewan Education (Regina, Sask.)
- David Mike, Educator, Fundy High School (St. George, N.B.)
- Dermot Mulrooney, Partnership Secretariat, Adult Learning and Innovation, Nova Scotia Department of Education and Culture (Halifax, N.S.)
- Ron Munro, Educator, River East Collegiate (Winnipeg, Man.)
- Jean Patterson, Head of Business Studies, Emery Collegiate Institute (North York, Ont.)
- Rick Perkins, Educator, King City Secondary School (King City, Ont.)
- Tom Prins, Consultant, Manitoba Education
- Wayne Roswell, Assistant Head of Business Department, Albert Campbell Collegiate Institute (Scarborough, Ont.)
- Barbara Smith-Graham, Sir James Dunn Academy (St. Andrews, N.B.)
- Patti Stouffer, Teacher, Dr. George Johnson Middle School (Gimili, Man.)
- Dr. Otto Toews, Assistant Superintendent of Curriculum, River East School Division 9 (Winnipeg, Man.)

I also want to express appreciation to the talented staff of Investors Group who provided valuable assistance during the production of this publication. This is especially the case for Sylvie Desjarlais who did the design and layout for this current edition.

I also wish to thank the always dedicated staff of CFEE who assisted with the production of this book – Susan Lennox, Lucy Travisano, and Bonnie Wood. I would also like to thank Tim Casgrain for providing support for the initial production of *Money and Youth* to give the book its start. Finally, I want to extend thanks to my family – Carolyn, Kristin, Caileigh, and Clark for their support – and many life lessons learned about money.

Part 1: Goals, Values and Decision-making

CHAPTER 1:

Your Money Decisions: Who's in Control?

Let's discuss...

- Factors affecting money decisions
- Tips for making good money decisions
- Taking control: Setting goals and finding a balance in your life

Most people make decisions about how to use money every day. It may be to take a bus, or to buy something for lunch, or to put money in a parking meter, or buy a new "app", or go to a movie, or. . . Like it or not, we need money to get and do a lot of things. Try and think of the last day when you didn't spend money – or make a decision about how to use money – either yours or someone else's.

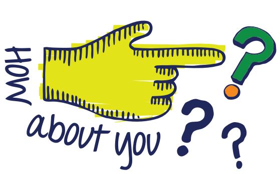
You probably make many such decisions involving money – and you have choices. But what things influence the decisions that you make?

DO YOU FEEL DIFFERENT WHEN YOU PAY FOR SOMETHING WITH YOUR OWN MONEY THAN WHEN OTHERS BUY THINGS FOR YOU?

A. Factors Affecting Money Decisions

Think about the last item of clothing that you bought. What factors affected your decision?

1. **Emotions:** Was it how you felt looking at the item – that is, your emotional response?
2. **Friends and Peers:** Was it your friends – and what you thought they would think about your choice – that is, some kind of "peer pressure" affecting your decision?
3. **Customs, Traditions, and Habits:** Was it because it was the style of clothes that you have always tended to wear in the past – that is, your custom, tradition, habit, or just falling in line with past choices?
4. **Family Members:** Did your parents, siblings, or other family members have any influence on your choice – that is, what they would think and how they would react?
5. **Latest Styles and Fads:** Was it because of any latest style or fad – that is, trying to stay current and with current trends?
6. **Advertising:** Was it because of any commercial, ad, promotion, or celebrity endorsement that you saw that had an impact on you – that is, some form of advertising?
7. **Incentives:** Was it because of a "sale" that was on or a discount coupon that you had – that is, some kind of incentive provided by the store to make you buy that product?
8. **Your Values and Confidence:** Was it because of what you thought – and what you wanted – and your own sense of values, style, and knowing what you want?



WHICH OF THE ABOVE FACTORS DO YOU THINK HAVE THE MOST INFLUENCE ON YOUR MONEY DECISIONS?

WHEN YOU MAKE DECISIONS ABOUT MONEY, TAKE A MOMENT TO THINK ABOUT FACTORS THAT COULD BE AFFECTING YOUR DECISION. ARE YOU IN CONTROL OF YOUR DECISIONS – OR ARE OTHERS AFFECTING WHAT YOU DO? TRY AND BE IN CONTROL OF YOUR OWN DECISIONS.

Impact Can Be Intentional or Unintentional

All of these factors influence the decisions and choices you make about spending. Some may even influence you without really trying. Can you think of a decision you made recently that you think may have been influenced by a movie you saw – or a sporting event or sports celebrity – or someone you met? In the end, you will make the decision – but it is always good to consider the factors that might be having an impact on you.

Can You Afford It?

Another factor that is important – and often gets too little consideration – is whether or not you can afford it. With so many factors influencing us, and affecting our decisions about money and spending, we may buy something we don't really need or want, and may not use – or won't use for long.

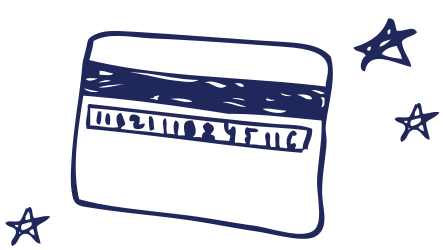
Looking Back on Past Decisions

Once a decision is made, you can look back and think about whether or not it was a good one for you. If it was, why? If it wasn't, why not? Sometimes we make good decisions – and sometimes not so good. The important thing is to learn from the decisions that weren't so good. In the end, though, each of us strives to make the best decisions we can about money – and that is one of our goals with "Money and Youth."

CAN YOU THINK OF SOMETHING YOU BOUGHT THAT YOU NEVER USED – OR DIDN'T USE MUCH AT ALL? IF SO, THINK ABOUT WHY YOU BOUGHT IT. WHAT CAN YOU LEARN FROM THAT DECISION?

Making Good Decisions is a Skill

In a later chapter, we will actually look at a series of steps that can help you to make good decisions. Making decisions is a skill – yet many people have never been taught how to make them.

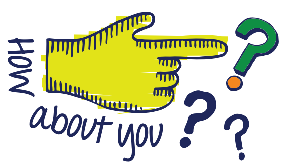


B. Tips for Making Good Money Decisions

Here are a few tips to consider when making good money decisions.

1. "Think about your thinking"

Take a moment to "think about your thinking." That might sound a little weird but to make a good decision it helps to take a minute or so to think about the choice you are making – and why you are making it. Many people make decisions without really thinking about why they are making that particular decision. Is it because it's the kind of decision you have always made – because you are trying to make someone happy – because you think it will make you happy – because of what someone taught you – because it's part of who you are and reflects your values . . . ?



TO WHAT EXTENT DO YOU TAKE TIME TO "THINK ABOUT YOUR THINKING" – AND DO YOU THINK ABOUT WHY YOU ARE MAKING THAT DECISION?

No Time — Enough Time

1 2 3 4 5

2. Your "Opportunity Cost"

Consider your *opportunity cost* – that is, what are you giving up in making the decision? Every decision has an opportunity cost – giving up one thing to get another. You could be giving up something else you could buy with the money you are spending, or something else you could do with the time you are investing, or another city you could be visiting, or another course at school you could be taking. Among all the possible alternatives, what's the "next best thing" you will be giving up? That is your opportunity cost.

3. Future Trade-offs

Consider the future possibilities. That is, in addition to what you might be giving up today, what might you be giving up in the future because of your decision? What could be different if you waited?

4. Can you afford the cost?

Finally, can you afford it? Do you have the money to pay for it? If not, and you are going to use a credit card, will you have the money to pay off the credit card balance when you get your bill? Or will you be *"carrying the cost"* into the future – and paying interest? If you are going to pay interest you should consider that as part of your costs – and as part of your decision.

We have now looked at eight factors that may influence your decisions– and four tips to consider when trying to make good money decisions. But let's not forget about another key factor in all this – and that is, what makes you happy.

Take action. Take Control!

Try to complete the following activity in less than two minutes. Trying to do this quickly helps you to focus on things you feel most strongly about.

Identify the five most important things in your life at the present time and the five things you most hope for in the future.

C. Taking Control: Setting Goals and Finding a Balance

Your Happiness is Another Important Factor

Each of us has to figure out what will make us happy – today, tomorrow, next week, next year, and in the years to come. If you are one who thinks more about today and tomorrow rather than the future, you are probably one who likes "instant gratification" – that is, when you want something you want it now.

If You Like "Instant Gratification", Taking Control Can Be a Challenge

If you tend to like, and want, "instant gratification" then managing your money will probably be more of a challenge. It will be harder for you to think about your trade-offs down the road – or the challenge of having to pay for something later if you can't afford to pay today. It may be that some of those influences we just talked about are working on you – and making you want certain things – and wanting them now! If you tend to be one who "acts now and plans later," managing your money – and your money decisions – will be more difficult.

How about you??

DO YOU TEND TO WANT INSTANT GRATIFICATION – OR ARE YOU SOMEONE WHO LIKES TO PLAN, AND CAN WAIT TO GET WHAT YOU WANT IN THE FUTURE – AND ACHIEVE THE GOALS THAT YOU SET FOR YOURSELF?

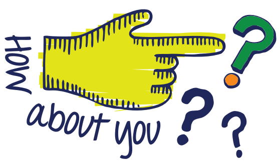
"Instant gratifier" Planner

1 2 3 4 5

If You Keep the Bigger Picture in Mind, Taking Control Can Be Easier

If you are more of a "big picture" person – and take a longer term view of things – you may find it easier to manage your money – and to achieve your goals.

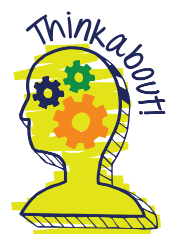
When you set goals, you need to think about the present and the future. You have to think about what makes you happy today – and what will make you happy in the years ahead. People often talk about hoping to have a "happy life" – which, in and of itself, is an ambitious goal. Finding the balance between your happiness today and your happiness in the future is key – and not always easy, especially when it comes to how you handle and manage your money.



WHAT, FOR YOU, ARE THE KEY THINGS THAT YOU THINK WILL HELP MAKE A "HAPPY LIFE" FOR YOU?

Money Can't Buy Happiness – True, But . . .

The saying "money can't buy happiness" is probably quite true. But it is also true that a lack of money can create problems. Being in debt over one's head, being unable to pay bills, being unable to take holidays, being unable to afford the accommodation one wants can be both frustrating and unpleasant. "Money can't buy happiness" but, let's face it, it helps.

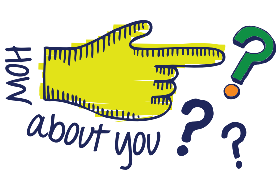


WHAT ARE YOUR VIEWS ON THE LINK BETWEEN MONEY AND PERSONAL HAPPINESS? WHEN ARE YOU HAPPIEST? WHAT ROLE, IF ANY, DOES MONEY PLAY IN THOSE TIMES?

You Make Your Decisions – But to What End?

There is no shortage of advice you are likely to receive about how to effectively manage your money – and what you should be doing with your money. But, in the end, you will decide.

A key factor that can affect your decisions are your goals. If you don't have goals then goals won't play a role in your money decisions. But if you have goals, hopes, and things you want to achieve in the future, they will have an impact on the decisions that you make. Therefore, setting goals for yourself can be a powerful incentive which can have an effect on the decisions you make.



DO YOU THINK MUCH ABOUT WHAT YOU HOPE FOR IN THE FUTURE WHEN YOU MAKE YOUR MONEY DECISIONS?

Having Goals Can Make a Difference

Why can goals make a difference? If you have goals, you'll have to consider the possible trade-offs as you make decisions today. And saving to achieve a goal can be very rewarding, personally satisfying, a real motivator, and a confidence builder. Achieving a goal can help you prove to yourself that you can accomplish what you set your mind to – and inspire you to aim for other goals – and to achieve other things.

So, "money doesn't buy happiness", but it does play an important role in most people's lives. We may wish it weren't so, but it's true. Earning money. Spending money. Saving money. Investing money. Making money. Losing money. Giving money away. We make all kinds of decisions, often daily, about money.

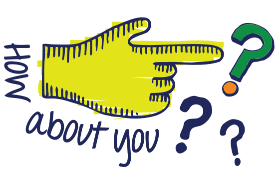
Money Is a Means to an End

But what is money anyway? We don't eat money, wear money, or build buildings out of coins and twenty-dollar bills. Money is a tool. It is a means to an end. It is something created to help our economy work more smoothly. It serves as a medium of exchange, that is, we can use it for purchases. And money can help each of us in achieving our goals – whatever they may be.

If we turned on the printing presses and gave everyone twice as much money, would people be better off? The answer is "no". Why? Because with everyone having twice as much money, prices would eventually double as people have more money to spend on things. People would have twice as much money but would be paying twice the price for things – so people wouldn't be any better off. So it is important to remember that money is a tool – and prices will affect the purchasing power of your money and how much you can buy with it.

If You Want to be In Control, Have a Plan

Money can help us out – but it can also cause problems – getting deep into debt – causing stress, tension, and anxiety – pushing some people to crime – having bill collectors on your back. To avoid money problems, it's best to try and stay in control of your money and how it affects your life. You'll want to maximize the help that money can provide and minimize the problems it can cause. Today is the best time to start to take control of your money. And the best way to take control is to be prepared and plan.



TO WHAT DEGREE DO YOU THINK YOU ARE IN CONTROL OF YOUR MONEY?

Out of control — In total control

1 2 3 4 5

Financial Planning is Not Only for Those with Lots of Money

Planning how to handle money is not only for those who have lots of money. In fact, the less money you have, the more important it is to plan. You want to get the most from the money that you have.

The best way to plan is to set goals – to know clearly what you want – to know the difference between what you need and what you want – to know the things you care most about – what you want out of life – what you want to achieve and what will make you happy – today and in the future. In setting goals, consider the different "time periods" – the short-term (what you hope to achieve over the next year), the medium-term (1–3 years), the long-term (3–5 years), and the more distant future (5 years and beyond). Short-term goals can be very helpful as they serve as stepping stones to achieving your medium-term goals. Then, use medium-term goals as stepping stones to long-term goals, and so on. Doing this gives you some "check points" to see how you are doing over time – and think about whether your goals have changed and if you want to change direction.

Take action. Take Control!

Identify the top three goals that you hope to achieve within the next year. Identify the top three goals that you hope to achieve within the next three years. Identify the top three goals that you hope to achieve within the next 5-10 years.

Plan for a Balance between Your Short-term and Long-term Goals

As important as it is to keep an eye on the future and your longer terms goals, you want to be happy today too. That is understandable, and should be part of your planning. Finding a balance between today and the future is important. Develop a plan that helps you live as happy a life as you can – today, next month, and into the future.

People Are Different – Their Goals Are Different

Different people will have different goals. What one person wants out of life can be very different from what another person wants. Individuals face life and its financial challenges from a wide array of starting points and with different views. Some people have access to a great deal, including opportunities for education, training, working, and acquiring income. Others have access to very little and face different challenges and opportunities. Different cultures also have different attitudes to money and material things. No matter what the differences, however, everyone will face decisions related to their money. To guide these decisions, we need goals. What are yours? Knowing your goals is a key first step in starting to take control of your money.

Chapter Summary

Say What? Possible New Terms!

1. **Opportunity Cost:** the next best alternative given up when you make a decision.
2. **Carrying cost of a debt:** the interest charges that you pay on debts that you carry on a credit card over time. That is, credit card debts that you don't pay off right away and result in interest charges.
3. **Medium of exchange:** one of the roles of money. Prices can be set in terms of money for goods and services and then money can be used to "exchange" to receive a good or service.
4. **Financial planning:** setting goals for things you hope to achieve and acquire over time and making a plan for how to achieve those goals.

Did It Stick? Can you recall . . .?

1. What factors may be having an influence on your money decisions?
2. What are four things you can do to try and make a good decision?
3. What is the purpose of having a financial plan?
4. How can setting goals help you to make better financial decisions and find a balance in life?
5. What is a key role of money in the economy?

Thinkabout . . . or discuss:

- Which kind of financial decision do you find hardest to make – and why?
- In your opinion, which factors have the biggest influence on money decisions made by youth?
- What are the advantages and disadvantages of credit cards for youth?
- What are the biggest "money mistakes" youth often make?

Tips and Suggestions

Five Steps to Saving Money

- Set a savings goal. Ask yourself: How much money will I need? How soon? Be realistic.
- Decide how much you will save from your pay. Put aside money to save first, then spend what's left.
- Track where you spend your money. Learn more about where your money is going. This will help you find ways to cut your spending if you need to – since you will probably be surprised where some of it is going.
- Build a budget and try to stick to it.
- Reward yourself when you reach a goal. Give yourself something to look forward to if you do what you set out to do.

Tech-Talk

If you have access to the Internet via a computer or hand-held device, you might consider searching:

- Common frauds and scams
- Metacognition – thinking about your thinking
- Tips for good decision making
- Setting goals and basic financial planning
- Advertising techniques

CHAPTER 2:

Your Goals and Your Values

Let's discuss...

- Exploring your values
- Peer pressure
- Keeping up with the Joneses
- Advertising – and Advertising and You

When you think about the things that are most important in your life – and the goals you have for what you want to achieve – do they reflect your "values"? Can you tell? Have you thought much about your values?

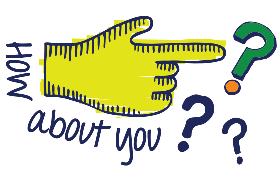
What are values anyway? Values are those things that make up your character. They represent what you think is important in life. They show up in your decisions, actions, and judgments.

How we look on the outside usually tells very little. It's more what's on the inside that will make most of the difference in who we are. And values are a big part of what's inside.

IF YOU WERE ASKED TO IDENTIFY THREE OF YOUR "VALUES," HOW WOULD YOU ANSWER?

A. Exploring Your Values

There are many things that can influence your values. Family members, teachers, and friends are particularly strong influences. Religion, culture and heritage can also have a big impact. Television, movies, videos, and music certainly play a role, too. Advertising can also do a great deal to influence, or try to influence, what you think is important and what you value.



DO YOU THINK YOU ARE INFLUENCED BY ADVERTISING? DID YOU MAKE A DECISION RECENTLY THAT WAS INFLUENCED BY ADVERTISING?

Easily Influenced — Little Influence

1 2 3 4 5

Your values govern many of your financial decisions. What material things are important to you? How much money will you need? What will you do to get it? What trade-offs will you make? What will you do with your money when you get it? And so on. There is no denying that decisions related to money are important – they affect each of our lives and those around us. And your values affect those decisions.

Let's try to explore the things in life that you value – and the things that have influenced your values.

Take action. Take Control!

It is time for brutal honesty. Below are a number of things you may think are important in life. They may be things in life you want for yourself, what you try to be or hope for, or things you respect in others. There are probably other things that are important to you that aren't included. Please add them to the list. Then select the "top ten," the things you value most, and rank them one to ten.

What's Important to You?

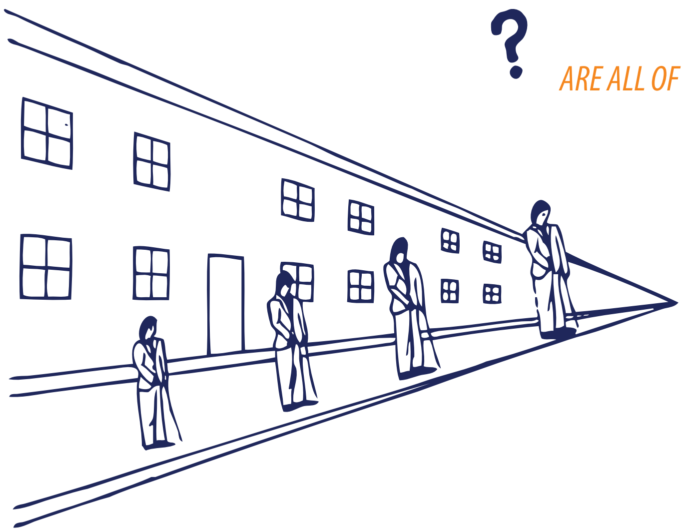
Happiness	Recreation and travel	Maturity	Good health
Work	Status	Education	Freedom
Family	Tolerance	Love	Compassion
Sympathy	Loyalty	Fitness	Honesty
Reliability	Fun	Wealth	Acceptance
Patriotism	Responsibility	Respect	Sense of humour
Security	Beauty	Honour	Safety
Faith	Commitment	Religion	Being in style
Acquiring abilities/skills	Independence	Excitement	Influence
Friendship	Risk	Helping others	Community involvement
Others:	______________	______________	______________

what's really important?

There are many people, groups, and things that can influence your values. Some may intentionally try to influence your values.

Others may do so without even trying. It is important to be cautious about those who are out to influence what you do and the decisions you make. Take a look at the following visual.

1.



ARE ALL OF THE FIGURES THE SAME SIZE?

To most people, the figures will appear to be of different sizes. Put a ruler alongside each one. They are, in fact, the same size. But the way they have been drawn makes them appear to be different than they really are.

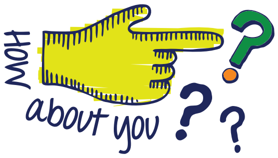
Visual illusions such as this can be fun. They also make a point. We can be fooled. We can be influenced. We can be made to see things differently than they really are. Take a look at the following visual.

DO YOU SEE A PICTURE OF AN OLD WOMAN OR A YOUNG WOMAN?

2.

Did you see both? Both are there. The point is that different people can see things differently. It's not necessarily such that one is wrong and the other is right. Both may be right. So whenever you think something is true, and someone offers a different point of view, consider whether or not there might be other ways of looking at things. Is there another point of view? A better point of view? A view that will strengthen what you believe?

1. Handbook for Economics Teachers, edited by David J. Whitehead. London: Heineman Educational Books, 1979
2. Handbook for Economics Teachers, edited by David J. Whitehead. London: Heineman Educational Books, 1979



IN THE EARLIER ACTIVITY, YOU IDENTIFIED THE THINGS YOU FEEL YOU VALUE MOST IN LIFE. BUT WHERE DID THOSE VALUES COME FROM? WHAT INFLUENCED YOUR VALUES IN THE PAST? WHAT INFLUENCES YOUR VALUES TODAY?

Possible influences are listed below. From those shown, or others you can think of, identify the top seven factors that you believe have contributed the most to determining what you value most.

Possible Influences

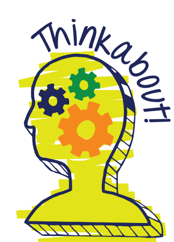
Your parents/guardians	Your religion	Books	Camp experiences
Other relatives	Television	Magazines	Volunteer experiences
Your childhood experiences	Entertainers	Travel experiences	Work experiences
Your childhood friends	Sport personalities	Specific events	Sickness or injury
Your current friends	Radio	Community activity	Employer
Your teachers	Music	Teammates	Coach
Others:	________________	________________	________________

THERE ARE MANY PEOPLE WHO MAKE DECISIONS WITHOUT THINKING ABOUT THEIR "VALUES." WHEN YOU MAKE DECISIONS RELATED TO MONEY, TAKE A MOMENT TO THINK ABOUT YOUR VALUES AND IF THEY SHOULD PLAY A ROLE IN YOUR DECISION.

The fact is, there are many things in life where others could see things differently than you do. Others may try to bring you around to their way of thinking. And, as you know, what is right for them, may not necessarily be right for you.

Consider some instances where people's views have been different. Did you agree with a particular point of view? What is "right" and "wrong" can often be unclear.

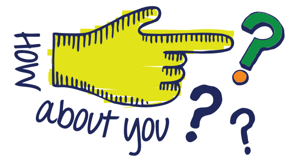
THINK ABOUT THE LAST TIME THAT SOMEBODY TRIED TO INFLUENCE A DECISION THAT YOU MADE. HOW LONG AGO WAS IT? WHY WERE THEY TRYING TO INFLUENCE YOUR DECISION? WERE THEY ABLE TO INFLUENCE YOU IN ANY WAY?



B. Peer Pressure

Peer pressure refers to how others around your own age can influence your thinking – on purpose or not. Peer pressure is one of the strongest influences on young people. Friends, classmates, teammates, and workmates are usually very important to you. You may value them and what they think and do.

At the same time, they are in the same situation as you are – trying to figure out their lives, trying things, thinking about things, and figuring out what they value and what's most important to them.



DO YOU TEND TO BE INFLUENCED BY YOUR PEERS – OR DO YOU TEND TO INFLUENCE OTHERS?

Many of the decisions that you make in your youth will be influenced by your peers. Situations can arise that involve making decisions related to alcohol, smoking, drugs, clothing fads and styles, courses you take, concerts, schools, careers, jobs, and so on. Many of these are difficult decisions, and peers can apply a great deal of pressure – either directly on you or by the decisions they have made and what they are doing. You will face times and decisions when your values are really put to the test.

Take action. Take Control!

In a group situation, discuss the following:

- Where does peer pressure push the hardest? For example, is pressure hardest when deciding whether or not to smoke, to dress a certain way, to listen to certain music, to drink, to take drugs, to associate with certain people, to want certain possessions, and so on? When do you feel the pressure the most?
- What are the best ways to deal with peer pressure when you disagree with the direction toward which it is pushing you?

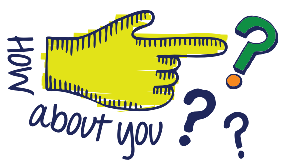
HOW HAVE YOU HANDLED PEER PRESSURE IN THE PAST? HAVE YOU EVER MADE A MONEY DECISION THAT WAS INFLUENCED BY YOUR PEERS?

As far as money matters go, your peers may seek to influence you – such as how much you spend, what you buy, how much you borrow, what styles you follow, where you shop, and so on. It can be challenging, but it is important to make the decisions you believe are best for you, the ones that fit your values, priorities, and goals – and that make you happy and feel good about your decision.

A FUNNY THING ABOUT PEER PRESSURE – IT CAN PASS QUICKLY. YOU MAY BE IN A SITUATION WHERE YOU ARE FEELING PRESSURE TO BUY AND WEAR CERTAIN SHOES – SHOES YOU DON'T NEED. IF YOU DECIDE NO, THE PRESSURE OFTEN SOON PASSES AND OTHERS FORGET ABOUT IT. IF YOU DECIDE YES, OTHERS MAY STILL SOON FORGET ABOUT IT – BUT YOU ARE OUT OF POCKET THE MONEY – AND MAY BE WEARING SHOES YOU DON'T NEED – AND MAYBE DON'T EVEN LIKE. MAKE SURE YOU USE YOUR MONEY THE WAY YOU THINK BEST.

C. Keeping Up With The Joneses

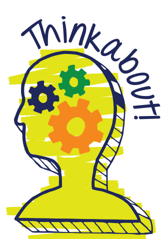
You probably don't even know anyone by the name of Jones. For you, it may be the Howards, the Garneaus, the Villachis, or others. The "Joneses" is simply a reference to those around us with whom we may struggle to keep up. We may want what they have, or try to live how they live. For youth, the "Joneses" can be friends who wear certain clothes or shoes, go to certain concerts, drive certain cars, have a new possession (such as the latest "iProduct" or computer game), take vacations to nice places, eat at nice restaurants, and so on. No one may be pressuring you to have them – but you may be pressuring yourself to keep up.



ARE YOU AN ENVIOUS PERSON? DOES ENVY PLAY MUCH OF A ROLE IN TERMS OF YOUR GOALS, DECISIONS, AND ACTIONS? ON A SCALE OF 1 TO 5, RATE THE INFLUENCE OF "ENVY" ON YOUR ECONOMIC DECISIONS.

Envy Plays a Role — Envy Plays No Role

1 2 3 4 5



DO YOU FEEL ENVY PLAYS MUCH OF A ROLE IN YOUR LIFE AT THIS TIME? DO YOU FEEL ENVIOUS OF ANYONE? IS THERE SOMETHING THAT YOU CURRENTLY WANT THAT IS BASED ON ENVY? HAVE YOU MADE A RECENT DECISION OR PURCHASE THAT WAS BASED ON ENVY?

Basically, it comes down to how much you are willing to let envy affect your values, decisions, actions, and goals. If you want to be in control, you should avoid envy when you can.

WATCH OUT FOR ENVY – IT CAN LEAD TO SOME PRETTY CRAZY DECISIONS – AND ONES YOU MAY REGRET. IT'S FUNNY HOW OFTEN OTHERS THAT YOU ENVY, MAY ENVY YOU FOR THINGS YOU HAVE IN YOUR LIFE. KEEP IN MIND THE THINGS YOU VALUE IN LIFE – IT MAY MAKE YOU LESS ENVIOUS – AND PUT THE BRAKES ON SOME DECISIONS THAT YOU MIGHT COME TO REGRET.

Take action. Take Control!

Look around you at those in your peer group. What things have people been buying that you think are decisions made by them to "keep up" with what others are doing or to be "in" or "cool?" Are you putting pressure on yourself to "keep up" – or are you a person who is more into "doing your own thing?"

D. Advertising

Advertising is the way producers provide information to consumers about a product or service. They also use advertising to encourage consumers to purchase their products or services. Their goal is to convince you, as a consumer, to purchase their product over that of a competitor.

That doesn't mean advertisers can tell you anything they want. Advertisers are governed by rules and regulations (such as those provided under the Competition Act, the Food and Drugs Act, the Canadian Radio-television and Telecommunications Commission, and other federal and provincial laws) that set standards and guidelines for advertisers. For example, it is illegal for advertisers to provide untrue or deceptive information. They cannot make false claims about their product. They cannot make untrue statements about their competitor's product.

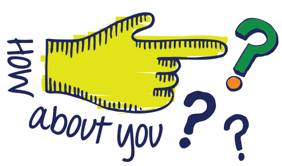
Therefore, within certain guidelines, the advertiser's aim is to influence you and to get you to buy a particular product or service. This is not as deceptive an act as it may sound. As you know, there are many good products and services available. If you don't know about them, you can't make effective decisions about which ones, if any, you want to purchase and use. Furthermore, producers have the right to make accurate claims about how good their product is. If the product is good, they should certainly be able to let you know about it.

Think about!

ON MOST OCCASIONS, HAVE THE PRODUCTS AND SERVICES YOU BOUGHT BEEN AS ADVERTISED? HAVE YOU BOUGHT A PRODUCT THAT DOESN'T LIVE UP TO THE ADVERTISING?

Advertising is good in a number of ways:

1. It is a source of information about new products, existing products, and improvements or changes to products.
2. It encourages competition, which can lead to product improvements, lower prices, specials, improvements in supply and availability, and more.
3. As you are probably well aware, advertising pays for many media presentations. Advertising sponsors TV and radio shows, magazines and newspapers, concerts, and so forth. Increasingly, through "product placement" it also helps sponsor movie production.
4. Advertisers sponsor these activities according to how many of their potential customers they believe will watch the show, listen to the show, read the magazine or paper, or come to the concert. Through sponsorship, some of these activities, such as TV and radio programs, are provided free to us (even though we do end up paying for the advertising in the prices we pay for what we buy – and we may also pay cable or satellite fees for the programming). Some (such as a newspaper) are provided to us at much lower cost than would otherwise be the case, and some (such as a concert) might not have come to town without the sponsor.
5. Advertising helps consumers to compare the different products and services that are available and hopefully to help them make better consumer decisions.



TO WHAT EXTENT DO YOU THINK YOUR CONSUMER DECISIONS ARE AFFECTED BY ADVERTISING?

Affected a lot — Affected a little

1 2 3 4 5

How can advertising influence your buying decisions? Advertising may lead to impulse buying (buying on the spot without much thought) or fad buying. It may lead you to buy something you really don't want, or don't need, or shouldn't buy at this time. In other words, it may help lead to a consumer decision that you might come to regret.

But whose fault is that – the advertiser's or yours? There is a saying – caveat emptor – which means "let the buyer beware." In the end, you are responsible for your own decisions. If you make a bad buy (one that is not in your best interest), then, unless an ad has been false, misleading, or illegal, you have only yourself to blame.

Therefore, when making your buying decisions it is important for you to be aware of some of the ways in which advertisers may try to influence you to buy their product. The advertiser's job is to put the product forward in the best light possible and hope you will buy their product or service. Your job, as a wise consumer, is to make the decisions that you think will be best for you.

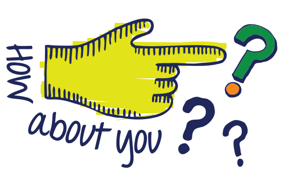
TRY TO GET TO KNOW YOURSELF AS A CONSUMER. DO PAST DECISIONS SHOW YOU ARE INFLUENCED BY ADVERTISING? IF SO, KNOW THAT AND TRY TO CONTROL THE EXTENT TO WHICH ADVERTISING TAKES CONTROL OF YOUR DECISIONS.

There is one further point to mention in this section. As a consumer, you do have certain "rights." The Consumers' Association of Canada states that its goal is to help uphold the following consumer rights:

- the right to choice
- the right to be informed
- the right to safety
- the right to be heard
- the right to redress
- the right to consumer education
- the right to participate in marketplace decision making
- the right to have access to basic services
- the right to a sustainable enviroment[1].

You may believe that, on some occasion, your rights have been abused. Or you may have a complaint about a good or service you purchased. If so, identify who you can speak with and voice your complaints.

For those times (which we hope will be few) when you have legitimate complaints, you need to learn the "art of effective complaining." Most producers will welcome the chance to turn an unhappy customer into a happy one. After all, if you leave unhappy, you'll probably never return. They lose your future business. And you will probably tell others about your bad experience. Give them a chance to fix any mistakes or problems. You may find you end up quite happy. Sometimes you may even come out ahead. If you find you are not satisfied, and you feel you have a legitimate complaint that was not dealt with properly, you can contact the Better Business Bureau and put in a complaint. But do give the producer or retailer a chance to fix the problem first.



HAVE YOU EVER BOUGHT A PRODUCT AND HAD A PROBLEM OR REASON TO COMPLAIN? IF SO, DID YOU – OR DID YOU JUST LET IT GO? HOW WOULD YOU ASSESS YOURSELF IN TERMS OF YOUR WILLINGNESS TO ACT IF YOU HAVE A PROBLEM WITH A PRODUCT?

Probably do nothing — Very likely to take action

1 2 3 4 5

1. From the web site of the Consumers' Association of Canada. www.consumer.ca

E. Advertising And You

Review each of the advertising techniques described below. See if you can think of one or more product or service ads that you have seen recently that use the following techniques. **Rank these techniques from 1 to 10 in terms of which you think is the most effective at influencing your opinion of a product or service. Let "1" represent the most effective and "10" the least.**

Repetition You have heard it said that "If you tell people the same thing often enough, they will come to believe it." Some advertisers will use this method, repeating their message over and over again in an ad or a series of ads over time. *[Built Ford Tough!, "Eat Fresh," "I'm Lovin It"]* ________

Conformity This approach aims to have you "get on board," "be in," "get with it." *[Join "the Pepsi generation."]* ________

Imitation This is the effort by an advertiser to influence a consumer by having a celebrity associated with the good or service. The advertiser hopes that those who like and respect the celebrity will imitate the behaviour by using the product.*[Michael Jordan running shoes. Ellen DeGeneres make-up.]* ________

Emotional Appeal This is where the advertiser seeks to draw upon one or more of the consumer's emotions to influence the decision. *["That Long Distance Feeling – kittens and bathroom tissue – beer and the "Canadian rant"]* ________

Good Will Providing something for free – a free sample, a free issue, and so on. However, always remember that "there is no such thing as a free lunch" – someone always pays the cost. It's a question of who pays and why. *["Four free CDs! Just sign up to buy one CD a month and you'll get four free CDs!"]* ________

Scare Techniques Well, maybe not exactly scare techniques, but who wants to face the consequences of going around with bad breath, blotchy skin, or underarm odor, especially when the ads portray such awful consequences. *["Nick and Lotta were about to kiss when, all of a sudden, Lotta noticed Nick's teeth. If only Nick had used..."]* ________

Snob Appeal These ads are designed to appeal to those who want to be seen as in the lead, on the move, those who have made it – and want others to know about it. These ads emphasize that if you have the product you are definitely "in" or among the "elite" or "successful." *["If you need to know the price, you're not interested."]* ________

Economic Appeal This type of ad presents the "great deal" – no money down, no interest payments, and so on. Be on your toes and watch for those that are genuine deals and those that have catches to them or key points in the fine print. There can be very legitimate offers to help you pay for a purchase over time – such as equal payments over 24 months with no interest. But, in the fine print, it can say that if the amount isn't paid in full within 24 months, all interest charges become payable for the full two years. So check that out and, if that's the case, make sure you complete the payments within the 24 months. *["No payments for three years! That's right, it can be yours and you don't pay a cent for three years!"]*

Comfort And Enjoyment Some advertisers may attempt to present their product in relation to something that, although enjoyable, is largely unrelated to the product. For example, have you ever sat through a commercial wondering what on earth was being advertised – only to be surprised at the end? The purpose of the ad may simply have been to get your attention – not tell you anything about the product.

Humour One method to attempt to influence your purchase is to present the product or service in a humorous way and hope that your laughter will carry over all the way to your buying decisions.

Can you think of any other techniques that are used by advertisers to affect consumer decisions?

Chapter Summary

Say What? Possible New Terms!

1. **Values:** the beliefs, morals, attitudes and decisions that make up your character, affect what you do in life, how you handle situations, and your goals.
2. **Peer pressure:** the influence that others, around the same age, can have on your actions and decisions. This is a pressure that others try to put on you.
3. **Envy:** the desire to have what others have, look like others look, live like others live, etc. This is a pressure you usually put on yourself.
4. **Consumer rights:** these are what a consumer should reasonably expect in the course of fair dealings and expectations with a producer or retailer.
5. **Caveat emptor:** "buyer beware," which means that, in the end, a consumer is largely responsible for each decision that is made.

Did It Stick? Can you recall . . . ?

1. Why values are important in terms of "money decisions"?
2. What are some of the key things that can affect your values?
3. How can peer pressure influence decisions about money?
4. What kinds of pressures can people put on themselves that can affect their money decisions?
5. What kinds of techniques can advertisers use to try and affect your decisions?
6. What are some of the benefits from advertising?
7. What are some of the "rights" that consumers should reasonably expect in the marketplace?

Thinkabout . . . or discuss:

- What are the biggest factors affecting values as a person grows up?
- Do values change over the course of your life? If so, why and when?
- What values would likely help lead to good financial decisions?
- What "peer pressures" are positive? Which are not so positive? What can be done to deal with and resist peer pressure if you don't like the direction it is pushing you toward?
- What are some of the "best" ads you have seen (TV, print, radio, Internet) and why? Which are some of the worst – and why?

Tips and Suggestions

- As you can, think about your values – know your values – and call upon them to help with your money decisions. People often make money decisions without considering what is really important to them.
- Peer pressure can be very powerful. In the end, try and control your own life as much as possible. That way you can apply your own values to your decisions rather than someone else's.
- To get a sense of where you are at, and coming from, regarding money in your life, make one list of the things you value and want out of life that don't relate to money. Make another list of those that do relate to, or involve, money. It helps to keep in mind the things we have, or hope to have, that don't involve money.
- Consider the "opportunity cost" of any decision you make. That is, what is the next best alternative that you are giving up – today or in the future.

Tech-Talk

If you have access to the Internet, you may consider searching:

- Dealing with peer pressure
- Advertising techniques
- Best ads ever
- Worst ads ever
- Values and setting goals
- Consumer rights

CHAPTER 3:

Your Goals: Some Things to Consider

Let's discuss...

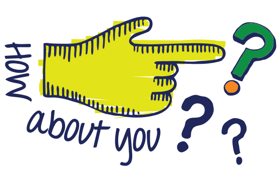
- "Luck of the Draw"
- The Life Cycle
- Tastes, Preferences, and Lifestyle
- The Economy
- Social Factors
- Political Factors
- Technological Change
- Language and Communication Skills
- Prejudice

In addition to your values and what you believe is important in life, there are other factors that can influence your financial decisions and actions. Let's take a look at some of these factors.

"Luck Of The Draw"

Each of us is born into our own individual set of circumstances. We are born at a certain period of time, in a certain location to particular parents (who may or may not stay together as a family unit), into a certain lifestyle, and so on. We enter into different economic circumstances, geographic locations, cultures, family conditions, and values.

You may believe that all are created equal, but few will claim we are all born into circumstances of equal opportunity. The way we start life can vary greatly. And, for many people, life probably doesn't seem fair in terms of "money." Some may have easier access to money. Some may have to work much harder. Some are born into families that have lots of money. Some are born into families with relatively little money. But remember that old adage – "Money doesn't buy happiness." There are some who may well argue that it may be harder to be happy if one is "born into money." There are different goals we can set in life – and different ways to define opportunities and happiness. Keep that in mind.



YOUR "LUCK OF THE DRAW"
WHEN YOU ENTERED THIS WORLD ON THE "HIGHWAY" TO LIFE, YOU MAY BELIEVE YOU STARTED WITH CERTAIN ADVANTAGES OR DISADVANTAGES. IDENTIFY BOTH THE ADVANTAGES AND DISADVANTAGES YOU FEEL YOU STARTED WITH.

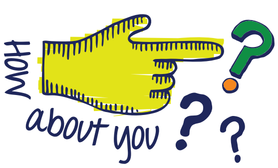
ON A RECENT TRIP TO MALAWI, THE POOREST COUNTRY IN AFRICA, A PERSON COMMENTED THAT PEOPLE SEEMED TO BE SO HAPPY THERE. WHY MIGHT THAT BE THE CASE?

THERE ARE PARTS OF CANADA THAT SOME SAY DON'T HAVE THE HIGHEST STANDARD OF LIVING – BUT HAVE THE HIGHEST QUALITY OF LIFE. HOW MIGHT THAT BE THE CASE?

The Life Cycle

If you are in your teens or early twenties, your thoughts are probably mostly on personal relationships, your education, your job or work opportunities, entertainment, sporting events, and travel. You are probably thinking about possible careers, educational options, work opportunities and prospects, moving out on your own, and deciding who, if anyone, might be that particular person with whom to share a life – or at least go out with over the next while.

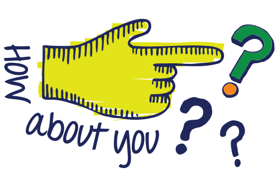
Over time, though, and at different stages of life, our priorities and concerns can change. The priorities, concerns, and goals of someone who is 15 will likely be quite different from those of someone who is 65. Therefore, when setting goals, you have to consider the changes that will occur throughout what is called the "life cycle."



THINK BACK THREE YEARS. HAVE YOUR INTERESTS, PRIORITIES, AND GOALS CHANGED EVEN OVER THAT BRIEF PERIOD?

What is the life cycle? Although each of us will experience our own individual life cycle, we often share similarities in our primary concerns at various stages in our life. Importance will vary in our lives with respect to education, training, finding a job, getting promoted, marriage, children, housing, saving, investing, health care, life insurance, retirement planning, travel, and so on.

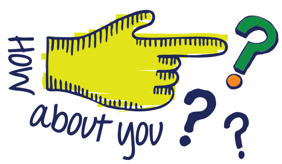
Taking control of your financial affairs means thinking about the various stages of your own life cycle. You can't think only about what is important today. You also have to think about what will be important to you in the future – at a future stage in your life cycle. Therefore, you will need to set goals for various times in your life.



ARE YOU A PLANNER? DO YOU THINK AHEAD? OR DO YOU LIVE IN THE "HERE AND NOW" WITHOUT MUCH THOUGHT FOR THE FUTURE?

REMEMBER IF YOU ARE A PERSON WHO LIVES IN THE "HERE AND NOW" WITH LITTLE THOUGHT OF THE FUTURE, THE FUTURE WILL SOME DAY BE THE "HERE AND NOW." IF YOU THINK ONLY ABOUT TODAY, YOU MAY FIND YOUR LIFE IN THE FUTURE IS LESS ENJOYABLE THAN YOU HAD HOPED. A GOOD "MONEY RULE" IS TO "PAY YOURSELF FIRST" WITH MONEY YOU MAKE. THAT IS, SET SOME ASIDE FOR SAVING FIRST BEFORE DOING OTHER THINGS WITH YOUR MONEY.

In addition, recognize that for many people, at some point in the life cycle, personal plans will have to be combined with those of someone else. You may also have to consider the hopes, goals, assets, debts, and so forth of a possible life partner. Therefore, you may find you will face trade-offs down the road when making decisions as a couple or family. It is often harder for two people (or more) to make a decision than one. Families have to make many financial choices together.



HOW ABOUT YOU? GOALS AND YOUR LIFE CYCLE

The following is a list of possible goals (including some financial goals) that a person may have in life. Add others that you can think of. Then, pick the ones that are most important to you now.

Owning a home
Obtaining a good education
Learning a trade
Developing an artistic skill
Becoming an athlete
Saving for an enjoyable retirement
Travelling
Obtaining a good job/career
Owning a business
Owning a cottage
Owning a car
Having children
Helping to educate future grandchildren
Caring for parents
Having good health, fitness, and medical care
Having a hobby
Donating to charity
Having time to volunteer and help others
Working part-time rather than full-time
Joining a club
Building a collection
Developing a specific talent
Getting married
Others: ______________________

At different times in your life, you will probably assign a different priority to your different goals. Review the above list and identify those goals that you think will be most important to you five years from now. How, if at all, do you think your goals may change over those years? How about 10 years?

TIME VALUE OF MONEY

Money that you don't spend today, but save for the future, can increase in value if saved or invested wisely. It can help sometimes to get advice from good and qualified sources. Saving can help you afford, in the future, things you might not be able to afford today – such as paying for education, buying a car, putting a down-payment on a house, or saving for retirement.

Tastes, Preferences, And Lifestyle

Your tastes and preferences will likely affect almost every money decision you make. For example, is it important to you to one day own your own home? If so, does it have to be a house? What about a condominium? An apartment? A townhouse? Where do you want to live – in an urban/downtown area, in the country, or in a small town?

What kind of workplace environment do you want to work in? Do you want to work for yourself? Do you prefer to work with a company, in a factory, or outdoors? Do you want a career that will require many years of education, or do you want to start working as soon as possible?

What is your taste in clothes? Do you like to eat out? Do you want to travel? If so, where? Do you have a costly hobby? Do you like going to concerts or sporting events?

On and on it goes. What are your tastes? What are your preferences? What are your expectations? It's important to have a sense of what your tastes and preferences are since they will affect the decisions you make with the money you have.

A key distinction that is often made is between what you "need" and what you "want." A need is considered to be something you must have in your life to get by. It includes the basic necessities in life. A want is something that makes life easier, better, more enjoyable – but isn't essential. When making a decision, you will want to consider whether you are dealing with something that you "need" or "want."

WHAT WAS YOUR LAST PURCHASE? DID YOU NEED OR WANT WHAT YOU PURCHASED? HOW CAN NEEDS AND WANTS DIFFER FROM PERSON TO PERSON? HOW MIGHT YOUR NEEDS AND WANTS DIFFER OVER TIME?

WHEN IT COMES TO YOUR TASTES AND PREFERENCES, TRY SOME OTHER OPTIONS NOW AND THEN TO SEE WHAT THEY ARE LIKE. IF YOU LIKE SOME THINGS NOW THAT ARE ON THE "PRICEY" SIDE, GIVE SOME LESS PRICEY OPTIONS A CHANCE – JUST IN CASE IT WORKS OUT YOU ARE AS HAPPY WITH THEM – OR EVEN HAPPIER.

GOALS AND YOUR LIFE CYCLE

Suppose you have 100 votes with which to indicate your preferences for various types of entertainment. Indicate your preferences for each type of entertainment by allocating a portion of your votes to the types of entertainment you most prefer. The total should equal 100 (for example, 30 votes for concerts, 30 for movies, 20 for magazines, 10 for sporting events, and 10 for books).

Music	Sports events	Concerts	Playing sports
Books	Playing a musical instrument	Computer games	Dancing
Magazines	Shopping	Movies	Eating out
Parties	Camping	Others: ________	

If you can, compare how you split up your 100 votes with others. It will help show how people's tastes and preferences are different – and can affect their money decisions.

The Economy

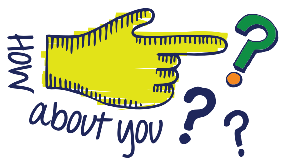
Conditions in the economy can affect financial decisions and affairs. The following are just some of the economic factors that can have an important influence:

- the rate of inflation (affecting prices you pay)
- the availability of jobs (affecting your ability to earn money)
- interest rates (affecting the cost of borrowing money or how much you can make on your savings)
- the stock market, bond markets, etc. (affecting the returns that are possible on your investments)
- government programs (affecting benefits you may be able to receive)
- tax policies (affecting how much tax you pay)
- the status and strength of labour unions (affecting your income, benefits, and working conditions)
- what goes on in other countries (affecting jobs, incomes, and opportunities in Canada)
- the exchange rate for the Canadian dollar (affecting the cost of things we buy that are made in other countries)

Many of the money decisions and challenges you face may be influenced by these kinds of economic factors. This can be frustrating since they are often factors that are beyond your control. If you hope to work for a technology company in Waterloo, and that company closes or reduces its operations there, that can throw a wrench into your plans. On the other hand, if the technology company does well, and expands its operations there, that can help improve the chances of getting the job you want. But while you won't be able to affect the company's decision on your own, your life may be affected by their decision.

So economic events, developments, and changes can influence your life – and be beyond your financial control. But, at the same time, the more you can learn about the economy, the more this can help you understand, and prepare for, factors that can affect your financial decisions.

AN IMPORTANT PART OF PLANNING IS "CONTINGENCY PLANNING." THAT IS, TO HAVE A PLAN IF THINGS DON'T GO AS PLANNED. BE FLEXIBLE. HAVE A BACKUP OR ALTERNATE OPTION – JUST IN CASE THINGS DON'T WORK OUT AS YOU HAD ANTICIPATED – OR HOPED.



THINK BACK OVER THE LAST FIVE YEARS AND IDENTIFY ANY WAYS IN WHICH THE ECONOMY HAS AFFECTED YOUR FINANCIAL CIRCUMSTANCES OR THOSE OF YOUR FAMILY OR A FAMILY MEMBER. HAS IT AFFECTED YOU OR SOMEONE ELSE'S JOB, INCOME, HOUSING, CAR PURCHASE OR LEASE, VACATION PLANS, AND SO ON?

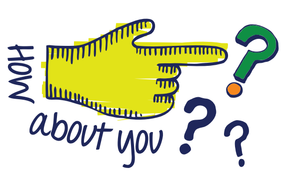
Social Factors

Changes in our society can affect our living conditions and our tastes, preferences, and goals. As cultural values change, we may find our own values changing.

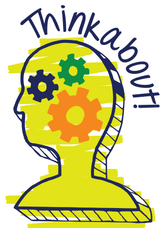
For example, conditions in the workplace, and attitudes toward work, can change. Over recent decades, the number of women in the workforce has increased significantly. In the past, men were often seen as the "breadwinners" and many thought the "woman's place was in the home." Well, that certainly is not the common attitude these days. This is reflected in the large increase in the number of women working and the greater social acceptance of women being in the labour market.

Social changes that occur with respect to having children and family size, getting married, types of marriages, the level of education seen as "needed," housing styles and opportunities, the popularity of certain careers, the kinds of new jobs available, and so on can all have a bearing on our financial decisions and plans.

THINK ABOUT THE WORLD AS IT IS TODAY AND HOW IT WOULD HAVE BEEN WHEN YOUR GRANDPARENTS WERE YOUR AGE. HOW HAVE THINGS CHANGED? WHAT SOCIAL FACTORS HAVE CHANGED THAT MIGHT INFLUENCE FINANCIAL ACTIONS, DECISIONS, AND GOALS TODAY VERSUS IN THEIR DAY? IN WHAT WAYS DO YOU THINK THINGS ARE BETTER? IN WHAT WAYS DO YOU THINK THINGS ARE MORE DIFFICULT?



HOW DO YOU DEAL WITH CHANGE? DO YOU: RESIST? IGNORE? LEAD? ADAPT? ACCEPT? REACT? RESPOND? OR...?



THE POST-WAR BABY BOOMER IS AGING. THE "BOOMERS" HAVE INFLUENCED SOCIETY IN MANY WAYS. HOW DO YOU THINK SOCIETY MAY CHANGE AS (A) THE "BOOMERS" MOVE INTO THEIR SENIOR YEARS AND (B) A NEW, AND DIFFERENT, GENERATION TAKES OVER?

Political Factors

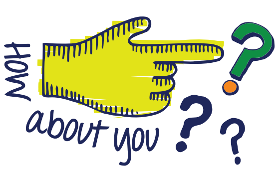
We live in a society in which governments often play a significant role. Governments are involved in areas such as the following:

- insurance and banking regulations
- employment insurance programs
- parkland and other recreational facilities
- legislation affecting wages and conditions in the workplace
- transportation and communication
- training programs
- taxation
- health care
- public education
- welfare programs
- interest rates

Government decisions can affect the prices of goods and services we buy and the taxes we pay; the availability of certain jobs; the quality, cost, and availability of health care and education and training programs; pension plans; housing costs; and much more.

Each of us has the right to vote, and we have a responsibility to cast our votes for those candidates with views and values each of us believes are best. The decisions of those people we elect will affect, to some degree, the conditions in which we live, work, play, spend, invest, raise a family, and retire. Along with our financial responsibilities, we have a responsibility to put in power the best government we think possible. Our decisions as citizens will influence the various actions, policies, and decisions that are taken by the politicians and political parties we elect.

MAKE A LIST OF GOVERNMENT PRODUCTS AND SERVICES THAT YOU HAVE USED IN THE PAST WEEK (E.G., BUS, PARK, ROAD, SIDEWALK, SCHOOL...).



DO YOU TAKE AN INTEREST IN POLITICS? MANY POLITICIANS MAKE DECISIONS THAT AFFECT PEOPLE'S LIVES – SOMETIMES QUITE A BIT. BUT THERE ARE MANY PEOPLE WHO DON'T TAKE AN INTEREST IN POLITICS – AND MANY WHO DON'T VOTE. IT IS HARD TO COMPLAIN WHEN YOU DISAGREE WITH WHAT POLITICIANS DO IF YOU DON'T TAKE AN INTEREST AND VOTE. HOW LIKELY ARE YOU TO VOTE IN ELECTIONS?

Never Vote — Always Vote

1 2 3 4 5

Take action. Take Control!

Identify how the major political parties differ in terms of their views and proposed policies related to the following. Decide which political party or parties is most in line with your thinking.

The role of government

What government spending priorities are

Kinds and levels of taxes

The country's or province's, or city's debt and deficit

Health care spending

Pension programs

Role of business

Role of organized labour

Job creation

Youth employment

Education spending

VOTE WHEN YOU CAN! **Help make sure elected politicians reflect what you think is important.**

Technological Change

No one needs to tell you that technological change is occurring at an extremely rapid pace. Such change has many influences on our lives. It can influence the kinds of jobs that are available and the types of skills that are required. Technological change can displace some workers from their jobs while it creates jobs for others. Technological change can lead to Canada, or areas within Canada, becoming more or less productive and more or less successful economically. That can affect jobs and incomes. Technological change can affect the way we live our daily lives. It can affect the way we do banking, keep our records, and do our shopping.

As one example, consider the incredible impact of the computer and, increasingly, hand-held devices and tablets. Most people have ready access to a computer or computer-like device today – perhaps in their pocket or purse. This has dramatic implications for things such as financial recordkeeping and planning. Many people are involved in online shopping and banking. Check-out lines at supermarkets are shorter due to computerized pricing. In some locations you can scan and bag your own items. Many cars have computers built in to tell you when they are experiencing problems or in need of servicing – or to tell you to fasten your seatbelt – or they can park themselves.

Technology is, however, much more than computers – and it is changing rapidly – and dramatically changing our world. To do the best we can, and to make the best decisions we can, we need to try and keep abreast of technological change as it is affecting our communities, businesses, jobs, and lives –and as it might affect our financial decisions and actions.

How about you??

HOW HAVE CHANGES IN TECHNOLOGY AFFECTED YOUR LIFE OVER THE LAST FEW YEARS IN TERMS OF DECISIONS AND ACTIVITIES RELATED TO SCHOOL, WORK AT HOME, A JOB, BANKING, HEALTH CARE, PLANNING VACATIONS, ENTERTAINMENT, BUYING THINGS AND SO ON?

Take action. Take control!

Even though you may not be a "tekkie," try and keep up on technology and change. Look for ways that technology can help with your financial decisions and actions. Watch out for possible frauds and scams though. The Internet has increased the efforts of some people to take advantage of you. Never give out personal information when requested by an email.

Language and Communication Skills

Handling money and financial matters requires a great deal of decision making. Decision making requires gathering information. It also involves communicating with others to get information you need and to make decisions – and set your goals. Many Canadians have some language or communication challenges. For example, their first language may not be English or French, they may have a learning disability, or they may have a lack of education.

We are living, increasingly, in an information age. New opportunities arise. New mistakes can be made. Old ways change. New ways arise. Those who get ahead and succeed are often those who have been able to get new and relevant information and factor it into their decisions. If someone has difficulty acquiring, interpreting, or using new information, he or she can be at a significant disadvantage. Therefore, if you have communication difficulties, try and take steps to improve your skills. If you are not able to get information you need, or ask questions that are important, this can affect your ability to make good decisions.

Take action. Take Control!

Work on your communication skills. Even if they are pretty good, try and make them better. Good communication skills can help lead to good money decisions and outcomes. You want to be able to get information you need. You want to ask questions, and get good answers, before making money decisions.

Prejudice

It is an unfortunate reality that prejudice tends to exist in every society to some degree. Prejudice can have an effect on an individual's ability to get a job, access opportunities that are available, receive quality service, impact one's level of confidence and income potential, and so on. Prejudice is something that no one should have to face, but, unfortunately, some experience it in their lives and in planning and implementing their financial affairs.

Take action. Take control!

Even though you may not be a "tekkie," try and keep up on technology and change. Look for ways that technology can help with your financial decisions and actions. Watch out for possible frauds and scams though. The Internet has increased the efforts of some people to take advantage of you. Never give out personal information when requested by an email.

We have now looked at some of the factors, in addition to your values, that can have an influence on your life's decisions and goals. There are other factors that you can probably think of – media, geographic location, various environments (home, school, work). You will have little control over some of these. Some you have complete control over. Try to be aware of how these and other factors can have an impact on you and your financial affairs and try to build a plan for your own success.

Throughout your life, you will face a continuous series of challenges, obstacles, opportunities, and decisions. You will make literally hundreds of thousands, if not millions, of decisions over the course of your life. Many will have nothing to do with money. Many will. And, making effective decisions is a skill – a skill that is very important to handling and planning your financial affairs. Let's turn our attention to this key skill and look at steps one can take to try and make a good decision.

Try to be aware of how these and other factors can have an impact on you and your financial affairs and try to build a plan for your own success.

Chapter Summary

Say What? Possible New Terms!

1. **Life cycle:** the different general stages of life people commonly go through where circumstances, priorities, and goals change over time.
2. **Tastes and preferences:** our own individual likes and dislikes that can affect what we buy, what we do, what we eat, where we shop, what we wear, and so on.
3. **Inflation:** a rise in the average price level of goods and services in the economy.
4. **Exchange rate:** the value of one country's currency in terms of the currency of another country.
5. **Employment insurance:** a program which governments can use to help provide funds to people who become unemployed – if the person qualifies for the benefit.

Did It Stick? Can you recall …?

1. How can opportunities for a successful life be affected by the circumstances into which one is born – both positively and negatively?
2. What is meant by the "life cycle" and how can it have an impact on goals and financial planning?
3. What are five ways in which the economy can have an impact on a person's goals – and their ability to achieve them?
4. How have changes in technology affected people's actions and decisions when using money?
5. How can good communication and language skills affect a person's chances of achieving financial success – however one might define "success"?

Thinkabout … or discuss:

- How do you think the "opportunity playing field" can be made more level in Canada?
- What factors do you think have the biggest impact on the tastes and preferences that a person develops in life?
- Do you think peoples' goals in life have changed over the last generation? If so, how and why?
- Do you think people have become too "materialistic" in terms of their goals? If so, what has led to this?
- To what extent do you think prejudice exists in Canada affecting some peoples' chances of achieving their goals.

Tips and Suggestions

The following is often used as a guide to setting goals. Make sure they are "SMART."

- **S**pecific - Try and be as focused as possible in defining your goals.
- **M**easurable - What will you do to measure your success to know if you are achieving your goals?
- **A**chievable - Make sure they are realistic so that you have a reasonable chance at success.
- **R**elevant - Look for goals that fit with your values and what you think is important in life.
- **T**ime-bound - Consider the timelines for achieving your goals. Make sure they are realistic.

With any plan, though, revisit it. Make changes as changes occur in your life. And, have a flexible plan. If your plan is too rigid, you may not make changes that you need to in order to succeed.

Tech-Talk

On the Internet, you may want to search for the following:

- Life cycle
- Setting goals
- SMART goal setting
- "The Big Picture" – overview of the economy – CFEE
- Avoiding online scams
- Political parties in Canada
- Overcoming prejudice
- Technology and money

CHAPTER 4:

Decision-making

Let's discuss...

- Steps for effective decision-making

Let's begin our look at decision making with a challenge for you. Consider the following situation.

There is a stretch of highway where ice is forming and causing accidents. A sign was set up last year to warn motorists, but it does not seem to have worked. Accidents are still occurring. Your task is to consider the problem and make a decision offering a possible solution.

HOW DO YOU GO ABOUT MAKING DECISIONS? ARE YOU AWARE OF ANY STEPS OR PROCESS YOU USE TO TRY AND MAKE GOOD DECISIONS?

How did you define the problem? Is the problem the sign? Does it have to be moved? Does it have to be made bigger? Brighter?

Is the problem the motorists? Is better instruction in winter driving necessary? Does the speed limit have to be reduced? Does the area have to be policed for speeders?

Is the problem the fact that there is ice on the road? Does the road have to be covered? How about a covered bridge? Does the ice have to be removed? Would salt do? Sand? How about heated water pipes under the road?

Is the problem that drivers shouldn't be on that road in the first place in the winter? Should the road be closed? Should traffic be rerouted? Should an alternate road be recommended?

Hopefully this little exercise helps to make an important point. How we define a problem will make a big difference in how we try to fix the problem. Each of the different ways we could define the problem would lead to a different solution. In addition, the expense of the solution will vary greatly depending on how we define the problem. Building a cover over the road is a lot more expensive than trying to keep the road salted. A bigger sign is an inexpensive solution. But the goal is to make a good decision – an effective decision – and an affordable decision. Therefore, when making any decision, it is very important to begin with a clear definition.

IS THERE A PROBLEM OR DECISION IN YOUR LIFE NOW THAT YOU ARE TRYING TO DEAL WITH? IF SO, HOW WOULD YOU DEFINE THE PROBLEM OR CHALLENGE THAT YOU ARE FACING?

Six Steps For Effective Decision Making

In building this model, we will draw upon a number of things such as your values, goals, tastes and preferences, and so on – so be ready.

STEP #1: Clearly define the problem.

As an example for developing the steps to a good decision, let's define your problem or challenge as:

What are you going to do after high school? *[Note: if you have already completed high school, consider "What am I going to do after college, university, or training program?"]*

- meet new people
- further your education in general
- further your education in a specific field of interest
- gain work experience
- determine what career options are available/ attractive to you
- have fun and enjoy yourself
- begin to establish a career
- develop more personal independence
- develop a specific skill/talent/trade
- be able to begin to earn an income
- improve self-confidence
- associate and join with friends
- consider what's important to parents/guardians

STEP #2: Establish your criteria (what is important to you).

Begin by identifying the factors that are most important to you as you consider what you will do after high school.

Many criteria could be important in making this decision. Which of those listed are most important to you? Are there other criteria that are important to you that aren't listed here?

Pick the 3, 4, or 5 criteria that are most important to you in making this decision.

STEP #3: List your alternatives.

Next, consider your options and possibilities. What could you do next year? Possibilities include: university; college; training; apprenticeship; getting a job; travelling; taking a year off; internship; volunteering; starting a business; and so on.

Pick the 3 or 4 options that are of most interest to you.

You now have a list of criteria – what is important to you in making this decision – and a list of possible options or alternatives to consider. Your task now is to decide which option is best for you.

STEP #4: Evaluate the alternatives based on your criteria.

To do that, put your five most important criteria across the top of a grid similar to that shown below. (Note that the criteria and alternatives shown are for illustration purposes only. Use those that you think are important.) Next, identify the four most attractive options and note each in one of the boxes on the left hand side of the grid. Again, those shown are for illustration purposes only. Use your own. Now it's time for you to do some thinking – and scoring.

Sample Grid

	Develop a skill/ talent	Meet new people	Have fun	Explore career options	Gain exposure	TOTAL POINTS
1. Work						
2. College						
3. Internship						
4. University						

Consider your first option. Think about it in terms of the criteria that you have identified – that is, what's important to you? Go along and consider each criterion one at a time.

If there is a really good fit – that is, that option would really fit well in achieving that criterion – give it a +2. If it fits, but just somewhat, give it a +1. If there is no link, positive or negative, give it a 0. If there is somewhat of a bad fit – that is, it is somewhat against what you think is important – give it a -1. If there is a really bad fit, and it would go quite counter to what you think is important, give it a -2.

Complete the grid for each of your options putting a score for each under each criterion.

After you have completed this exercise, add up the total points assigned to each of your options. Now you probably hope your job is done – and your decision is clear. Well, it may be. But that may not be the case. This is a process to help you make a good decision. It doesn't necessarily tell you what your decision should be.

Why is that? Why isn't the option with the highest score the one you should select? The reason is because there is no real way of accurately measuring the intensity of the feelings inside of you – how strongly you really feel about something. What this exercise does is force you to think about each option in relation to what is important to you. The numbers will give you some idea of what seems to be right for you and what isn't. But, when all is said and done, you'll have to look at each option and decide how strongly you feel about it. It may be that the option with the highest point total may drop to number two in terms of what you really want to do. Number three may move to the top. The process helps you to consider options, weigh options, think about things, and so on. It does not make the decision for you. It is up to you to make the decision. And, that brings us to Step #5.

STEP #5: Make a decision.

Once you have been through steps #1 to #4, it is time to make a decision. This is the step that people often want to delay or avoid altogether. It can be the hardest step of all because we often want "to know for sure." We want to be "right" – and make a decision we know is best. But, quite frequently, that certain "right" answer won't be there. You will have to make the decision – and it may be a hard decision. But, if you follow these steps, they should help you to make the best decision you can. But there is one more step.

STEP #6: Review the decision. Learn from it if you can.

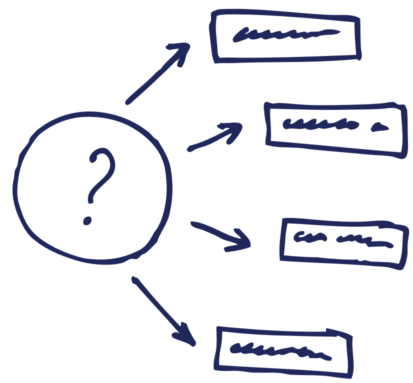
When you can, look back later and evaluate your decision. If necessary, and if possible, change the decision based on what you have learned or experienced. Some decisions, of course, you can't change. If you decided to go to university, and you did, and it didn't work out for you, and you were disappointed and wish that you had done something else – well, chalk that up to experience. The decision was made and the action was taken. But you can now factor that decision, and what you learned, into future decisions. But you will have used the available time, money, and other resources to go to university. They are not available now for another choice.

Let's summarize the steps in this six-step decision-making model:

1. Clearly define the problem.
2. Establish your criteria – what's important to you.
3. Identify your alternatives or options.
4. Evaluate your alternatives based on your criteria.
5. Make a decision.
6. Review and evaluate your decision and alter it if you can – or learn from it.

Making good decisions isn't easy. It can often be challenging – with many things to consider.

Making good decisions isn't easy. It can often be challenging – with many things to consider.



But one key factor to think about before making any *final* decision is "what is your opportunity cost?" This is something that we mentioned earlier – but it is important enough to note again. Your opportunity cost is the next best alternative or option you are giving up in making this decision. What would be the trade-off you would be making – both today and possibly in the future? This is a key part of any important decision.

If, before you make a decision, you pause to consider your opportunity cost and if it seems like an acceptable trade-off to you, then that can help you feel more confident that you are making a good decision.

There is another point we made earlier that is worth repeating here. Research has shown that "metacognition" – thinking about our thinking – prior to making a decision, is a very key step in making a good decision. Even for a brief moment, consider: why am I making this decision; what am I trading off; is it a necessary or needed decision; can I live easily with this decision?

Develop your own key questions to think about before making your important decisions. Then, when it's time, take one minute to ask them of yourself – and answer them.

These, then, are suggestions for making good decisions for you:

- Follow the step-by-step process for important life decisions.
- Always consider your opportunity cost, possible trade-offs, and what you may be giving up (today and in the future) before making decisions.
- Take a moment to think about the thinking behind your decisions. Ask yourself a few key questions that help you to make good decisions. And, then answer them as honestly as you can before making the decision.

Decision-making is an important life skill. Make sure you do what you can to make the best decisions you can. The impact of some decisions can last a lifetime.

Chapter Summary

Say What? Possible New Terms!

1. **Intensity of feelings:** how strongly you feel about something. This is hard to measure or put a number on. But it will be important in making decisions.
2. **Opportunity cost:** the next best alternative given up, when you make a decision.
3. **Metacognition:** thinking about your thinking – and to pause and take time to think about what you are going to do – and any decision you are about to make.

Did It Stick? Can you recall …?

1. What is the important first step in making a decision?
2. What are the key steps you can take to try and make a good decision?
3. What are the important things to consider in trying to make a good decision?

Thinkabout … or discuss:

- What are some of the best decisions you think you have made? What helped you to make good decisions?
- What bad or questionable decisions have you made? What factors led to those decisions?
- What factors tend to get in the way of making good decisions – in general and when it comes to money decisions?

Tips and Suggestions

- Don't hesitate to seek out help with your decisions – but be careful and selective about your sources of help.
- Be cautious in using the Internet when getting information to help make decisions. Make sure the information is accurate and from a reliable source.
- Many people seek help and advice from friends and family members when making money decisions. Be cautious of this – especially if they don't have the background, training, or experience that can help.
- When making some money decisions, you can seek advice from trained and qualified professionals. It may cost money to get good advice – but it may be worth it. Some money decisions are quite complex. But, if you do seek advice, make sure the person is trained and qualified.

Tech-Talk

On the Internet, you may want to search for the following:

- Decision-making
- Making good money decisions
- Making good decisions
- Opportunity cost
- Making good consumer decisions
- Metacognition
- Making good saving decisions
- Finding good financial advice

Part 2: Getting and Earning Money


ELIZABETH II
CANADA

CHAPTER 5:

Sources of Income

Let's discuss...

- **$** Employment income
  - Working for others • Wages and salaries • Benefits
- **$** Self-Employment – Working for Yourself
- **$** Investment income
  - *Capital gains* • *Interest* • *Inheritance*
  - *Government Transfers* • *Lotteries and Gambling*

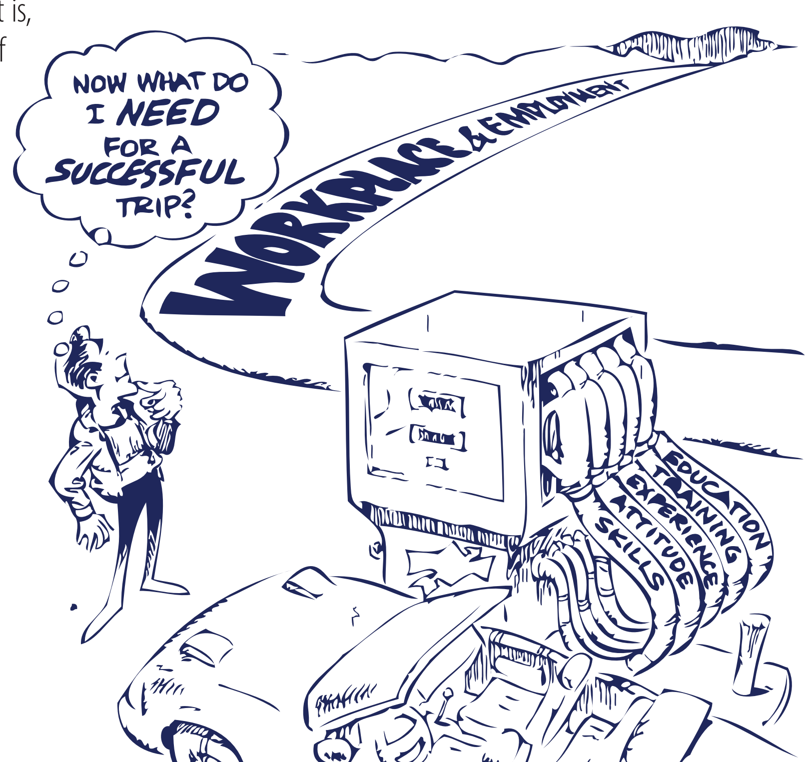
We will all make a great many "money decisions" over the course of our lives. We will make decisions about earning money, spending, saving, borrowing, investing, and donating. The first challenge, before making decisions about how to use money is, of course, to find ways to earn money.

Obtaining money is a task most of us wish was easier than it is. However, even with modest incomes, most people will earn at least one to two million dollars over the course of their lifetime. That's a lot of money – and a lot of money decisions.

Regardless of how much money you make, or will earn, it is important to make good money decisions – and to know how to manage money. Some say that it is only people with lots of money who have to learn to manage it. The fact is, it's probably more important if you don't have lots of money. You'll want to get the most from the money you have.

Most of the money you will get in your lifetime will likely come from your hard work and labour. There are certainly other ways to earn money. But most will likely come from wages and salaries you earn by working for an employer – or from money you make working for yourself as an entrepreneur.

IF A PERSON MAKES AN AVERAGE OF $30,000 A YEAR, AND WORKS FROM AGE 25 TO 65, THAT WILL ADD UP TO $1.2 MILLION IN LIFE-TIME EARNINGS. AN AVERAGE OF $50,000 A YEAR WOULD ADD UP TO $2 MILLION. WHAT DO YOU HOPE TO EARN AS AN AVERAGE INCOME? HOW MUCH WOULD THAT MEAN YOU WOULD MAKE IN YOUR LIFETIME?



How about you??

ARE YOU A POSSIBLE ENTREPRENEUR? DO YOU HOPE TO "BE YOUR OWN BOSS?" IT TAKES A LOT OF WORK – AND SOME RISKS – BUT MANY PEOPLE HOPE TO SET UP THEIR OWN BUSINESS SOME DAY. WHAT IS YOUR INTEREST IN BEING AN ENTREPRENEUR?

No interest — Very interested

1 2 3 4 5

Later in life, things may change in terms of your income. You may be able to plan and save your money to get to a point where you don't need to work for the income you require to enjoy life. You may save enough to retire and live on money you make from sources such as pensions, savings, and investments.

You may not be thinking much about those later years right now. It's hard to think about "retirement" in your teens and twenties. But if you think about retirement, not as getting old and leaving work at an age like 65, but getting to where "you can do what you want," that can make a difference.

You may want to plan to get to where you can decide whether to work or not work – and work at what you want – before getting to age 65. Reaching "financial independence" is something most people hope to achieve. Financial independence, in general, is when you don't have to rely on others for the income you need. That is, you aren't financially dependent on your parents/guardians – or on government. But it can also mean that you are not dependent on income from work. You can do what you want – work or not work. It isn't easy getting to that point for most people. And, if it is something you hope for, the earlier you start planning, the better.

Take action. Take Control!

If you hope to become "financially independent" some day – and not have to work to earn the income you need – start to plan for that as soon as you can. As an example, if you saved $50 a month, starting at age 20, and earned 3% average on your savings, by age 65 you would have over $56,000 from your $50 a month in savings. That's how savings can build over time with "compound interest."

How about you??

AT WHAT AGE WOULD YOU HOPE TO BE "FINANCIALLY INDEPENDENT?" HOW MUCH MONEY DO YOU THINK YOU WOULD HAVE TO EARN FROM YOUR SAVINGS, INVESTMENTS, ETC., IN A YEAR, TO BE FINANCIALLY INDEPENDENT? HOW MIGHT YOU START TO PLAN TO ACHIEVE THAT GOAL?

Making enough money to enjoy life is a challenge for almost everyone. Let's take a look at the different sources of income you may be able to acquire.

A. Employment Income: Working For Others

a. Wages and Salaries

Most of us will earn income by working for others – a company, a government, a not-for-profit organization, and so on. Through education, training, and experience, people aim to develop a particular talent or skill while, at the same time, developing general "employability skills" (see the chart at the end of the chapter) and "enterprising skills" (see the chapter on entrepreneurship).

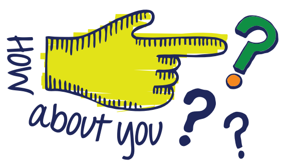
Employability skills are those general skills that can help you get, and keep, a job. Enterprising skills can be developed and applied by anyone – whether they work for others or themselves. Such skills include being able to identify opportunities for improvement, taking the lead and initiative, being creative, being a team leader, etc. Such skills are often attractive to an employer.

Take action. Take Control!

If you hope to be a leader in the workplace, it can help to develop your enterprising skills. Enterprising people often get recognized for their ideas, initiative, team-building and team-leading skills, etc. Enterprising skills can help a person achieve leadership goals.

Equipped with education, training, skills, and the "right attitudes," the aim for most people is to get as good a job as they can. And people differ in what they see as a "good job." Some might want to get the highest wage or salary they can (a wage is paid hourly whereas a salary is paid on the basis of one year's work). Some might want to work with others – helping people. Some may want to work outdoors. Some may want a job that involves travel.

HOW COULD YOU USE THE DECISION-MAKING STEPS TO MAKE A DECISION ABOUT THE KIND OF JOB YOU WOULD LIKE TO GET?



WHAT ARE THE THINGS THAT WILL BE MOST IMPORTANT TO YOU IN YOUR JOB? THE FOLLOWING ARE SOME POSSIBILITIES. THERE MAY BE OTHER THINGS IMPORTANT TO YOU TOO.

- Level of income
- Work environment
- Work as part of a team
- Opportunities to be creative
- Benefits (health, dental, pension)
- Helping others
- Learn and develop a skill/trade or expertise
- Work outdoors
- Travel
- Work in a profession
- Apply a talent you have (athlete, musician, etc.)
- Work in a particular industry (technology, entertainment, finance...)

When we decide to look for work, we enter into the "labour market." Here, you will encounter the forces of "supply" and "demand" that, along with other influences, will affect the wage or salary paid for different kinds of work.

In any market – for goods, services, labour, stocks, bonds, etc. – there will be both sellers and buyers. In the case of the labour market, a person offering his/her services in return for an income is part of the "supply." You, for example, would be the "seller" of your labour services as you look for a job. Employers looking to hire people and pay a wage or salary in return for labour represent the "demand." They are the "buyers" of labour services.

In general, the higher the level of demand for a particular occupation or skill, compared with the supply, the higher the wage or salary will be. Therefore, you would ideally want to be looking for work in an area where there is, or will be, a relatively high level of demand compared with supply.

This is a challenge young people face when they are planning their education, training, and career. For example, as you are in your last stages of high school, you may do research and find there seems to be a high level of demand for teachers. It looks to you like the chances of getting a teaching job might be quite good.

WHAT ARE SOME OF THE JOBS THAT YOU THINK ARE "IN DEMAND" TODAY? WHAT JOBS MAY INCREASE IN DEMAND IN THE FUTURE? FOR WHAT JOBS TODAY MIGHT THERE BE A DECLINE IN DEMAND IN THE FUTURE?

But the challenge is to look beyond the situation today. You have to look ahead to when you will be a teacher – and looking for a job. What are the job prospects like in four or five years? Will there still be a high level of demand for teachers then?

It is important to consider the labour market conditions for occupations that interest you – both today and in the future. You can do this by researching some of the "labour market information" (LMI) that is available on the Internet. The federal government, provincial governments, business associations, professional associations, and others will often have LMI available. Governments and employers are anxious to help young people know about labour conditions – and which occupations are going to be needing workers.

Take action. Take Control!

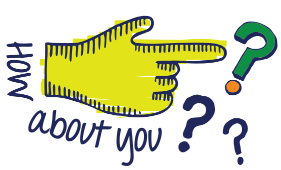
Try and use available "LMI" to help you pick the occupation, profession, or trade that is of most interest to you. There is lots of information that you will be able to find about different occupations and careers – and what the job prospects are likely to be in the future. Use it to help you decide.

Today, Canada has a skilled labour shortage – and the shortages will likely increase in the future. Many jobs requiring the skilled trades go unfilled. Many young people could do well if they went into the skilled trades and apprenticeship programs.

In addition, the "post war baby boom" is reaching retirement age. There will be a large number of jobs opening up – that is, if the "baby boomers" have done their planning and are able to retire.

Therefore, there should be some good job opportunities available for today's youth. The key is to do your homework, learn about where job opportunities are (and will be) and factor this information into your career planning.

But there is something else that is very important to consider. Research has shown that one of the most important keys to career success is "passion" – doing what you love to do. So if there is something you love to do – something for which you have a passion – don't be afraid to go with your heart. If you have always wanted to be a teacher – and the LMI you find shows demand may not be strong – or the supply may be high – don't let that stop you. If you love it, want to do it, and have a passion for it – go for it. The chances are you will be good at it, will find a job, and will be happy in your work.



IS THERE A PARTICULAR KIND OF WORK FOR WHICH YOU HAVE A PASSION? DO YOU HAVE AN INTEREST OR HOBBY THAT YOU COULD TURN INTO A CAREER?

In addition to supply and demand, there are other factors that can also influence job opportunities and wages and salaries. Let's take a look at these.

Factors That Can Influence Job Prospects – and Your Wage or Salary

- the level of education, training, and experience that is required to do a particular job – and the level you have acquired
- the number of others who have similar or better skills who can compete with you for a job
- how good you are at what you do
- how long you have been working – your experience, your "seniority"
- your work habits, reliability, dependability, perseverance
- the state of the economy and whether businesses are growing or struggling
- government legislation such as setting levels for the "minimum wage"
- the impact of unions on the wages that are negotiated for certain jobs
- the region in which you live and work and the labour market conditions in that region
- the profitability and success of the particular company or organization for which you work
- luck and chance – do you happen to be at the right place at the right time or the wrong place at the wrong time? There are a great many careers that were a result of "happenstance" or "serendipity"

WHAT ARE SOME OF THE FACTORS THAT WOULD LIKELY INFLUENCE THE JOB OPPORTUNITIES AND SALARY OF A PROFESSIONAL HOCKEY PLAYER, A DENTIST, AN ACTOR, AN ELECTRICIAN, A COMPUTER PROGRAMMER, OR A JOURNALIST?

There are, of course, other factors that can affect job opportunities and incomes. For example, in many cases women are still paid at lower levels than their male counterparts. There may also be discrimination on the basis of age, race, or colour. Authorities, in many cases, are trying to prevent situations of wage discrimination based on sex, age, race, and colour. But some cases of inequity and workplace prejudice still exist and pose challenges to some.

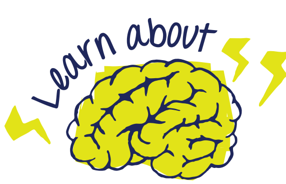
b. Other Benefits from Employers

When you work as an employee for a company, other benefits may be provided in addition to your wage or salary. It is certainly not the case that all companies offer attractive benefits packages. Benefits packages vary a great deal from company to company, industry to industry, and even occupation to occupation. Since they can be quite significant, you should ask about the benefits that may be available to you from a particular occupation – or a particular employer.

The possible benefits that may be available from an employer can include the following:

- paid vacation holidays
- paid sick days
- paid provincial government medical premiums (covering your health insurance)
- extended health care insurance
- disability income insurance (short-term and long-term) – which can provide some income if you become ill or disabled
- life insurance
- dental insurance
- profit sharing (employees receive a share of the company's profits)
- payroll savings plan (convenient plan to help you build up savings)
- stock option purchase (become a part owner of the company through owning some shares in the company)
- registered pension plan (to help build a retirement fund)
- group registered retirement savings plan
- educational expense reimbursement (to cover costs of additional education and training)
- provision of an automobile or funds for travel expenses
- benefits for a spouse
- access to financial advice
- company pension program

We should say a little more about this last point. It is becoming less common for companies to provide a pension for employees. It is more common to encourage employees to set up a "Registered Retirement Savings Plan" – and the employer may make a contribution to the plan. For example, the employer may match your contribution to your RRSP up to a certain maximum amount. Or the employer may contribute the equivalent of 5% of your salary to your RRSP. There are different kinds of plans and possibilities. Make sure you ask your employer about this.

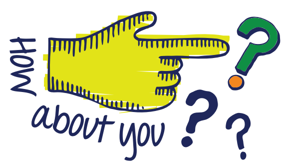


FIND INFORMATION ONLINE, FROM A FINANCIAL INSTITUTION, OR A FAMILY MEMBER, ABOUT RRSPs AND RESPs. THESE MAY BE OF INTEREST TO YOU IN SAVING FOR EDUCATION OR RETIREMENT.

In addition, if the company does offer a pension plan, it is more likely to be a "defined contribution plan." In the past, some companies offered "defined benefit plans." These plans explain what you would receive monthly or yearly when you retire. Few companies offer these plans any more.

For a "defined contribution plan," the company tells you how much it will contribute to your plan – not how much you will receive when you retire. How much you will receive will depend on how the money in the plan is invested – and how well those investments perform. Most Canadians have to take more responsibility for planning for their retirement than they used to. Planning and money management skills are becoming more and more important. You will probably be involved in many, if not all, of the decisions about how your savings will be invested. As with any investment, you can make money – or lose money. Planning for retirement is a major responsibility and challenge for most Canadians.

Now, at a young age, you may not be thinking much about retirement – but try and give it some thought. When you start working, or if you are working, company benefits may help a lot. And the earlier you start to build up savings, the more likely you will be able to enjoy your retirement when you get there.



CALCULATE THE APPROXIMATE INCOME YOU HAVE RECEIVED IN YOUR LIFE SO FAR. CONSIDER THE FOLLOWING SOURCES FROM WHICH YOU MAY HAVE RECEIVED MONEY.

- Allowances
- Employment Income
- Investment Income
- Business Income Awards
- Gifts
- Inheritances

B. Self-Employment: Working For Yourself

In another chapter, we explore working for yourself and being an entrepreneur. An entrepreneur is someone who, in order to accomplish his/her goals, sets up and operates a venture. In many cases, this means starting a business. There are thousands of Canadians who have set up and run their own businesses. It is an attractive option for those who can make it work. But a great deal of thought and planning must go into setting up a business – and a lot of hard work is required once it is up and running. So it's not for everyone.

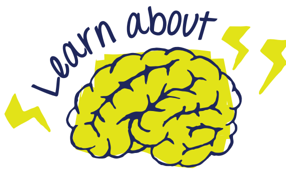
If you set up a business, and run it successfully, your reward is "profit." Your profit is what is left over after you add up all your revenue from sales and subtract all of your costs to run the business. If that final total comes out positive, you earn an income – profit. If it comes out negative, you have a loss. That is why there is risk involved in being an entrepreneur.

Most of today's large companies started out small and were started by one or more entrepreneurs. Over time, though, as a business grows and requires more money for expansion and improvement, the original entrepreneur(s) may sell shares of ownership to raise the additional funds needed for growth. Eventually, the original entrepreneur(s) may sell all of his/her/their shares of ownership. In this way, large companies often become owned by a large number of shareholders.

Shareholders are people who invest part of their financial resources in shares of the company. As shareholders, they receive a share of profits – called dividends. Each shareholder receives a share of the profits of the company or corporation according to the number of shares owned. If the company is a "publicly traded company," shareholders can buy and sell their shares on the stock exchange. More on that in a moment.

You may someday set up and operate your own business – or you may already have done so. If the company makes a profit, you earn an income. If you have other shareholders, and share your profits with them, they will earn dividends. So "profit" and "dividends" are two other forms of income.

C. Investment Income

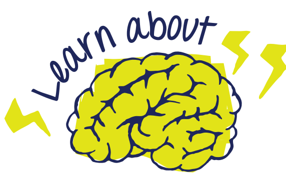


GO ONLINE TO A NEWSPAPER, OR PICK UP A COPY, THAT PROVIDES INFORMATION ON STOCK PRICES. LEARN HOW TO READ THE STOCK TABLE. SELECT A SINGLE STOCK AND CALCULATE HOW MUCH YOU WOULD HAVE TO PAY (WITHOUT ANY FEES) TO PURCHASE 100 SHARES OF THAT STOCK TODAY. FOLLOW THE PRICE OF THE STOCK ON A DAILY OR WEEKLY BASIS FOR THE PERIOD OF A MONTH. AT THE END OF THE MONTH, DETERMINE THE VALUE OF THE 100 SHARES OF THIS STOCK IF YOU WERE TO SELL THEM. WOULD YOU HAVE GAINED OR LOST MONEY?

a. Capital Gains

In addition to a share of the profits that you can earn from investing in a company (paid as dividends), you can also earn income in another way. If a company's shares are publicly traded, you can buy shares on the "stock exchange." An owner of shares ("stock") of a publicly traded company can sell their shares through a stock exchange – such as the Toronto Stock Exchange. There are many stock exchanges around the world – in New York, London, Paris, Tokyo, etc.

There are different ways to explore buying shares – such as working with a "broker" or "advisor" who works with you and provides advice, or making your own decisions and working with a company that serves as an online broker enabling you to buy and sell stock from your account, and so on.



THE "GET SMARTER ABOUT MONEY" WEB SITE OF THE INVESTOR EDUCATION FUND HAS A LOT OF GREAT INFORMATION ABOUT INVESTING, SAVING, AND BANKING. CHECK IT OUT AT HTTP://WWW.GETSMARTERABOUTMONEY.CA/EN/PAGES/DEFAULT.ASPX.

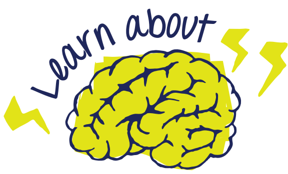
If you buy shares of a company on the stock exchange at $10 a share and sell those shares later at $12 a share, the difference is referred to as a "capital gain." This can occur with any investment (for example, bonds, real estate, mutual funds, art), not just investments in the shares of a business. Capital gains are earned any time you take ownership of an asset (something of value) for a period of time and then sell that asset later at a higher price.

As you probably know, though, you can buy an asset – stock, bond, etc. – at one price and then find its price falls. In that case, you have a "capital loss" rather than a "capital gain." In some cases, the gains – or losses – can be quite large. That is why there are professionals in the different financial areas to provide help and advice. You would need to pay fees for their services. There are "brokers" who can provide help and advice with buying and selling real estate, stocks, bonds, mutual funds, RRSPs, RESPs, and so on. You will have to decide, when/if the time comes, as to whether you want or need professional advice. If you get help, make sure the person you work with is trained and qualified to help you with the investments you are planning to make.

Therefore, buying an asset at one price and selling it at a higher price to make a capital gain is another way of getting income.

b. Interest

Interest is another form of income. Interest is the income you receive when you provide someone with use of your money for a particular period of time – e.g., a loan. That time period may range from a matter of days to years. As an example, you may provide funds to a bank by depositing your savings there. The bank pays you interest while they hold on to your money. Why? Because the bank will lend a good portion of your money out to others who are looking to borrow money from the bank – for a home, a car, a consolidation loan, etc. Those borrowers will then pay interest to the bank. Don't worry, banks and other financial institutions keep enough money on hand to give you back your money if and when you need it. Depositors' insurance, provided by the Canadian Deposit Insurance Company (CDIC), also helps protect depositors' money, up to a certain limit, should a bank ever get into difficulty.



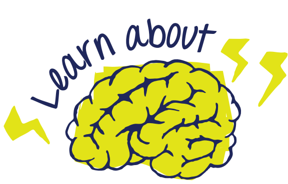
TAX-FREE SAVINGS ACCOUNTS (TFSAs): THESE CAN BE A GOOD WAY FOR YOUNG PEOPLE TO SAVE MONEY. THE MONEY YOU CAN MAKE FROM INTEREST AND CAPITAL GAINS IN A TFSA IS TAX-FREE. CHECK OUT TFSAs. THEY ARE BECOMING VERY POPULAR.

The banks earn an income on the "spread" – the difference between the interest they pay to savers and the interest they charge to borrowers. They also earn income in other ways too – such as fees.

You may also lend money to a company or government by buying "bonds" that they issue (sell). Bonds are like an I.O.U. If a government or company wants to raise money by borrowing rather than selling shares of ownership, they can sell bonds to borrow money over a certain period of time (e.g., 10 years). They will pay a certain amount of interest (e.g., 4%) to the bond holders. Bonds can change hands after they are issued and before they "mature." A bond will have a maturity date when the amount borrowed will be paid back to whomever owns the bond on that date. For example, you can buy and sell bonds just like stocks – but in the bond market rather than the stock market.

You can also lend a government money by buying Treasury Bills, which is the way the government borrows funds for periods of less than a year (they use bonds to borrow funds for periods of more than one year).

Interest, then, is the income you earn by depositing your money in an institution, and lending money to others, for a period of time.



NEXT TIME YOU ARE IN A FINANCIAL INSTITUTION, LOOK FOR THE POSTED INTEREST RATES. EXAMINE THE INTEREST RATES. HOW DO THE RATES OFFERED TO SAVERS COMPARE WITH THE RATES CHARGED TO BORROWERS? WHY DO THEY DIFFER? ARE DIFFERENT INTEREST RATES AVAILABLE TO SAVERS? IF SO, WHY DO THESE DIFFERENCES EXIST? ARE THERE DIFFERENT INTEREST RATES FOR DIFFERENT KINDS OF LOANS?

D. Inheritance

At some point in their lives, many Canadians receive inheritances. An inheritance is money or something of value you receive from the estate of someone who dies. At times, these amounts can be quite large because they may come from parents or guardians or other relatives who have spent an entire lifetime building up their savings, assets, investments, and so on.

For many Canadians, it is becoming harder to hold on to assets and pass them on to the next generation. More and more Canadians are having to use up their savings, or large portions of their savings, during their retirement. With fewer pensions available, as people live longer, and as many people require care in their elder years (in some cases very expensive care), savings can be used up.

When a person dies, what they leave behind in terms of money and other assets is referred to as their "estate." If the person made a wise money decision, he/she will have prepared a legal will, usually with a lawyer, indicating what is to be done with the estate. Their estate may be divided among a number of people. Each person that receives something from the estate is a "benefactor."

The will usually indicates one or more people to be the "executors" of the will. That is, that person, or persons, has the responsibility for making sure the requests made in the will are carried out properly. This is a significant responsibility. If you are ever asked to be an executor, make sure you learn about all that is involved.

Inheritances can often be in the form of assets, rather than money – assets such as houses, cars, cottages, and furniture. These may be passed on to others – or, may be sold for money. Sometimes things can get quite complicated if some family members want to sell an asset (e.g., cottage) but others want to keep it. It can often help if such decisions can be made before the person dies so that there are no serious conflicts or disagreements afterwards.

Although it is difficult to factor any income you may receive from inheritances into your financial planning, it is a form of income that affects many peoples' lives.

At some point in their lives, many Canadians receive inheritance.

E. Government Transfers

Many government programs provide money or goods and services. The Child tax benefit is an example of a government transfer paid to many parents with children under age 18. There are other government transfers, such as welfare, that go to those who are in particular need and who are able to provide evidence to the government that they are in need of financial assistance. Governments also provide employment insurance to help with income if a person becomes unemployed. Workers and employers contribute to Employment Insurance and if a person becomes unemployed, that person has to qualify for payments.

Governments will also subsidize (pay part of the cost of) such things as education and health care. This helps to lower the costs for people who qualify.

It is, however, important to note that income or goods and services that are received from government do not fall mystically out of the air. Canadian taxpayers pay for those programs through the money that they pay in taxes. Taxes are something you probably already know a lot about (because you already pay them – e.g., provincial sales tax and/or federal sales tax) and will likely learn a lot more about them in the future.

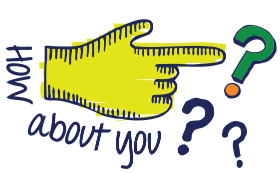
So money and benefits received from government are another possible source of income.

F. Lotteries And Gambling

Good luck if you try! There are more and more opportunities, it seems, to gamble. Lottery tickets can be bought in many places. Slot machines, video lottery terminals (VLTs), and casinos seem to be popping up all over the place.

One thing to keep in mind is that they wouldn't be so popular if they didn't bring in lots of money. If they make a lot of money, that means a lot more people lose than win. The odds are usually against you winning – sometimes very much so.

So be very careful of gambling to try and make money. The risks favour losing rather than winning. And, there is the added risk of "addiction." There are people who lose thousands of dollars, tens of thousands of dollars, and even life savings by getting hooked on gambling. If you ever gamble for fun, make sure it is for fun. There are better ways – and less risky ways – of making money than by gambling.



DO YOU KNOW PEOPLE WHO HAVE TROUBLE WITH GAMBLING? DO YOU THINK YOU MAY HAVE A PROBLEM WITH GAMBLING? IF SO, CHECK OUT THE WEB SITE OF GAMBLERS ANONYMOUS (HTTP://WWW.GAMBLERSANONYMOUS.ORG). THERE ARE MANY SOURCES OF HELP FOR THOSE WITH GAMBLING PROBLEMS.

These, then, are ways to get money. The most common ones for young people are usually income from employment and self-employment. Career planning and decisions will help chart a course towards jobs and future income. Let's look more closely into career planning. We'll then look at the self-employment option – and being an entrepreneur.

Chapter 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. **Compound interest:** when savings earn interest, and the interest is added to the savings, this enables the savings to grow and earn more interest. Over the years more and more interest is added and this helps to build up the value of savings.
3. **Wage:** the hourly rate paid to a worker.
4. **Salary:** the annual amount paid to a worker.
5. **Stocks or shares:** represent part ownership in a company. "Shareholders" will receive a share of company profits based on the number of shares they own – if the company makes a profit and profits are distributed.
6. **Bond:** a way in which governments and companies can borrow money. A bond can be sold for a period of time and bondholders will be paid a set amount of interest. On the maturity date, the money will be repaid to the bondholder.
7. **Minimum wage:** the lowest wage that an employer can legally pay an employee.
8. **Disability insurance**: protection you can buy to provide an income in the event of a long-term illness or disability.
9. **Registered Retirement Savings Plan (RRSP)**: a means of saving for retirement. Money deposited each year is tax deductible up to a certain maximum. Money is taxed when it is taken out of an RRSP.
10. **Registered Education Savings Plan (RESP):** a means to save for children's education. Money deposited to the plan is not tax-deductible.
11. **Defined benefit pension plan:** a pension plan where the provider (company, government, etc.) commits to providing a certain amount of income each year when the employee retires.
12. **Defined contribution pension plan:** a pension plan where the provider commits to contributing a certain amount each year to the plan. There is no commitment to an annual payment in retirement.
13. **Capital gain:** is earned when an asset is bought at one price and sold at a higher price.
14. **Dividends:** the shares of a company's profits that are given to shareholders.
15. **Stock exchange:** where buyers and sellers come together (not physically) to buy and sell stocks with the help of stockbrokers.
16. **Broker (or stock broker):** a person trained and licensed to buy and sell stocks.
17. **Estate:** the money and assets left by a person upon death.
18. **Benefactor:** a person who receives money or assets, as indicated by a will, from someone who has died.
19. **Executor:** the person or persons responsible for seeing that an estate is settled according to a will.

Did It Stick? Can you recall . . . ?

1. What are the different possible sources of income?
2. What are the different ways of looking at retirement?
3. What is the difference between (a) wage, (b) salary, and (c) benefits?
4. Why is Canada experiencing a skilled labour shortage?
5. What are the things most important to you as you consider your career and the kind of jobs you want?
6. How can the forces of demand and supply affect job opportunities and wages and salaries?
7. What is "LMI"?
8. What are some of the factors that affect your job prospects?
9. What are some of the "benefits" you might be able to receive from an employer?
10. Why is it becoming more challenging for Canadians to be able to save for retirement?
11. What kinds of income can be made from investments?
12. Why are opportunities to gamble becoming more and more common?

Thinkabout . . . or discuss:

- How can you determine if you are a prospective entrepreneur?
- How feasible is it to achieve "financial independence" today? What are the keys to being able to achieve financial independence?
- What are some of the jobs/occupations where demand is likely to increase over the next decade? Decrease?
- How can young people get the best guidance and advice in making education, training, and career decisions?
- Why aren't more young people going into skilled trades where there are jobs and good incomes?
- Is it true that more and more young people aim to live the lives they lived with their parents/guardians as soon as they leave home? Why? What are the consequences of this?
- What factors are leading young people to take on more debt at younger ages these days?

Tech-Talk

In addition to the education and training you receive, work on developing your employability skills – the skills you need to enter, stay in, and progress in the world of work – whether you work on your own or as part of a team.

EMPLOYABILITY SKILLS

Communicate

- Read and understand information presented in a variety of forms (e.g., words, graphs, charts, diagrams).
- Write and speak so others pay attention and understand.
- Listen and ask questions to understand and appreciate the points of view of others.
- Share information using a range of information and communications technologies (e.g., voice, e-mail, computers).
- Use relevant scientific, technological, and mathematical knowledge and skills to explain or clarify ideas.

Manage Information

- Locate, gather, and organize information using appropriate technology and information systems.
- Access, analyze, and apply knowledge and skills from various disciplines (e.g., the arts, languages, science, technology, mathematics, social sciences, and the humanities).

Use Numbers

- Decide what needs to be measured or calculated.
- Observe and record data using appropriate methods, tools, and technology.
- Make estimates and verify calculations.

Think And Solve Problems

- Assess situations and identify problems.
- Seek different points of view and evaluate them based on facts.
- Recognize the human, interpersonal, technical, scientific, and mathematical dimensions of a problem.
- Identify the root cause of a problem.
- Be creative and innovative in exploring possible solutions.
- Readily use science, technology, and mathematics as ways to think, gain, and share knowledge, solve problems, and make decisions.
- Evaluate solutions to make recommendations or decisions.
- Implement solutions.
- Check to see if a solution works, and act on opportunities for improvement.

Demonstrate Positive Attitudes And Behaviours

- Feel good about yourself and be confident.
- Deal with people, problems, and situations with honesty, integrity, and personal ethics.
- Recognize your own and other people's good efforts.
- Take care of your personal health.
- Show interest, initiative, and effort.

Be Responsible

- Set goals and priorities balancing work and personal life.
- Plan and manage time, money, and other resources to achieve goals.
- Assess, weigh, and manage risk.
- Be accountable for your actions and the actions of your group.
- Be socially responsible and contribute to your community.

Be Adaptable

- Work independently or as part of a team.
- Carry out multiple tasks or projects .
- Be innovative and resourceful: identify and suggest alternative ways to achieve goals and get the job done.
- Be open and respond constructively to change.
- Learn from your mistakes and accept feedback.
- Cope with uncertainty.

Learn Continuously

- Be willing to continuously learn and grow.
- Assess personal strengths and areas for development.
- Set your own learning goals.
- Identify and access learning sources and opportunities.
- Plan for and achieve your learning goals.

Work Safely

- Be aware of personal and group health and safety practices and procedures, and act in accordance with them.

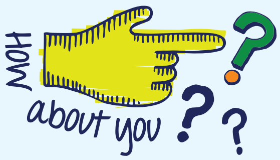
WORK WITH OTHERS

- Understand and work within the dynamics of a group.
- Ensure that a team's purpose and objectives are clear.
- Be flexible: respect, and be open to and supportive of the thoughts, opinions, and contributions of others in a group.
- Recognize and respect people's diversity, individual differences, and perspectives.
- Accept and provide feedback in a constructive and considerate manner.
- Contribute to a team by sharing information and expertise.
- Lead or support when appropriate, motivating a group for high performance.
- Understand the role of conflict in a group to reach solutions.
- Manage and resolve conflict when appropriate.

Participate In Projects And Tasks

- Plan, design, or carry out a project or task from start to finish with well-defined objectives and outcomes.
- Develop a plan, seek feedback, test, revise, and implement .
- Work to agreed-upon quality standards and specifications.
- Select and use appropriate tools and technology for a task or project.
- Adapt to changing requirements and information.
- Continuously monitor the success of a project or task and identify ways to improve.

*Source: Conference Board of Canada.
http://www.conferenceboard.ca/topics/education/learning-tools/employability-skills.aspx



HOW ARE YOUR "EMPLOYABILITY SKILLS?" THINK ABOUT EACH OF THE SKILL AREAS BELOW AND DO A LITTLE SELF-ASSESSMENT AS TO WHERE YOU THINK YOU ARE AT THE MOMENT. REVIEW THE DETAILS FOR EACH EMPLOYABILITY SKILL ON THE PREVIOUS PAGE AS YOU COMPLETE YOUR PERSONAL ASSESSMENT.

1. How is your ability to think and solve problems?

   Needs lots of work — A real strength of mine

   1 2 3 4 5

2. Do you generally demonstrate positive attitudes and behaviours?

   Not really — Most of the time

   1 2 3 4 5

3. How responsible a person do you think you are?

   Needs to be much better — Very responsive

   1 2 3 4 5

4. How adaptable are you?

   Not very adaptable — Very adaptable

   1 2 3 4 5

5. Are you a "continuous" learner – looking for new opportunities to learn and taking advantage of them?

   Not really — Learning all the time

   1 2 3 4 5

6. Do you generally act in a safe manner and respect your health and the health and well-being of others?

   Could do much better — Yes, most of the time

   1 2 3 4 5

7. Do you work well with others and work well as part of a group or team?

   Not really — Yes, very well

   1 2 3 4 5

8. Do you participate positively and productively in undertaking projects and tasks?

   Could do much better — Yes, very well

   1 2 3 4 5

9. What do you see as your five most positive and well developed skills and attributes that would enhance your chances of getting a job?

   1. ____________________________________
   2. ____________________________________
   3. ____________________________________
   4. ____________________________________
   5. ____________________________________

10. What do you think are the five skills or attributes that you could likely improve upon to enhance your future employment prospects?

    1. ____________________________________
    2. ____________________________________
    3. ____________________________________
    4. ____________________________________
    5. ____________________________________

11. Would you hire you for a job? If so, for what kind of work? If not, why not? What can be done to improve your prospects for building a successful future in the workplace.

CHAPTER 6:

Career under Construction – Investing in You

Let's discuss...

- You – and your confidence in you
- Career planning
- Finding a job
- Preparing a résumé
- Preparing for a job interview

"Which Way Do I Go?… Which Way Do I Go?"

Before we get into looking at planning and picking a career, let's start with something very important – you! How are you doing? How are you feeling? What do you see as you look into your future – your options and possibilities? And, let's look at how some things in your past may have had an impact on how you see your future.

To begin, let's start with a test. Take a look at the set of figures below and select the one that doesn't belong.

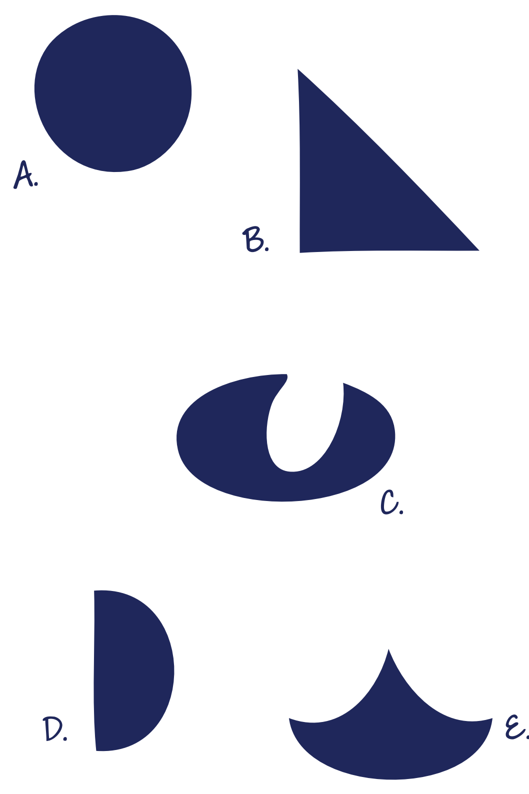
This set of figures appeared in a book entitled *A Whack on the Side of the Head* by Roger von Oech. In that book, he gives the following response to the "test" you just took.

"If you chose figure B, congratulations! You've picked the right answer. Figure B is the only one that has all straight lines. Give yourself a pat on the back!

Some of you, however, may have chosen figure C, thinking that C is unique because it is the only one that is asymmetrical. And you are also right! C is the right answer. A case can also be made for figure A: it is the only one with no points of discontinuity. Therefore, A is the right answer. What about D? It is the only one with both a straight line and a curved line. So, D is the right answer too. And E?

Among other things, E is the only one which looks like a projection of a non-Euclidean triangle into Euclidean space. It is also the right answer. In other words, they are all right depending on your point of view.

Much of our educational system, however, is geared toward teaching people the one right answer… the "right answer" approach becomes deeply ingrained in our thinking… if you think there is only one right answer, then you will stop looking as soon as you find one."



von Oech, Roger. A Whack on the Side of the Head. New York: Warner Books, 1983

This is particularly true for those who have come through a school system that focused on "right answer" learning. You probably have taken, and will take, test after test, quiz after quiz, and exam after exam. The student who entered school full of excitement, creativity, and hopes for the future may have had those hopes drift away with "A's" turning to "B's," then to "C's" and then who knows where eventually. As the famed educator Neil Postman said: "Students enter school as question marks and leave as periods."

There is no doubt about it, the school system works very well for many students. But it also does not work particularly well for many others. Some students, for example, may have many talents but do not do well in written exams. They often end up on the lower end of the grade scale. They are put on a level somewhat below others – others who were able to take notes, study from books, and score well on tests. What is the impact of this?

HOW about you??

IS YOUR INTEREST IN SCHOOL STILL HIGH? ARE YOU MOTIVATED AND INSPIRED AND FEEL YOU ARE BENEFITTING FROM SCHOOL? OR, HAVE YOU LOST SOME INTEREST AND ARE STRUGGLING TO FEEL MOTIVATED?

First, the dreams and hopes of some students are affected. They lose self-confidence. They lower their expectations of themselves. They start to "give less" and as a result "get less." Their overall self-esteem takes a beating. The reality of this is shown by the drop-out rate from many schools. Some young people decide school is not working for them. It isn't providing what they need, or perhaps what they want.

HOW about you??

DOES ANY OF THIS APPLY TO YOU? IT MAY NOT. YOU MAY BE THRIVING IN SCHOOL, HAPPY WITH SCHOOL, DOING WELL AND LOOKING AHEAD TO A BRIGHT FUTURE. BUT, ON THE OTHER HAND, YOU MAY STRUGGLE IN SCHOOL. YOUR TEST RESULTS MAY NOT BE THE GREATEST. YOU MAY BE CONCERNED ABOUT WHERE YOU'LL GO FROM HERE – AND WHAT OPTIONS YOU MAY HAVE. HOW GREAT IS THE "FIT" BETWEEN YOU AND SCHOOL.

Poor Fit — Great Fit

1 2 3 4 5

So your school experience and performance so far may have had an impact on your outlook for the future. And your outlook – and belief in yourself and your potential – is very important when it comes to career planning. It can affect your goals, hopes, and dreams. It can affect what you think you can do and the career options you consider. No matter what your school experience has been, look at who you are. What skills and abilities do you have? Which might you want to develop? Have you had success in sports, dance, acting, music, and so on? These can be very important – and provide experiences and skills to build upon.

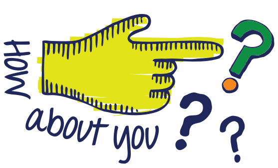
So consider and value your accomplishments. If you have accomplished some things in life, this can build confidence in what you think you can accomplish in the future. But, many young people have little appreciation for the things in life they have accomplished. Therefore, they lack a sense of accomplishment and a belief that they can accomplish new things.

Many young people think only about longer-term goals such as careers, jobs, incomes, and families. They often don't think about many other things in life they may have already achieved – in sports, in school, in theatre, in dance, in the community, with their family, at work, and so on – they may be thinking they don't matter, don't count, or aren't important. But they are. All accomplishments matter. And, if you want to accomplish bigger things, you have to develop skills by accomplishing smaller things.

Have you learned to swim, ride a bike, drive a car, use a computer, drive a boat, build a deck, plant a garden, make a dress, or paint a room? The list could go on and on. How long is your list? Recognition of our accomplishments helps to build self-confidence. And, self-confidence is one of the most important things employers look for – and one of the most important characteristics for any entrepreneur.

So, hold on to your hopes and dreams. Work on your self-confidence. Think of your successes and accomplishments – large, or small, or anything in between.

Set some short-term goals for yourself and work to achieve them. Prove to yourself that you can do what you put your mind – and hard work – to achieving.



WHAT TWO THINGS DO YOU ENJOY MOST IN LIFE? WHAT CAREER POSSIBILITIES ARE THERE IN THESE TWO AREAS?

WHAT ARE YOU "BEST" AT IN TERMS OF YOUR OWN ABILITIES? ARE THERE CAREER POSSIBILITIES THAT FIT WITH THESE TALENTS?

Career Planning: Some Suggestions To Consider

The following are some suggestions and tips related to thinking about a career and building a career plan.

- Apply the decision-making steps that were discussed earlier to help you decide on your career interests. Few decisions are more important for you than selecting the career that's best for you.
- Do volunteer work to gain experience, learn more about some occupational areas that are of interest, and broaden your outlook into other areas to learn more. This will help you to determine whether or not you would enjoy working in a particular field. Furthermore, you will probably get personal benefit from the experience, benefit others at the same time, and volunteer experience generally makes a positive impression on a résumé.
- Consider careers that might be related to a hobby or something you enjoy (for example: sports, movies, music, science, camp, computers, travel).
- Be honest with yourself in assessing your talents and abilities. You should never lower your sights below your true potential. At the same time, you should avoid setting your sights so high that you are likely to be frustrated and disappointed.
- Nothing is more important today in getting a job and planning and starting a career than networking. Connecting with people, seeking advice, and getting help is very important. Don't hesitate to use your connections. Others don't. Build a network – then use it.
- Set goals. Set your sights on what you want to achieve. Work toward something. Don't meander down the road and occasionally stop to see where you are. That may be a nice way to see Europe, but it's a poor way to find a career. Furthermore, don't set only long-term goals. Set some short-term goals, too. Give yourself a chance to succeed.
- Learn from your mistakes and disappointments. Mistakes are powerful learning experiences. They are stepping stones to future success. Apply that attitude to everything you do.

Take action. Take Control!

Networking is crucial in getting a job and building a career. How effective is your network already? If you had to identify five people in your network to call upon for career or job advice, who would they be? What kind of help would be good for you to have? Who could provide that for you? Who might be good to add to your network? Who could help you build your network? Young people today are very familiar with social networking. Draw upon these skills and experiences to network re your career and finding a job.

IDENTIFY A "TREND" YOU BELIEVE IS JUST GETTING STARTED. WHAT TYPES OF JOBS DO YOU THINK WOULD BE HELPED IF THIS TREND REALLY DEVELOPED? CAN YOU IDENTIFY TWO OR THREE TRENDS THAT HAVE BEEN BIG OVER THE LAST TWO YEARS THAT LED TO CAREER AND EMPLOYMENT OPPORTUNITIES FOR MANY PEOPLE?

- Talk with people who are working in careers that interest you. You can learn a great deal about many career options from talking to someone who is already involved in a particular career.
- Talk with a range of people. Don't judge a career on the basis of discussions with one or two people. People have different talents, different experiences, and different interests. What doesn't work for them may work for you.
- Plan for the future, not the present. Look ahead, not to the side. Observe trends. Watch for changes. Look where everyone else is going, and realize that if they are all headingthere, it's likely to be pretty crowded. Do you still want to head in that direction? Or, might you want to change course?
- Know why you want to work. What do you want out of your career? Are you working strictly for an income? Are you concerned about the working environment, how mobile you can be in the job, opportunities for advancement, job satisfaction, the people you will work with, the benefits that may accompany the income? There are many possible factors that might be related to why you want to work – and the type of work you want to do. Include these in your career plans and decisions.
- Regard your career as a path of lifelong learning and development. Keep on top of developments in your field. Pursue new training if you are able and interested. Lifelong learning is a valuable concept. Many, if not most, people will have four or more different careers in their lifetime – or more.
- Keep your options open. Make sure you don't slam the door on yourself by making poor course selections in school.
- Look beyond the most obvious career options. Some of the less known careers can be the more interesting ones. Furthermore, far fewer people may be preparing for them, which may help when hiring time comes along. You can review almost 200 different career options via videos on the Canadian Foundation for Economic Education's (CFEE) "VECTOR" web site. These 5-6 minute videos profile people working in a wide range of occupations. There is information on the education required, average income, and so on. You can view the videos at http://www.vector.cfee.org.
- Look beyond your own front door to see what's going on. Look at what's going on in other communities, other provinces and territories, across the country, and in other countries around the world.
- Don't be your own worst enemy. Don't get down on yourself. Don't have a negative state of mind. You have a lot of control over what goes on inside your head. You can affect your attitude and how you act – and how you come across to others. Attitude means so much. It makes a huge impression. Be your own biggest booster.
- Know your strengths and work on them. Recognize the talents that you have, and then build on and develop them.
- Learn how to cope with stress. Identify what puts pressure on you. Do what you can to minimize those things. Deflect the pressures. Learn how to relax. Avoid burnout. Learn how to keep your cool. That can affect your success in the workplace – and as an entrepreneur.

Some Tips On Finding A Job

There are many different approaches to looking for a job. It would be a good idea for you to read up on some of the different methods. The following represent a number of general tips for your consideration.

- Recognize that finding a job is hard work. Develop a plan and a schedule for yourself in terms of what you are going to do on a day-by-day or week-by-week basis to find a job.
- Make contacts. Make as many contacts as you can with people who work in the type of business or field in which you are seeking employment. Keep a record of your contacts. You never know when they may come in handy.
- Do your research. Learn about a company when you are applying to work there. You might want to take a look at the company's annual report. Try and impress them with what you know about the company.
- Don't rely on a résumé (see the next section on résumés). A résumé should be a tool in your job search, it can't do it all for you.
- Don't count on seeing ads for employment in the newspaper. The majority of jobs are probably never advertised. That is why networking, and using contacts, is so important.
- Don't waste time on gimmicky approaches. They usually won't work and they often have a negative, rather than a positive, impression. Be direct, truthful, and businesslike.
- Set non-employment goals for yourself. A job search should not be singularly focused on getting a job. Set targets for number of contacts, number of interviews, and other related tasks. Meet your objectives. Keep at it. Set new dates and targets.
- Recognize that finding a job takes time. Don't wait until April or May to find a summer job. Start in January. Don't think finding a job takes a week. It often takes a lot longer. Using "connections" can help shorten the time – if you have connections to use.
- Contact local, provincial, and federal government placement centres to explore the programs that focus on youth.
- Watch the local papers for announcements regarding the activities, plans, and growth of local businesses and industries. Some developments may indicate that a business will be looking for workers.
- Maintain a good appearance. This does not mean that you can't be yourself. However, you may have to face certain realities in the workplace. Some styles popular among youth may not be as popular among potential employers. Just as you have the right to be yourself, they have the right to hire those they feel will be best for the job. You may have to decide on the degree to which certain styles are important to you versus the prospect of getting a job. This is often a difficult decision, especially for youth who are very much involved in trends, fashion fads, and so on. As much as you may be attempting to convey a message about yourself through style, businesses have their own protocols and standards, and dealing with some of the more unusual fads and trends of youth are often not one of them. Once again, it is up to you to make the call on your dress and appearance.
- Be confident in yourself. People will be hesitant to hire someone who doesn't convey the message that he/she is able to do the job. If it looks like you don't have confidence in you, they probably won't have confidence in you either.
- If you are turned down for a possible job, try to learn from the experience. Follow up on any contact or experience. Ask interviewers for a review of how you did and suggestions for how you could improve your performance in a job interview or on your résumé.
- Have references available to provide if needed. Make sure your references know you are providing their names as references and get their permission. If a possible employer is planning to contact your references, let your references know to expect a call.

Take action. Take Control!

Assume that you are about to begin a search for a job. Make a list of the steps/actions you could take that would help you find a job. Note such things as who you would approach, what offices you would visit, what businesses you would contact, whose advice you would seek, or what information you would write, and so forth.

- Consider doing volunteer work to gain experience.
- Don't pressure yourself to "know" what it is that you want to do. Give yourself the chance to fully explore various options and alternatives. Avoid pressure to make some decision at an early age about what you are going to do for the rest of your life.
- Be organized. Keep clear and thorough notes and records. Keep track of your contacts. Keep files on companies in which you are interested. Collect articles providing advice on résumés and job search techniques.
- Have a good résumé – one that makes a good impression – one that says "put me near the top of the pile." A poor résumé will scream "put me near the bottom" – or in the trash.

Tips On Preparing A Résumé

A résumé is a written summary of your work, education, and experience as well as other abilities you have that make you a candidate for a particular job. It is your "ad," if you like, illustrating your strengths and abilities and why you would be a good person to hire for a particular job.

Most young Canadians have had little experience in preparing résumés. But yet résumés are an important tool for you in your job search. There is no standard format. You should investigate different approaches and styles to develop the résumé that best suits you and the job for which you are applying.

It is important to note that you should never send in your résumé alone. You should always include a covering letter. The covering letter should be specific to the job for which you are applying. You should introduce yourself, state why you are interested in the position, and why you think you are well suited for the job. Your cover letter should be no longer than one page – a page and a half at most. Therefore, conserve words. Be clear and concise. Most employers will have many letters and résumés to read and review. They won't spend a long time on any single one. You will have to have yours make a quick, and good, impression.

In addition, check grammar and spelling carefully. Nothing will get a résumé to the bottom of the pile quicker than spelling mistakes and bad grammar.

The following are some general tips for preparing a résumé.

- Your objective with your résumé should be to sell yourself. It should represent you well, covering all of your strengths, skills, accomplishments, and abilities. You want it to show, as best it can, how you stand out from other applicants.
- Don't trivialize your accomplishments. Some things that may seem small to you may be a sign to a potential employer of particular skills and abilities. For example, babysitting may seem like a trivial thing to note.

However, considerable babysitting experience shows responsibility. It also shows that you took the initiative to get out and work and earn some income. The responsibility of looking after a child is far from trivial and can reflect the confidence that other adults have had in your abilities.

- Be proud of things you have done. Think of what they may imply about you and your abilities.
- Avoid gimmicks. They usually do not impress. Furthermore, it is the content, rather than the style or format, that will make your résumé stand out. Therefore, don't go to a great deal of effort and expense to have your résumé prepared in some fancy fashion.
- Although content is more important than format, format is important too. Prepare your résumé neatly on good quality paper and bind it well and attractively if submitting a hard copy.
- Do not include a long list of personal statistics such as age, height, and weight. This is excess information. Simply indicate your name, address, contact numbers, and any abilities you have in speaking various languages.
- Keep in mind that your résumé should answer the following questions for a potential employer: Why should I pick you? Why are you right for this job? Why are you better than the other applicants?
- When you can, present your résumé in person rather than by mail or e-mail. It puts a face to the paper and may provide you with an early opportunity to make a positive impression.
- Quantify your accomplishments where possible. How many children did you care for or supervise? For how long? How many children were you responsible for at camp? How many newspapers did you deliver? When the numbers help to convey the scale of your activity or responsibility, use them.
- Use action words to describe your responsibilities and accomplishments, words such as: organized, created, demonstrated, supervised, managed, co-ordinated, developed. These words imply particular abilities and skills. Furthermore, even if the activity that you co-ordinated is unrelated to the job for which you are applying, the fact that you have served as a co-ordinator could be very relevant.
- Keep the structure of your résumé as flexible as possible so that you can easily change it. You may recall something you want to add, or you may want to tailor it for a specific job application.
- Keep it up to date. Change it when you acquire more education or experience – or when you develop a new skill.
- Offer references upon request; do not include them on your résumé. Do not put a great deal of reliance on letters of reference. Most employers feel that it is the rare person who will not be able to find someone who will say nice things about him or her. Besides, it is often difficult for employers to know if the letters are from friends. On the other hand, some references may be particularly helpful if they are from persons known by the company – or who are with a company in a similar line of work. Often an employer will contact references before making the final decision to hire you. They will do so to make sure your references help support their decision, and to make sure there are no surprises.

Suppose now that you have organized your job search, you have prepared an effective résumé, you have developed a network of contacts, and you have been asked in for an interview. The following are some tips related to job interviews.

Take action. Take Control!

Assume that you are applying for a job as a camp counsellor at Camp Buckhorn. The Camp specializes in offering programs for children with discipline problems. Write a covering letter outlining why you are interested in this job and why you think you are suited for it. Then develop a résumé to accompany your letter. If a school counsellor is available, ask for a review of your letter and résumé. If a counsellor is not available, a teacher or a family member should be able to offer a knowledgeable review.

Tips On Job Interviews

The interview is usually the last step in the job search process. Everything up to that point – contacts, cover letter, résumé, and so on – has been designed to give you a chance to meet with the employer and show why you should be hired. Virtually no job will be attained without going through an interview process. It is a fearful experience for some, but an enjoyable experience for others. If it is a fearful experience for you, you have got to change that. When you are fearful or overly nervous, you will seldom put your best side forward. The most important piece of advice regarding interviews is to be you.

If you go into an interview trying to give the "right" answers, you will almost always enter in a nervous state as you try and think of "right" answers when you don't even know the questions you will face. If you go in knowing who you are and what you believe in, then you can feel confident that you will always give the best response you can based on what you truly believe. Therefore, be confident about who you are. A key recommendation is to go into an interview prepared to be yourself and answer questions on the basis of what you honestly believe. Now here are some others.

- Dress appropriately. You are out to make an impression. Don't work against yourself by giving the impression that you don't care or that you don't respect the people who are interviewing you.
- "Mind your manners." Once again, you are selling yourself.
- Be prepared for different interview styles. You have to realize that it is not easy to hire good people. Employers will use a variety of methods to try to ensure that they hire the best person for the job. Hiring is an important responsibility for any employer.
- Know your rights. There are certain questions that you cannot be asked and certain things that employers cannot do in screening potential employees.

Some interviewers use the "good cop, bad cop" technique. This is an interview by two people, one of whom appears to be friendly and supportive of things that you say while the other will tend to disagree with you and be somewhat unfriendly. The aim of this may be to see how you cope in both situations and how you react to criticism. Sometimes you will be interviewed by a team of people. Each member of the team may have something in particular that he or she is looking for. A team interview means that you will face a variety of approaches and objectives all in the same interview.

And there are other interview techniques. Be prepared for a variety of approaches. This is another reason to be yourself – you never know the type of situation that you may face.

Be Prepared:

Sample Questions Employers May Ask in a Job Interview

1. Why do you want to work in this field?
2. Why do you specifically want to work for this company?
3. What do you know about our company?
4. Why do you feel you are the right candidate for this job? What do you think you can bring to this company?
5. What things are important to you in the type of position you want?
6. How has your education prepared you for this type of job?
7. Which school courses did you like most and why?
8. Do you plan to continue your education?
9. What are your short-term goals?
10. Where do you see yourself in 5 years?
11. What do you like to do in your leisure time?
12. What are a couple of accomplishments in your life that have given you the most satisfaction and why?
13. What are some skills that you feel you have gained from your past employment and education?
14. What motivates you to put forth your best effort?
15. What is your greatest strength?
16. What is your greatest weakness?
17. What are your salary expectations?
18. What hours are you willing to work?
19. Are you flexible in these hours? Can you work overtime if necessary?
20. Are you willing to travel?

(Source: The Government of Manitoba [Copyright Notice: www.gov.mb.ca/legal/copyright.html; Disclaimer Notification: www.gov.mb.ca/legal/disclaimer.html)

Questions Employers Are Not Able to Ask in a Job Interview

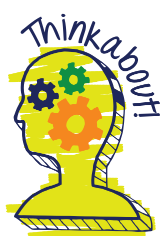
1. What health problems do you have?
2. Do you have any disabilities?
3. Have you ever been denied health insurance?
4. When were you hospitalized the last time?
5. Is any member of your family disabled?
6. Do you have AIDS?
7. Have you ever been addicted to drugs?
8. When was your last medical checkup?
9. How old are you?
10. When were you born?
11. When were you married?
12. How old are your children?
13. Where were you born?
14. What church are you a member of?
15. Does your religion prevent you from working weekends or holidays?
16. Are you a member of any religious group?
17. What's your sexual orientation?
18. Are you married, divorced, separated, or single?
19. Were you ever arrested?
20. What is your economic situation or status?

(Source: www.careerblueprint.com)

- Go to as many interview situations as you can to become familiar with the processes/styles that employers use. This will help you to become more confident. Each interview can be a learning experience.
- If you are turned down after an interview, try to follow up. If the interviewer will take the time, ask for suggestions about how you could improve your interview skills; ask if you might be considered again in the future; and so on. Learn as much as possible from each interview experience.
- Role play in advance. That is, work with someone if you can to rehearse an interview. Ask a parent, teacher, counsellor, or friend to ask you questions so you can practice your responses.
- Be enthusiastic. Appear as if you want the job.
- Don't be long-winded. Keep your answers informative, concise, and to the point. Be sure to answer the question asked but don't go on and on. Try to avoid yes and no answers. The interviewer is trying to find out about you and will become frustrated by yes and no responses.

And, don't be afraid to ask your own questions. If you have particular questions about the job, ask them. This shows you are interested and have put some thought into the job. At the same time, don't be overly anxious about asking questions about raises, holidays, and so forth. These are important questions, but you will have a chance to ask them once you have been offered a position. Most employers would consider it appropriate for you to ask about the starting wage/salary if you don't already know it.

- Don't be afraid to have, or take, notes during the interview. But don't do this to the point of distraction.
- Give yourself time to prepare, time to think, and time to organize yourself in advance for an interview.
- Don't oversell yourself. Be forthright and honest. Put your best foot forward, but avoid the "hard sell" of you.
- Maintain your self-control at all times. Don't argue. Keep cool and keep your composure should any disagreement arise.
- Enter an interview assuming you will receive equal treatment with others. Don't assume that the employer will not be fair. If he/she isn't, it will probably soon become apparent. At the outset, give the employer the benefit of the doubt, which will make you feel more confident, too.



SUPPOSE YOU HAVE BEEN SUCCESSFUL IN GETTING AN INTERVIEW FOR THE JOB AT CAMP BUCKHORN. IMAGINE HOW YOU WOULD ANSWER THE FOLLOWING QUESTIONS.

- Why do you think that you would be able to work effectively with these children?
- What do you think are your greatest strengths?
- Do you foresee any situations in which you would have problems?
- What experience have you had with children?
- If you are given the opportunity to develop some programs for these children, give me an example of something you might do.
- What would you do if a child refused to do what you told him/her?
- Do you feel your education has prepared you in any way for this job?
- What would you see as your major responsibilities in this position?
- Do you take criticism well?
- In which situations are you "your own best friend"?
- In which are you "your own worst enemy"?

That concludes our tips on career planning, résumés, job search, and interviews. These will hopefully help if your goal is to get a job working for someone else. But maybe you are interested in creating your own job – and starting a business. That is, maybe you are interested in becoming an entrepreneur. Let's turn our attention to the topic of entrepreneurship. And, even if you aren't interested in starting and running your own business, you may be interested in developing your entrepreneurial and enterprising skills. They can help you in any job or career.

Chapter Summary

Say What? Possible New Terms!

1. **Career plan:** the steps and strategies taken to explore career options, set career goals, and obtain the required education, training and experience to achieve career goals.
2. **Career path:** various career stages over the course of one's life. Many people will have multiple jobs over time building up to a career path.
3. **Covering letter:** a letter written to accompany a résumé and is written specifically for a job for which you are applying.
4. **Résumé:** sometimes called a "curriculum vitae," or "CV," this is a summary of your work, education, and experience as well as other abilities you have that make you a candidate for a particular job.
5. **References:** letters or comments from people you know regarding your abilities, characteristics, skills, etc. that an employer may refer to in making a hiring decision.

Did It Stick? Can you recall . . . ?

1. Why is it important to have confidence in yourself?
2. How can school experiences affect one's self-confidence, goals, and hopes?
3. What are some key tips in putting a career plan together?
4. What are some key tips when trying to find a job?
5. What are some key tips when putting together a résumé?
6. What are some key tips when preparing for, or participating in, a job interview?
7. What are some questions that employers are not able to ask you in a job interview?

Thinkabout . . . or discuss:

- Overall, has your school experience had a positive or negative effect on your self confidence?
- How could schools do a better job of reaching, engaging, and motivating a broader range of students?
- To what extent do you think schools should be preparing students for careers and work compared with other responsibilities assigned to education?
- How would you assess the quality of career counselling provided to students? How do you think it could be improved?
- What are the most important steps in a career plan?
- What are the most common mistakes young people make with résumés and in job interviews?

Tips and Suggestions

- Self-confidence is key in getting a job and succeeding in the workplace. Find ways to build your self-confidence.
- Don't pressure yourself at an early age "to know" what you are going to do in terms of a career in life. You may know – and that's great. But many people don't get into their ultimate career field until post-secondary years – and beyond. Keep your eyes, ears, and options open.
- Do what you can to explore a range of career options. Don't find out years later about a career possibility that you would have loved to pursue.
- Most young people have a very limited knowledge of the kinds of careers that are available or evolving. Use the CFEE "VECTOR" web site, or any other site or resource you can, to learn as much as possible about the range of careers available.

Tech-Talk

You may wish to do Internet searches to learn more about:

- Career planning
- Looking for a job
- Preparing a résumé
- Preparing for a job interview
- Career networking

The following are some web sites that might be helpful to you.

Federal Government Service Centres

www.servicecanada.gc.ca/offices

To find information about a location, you can search the web site. You may search centres by province or territory, city or town, or postal code.

Web Sites Providing Job and Employer Information

Alberta Jobs
www.albertajobs.com

British Columbia Jobs
www.britishcolumbiajobs.com

Canada Jobs
www.canadajobs.com

Manitoba Jobs
www.manitobajobs.com

New Brunswick Jobs
www.atlanticjobs.com

Newfoundland Jobs
www.atlanticjobs.com

Northwest Territories Jobs
www.nwtjobs.ca

Nova Scotia Jobs
www.atlanticjobs.com

Nunavut Jobs
www.nunavutjobs.net

Ontario Jobs
www.ontariojobs.com

Prince Edward Island
www.atlanticjobs.com

Quebec Jobs
www.quebecjobs.com

Saskatchewan Jobs
www.saskjobs.com

Yukon WorkinfoNET
www.yuwin.ca

List of Job Search Sites
Canada Job Bank
www.jobbank.gc.ca

Canada Jobs
www.canadajobs.com

Canjobs
www.canjobs.com

CareerExchange
www.careerexchange.com

EmployCanada.com
www.employcanada.com

Jobboom.com
www.jobboom.com

Monster.ca
www.monster.ca

Workopolis
www.workopolis.com

Current "Hot Jobs"

Government of Canada Job Bank
http://www.jobbank.gc.ca

Making Career Sense of Labour Market Information
www.makingcareersense.org

Alberta Occupational Profiles
www.alis.gov.ab.ca/occinfo

Canadian Careers Industry Information
www.canadiancareers.com/sector.html

National Occupational Classification (NOC)

www5.hrsdc.gc.ca/NOC/

The Conference Board of Canada

www.conferenceboard.ca

Associations in Canada Helping Those with Disabilities to Find Employment

National Educational Association of Disabled Students
www.neads.ca

Neil Squire Society
www.neilsquire.ca

Persons with Disabilities Online
http://www.pwd-online.gc.ca/

Workink
www.workink.com

Helpful Organizations if You Are Interested in Volunteering

Charity Village
www.charityvillage.com

Charity Village Volunteer bulletin board posts current volunteer positions available across the country.

Volunteer Canada
www.volunteer.ca

Volunteer.ca is Volunteer Canada's Web Site for information on volunteering. Volunteer Canada is the national voice for volunteerism and has provided leadership on issues and trends in the Canadian volunteer movement since 1977. Volunteer Canada actively engages in research, training, and other national initiatives designed to increase community participation across the country. Volunteer.ca provides d tails and links to the Canada Volunteerism initiative, national events, a directory of organizations, and statistics and facts about volunteering in Canada.

CHAPTER 7:

Are You an Entrepreneur?

Let's discuss...

- What is an entrepreneur or an enterprising person?
- Contributions of entrepreneurs
- Common entrepreneurial skills and characteristics
- What's involved in creating a venture?
- Hunting for and assessing opportunities
- Generating and assessing ideas
- The importance of planning – and planning for success

You may or may not be familiar with the term "entrepreneur." Even if you are, you may have some misperceptions of entrepreneurs because there are many myths about them. For example, many believe that entrepreneurs only start up small business enterprises. Although many entrepreneurs set up and run small businesses, you can also apply entrepreneurial skills to other kinds of activities – within companies, within governments, running a not-for-profit organization, and so on.

Let's take a closer look at entrepreneurs and entrepreneurship and whether or not it is an option of interest to you. Let's start with a quick quiz. The answers follow the quiz – but try the quiz first without looking at the answers. The goal is to help you decide if being an entrepreneur is something of interest to you.

A. Entrepreneur's Quiz

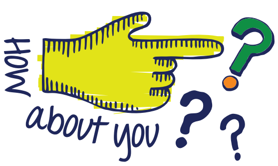
1. Faced with a problem, the entrepreneur is most likely to:
   a) go to a close friend for help;
   b) get help from a stranger who is known to be an expert;
   c) try to work through the problem alone.
2. The entrepreneur is most like the distance runner who runs mainly:
   a) to work off energy and to keep in good physical condition;
   b) to gain the satisfaction of beating other competitors in the race;
   c) to try to better his or her previous time over the distance.
3. Entrepreneurs are motivated most by the need to:
   a) achieve a goal of greater personal importance;
   b) gain public attention and recognition;
   c) control wealth and other people.
4. Entrepreneurs believe the success or failure of a new venture depends primarily on:
   a) luck or fate;
   b) the support and approval of others;
   c) their own strengths and abilities.
5. If given the chance to earn a substantial reward, which of the following would entrepreneurs be most likely to do:
   a) roll dice with a one in three chance of winning;
   b) work on a problem with a one in three chance of solving it in the time given;
   c) do neither (a) nor (b) because the chances of success are so small.
6. The entrepreneur is most likely to choose a task:
   a) which involves a moderate level of risk but is still challenging;
   b) where the risks are high but the financial rewards are also very great;
   c) which is relatively easy and the risks low.
7. Money is important to entrepreneurs because:
   a) it allows them to develop other ideas and take advantage of other opportunities;
   b) monetary measurements provide an objective measure of how successful they have been;
   c) the main reason they accepted the risks of starting a new venture was to accumulate personal wealth.

Answers To Quiz*

QUESTION 1:

Entrepreneurs do tend to be independent, self-reliant individuals. They may try to work through a problem alone. They do have a high need to achieve. But successful entrepreneurs are not so focused on doing things alone that they won't seek help when they need it.

Being a successful entrepreneur is a challenge and usually requires the help of others. Successful entrepreneurs will seek out those who can be most helpful whether they are friends or strangers. They are usually good "team-builders" and "team-leaders." They put together the talent they need to succeed. And the need to achieve will likely be greater than the social need to work with friends. The best choice is (b).



ARE YOU AN INDEPENDENT, SELF RELIANT PERSON?

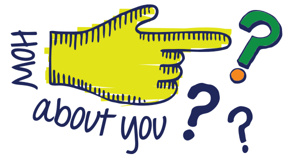
Not very — Yes, very

1 2 3 4 5

QUESTION 2:

Entrepreneurs often have a great deal of energy and drive. They are usually able and willing to work for long hours. Good general physical health is necessary in order to withstand the stresses of running their own ventures. One of the risks they must evaluate is that their work will likely put physical, social, and emotional strains on them. Few entrepreneurs pursue initiatives for the good of their health although many seem to thrive on the work-related stress.

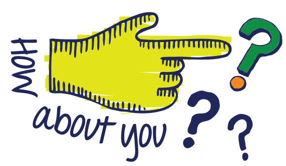
Entrepreneurs tend to compete against standards of achievement they set for themselves rather than standards set for them by others. Entrepreneurs are most like the runner who races to beat the clock. To achieve a new "personal best" time will likely be more rewarding than beating others. The best choice is (c).



DO YOU TEND TO COMPETE WITH YOURSELF? DO YOU CONTINUOUSLY TRY AND DO BETTER? ARE YOU MORE FOCUSED ON DOING YOUR PERSONAL BEST THAN COMPETING WITH OTHERS?

QUESTION 3:

Those who are motivated by a need to gain attention, get recognition, and control others are motivated by power. They are more active in political life or large organizations where they concentrate on controlling the channels of communications both up to the top and down to the bottom so that they are more in charge. By contrast, entrepreneurs are motivated more by their need for personal achievement than personal power. Power and power recognition may be the result of success, but they are not usually the motivating goals for an entrepreneur. The best answer is (a).



ARE YOU MOTIVATED BY A DESIRE TO SET AND ACHIEVE GOALS AND OBJECTIVES? DO YOU GET A STRONG SENSE OF PERSONAL SATISFACTION WHEN YOU ACCOMPLISH SOMETHING? DOES IT MOTIVATE YOU TO WANT TO DO MORE?

QUESTION 4:

Successful entrepreneurs likely have a high level of self-confidence and "self-efficacy." Self-efficacy is the belief in yourself that you are able to accomplish things – that you will be able to achieve goals you set for yourself. Therefore, entrepreneurs tend to believe strongly in themselves and their own abilities. They also believe that what happens to them in their lives is determined mainly by what they do – not by what others do. They are not reluctant to place themselves in situations where they are personally responsible for the success or failure of an operation. They will take the initiative to solve a problem and provide leadership where none existed before. The best choice is (c).

WHAT IS YOUR LEVEL OF SELF CONFIDENCE AND SELF EFFICACY?

Very Low 1 2 3 4 5 Very High

QUESTION 5:

The entrepreneur is thought of as a risk taker. There are many risks involved in entrepreneurial activity. But psychological testing of entrepreneurs has indicated that they are no more motivated to do something that involves risk than anyone else. They are not daredevils or reckless gamblers.

Successful entrepreneurs are very good at assessing the amount of risk involved in a venture and will choose to accept that risk if they feel their personal chances for success are relatively high. They may well choose to do something when the odds of success are only one in three if they believe they have the abilities and experience needed to succeed.

The entrepreneur would most likely choose (b), to work on the problem even though rolling dice is obviously less work. Entrepreneurs avoid situations where the results depend mainly on chance or the efforts of others. The opportunity for personal achievement is more important than the size of the reward offered.

ARE YOU (A) A RISK AVOIDER, (B) A HIGH RISK TAKER, OR (C) A CALCULATED, MODERATE RISK TAKER?

QUESTION 6:

Entrepreneurs tend to be positive, optimistic types who focus their attention on their chances of success rather than the chances of failure. Individuals who fear failure tend to select tasks that are either very easy or where the risk is very high. By selecting an easy task, the chances of failure are reduced. By selecting a task with little chance of success, failure can be rationalized, "Oh well, it was just a long shot anyway." The entrepreneur avoids both extremes and selects those tasks that are challenging but where the opportunities for success are reasonably good. The best choice is (a).

ON A SCALE OF OPTIMISM, WITH "1" BEING A PESSIMIST AND "5" BEING AN OPTIMIST, WHERE DO YOU FALL?

Pessimist 1 2 3 4 5 Optimist

QUESTION 7:

It is a popular misconception that entrepreneurs are, at heart, greedy individuals who enter into ventures for the purpose of accumulating personal wealth. Such a description would be more aptly applied to some promoter who's a "fast buck" artist.

Entrepreneurs are driven to build a venture rather than simply to get in and out in a hurry with someone else's money. They will enjoy the benefits of a higher income but will usually spend only a portion of their gain on personal consumption. Entrepreneurs are primarily interested in the creation, not the consumption, of wealth.

WHAT MOTIVATES YOU MOST – THE DESIRE TO MAKE MONEY OR THE DESIRE TO ACCOMPLISH YOUR GOALS AND MAKE A DIFFERENCE?

So, what is entrepreneurship? The statement below provides one definition.

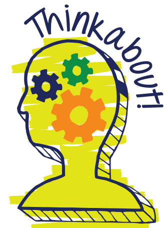
Entrepreneurship involves the recognition of opportunities (needs, wants, and problems) and the use of resources to pursue an idea for a new, thoughtfully planned venture.

Does that describe something that interests you? Might you be a prospective entrepreneur?

B. Contributions Of Entrepreneurs To Society

In addition to your own personal interest, everyone should probably know something about the contributions entrepreneurs make. Even if you never become an entrepreneur, you will probably have the opportunity to interact with a great many.

In our society, entrepreneurs may:

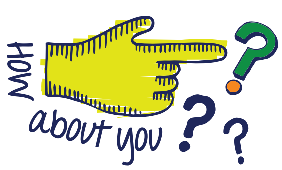


WHAT ENTREPRENEURS DO YOU KNOW OF IN YOUR COMMUNITY? WHAT CONTRIBUTIONS ARE THEY MAKING TO YOUR COMMUNITY?

- create new ventures that provide new, improved products and services
- find new ways of making products and services available to more people
- compete with each other to be the "best," which improves the quality of goods and services and keeps prices down
- create jobs for others in the community through the new ventures they create
- increase the quantity of products and services we produce in our economy (that is, help us to achieve "economic growth") by creating new ventures
- create new opportunities for others through their initiatives and innovations
- provide a spirit of energy, initiative, and potential for progress to a community

Can you think of others? Do these spark an interest? Do they motivate you? To help you consider the entrepreneurship option, it would probably be helpful to review some of the key characteristics and skills associated with entrepreneurship.

One important point to note is that it is possible for virtually anyone to develop and apply entrepreneurial or enterprising skills. You can also be an entrepreneur by starting with/or running an entrepreneurial not-for-profit company – or a government department. You don't have to set up and run your own business to be entrepreneurial or enterprising.



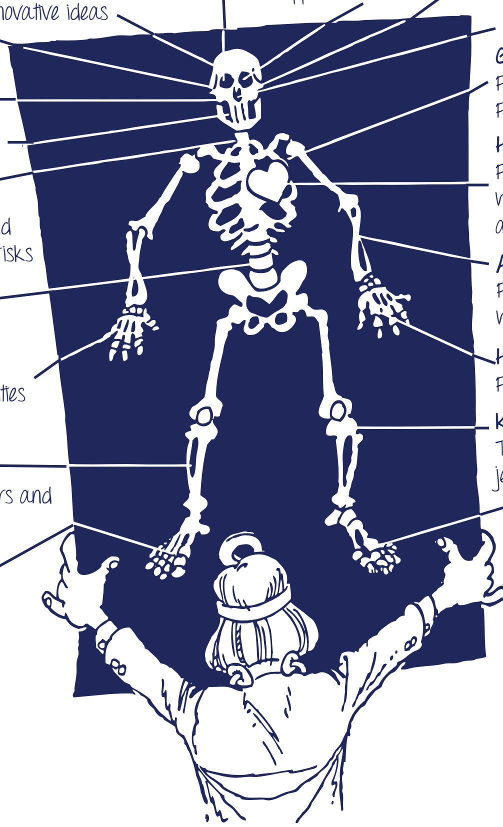
DO YOU THINK YOU TAKE AN ENTREPRENEURIAL OR ENTERPRISING APPROACH TO YOUR WORK? DO YOU TAKE INITIATIVE? ARE YOU CREATIVE? DO YOU LOOK FORWARD TO MAKING THINGS BETTER?

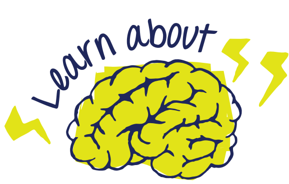
You can be an enterprising employee. You can even apply many enterprising skills in the home – or, to how you run a sports team, or an acting company, or .....the list could go on and on. So, while entrepreneurs look to start and build successful businesses, entrepreneurial or enterprising skills can be developed and applied by virtually anyone – and applied to any kind of endeavour.

WHO DO YOU KNOW WHO IS VERY ENTREPRENEURIAL OR ENTERPRISING – BUT WHO DOESN'T RUN THEIR OWN BUSINESS?

C. The Entrepreneurial Person: Common Skills And Characteristics

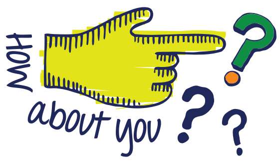
Let's begin our look at enterprising skills with the image provided of an "entrepreneurial person."





IDENTIFY FIVE ENTREPRENEURS IN YOUR COMMUNITY AND DETERMINE THE CONTRIBUTIONS EACH IS MAKING TO THE COMMUNITY.

With this image in mind, let's summarize some of the key characteristics and skills that tend to be important for entrepreneurs or enterprising people. Note that few, if any, entrepreneurs possess all of these characteristics and skills. One entrepreneur will often form a partnership with one or more other entrepreneurs to complement his/her own talents. Alternatively, the entrepreneur may hire and employ additional needed talent. The key thing will be to bring as many of these characteristics and skills as possible to the venture.



ON A SCALE OF 1 TO 5, RANK YOUR OWN CHARACTERISTICS AND SKILLS WITH "1" INDICATING A VERY LOW LEVEL OF APPLICATION TO YOU AND A "5" INDICATING A HIGH LEVEL.

A Desire To Be An Entrepreneur	1	2	3	4	5
Belief In One's Ability To Influence/ Affect Events And Outcomes In Life	1	2	3	4	5
Sense Of Self-Confidence	1	2	3	4	5
Belief In One's Ability To Handle Most Situations	1	2	3	4	5
Positive Self-Esteem	1	2	3	4	5
Belief In One's Ability To Achieve One's Goals (Self-Efficacy)	1	2	3	4	5
High Level Of Self-Awareness	1	2	3	4	5
Passion	1	2	3	4	5
Willing To Act	1	2	3	4	5
Willing To Take Initiative	1	2	3	4	5
Strong Sense Of Commitment	1	2	3	4	5
Perseveres	1	2	3	4	5
Focuses On Change	1	2	3	4	5
High Drive/Motivation For Accomplishment	1	2	3	4	5
Willing To Work Hard	1	2	3	4	5
Willing To Learn	1	2	3	4	5
Ready To Learn	1	2	3	4	5
Willing To Seek Out Relevant Knowledge	1	2	3	4	5
Willing To Acquire Relevant Experience	1	2	3	4	5
Capacity To Transfer Knowledge And Experience	1	2	3	4	5
Goal-Oriented	1	2	3	4	5
Creative	1	2	3	4	5
Opportunity-Oriented	1	2	3	4	5
Willing To Assume Risk	1	2	3	4	5

SKILLS ONE SHOULD HAVE TO BE A SUCCESSFUL ENTREPRENEUR:

Capacity to plan	1	2	3	4	5
Communication	1	2	3	4	5
Marketing	1	2	3	4	5
Interpersonal	1	2	3	4	5
Basic management	1	2	3	4	5
Quantitative/analytical	1	2	3	4	5
Personal effectiveness	1	2	3	4	5
Team building and leadership	1	2	3	4	5

SKILLS ONE CAN USUALLY ACCESS/EMPLOY:

Specialized management talent	1	2	3	4	5
Advanced planning	1	2	3	4	5
Specialized marketing advice/services	1	2	3	4	5
Recordkeeping	1	2	3	4	5
Legal help and advice	1	2	3	4	5
Accounting	1	2	3	4	5
Research	1	2	3	4	5
Technical skills	1	2	3	4	5
Financial help and advice	1	2	3	4	5
Information management	1	2	3	4	5
Specialized talent	1	2	3	4	5

D. "The Entrepreneur's Dozen"

Next, let's consider what an entrepreneur actually does. It sounds simple to say "starts and builds a business." But the reality is far from simple.

One way to consider what an entrepreneur does is via "The Entrepreneur's Dozen" – or the 12 steps in entrepreneurial or enterprising activity.

An entrepreneur:

Examines needs, wants, and problems for which he/she feels something can be done to improve the way things are.

Narrows the possible opportunities down to one specific opportunity.

Thinks of an innovative idea.

Researches the opportunity and idea thoroughly.

Enlists the best sources of advice and assistance that can be found.

Plans the venture and looks for possible problems that might arise.

Ranks the risk and the possible rewards.

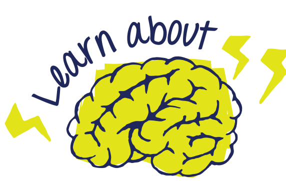
Evaluates the risk and possible rewards and makes a decision.

Never hangs on to an idea, as much as it is loved, if research shows it's not likely to work.

Employs the resources necessary for the venture if the decision is made to go ahead.

Understands that any entrepreneurial venture will take a great deal of long, hard work.

Realizes a sense of accomplishment from successful ventures and learns.



RESEARCH AND LEARN ABOUT SOME OF CANADA'S MOST SUCCESSFUL ENTREPRENEURS. WHAT OPPORTUNITY DID THEY FIND IN ORDER TO SUCCEED?

It is important to emphasize that one of the most essential ingredients of entrepreneurial success is making sure you have found a good opportunity. An entrepreneurial opportunity is a need or want that needs to be satisfied (or that can be satisfied in a new or better way) or a problem that needs to be solved. You may have a good "idea" – but if few want it, need it, or see it as a problem, your chances of success will be low. How do entrepreneurs seek out, find, and assess potential opportunities? The following are some suggestions for you to consider.

E. An Entrepreneurial Safari • On The Hunt For Opportunity

SAFARI TIP #1:
Recognize patterns as they are forming. The entrepreneur has an advantage if trends, patterns, and changes are detected before others have noticed them – perhaps even before they have happened.

SAFARI TIP #2:
Look at the small things. Many of the best opportunities lie in what has been overlooked by others.

SAFARI TIP #3:
Don't overlook the obvious. There is a saying that "only a foolish mouse would hide in a cat's ear, but it is the foolish cat that fails to look there."

SAFARI TIP #4:
Watch for good ideas that are poorly executed. Some people find good opportunities but just don't know how to take advantage of them. You may know how to.

SAFARI TIP #5:
Combine two or more things/thoughts together. Somebody came up with the idea for combining a bar and a laundromat. Someone else came up with a coffee shop and book store. Opportunities can often arise when two things are brought together for examination and thought – and a possible new venture.

SAFARI TIP #6:
Look for new, generally unknown information. The best information is what is new and/or generally unknown – or that most others are unaware of.

SAFARI TIP #7:
Talk with people. What better way is there to identify needs, wants, and problems than by talking to people and finding out what they have to say.

SAFARI TIP #8:
Read journals, trade magazines, and so on to keep on top of things and to gather new information that may give rise to an opportunity or idea.

SAFARI TIP #9:
Look for what has worked elsewhere. It may be needed and could work where you are.

SAFARI TIP #10:
Look for new ways to meet old needs and wants.

SAFARI TIP #11:
Look for ways to overcome barriers that blocked a good idea in the past. People tend to resist change, and some other entrepreneur may have been unable to overcome the resistance to a good idea. You may find the way.

SAFARI TIP #12:
Look for "left-behind" markets – products that are no longer produced but many people still have. As long as people continue to use certain things, they continue to have needs.

SAFARI TIP #13:
Look for good ideas that others have had that can be improved.

SAFARI TIP #14:
Look at "why" people buy something rather than "what" they buy. The idea is to get at what motivates people – what prompts them to buy something – what the underlying needs and wants are. Therein lie the opportunities.

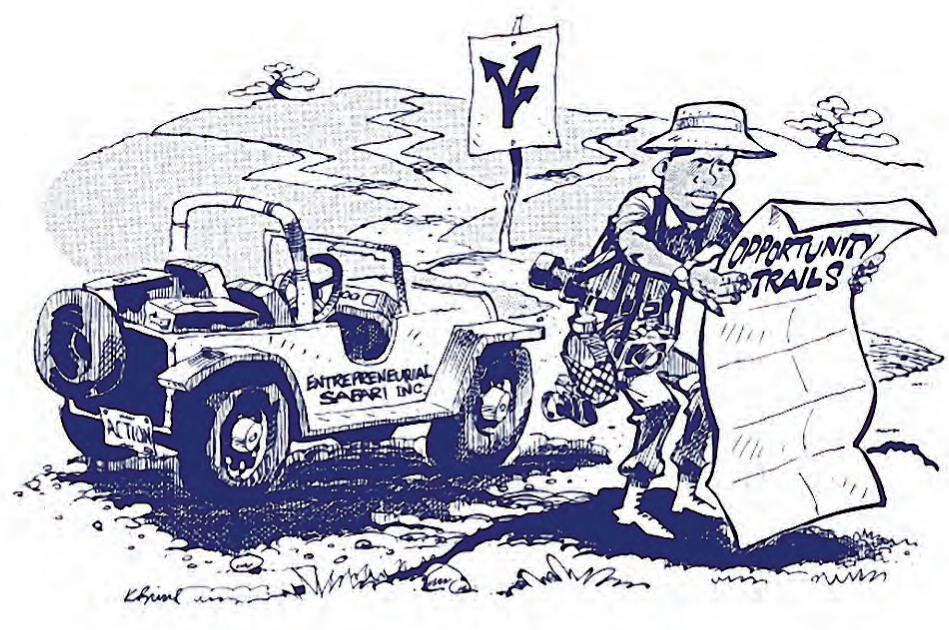
SAFARI TIP #15:
Look for new uses for old products – old tires, end pieces of lumber, vinyl records, TV antennas, and so on.

SAFARI TIP #16:
Look for what's not working. You may find a way to make it work.

SAFARI TIP #17:
Look for unhappy, dissatisfied people. Here you will find needs and wants that are still to be addressed.

SAFARI TIP #18:
Look for happy, contented people. Here you will find insight into what has worked and what might work better.

SAFARI TIP #19:
Keep your eyes and ears open to things that are around you – what people say – what you see – what you read. There is no more important tip than this one!



Take action. Take Control!

Look around your community. What needs, wants, or problems exist? Identify five opportunities that you believe exist right in your local community.

F. Assessing Your Opportunities

Once you have found an opportunity, it is important to assess it. Is it a good one? Is it a great one? Is it the best one that can be found? To start out as an entrepreneur, the most important thing to have is a good opportunity. Your idea is also important. But, as we have noted, if your idea doesn't fit with an opportunity, it will be hard to succeed. The following represent some of the key questions you can consider when assessing an opportunity you have found.

"Assessment"

Actual: Is it really an opportunity?

Seen: Has it been seen by others?

Selected: If seen, have others acted upon it? If not, why not?

Enduring: How long will it last?

Satisfied: Are you satisfied that you have accurate and sufficient information?

Specific: Have you specifically defined the opportunity?

Many: Do, or will, many care about the product or service you will provide?

Experience: Do you really know what you're doing in this area?

Number 1: Is it the best opportunity you can see?

Think: Can you come up with a good idea that fits with the opportunity? Once you have a good opportunity, you need a good idea.

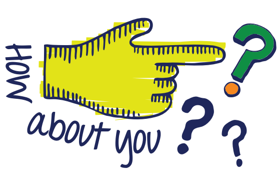
Take action. Take Control!

Apply this assessment activity to the opportunities you identified earlier. Which is the best opportunity among those you identified?

G. Generating Ideas

Armed with a good opportunity, you also need a good idea. Most entrepreneurs start with finding a good opportunity. Then they look to develop a good idea. How can you look for, find, and create ideas? Here are some tips for generating, and evaluating, ideas.

1. Believe you are creative and don't be afraid of being wrong.
2. Listen, really listen, to what others have to say.
3. Listen to, accept, and think about criticisms you receive from others.
4. Break with your habits and routine. Force yourself into something new to gain a new perspective.
5. Role play. Pretend you are someone, or something, other than who you are.
6. Relax. Have fun. Kid around. Humour and fun allow the mind to venture down new, previously untraveled pathways.
7. Practice coming up with ideas for every problem, challenge, etc., you see, hear about, or come up against.
8. Daydream. Let your mind wander and see where it ends up.
9. Look at two things that are totally unrelated. Can you link them together in a new, innovative way?
10. Ask lots of questions – and then listen to the answers.
11. Ask new and different questions – ones that are unexpected, perhaps illogical, perhaps a little crazy – perhaps ones that will make you think.
12. Try to come at a problem from an entirely new perspective.
13. Write all your ideas down. Don't let them get away.



IT HAS OFTEN BEEN NOTED THAT ONE OF THE BIGGEST BLOCKS TO CREATIVITY IS THINKING YOU ARE NOT CREATIVE. DO YOU THINK YOU ARE A CREATIVE PERSON?

Not very creative — Very creative

1 2 3 4 5

H. Evaluating Ideas

Once you have an idea, or a bunch of ideas, you have to evaluate or assess them – just as you would evaluate an opportunity. The following are some suggestions for evaluating the ideas you are able to generate.

1. What do others think of the idea?
2. Has the idea been tried before?
3. If not, why not?
4. If so, with what success? Can you improve on that?
5. What information was used to generate the idea? Was it accurate, dependable, reliable information? Was it sufficient?
6. How confident do you feel about the idea?
7. What are the risks associated with the idea? Are they controllable?
8. Is the idea directly related to an opportunity? Specifically define the opportunity.
9. Is there a "user-market" for the idea? Define it. How large is it?
10. Will there be much resistance to the idea? From where? Why? Can such resistance be overcome?
11. Is much money necessary to finance the idea? Will it likely be available?
12. Have you made any questionable assumptions in formulating your idea?
13. Is there a better idea available?

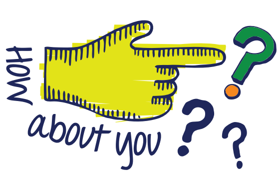
Take action. Take Control!

Try and come up with five ideas for the best entrepreneurial opportunity you identified. Then, assess your ideas and pick the best one.

I. The Importance Of Planning

Once you have a good opportunity and a good idea, the important next step is to put together a good plan. Having a good plan is crucial to being a successful entrepreneur. You can find sample plans at the Canadian Foundation for Economic Education's (CFEE) MVP web site. It will show you the different parts of a plan that you can include in a "Venture Plan."

One thing to remember though is to keep your plan flexible. You don't want it to be too rigid. You don't want it to be a strait-jacket on you as you try to succeed. Very seldom will things ever go exactly as planned. You will have to adapt to the things you didn't expect – or that you encounter. So have a plan – but have a plan that can change as your venture unfolds.



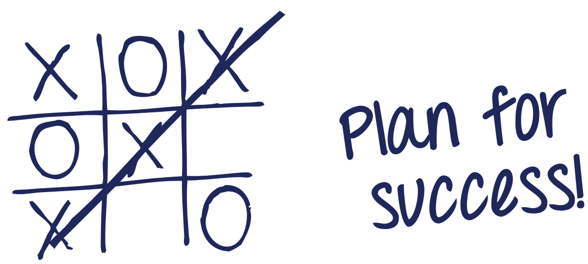
ARE YOU A PLANNER? HAVE YOU PLANNED SOMETHING IN YOUR LIFE? IF SO, HOW DID IT GO? WHAT DID YOU LEARN FROM THE EXPERIENCE?

A key part of your plan will also be to identify the resources you need. Entrepreneurs can fail by trying to do too much themselves. Be honest about the talent and skills you have. Then make sure you partner with, or hire, people with the other skills you need. The quality of the resources you employ, acquire, and use will affect the success of your venture.

ARE THERE SUCCESSFUL COMPANIES YOU CAN THINK OF THAT WERE NOT ABLE TO BUILD ON THEIR SUCCESS?

Finally, if you try your hand at being an entrepreneur, be prepared for success. Some entrepreneurs fail because they didn't plan for success. What if things go well? What if things go very well? Are you prepared for the impact that success may have? Experiencing success, and handling growth and expansion, are some of the biggest challenges entrepreneurs can face.

So be prepared, and plan for, success. And be cautious in managing the challenges of growth. Getting a venture started is one thing. Managing its success is a whole other set of challenges.



There you have it – a basic primer on entrepreneurship and what it takes to be an entrepreneur – or an entrepreneurial person. Of course, there is much more you can learn about being an entrepreneur or an enterprising person. There are many other resources that can help you. CFEE's "Mentors, Ventures, and Plans – MVP" web site has a great deal of information and resources – including some tools to help you explore your entrepreneurial potential. There are also a wide range of videos to help you learn more about entrepreneurship at: http://www.mvp.cfee.org

In addition, remember that entrepreneurial and enterprising skills can be applied by virtually anyone – to any kind of venture. You will have to decide if you are interested, and have what it takes, to be an entrepreneur. Or, are you more interested in being enterprising – in the work you will do for others?

In either case, working for others or working for yourself, you will likely look to earn an income. If so, try to work at something you enjoy. Remember the importance of passion and working at something you really enjoy. It makes success more likely – and makes life more enjoyable. That won't be possible for everyone. It may not be possible at some points in your life. You may have to take whatever job you can to get income you need – for yourself and possibly other family members. But, when you can, and as it is possible, try and work where your passion lies. It may require some hard work and creativity to get there – but it will probably be worth it.

Chapter Summary

Say What? Possible New Terms!

1. **Entrepreneur:** a person who recognizes an opportunity (need, want, or problem) and uses resources to pursue an idea for a new, thoughtfully-planned venture.
2. **Enterprising person:** someone who applies entrepreneurial characteristics and skills to any kind of endeavour.
3. **Self-efficacy:** your belief in your ability to accomplish goals and tasks.
4. **Entrepreneurial opportunity:** a need, want, or problem for which a reasonable number of people (to make a venture viable) would welcome a solution.

Did It Stick? Can you recall . . . ?

1. What skills and characteristics are common to many entrepreneurs?
2. What contributions do entrepreneurs make to society?
3. What skills can an entrepreneur often "employ" rather than develop in themselves?
4. What are key steps in setting up a venture?
5. What are some tips for identifying entrepreneurial opportunities?
6. What are some ways to go about generating entrepreneurial ideas?
7. Why is planning so important for an entrepreneur – or enterprising person?

Tips and Suggestions

- Don't worry if you don't have an interest in being an entrepreneur. Most people won't be entrepreneurs. And we don't need everyone to be an entrepreneur. We need many people to work for and help our entrepreneurs. But that doesn't mean you can't be an enterprising person.
- Don't get down if things don't go well, if you make a mistake, or if you try at something and fail. Most entrepreneurs fail 3-6 times before they succeed. But they regard each failure as a learning experience – and a stepping-stone to success. Keep your spirits up. Persevere. Be determined. And try again.
- As noted, the number one factor related to entrepreneurial success is a passion – doing what you love to do. If you have a passion, be creative in looking for ways to turn that passion into a venture or a career.

Thinkabout . . . or discuss:

- Are there entrepreneurial people/leaders in your school? If yes, what makes them entrepreneurial?
- What are some entrepreneurial opportunities in your own community?
- Who are some of Canada's most famous entrepreneurs? What contributions have they made to Canada?
- What major Canadian companies were started by an entrepreneur? Who were those entrepreneurs?
- What are some of the most common mistakes made by entrepreneurs?
- What enterprising skills do you have? What ones would you like to work on? How could they help you as an employee working for someone else?
- Who are some of Canada's leading "social entrepreneurs" – past and present – who have made a difference in our society, living conditions, and the well-being of Canadians?

Tech-Talk

- Visit CFEE's MVP web site at http://www.mvp.cfee.org
- Visit the web site of Futurpreneur Canada at www.futurpreneur.ca
- On the Internet, you may wish to search:
  - Entrepreneurship in Canada
  - Canadian entrepreneurs
  - Contributions of Canadian entrepreneurs
  - Common mistakes made by entrepreneurs
  - Entrepreneurial and enterprising characteristics and skills

Part 3: Spending Money and Taking Control


ELIZABETH II
D·G·REGINA
CANADA
5 CENTS
DOLLARS

CHAPTER 8:

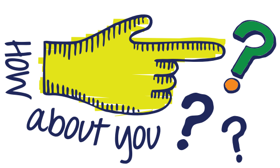
Money Basics

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

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 WOULD YOU RATE YOUR GENERAL MONEY KNOWLEDGE AND SKILLS?

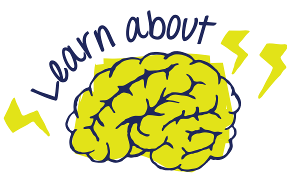
Not Very Good — Excellent

1 2 3 4 5

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.

IF YOU HAD TO DESCRIBE TO SOMEONE WHAT MONEY IS, WHAT WOULD YOU SAY?



GO ONLINE IF YOU CAN AND DO SOME QUICK RESEARCH ON THINGS THAT HAVE BEEN USED AS MONEY IN THE PAST.

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.

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 countriesaround 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?

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.

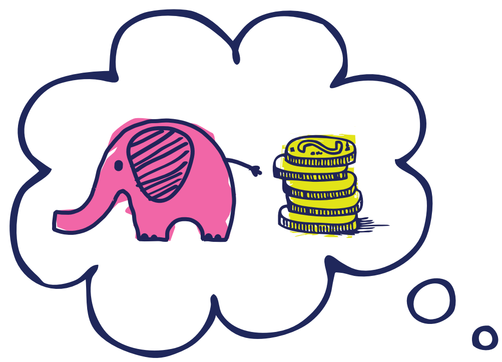
HAVE YOU EVER HAD TO EXCHANGE CANADIAN DOLLARS FOR THE CURRENCY OF ANOTHER COUNTRY? IF SO, HOW DID YOU DO THAT? WHAT WAS THE COST TO MAKE THE EXCHANGE? WHY WAS THERE A COST? DID YOU USE THE MONEY WHEN YOU VISITED ANOTHER COUNTRY? IF SO, HOW DID THE COSTS FOR THINGS COMPARE WITH THE COSTS IN CANADA? IF COSTS WERE DIFFERENT THAN IN CANADA, WHY DO YOU THINK THAT WAS THE CASE?

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.

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, refer to the Canadian Foundation for Economic Education's publication, "Money and Monetary Policy in Canada: A Layperson's Guide.")

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

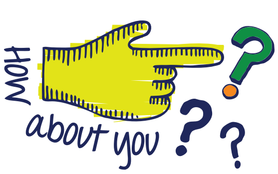
- It has to be durable. If we used apples, they would rot. That wouldn't work.
- It must not be easily reproduced. We could use chestnuts. They're pretty durable. But soon everyone would be planting chestnut trees. There would soon be so many chestnuts, and prices would rise so high, you'd need a wheelbarrow 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 DO YOU LIKE TO PAY FOR THINGS YOU BUY? DO YOU CARRY MUCH MONEY ON YOU? WHY OR WHY NOT?

But what roles does money serve for us?

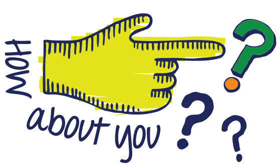
There are three basic roles.

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.

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?

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.



DO YOU HAVE SAVINGS OR INVESTMENTS? IF SO, HOW HAVE YOU SAVED OR INVESTED? HAS THE VALUE INCREASED? OR DECREASED?

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.)
- 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.

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.)

Discuss

WHAT DO YOU AND OTHERS THINK OF CANADA'S "PLASTICIZED" MONEY?

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 role 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. The bank tries to manage things so (a) we have the "right" amount of money in the economy so that the products and services produced can be bought and exchanged, (b) that growth can be encouraged, but (c) we don't have too much money in the economy so that inflation becomes a problem.

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.

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 chapters. 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.

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

Chapter Summary

Say What? Possible New Terms!

1. **Intrinsic value:** when money has value in and of itself. For example, money made from gold or silver.
2. **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.
3. **Legal tender:** the official money in a country that is widely accepted.
4. **Exchange rate:** the value of one country's currency in terms of the currency of another country.
5. **Foreign exchange market:** locations where the currency of one country can be exchanged for the currency of another country.
6. **Bartering:** when one item is exchanged directly for another without using money.
7. **Medium of exchange:** one of the roles of money where money makes it easier to acquire goods and services we need and want.
8. **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.
9. **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.
10. **Purchasing power:** the ability of money to acquire goods and services. As prices rise, the purchasing power of money falls.
11. **Inflation:** a rise in the average price level of good and services in the economy.
12. **Bank of Canada:** Canada's central bank that holds the responsibility, among other things, of influencing the money supply, interest rates, and spending 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 and 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

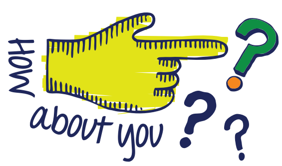
CHAPTER 9:

Taking Control of Your Money

Let's discuss...

- Tracking your spending
- Budgeting
- Budgeting tips
- A sample budget

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?



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?

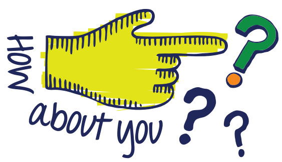
Have trouble saving a dime				Great saver
1	2	3	4	5

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.

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?

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.



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?

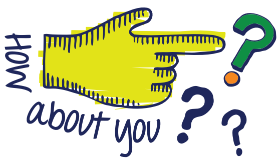
Take action. Take Control!

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.

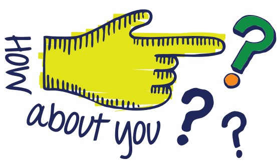
Then, take a few minutes at the end of that time and write down a number of categories. These might include:

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

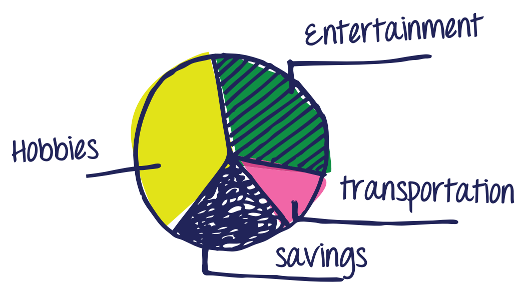


BASED ON HOW YOU USE YOUR MONEY,
WHAT CATEGORIES OF SPENDING WOULD YOU LIST?

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.



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!

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.

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?

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 Income

Income tax refund ____________
Gifts ____________
Bonus ____________
Other ____________
Total ____________ (IT)
Divide (IT) by 12 = ____________ (IM)

Total Average Monthly Income (RM + IM) = ______ (MI)

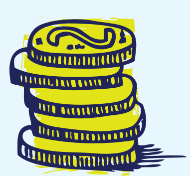
2. Your Expenses:

A. Regular Monthly Expenses

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

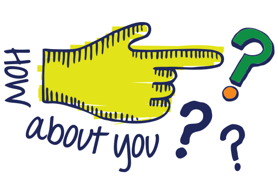
B. Irregular/Annual Expenses:

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



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.

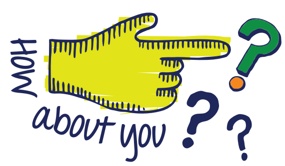
- Build your budget on the basis of what **you** need – what **you** spend money on – what **you** are hoping to achieve. People are different. Budgets are different. Make **your** budget work for **you**.
- **Use** your budget to help make your decisions about using money. If you build a budget, but 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
  - school reports and records
  - awards received
  - letters of recommendation or praise
  - financial plan in which you set your goals
  - warranties/guarantees for items purchased
  - receipts for major purchases
  - social insurance card
  - will
  - marriage certificate
  - lease/mortgage papers
  - medical records
  - tax papers
  - your budget
  - club membership papers
  - insurance papers
  - investment papers/statements/etc.
  - unused cheques
  - cancelled cheques
  - passport
  - credit card statements
  - loan agreement
  - bank records and statements

- 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.



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 YOU ARE PAYING A LOT OF INTEREST. DOES THIS DESCRIBE YOUR SITUATION? OR ARE YOU IN CONTROL OF YOUR CREDIT CARD(S)?

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

Chapter 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?

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
- Visit the Building Futures Network site of the Canadian Foundation for Economic Education at: http://www.buildingfuturesnetwork.com/
- Visit the web site of the Investor Education Fund at: http://www.getsmarteraboutmoney.ca/en

Tips and 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.

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?

CHAPTER 10:

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

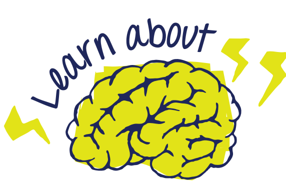
WHAT MAJOR PURCHASES DO YOU THINK YOU MIGHT MAKE IN YOUR LIFE? WHICH DO YOU HOPE TO MAKE? HOW MUCH DO YOU THINK YOU WILL NEED TO AFFORD TO MAKE THOSE PURCHASES?

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.

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.



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 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.

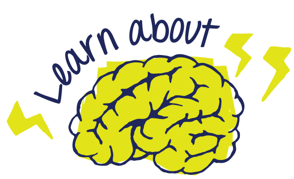
How can you prepare for the cost of post-secondary education and training? Will you need to pay for your own education and training? Will parents, guardians, or other family members be able to help? Are you likely to need a loan to help out? Everyone's situation is different. In any case, to prepare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

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.



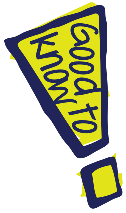
THE INVESTOR EDUCATION FUND HAS INFORMATION ON THEIR WEB SITE ON THE AVERAGE TUITION FEES AT THE DIFFERENT CANADIAN UNIVERSITIES AND COLLEGES.

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/.

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.



AVERAGE TUITION FEES FOR ONE YEAR OF COLLEGE OR UNIVERSITY IN CANADA FOR 2011/2012:

- COLLEGE PROGRAM: $2,600
- UNIVERSITY PROGRAM: $5,400
- 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.

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 – $1,000 for books and course materials (FCAC).

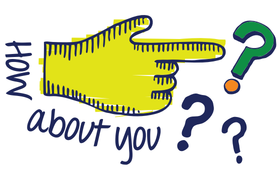
Supplies

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.

YOU CAN SAVE MONEY BY BUYING SECOND-HAND BOOKS, BORROWING BOOKS FROM FRIENDS OR FAMILY, OR BUYING BOOKS ON-LINE.

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.



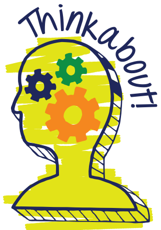
DO YOU PLAN ON GOING AWAY FOR EDUCATION AND TRAINING? IF SO, HOW WILL THE COST BE AFFECTED BY MOVING AWAY AND NOT LIVING AT HOME?

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, $925 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.



IN 2009, THE AVERAGE DEBT FOR CANADIAN UNIVERSITY GRADUATES WAS $26,680 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:	$ ______________		

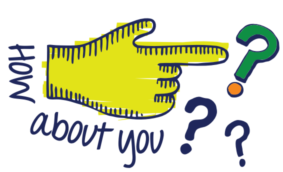
Grand total: $ ______________ x Number of years for your program = $ ______________

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 $8 an hour and work 36 hours a week, you could make about $4,000 to $5,000 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.



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?

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.

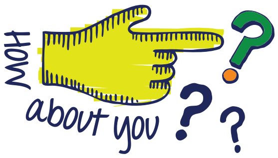
The federal government's Canada Student Loans Program offers loans and grants to help students in financial need. The "grants" don't have to be paid back, but the loans will. The interest rate and pay-back terms on student loans from the government are better than on most other regular loans.

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

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.

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



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.

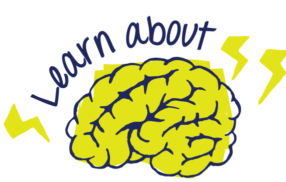
You may get money from a family member – such as a grandparent – as a gift to help support your education and training – and they may not expect you to repay.

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 MORE ABOUT THE CESG AT:
HTTP://WWW.SERVICECANADA.GC.CA/ENG/GOC/CESG.SHTML
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. Since you were likely born before 2003, you wouldn't qualify – sorry about that. But, if you have a brother or sister born after December 31, 2003, he/she may be able to get financial help up to $2,000. You might want to suggest to your parents that they look into the Canada Learning Bond program.

IF YOU LIVE IN ALBERTA AND YOU OR A FAMILY MEMBER WERE BORN IN 2005 OR LATER, CHECK INTO MONEY THAT MAY BE AVAILABLE THROUGH THE ALBERTA CENTENNIAL EDUCATION SAVINGS PLAN AT HTTP://WWW.ADVANCEDEDUCATION.GOV.AB.CA/ACES/. IF YOU LIVE IN ANY OTHER PROVINCE OR IN THE TERRITORIES, CHECK WITH YOUR PROVINCIAL OR TERRITORIAL GOVERNMENT AS THEY MAY OFFER ADDITIONAL HELP WITH EDUCATION SAVING.

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.

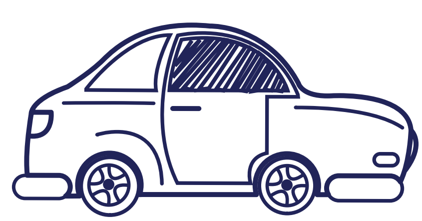
You can learn more about RESPs online from the federal government web site or in the Building Futures Planning Guide mentioned earlier.

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.

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.

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



Buying Or Leasing A Car

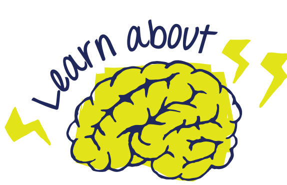
You may not need a car now. You may not need a car at any time in your life. But at some point, you may decide to get one. If you do, will you buy or lease a car? Let's take a look at both options.

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?

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.



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.

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.

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

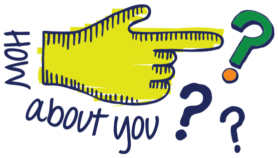
You don't own the car: At the end of the lease you turn the car back in. You don't own the car – you aren't acquiring an "asset." As a result, you won't get to a point where you own the car and no longer have to make monthly payments.

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.



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!

ARE YOU VULNERABLE TO SALES PRESSURE? HOW READILY CAN YOU BE PRESSURED INTO A DEAL?

Easily Pressured				Hard to pressure me
1	2	3	4	5

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?

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.

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?

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.

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.

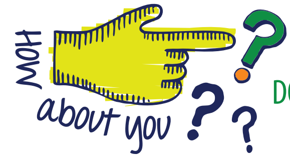
Now let's take a closer look at what is involved in buying a home if that's what you may do some day.

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



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?

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.

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.

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.

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.

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.

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.

MAKE THE AMORTIZATION PERIOD THE SHORTEST YOU CAN. IT CAN SAVE YOU TENS OF THOUSANDS OF DOLLARS IN THE END.

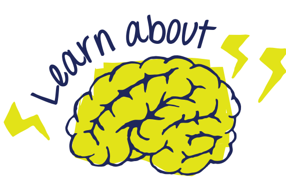
Third, the next decision will be the "terms" of the mortgage. Because most mortgages are over many years, lenders will only set the "terms" for a certain period of time – 6 months, 1 year, 2 years, etc. up to about 7 years. You will have to consider the interest rates that are offered for different lengths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

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.

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.

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.

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.



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.

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.

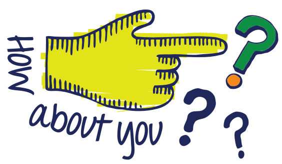
As we said, a home is the largest investment that many Canadians make in their entire lives. If one day you decide to purchase a home, do all you can to make sure that you know what you are getting into and that you make a wise decision.

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.

Cell Phones And Plans

Today, many young people have cell phones 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 cell phones, rate plans, data packages, etc. can have a big impact on cost. You'll want to make a careful decision.



DO YOU HAVE A CELL PHONE? 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?

A good suggestion when you are exploring all phone 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?

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.

IF YOU HAVE A CELL PHONE, ARE THERE FEATURES YOU ARE PAYING FOR THAT YOU SELDOM, IF EVER, 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.

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.

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.

GETTING OUT OF A CELL 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.

When making your cell 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.

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.

Cell 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 cell 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.

Cell 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.

Cell phones can be costly.
Use them wisely.

Chapter 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 and 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 room-mates, 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

Part 4: Borrowing Money and Using Credit

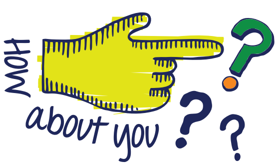
CHAPTER 11:

Borrowing Money

Let's discuss...

- Why people borrow more money today than in the past
- Why people borrow money
- Types of debt/credit
- The cost of borrowing

Most Canadians will have to borrow money at some point in their lives. It may be using a credit card to borrow money for a short time (hopefully a short period!). It may be a mortgage for a house that may take 25 years to repay. Borrowing money, and using debt, does not have to be a bad thing. It can help you in times of need or trouble – help you with large purchases – help you manage your monthly cash flow (consolidation loan) – and so on.



WHAT IS YOUR ATTITUDE TOWARDS BORROWING MONEY? THERE IS AN OLD SAYING "NEVER A BORROWER OR LENDER BE." SOME PEOPLE WORK TO AVOID DEBT. SOME TAKE ON WAY TOO MUCH. WHERE DO YOU FALL?

Debt Avoider		Use when needed		Too much debt
1	2	3	4	5

Borrowing money becomes a problem if you borrow too much – that is, more than you can afford. It's a problem if you borrow to where you can't do other things – or if you need to borrow to pay your regular monthly expenses. Just like your own money, you have to stay in control of the money you borrow from others.

Let's begin by covering a few terms.

A *debtor* is someone who borrows money from others. A *creditor* is someone who lends money to others. A *debt* is a *liability* – something that you owe. A *credit* is an *asset* – it is money that has been loaned to someone else to be paid back.

Learn about

OVER TIME, YOU WILL LIKELY ACQUIRE "ASSETS" AND TAKE ON "LIABILITIES." YOUR "NET WORTH" IS ONE WAY TO TRACK HOW YOU ARE DOING, FINANCIALLY, OVER TIME. YOUR NET WORTH IS "YOUR ASSETS (WHAT YOU OWN) – YOUR LIABILITIES (WHAT YOU OWE.")

Borrowing money can be done in a number of ways. We will look at ways to borrow money in a moment. For now, let's look at why people are borrowing more money today than in the past.

Borrowing Money Today

Today, in general, more people are borrowing money than people did 30 or 40 years ago. Why is that?

One reason people borrow more money today is that, by and large, incomes are higher than they used to be. With higher incomes, people can often afford to carry more debt. For example, if you earn an income of $80,000 a year and want to borrow $3,000 for three years, you probably won't have much of a problem (if you have a good "credit rating" and are seen as "credit worthy" – more on that shortly.) Why? Because your income is such that you probably won't have trouble paying back what you borrowed.

Discuss

IF YOU HAVE A CHANCE, TALK WITH A PARENT/GUARDIAN/FAMILY MEMBER, ETC. ABOUT HOW THEIR PARENTS VIEWED AND USED DEBT. DIFFERENT FROM TODAY?

Good to know

THE AMOUNT YOU BORROW IS CALLED THE "PRINCIPAL." THE COST YOU PAY FOR USING SOMEONE ELSE'S MONEY IS CALLED "INTEREST." WHEN YOU TAKE OUT A LOAN, YOU WILL HAVE TO PAY BACK BOTH THE PRINCIPAL AND INTEREST.

However, if you have an income of $10,000 a year, you might be less willing, and less able, to borrow $3,000. You will have a lower "ability to pay" or "ability to carry the debt." People often refer to money that is borrowed as "carrying a debt" or a "debt load." That is because debt is usually seen as a financial burden.

A person's ability to pay and "carry debt" will change, then, with their income. As your income rises, you may be able to afford more debt. You certainly don't have to borrow more. Just because you may earn more, think carefully before taking on more debt.

Another reason for more borrowing today is due to higher prices. As prices rise, the need to borrow may increase – especially if prices rise at rates faster than incomes. Housing is an example. House prices have, on average, risen over the years to the point where very few people can buy a house today without taking on a mortgage – often quite a sizeable mortgage. A mortgage is a loan taken out to buy a house or other property. More people likely have bigger mortgages today than was the case 30-40 years ago because the cost of housing is now so high.

Learn about

THE AVERAGE COST OF A HOUSE IN CANADA AS OF JULY 2012 WAS $353,147. CHECK OUT THE COST OF HOUSES IN YOUR AREA BY LOOKING AT THE REAL ESTATE SECTION OF THE PAPER OR BY SEARCHING ONLINE (CANADIAN REAL ESTATE ASSOCIATION AT: WWW.CREA.CA). WHAT LEVEL OF INCOME DO YOU THINK YOU MIGHT NEED TO BE ABLE TO AFFORD A HOUSE IN YOUR AREA? WHAT ARE THE OPTIONS TO BUYING A HOUSE? WHAT WOULD THE OPTIONS COST? WHAT LEVEL OF INCOME WOULD YOU NEED TO AFFORD ONE OF THE OPTIONS?

Another reason people are borrowing more today is because, overall, people are spending more of their income – and saving less. Back in the early 1980s, Canadians, on average, were saving over 20% of their income. In recent times, the average has fallen, at times, to 0. That is, overall, Canadians were spending as much as was earned in income. Recently, the savings rate has risen to about 4% – but that is still pretty low. The result – without much in savings, Canadians are finding they have to take on more debt to cover expenses as they come up. So borrowing increases.

That brings us to another reason why there is more borrowing today – the cost of borrowing has been so low. Like it is for other things, if the cost to borrow money goes down, people will probably borrow more of it. And that is what people have done – borrowed more as the cost of borrowing – interest rates – fell.

Think about!

WHY DO YOU THINK CANADIANS ARE SPENDING SO MUCH OF THEIR INCOME AND SAVING SO LITTLE?

There is little doubt that, overall, Canadians have likely borrowed too much. Many people are under financial stress. Many live paycheque to paycheque and many would be in difficulty if they lost their job, got ill, or had an unexpected expense arise. People such as the Governor of the Bank of Canada have spoken about the concern that Canadian "household debt" is too high. Why? If Canadians struggle with debt as many do, what happens when the cost of that debt (interest rates) rises? Any struggle Canadians have carrying debt will be harder when the cost of debt goes up.

Take action. Take Control!

The average level of household debt in Canada – not counting mortgage debt – has been in the range of $28,000 in recent years. Many Canadians took on debt without really knowing how much they could afford – and didn't plan for interest rates rising. Know how much debt you can afford. Don't borrow to your limit. And be prepared as the cost of your debt can rise if interest rates should rise.

That is why there is such concern when Canadians spend most of their income, save so little, and borrow a lot. Too many may be stretched and struggle with debt they have. When interest rates rise that is when things could get really difficult.

So low interest rates have led to more borrowing too. Another reason for more borrowing is because more people are borrowing to make investments. In some cases, tax changes have encouraged people to borrow for investment purposes. For example, a person may be able to get a tax deduction on certain investments such as a contribution to a Registered Retirement Savings Plan (RRSP.) Also, income earned from investing may be taxed at a lower rate than income you earn from working at a job. For example, the tax rate on "dividends" is lower than on employment income. Dividends are the shares of a company's profits that are given to shareholders. The lower rate of taxes on dividends has been to try and encourage people to invest in businesses to help them grow, improve, and help create more jobs.

For these and other reasons there is more borrowing today by more people than in the past. As a result, there are also more people having debt problems. Most adult Canadians didn't learn much – if anything at all – about borrowing money and managing debt while in school or from their parents. Many people have given in to the temptation to borrow more....and more...and more. And many are now stretched to their limit – and beyond.

Take action. Take Control!

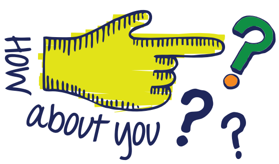
If you can, and if you wish, ask at home about what has been learned about borrowing money and managing debt. Did people in your family get a good education about borrowing money and managing debt? Do they have insights, advice, and guidance that they can share with you based on what they learned – or their experience?

One of our goals is to try and change that. We hope today's young people can learn more about money – and borrowing – and managing debt – and make good borrowing decisions. Borrowing money doesn't have to be a bad thing. It can help. Borrowing just has to be done wisely, managed well, and held to a limit you can afford.

So these are some of the reasons why borrowing has increased – and why more people are "over their heads" in debt. We want to help you avoid that. Let's take a closer look at why you may decide to borrow money.

Why Borrow Money?

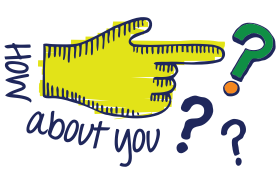
- **Unexpected expenditures:** Maybe your car has broken down – or your air conditioner dies during the hottest days of the year. It is important to try and save to be prepared for these unpleasant surprises. But, if they happen, and you don't have the funds available, borrowing money may be an option.



HAVE YOU HAD ANY SURPRISES TO DATE IN YOUR LIFE – EXPENSES COME UP THAT YOU DID NOT FORESEE? IF SO, HOW DID YOU HANDLE THOSE?

- **The "big buys:"** Some items cost so much most people can't pay for them out of current income and savings – for example, cars, boats, houses, and cottages or cabins. To be able to buy them you will likely have to tap into your future income by borrowing money that will be paid back over time – sometimes many years with money you will make in the future.
- **Investments:** Some people borrow money to invest. They try to pick good investments to increase the value of that money in the future. People will do this if they believe they can earn more from the investment than it costs them to borrow. That is, they think the "rate of return" will be higher than the rate of interest to borrow. There is always risk in this kind of borrowing.
- **Education and training:** This is actually another type of investment – an investment in the improvement of a person's knowledge and skills. You can look upon it simply as an investment in you.

  People will often borrow to improve their education and training because this can help them to get the job or career they want – or to get a better paying job. The benefits of this kind of investment can last a lifetime. But, if you borrow money for education or training, make it a good decision. You don't want to find you are $25,000 in debt after university and feel that you are not where you hoped to be. Make wise choices about how you use borrowed money to invest in you.
- **Opportunities:** Sometimes opportunities come up – opportunities too good to pass up. For example, suppose you love to play the piano and one of your goals is to get your own piano some day. Suppose you come across the deal of a lifetime – just the piano you want at a price better than you are likely to see again. You may decide that borrowing money is worth the cost of the debt to get something you've always wanted. Remember – an important part of managing money is to be happy. Having debt troubles won't make you happy. You will want to do all you can to avoid them. But, if the piano will help you with your "happiness" goal, and if you can afford the debt, that may be a good decision for you.



DO YOU KNOW PEOPLE WHO HAVE GONE INTO DEBT FOR 3-5 YEARS OF EDUCATION AND WHO WISH THEY HAD MADE A DIFFERENT DECISION? ARE YOU GETTING THE HELP AND GUIDANCE YOU NEED TO MAKE GOOD INVESTMENTS IN YOU? ARE YOU EXPLORING ALL YOUR OPTIONS? ARE YOU AWARE OF ALL YOUR OPTIONS?

Take action. Take Control!

If you can, start saving for your future education at a young age. Small amounts of saving can add up to quite a bit over time. And there are government programs that can help. Check out the Canada Savings Bond program and the Canada Education and Savings Grant. They can provide money to help you with your saving for education.

How about you?

IS THERE ONE SPECIAL THING IN LIFE YOU ARE HOPING TO HAVE SOME DAY? HAVE YOU THOUGHT ABOUT HOW YOU MIGHT GET IT – OR THE TRADE-OFFS YOU MIGHT HAVE TO MAKE TO GET IT?

- **Rainy days:** Some day you may suddenly lose your job and find it necessary to borrow money to get through a difficult time. You or a family member may also become ill or disabled and not be able to earn an income for a while. Once again, borrowing money may help.
- **Start a business:** If you are, or hope to be, an entrepreneur, you may need to borrow money to help start up, launch, and run your business. Very few entrepreneurs are able to get started without getting some financial help. You may also need to borrow money to help the business grow if it is successful.
- **Travel:** There are some people for whom travel is very important. They may have a dream of taking a certain trip or travelling for a period of time. It is not uncommon today for some students to want to do some travel before moving on to post-secondary education or training – or before settling into a job. Such travel may require debt. Therefore, some people may be willing to borrow money, and give up some other things in the future, to be able to travel today.
- **Simplify purchases:** Carrying cash today is becoming less and less common. People seem to be carrying less money and using cards to simplify purchases. This may mean using a debit card – which takes money out of your bank account right away. Or it may mean using a credit card, borrowing money, and paying it back later. So some short-term borrowing by using credit cards can help with purchases.

How about you?

ARE YOU A POSSIBLE ENTREPRENEUR? CHECK OUT THE SECTION ON ENTREPRENEURSHIP TO SEE IF YOU MAY BE A FUTURE ENTREPRENEUR.

How about you?

ARE YOU PLANNING ANY EXTENSIVE TRAVEL IN THE YEARS AHEAD? IF SO, DO YOU HAVE THE MONEY TO PAY FOR IT? IF NOT, HOW ARE YOU GOING TO GET THE MONEY TO COVER THE EXPENSES?

These are some of the reasons why you may decide to borrow money. But, if you want to borrow money, who lends money – and why? Parents, other family members, and friends may lend you money to help you out. Be careful though, about borrowing from friends and family. You don't want "money issues" to affect your relationships.

For the most part, though, people borrow money from sources other than friends and family. These other sources will charge interest to you for the money you borrow (some friends and family members may too.) There will be a number of things that will affect the interest rate they charge. We will look at the "cost of credit" shortly. First, let's look at the different kinds of borrowing you can do.

Types Of Debt/Credit

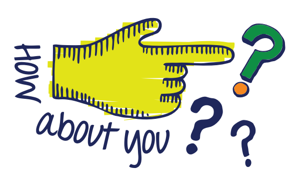
- **Credit cards:** An institution, such as a bank, may decide to provide you with a credit card. This card will usually have a "credit limit." This will be the maximum amount they are willing to lend you. You can then use the card to charge purchases up to that limit.

  Each month you will receive a "statement." This will show the purchases you made using the card, interest that you have to pay on the money borrowed, and also interest you have to pay on any past purchases for which money is still owing – that is, any past "balance" you are carrying on the card.

  Try, as best you can, to pay off your credit card balance each month. Interest on credit cards is very high (e.g. 28% in many cases.)

  Some credit cards won't charge you any interest if you pay your bill in full each month. Some may charge interest from the date you buy something. If you have a credit card, see how yours works. You may also pay an annual fee for your credit card. See if such a fee applies to you. Also, pay your credit card bills on time. You can be charged "late payment fees," if you don't. Paying late also won't help if you want to borrow money. Lenders want to see that you pay your bills – and pay them on time.

- **Charge accounts:** This is the term used to refer to cards that are like credit cards but, rather than getting them from an institution like a bank, you get them from a particular store – a retailer. You may, for example, have a "Bay card," a "Sears card," or a "Canadian Tire card." These cards are issued by the stores and companies to help, and encourage, you to buy their products. As with credit cards, know what the interest rate is, when interest is charged, what fees apply, and so on. Be careful that having a card like this stops you from comparing prices in other stores.



DO YOU HAVE A CREDIT CARD? IF SO, ARE YOU ABLE TO PAY THE BALANCE EVERY MONTH? ARE YOU CARRYING ANY DEBTS ON YOUR CREDIT CARD THAT HAVE BEEN THERE FOR MORE THAN 3 MONTHS OR MORE? IF SO, LOOK AT THE INTEREST CHARGES YOU ARE PAYING.

Take action. Take Control!

As best as you can, pay your credit card bills in full each month. Don't put more on a credit card than you can afford to pay back. Don't leave balances on your credit cards. And know the "terms" of your credit card – what interest is charged – and when is it charged. Visit the web site of the Financial Consumer Agency of Canada (FCAC) for help with selecting the right kind of credit card for you.

- **Consumer loans:** Loans are available from various financial institutions for a wide range of consumer purposes – to buy a car, for travel, for house renovations, for a boat, for a computer. These loans tend to be for periods from months to about 5–7 years. When you take out a loan, you will arrange to pay it back over time. Try and pay back any loan as quickly as possible. You will pay less total interest the faster you pay back the loan.
- **Mortgage loans:** These are loans to help you purchase property such as a house. A mortgage loan tends to be over a longer period of time than consumer loans. Mortgage loans can generally be taken out for up to 25 years. That's because mortgage loans are usually for more money than consumer loans and people usually need more time to pay back the higher loan. More on mortgages shortly.
- **Business loans:** These are loans some people take out to help them start, improve, or expand a business. Financial institutions may lend money to businesses for a variety of reasons. The business will have to make the lender feel confident that the business will do well and be able to pay back the loan. Institutions will often want to see a good "business plan" or a good record of success before giving a business loan.
- **Installment buying:** It may be possible to make a purchase by paying in installments. For example, you may buy a washer and a dryer and agree to make a monthly payment for 12 months to pay for them. Generally, if you purchase something through installments, you will have to pay interest charges – but you do get use of your purchase while you are paying for it. You may arrange to do this to buy a computer, or a TV, or a refrigerator. You may also find some places that let you pay in installments without interest. You have likely heard ads offering "No money down! No interest! No payments for 24 months!" Some of these offers are very legitimate and are set up to help you make a purchase – and for the business to make a sale. But, before making such a deal, ask questions and check into the terms. Ask if there is any upfront administration fee or fee of any kind. Ask if there are any other fees or charges. And ask if there is any reason why interest charges might increase or be charged. If you buy something this way, don't miss a payment – and pay the final bill on time!

How about you ??

CHECK TO SEE IF ANYONE IN YOUR FAMILY HAS EVERY MADE A PURCHASE THIS WAY. IF SO, WHAT WAS THE EXPERIENCE LIKE FOR THEM? DID IT WORK OUT WELL? DID IT WORK OUT NOT SO WELL?

These, then, are some of the various forms of credit, debt or loans you might get. Keep in mind, though, that most lenders lend money for one purpose – to earn interest. They will want to be repaid for sure. But they will want to increase the value of their money by earning interest. Let's look more closely at the cost of credit and things that can affect the interest rate you pay.

The Cost Of Borrowing Money

The cost of credit is the amount of interest that is paid on the loan. But the total you will pay on a loan will be determined by more than the rate of interest.

The total cost will also be affected by how long it takes you to pay back a loan. The longer it takes you to pay back money you borrow, the more you will pay in interest. As an example, consider a mortgage loan. Look at the following three tables.

$60,000 Mortgage

15-year Amortization (paid back over 15 years)

Interest Rate	Monthly Payment	Total Repaid	Total Interest Payment
4%	$443.81	$79,886	$19,886
6%	$506.31	$91,136	$31,137
8%	$573.39	$103,210	$43,210
10%	$644.76	$116,057	$56,057

20-year Amortization

Interest Rate	Monthly Payment	Total Repaid	Total Interest Payment
4%	$363.59	$87,262	$27,261
6%	$429.86	$103,166	$43,166
8%	$501.86	$120,446	$60,447
10%	$579.01	$138,962	$78,963

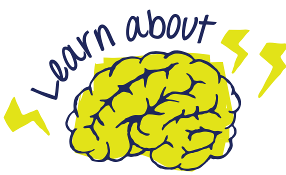
25-year Amortization

Interest Rate	Monthly Payment	Total Repaid	Total Interest Payment
4%	$316.70	$95,010	$35,011
6%	$386.58	$115,974	$55,974
8%	$463.09	$138,927	$78,927
10%	$545.22	$163,566	$103,566

Note that if $60,000 is borrowed for 15 years at 4%, the total interest paid is $19,886. If the interest rate is 8%, the total interest paid is $43,210. That shows how important the interest rate is. But how about the time to pay back the loan?

Note that if $60,000 is borrowed at 4% interest and paid back over 15 years, the total interest paid is $19,886. If the $60,000 is paid back over 20 years, the total interest payment is $27,261. The same loan amount – $60,000 – costs $7,375 more if it is paid back over 20 years as opposed to 15 years. It is obvious that the amount of time you take to pay back a loan is very important.

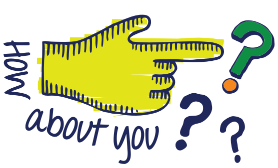
The cost of the loan can also be affected by where you borrow the money. If you have a good borrowing history, you will probably be able to get a loan from a traditional lender such as a bank. However, if you do not have a good credit history, or if you are experiencing some money challenges, you may have to go to other sources where costs may be higher – in some cases, quite a bit higher. This is why you want to have a good "credit rating." More on that later.



THE HIGHEST INTEREST RATE THAT CAN LEGALLY BE CHARGED IN CANADA IS 60%. MOST REGULAR LOANS YOU GET FROM MOST LENDING INSTITUTIONS WON'T BE ANYWHERE CLOSE TO THAT. BUT MAKE SURE YOU KNOW THE INTEREST RATE YOU WILL BE PAYING ON ANY LOAN YOU TAKE OUT.

Some people who need to borrow money use "payday loan" or "cheque cashing" companies. The costs at such places are higher than traditional institutions such as banks. Before using a "payday loan" company ask about the costs of borrowing money. Also ask what happens if you have trouble paying the money back. And ask what the "annual interest rate" is on any loan you consider. Be careful of getting into a situation where you have to take out a new loan to pay off an old loan.

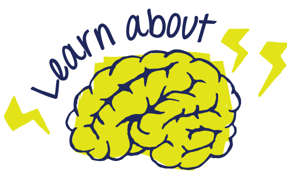
In fact, whenever you consider taking out any loan (or using credit), ask what the interest rate is and how much total interest you will be paying. Good creditors will not hesitate to give you honest, accurate information. And get everything in writing.



DO YOU KNOW PEOPLE WHO HAVE USED PAYDAY LOAN OR CHEQUE CASHING PLACES FOR LOANS? IF SO, WHAT HAS THEIR EXPERIENCE BEEN LIKE? DID THEY NEED TO USE SUCH FACILITIES FOR BORROWING OR DID THEY HAVE A CHOICE?

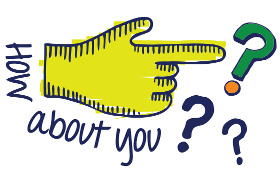
Common lenders, such as banks, will often base their loan rates on something called the "prime rate" of interest. The prime rate is the rate of interest that the institutions charge to their largest, most reliable customers – often large corporations.

When you go into a bank or other institution to take out a loan, you will meet with a loans officer. He or she will discuss your situation with you, take down the details of your request, ask questions related to your credit worthiness (more on this in a moment), and so forth. The loans officer will also do a "credit check" – that is, a check on your credit rating. After that, if the institution is willing to lend you the money, you will learn the rate of interest that you would be charged for the loan if you take it. If you are a new borrower, you will not likely get a loan at the "prime rate." You will likely be told that your rate will be something like "prime +3%" or "prime +2.5%" – meaning you will pay the prime rate plus that extra – e.g. prime +3 would equal 6% if the prime rate was 3%. The better your credit rating, usually the lower rate you get since the lender's risk is lower.



GO ONLINE AND VISIT SOME SITES TO LEARN MORE ABOUT WHAT IS INVOLVED IN A LOAN APPLICATION. CHECK OUT THE SITES OF SOME OF THE BANKS AND THE FINANCIAL CONSUMER AGENCY OF CANADA TO SEE WHAT A "LOAN APPLICATION FORM" LOOKS LIKE AND THE KIND OF INFORMATION THAT YOU WILL BE ASKED TO PROVIDE IF YOU APPLY FOR A LOAN.

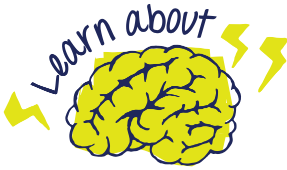
Don't borrow from the first place you visit unless you have some special reason to do so. It may be that your family has banked at a particular bank for years and has a good reputation there. You may want to bank there as well – or find it easier to do so because the family is well known there and has a good history with the bank. But if there is no particular reason to pick one over another, don't hesitate to compare institutions and their interest rates. Financial institutions do compete with one another. There is a chance that another institution may offer you a loan at a lower rate of interest. Financial institutions will also often be prepared to match rates offered to you by other institutions – if you ask them.



HAVE PEOPLE IN YOUR FAMILY TRADITIONALLY DONE THEIR BANKING AT A PARTICULAR BANK? IF SO, YOU MAY WISH TO ASK WHY? SEE IF THE FAMILY IS HAPPY WITH THAT BANK – OR WHY THEY MAY THINK YOU SHOULD EXPLORE YOUR OPTIONS FOR BANKING.

Another important point to note about loans is the down payment. This refers to the amount of money you can pay at the time of purchase versus how much you have to pay through borrowing. For example, suppose you are going to spend $8,000 on a car and you have $3,000 available. You can use the $3,000 as a down payment and borrow the remainder. (Borrowing is often referred to as "financing" – you put down $3,000 and "finance" $5,000.)

Therefore, the total cost for the car will be $8,000 plus whatever interest you have to pay on the borrowed money (that is, interest on the $5,000). The key point is that the higher your down payment on any purchased item, the less you will have to borrow (finance) and the less your total interest cost will be.



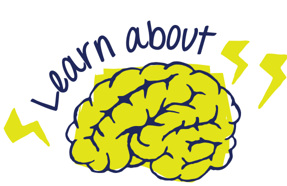
WHAT CAN AFFECT YOUR COST OF BORROWING?

Compare:

1. The difference between paying 3% for a $2,000 loan over two years versus paying 5% for the same loan for two years.
2. The difference between paying off a $3,000 loan at an interest rate of 7% over two years versus paying off the same loan over four years.
3. The difference in total cost for a $4,000 car (a) with a $2,000 down payment and financing $2,000 over three years at 4% versus (b) financing the entire $4,000 over four years at 8%.

So, let's summarize some of the key points we have covered about borrowing money:

- Know the total cost you will pay for any loan you take on – principal + interest costs.
- Pay off credit cards each month. Don't carry debt on credit cards. If you can't pay off what you owe on a credit card, and you have been carrying a growing balance on your card, consider taking out a regular loan to pay off the credit card balance. You will pay a lot less in interest on a regular loan than you will on a credit card debt.
- Comparison shop for the best interest rate you can get.
- Decide on how much time you will need to pay back money you borrow. The shortest time you can afford will be the best since it will reduce your borrowing costs.
- Put down as large an amount (down payment) as you can to lower the amount you will have to borrow. This will lower the interest you will have to pay, and, hence, the total cost to you.
- Lenders lend money to earn interest. They will want to have confidence that you will pay the money back – and be able to afford the interest. That is why they will usually do a "credit check" on you. Make sure you pay back loans and make payments on time so that you have a good credit record.
- There are a variety of reasons why you may want to borrow money – and a variety of factors that will affect whether others – will lend you money. There are also a variety of factors that will affect the interest rate you may pay on a loan.
- There are different ways to borrow money – and the costs can differ from one way to another.



COMPARISON SHOPPING FOR INTEREST RATES

Suppose you want to buy a brand new car for $24,000 and you are going to finance $22,000. Explore the different rates offered by lenders on car loans and see what your total cost would be, at different rates of interest, to pay back the loan over 5 years.

SUPPOSE YOU ARE A CREDITOR WITH MONEY AVAILABLE TO LEND. SOMEONE COMES TO YOU WHO WANTS TO BUY A BOAT FOR $22,000 AND BORROW $18,000 FROM YOU TO DO IT. WHAT INFORMATION WOULD YOU WANT TO KNOW PRIOR TO DECIDING WHETHER OR NOT TO PROVIDE THE LOAN?

Probably the most important thing about borrowing money is to ask questions to get the information you need to make a good decision. You have a right to know what you need to know to make a good borrowing decision. You will also likely earn respect from lenders who will be pleased to see how thorough you are as you make your decision. It will be a sign that you will likely be responsible about paying the money back.

The following are some questions you should be sure to ask when taking out a loan.

- What is the interest rate on the loan? Is it possible to have a lower interest rate? What would be needed to lower the rate?
- Is the interest rate on the loan fixed or does it vary?
- What are the first and last payment dates? Are there any penalties for late payments?
- Can I pay off the loan at any time? If so, is there any penalty for doing so?
- Are there fees other than interest payments?
- How frequently will interest on my loan be calculated?
- What happens, or what can be done, if I miss a payment or am unable to make one for any reason?
- Are there any other factors that may affect the total cost of the loan?
- Are there ways that I might be able to lower the total cost of the loan?

There are other questions that you may have. Don't be afraid to ask! Decisions about borrowing money are important decisions. You want to make sure you are making a good decision. Asking questions, and getting the information you think you need, is part of making a good borrowing decision.

Chapter Summary

Say What? Possible New Terms!

1. **Debtor:** is someone who borrows money from others.
2. **Creditor:** is someone who lends money to others.
3. **Liability:** is something that you owe.
4. **Asset:** is something you own that has value.
5. **Net worth:** your assets (what you own) minus your liabilities (what you owe.)
6. **Principal:** the amount of money borrowed that has to be repaid. It does not include any interest charges that have to be paid for borrowing money.
7. **Dividend:** the shares of a company's profits that are given to shareholders.
8. **Amortization:** the period of time over which you agree to pay back a loan – such as a mortgage – via a series of regular payments.

Did It Stick? Can you recall . . . ?

1. What are some of the reasons why people tend to borrow more money today than 30-40 years ago?
2. What are some of the reasons why people borrow money?
3. What types of debt or credit can people use to borrow money?
4. What are the major factors that can affect the cost of borrowing money?
5. What can you do to try and keep your costs of borrowing money as low as possible?

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?

Tips and Suggestions

- Know what debt you can afford and don't borrow more than you can afford.
- Shop and compare costs when borrowing money.
- Know the total cost of any debt before borrowing money – and find out if the total cost can change for any reason.
- At different points in your life, check your "net worth" to see if you are making financial progress.
- Avoid borrowing to your "credit limit." Borrow what you need to borrow – not what you can borrow.
- Avoid having multiple credit cards. Stick to one or two. Having debts on many cards can lead to debt troubles.
- Don't carry balances on credit cards. And pay off credit card debts each month – in full – and on time – if you can.

Tech-Talk

Some web sites that you might find useful would be:

- Credit Canada – Debt Solutions: www.creditcanada.com
- Financial Consumer Agency of Canada: www.fcac-acfc.gc.ca
- Fiscal Agents: www.fiscalagents.com
- Canadian Real Estate Association: www.crea.ca
- Canada Mortgage and Housing Corporation: www.cmhc-schl.gc.ca
- Gamblers Anonymous: www.gamblersanonymous.org

CHAPTER 12:

Getting and Managing Credit

Let's discuss...

- Credit Worthiness – the "3 Cs"
- Credit Rating
- Advantages and disadvantages of credit
- Signs you may be in debt trouble
- What to do if you have a debt problem

Your Credit Worthiness

If you want or need to borrow money, you will have to make sure the possible lender is confident that you are able to pay back the loan.

WHEN MIGHT SOMEONE NEED A LOAN? WHEN MIGHT A PERSON WANT A LOAN? WHAT'S THE DIFFERENCE? BE AWARE THAT IT MAY BE HARDER TO GET A LOAN WHEN YOU NEED IT THAN WHEN YOU DON'T.

Take action. Take Control!

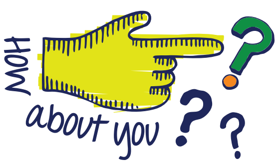
Try and arrange to have some credit available to you – even when you don't need it. Don't use it – just have it available in case you do need it. You may do this by the credit limit you have on a credit card or through a "line of credit" you set up with your financial institution.

Anyone thinking of lending you money will be interested in your "credit worthiness." Your credit worthiness is simply a lender's check on your ability to take on, carry, and pay back debt. To check your credit worthiness, a lender will consider the "3 Cs" – your capital, character, and capacity. These aren't the only things that will be of interest to the lender. Your "credit rating" will also be very important. More on that shortly. But let's look at the 3Cs so that you know about some of the things that might affect your chances of getting a loan.

Capital

This refers to things you own. They have value and could possibly be sold if money was needed to pay back the loan. As you may know, things you own that have value are called "assets." Your assets can include any "equity" you have in a house (that part of the house that you own – the value of the house minus the mortgage), stocks, bonds, cars, savings, and so on.

As a borrower, you would probably not have any intention of selling these assets or cashing them in to pay back the loan. However, if for some reason you were unable to make the payments or pay back the loan in full, then the lender wants some protection. The lender would like to know what assets you own that could be cashed in or sold ("liquidated") to get the money needed.



DO YOU HAVE ANY "ASSETS" AT THE MOMENT? YOU MAY NOT USE THEM TO GET A LOAN – BUT MANY YOUNG PEOPLE SELL THINGS THEY OWN TO GET MONEY, E.G. COMPUTER GAMES, USED SPORTS EQUIPMENT, USED MUSICAL INSTRUMENTS, USED BIKES, ETC. THESE ARE THINGS OF VALUE – ASSETS – SINCE THEY CAN POSSIBLY BE TURNED INTO MONEY BE SELLING THEM.

Assets that you use to "secure" a loan – show you could find a way to pay back a loan if need be – are called "collateral." The problem some people face is that they may not have much collateral to back a loan.

In that case, the lender may ask for someone to "co-sign" the loan. A co-signer is someone who will agree to pay back the loan if the borrower, for some reason, is not able to repay. Asking someone to co-sign a loan is asking them to take on a serious responsibility. And being a co-signer is taking on considerable responsibility. Any co-signer should be careful before co-signing a loan – a loan he or she may have to help repay.

So your "capital" is the assets that you have, to provide some possible "collateral" if needed. If you don't have capital, the lender may ask for a co-signer – another person who will take on some responsibility for the loan. Now, how about your character?

IF SOMEONE ASKED YOU FOR A LOAN, WHAT MIGHT YOU WANT TO KNOW ABOUT THEM BEFORE MAKING YOUR DECISION? WOULD YOU LEND MONEY TO YOU AT THIS POINT? WOULD YOU BE A GOOD "CREDIT RISK?" WHAT CHANGES ARE LIKELY TO HAPPEN IN YOUR LIFE THAT MAY CHANGE YOUR CREDIT RISK?

Character

When you apply for a loan, the loans officer will also be interested in your "character" – how responsible you seem to be and how reliable you are likely to be in repaying the loan.

Some of the questions that you have to answer on a loan application may surprise you. You may be asked how long you have worked at your current job; how long you have lived at your current address; and whether you have incurred any other debts; whether you are married; and if you have any dependents.

Why such questions? The lender (creditor) will be looking for signs of "stability," "responsibility," "reliability," and so on. Being with an employer for quite a while, living at the same address for some time, being married, or having children or other dependents tend to be signs of stability and that you have taken on responsibility. This doesn't mean that you can't get a loan if you aren't married with two kids and haven't worked and lived at the same place for ten years. It also doesn't mean that you will get a loan if you have. It does mean that if you have changed jobs frequently, are unemployed, or have moved from place to place, or have been married three times you may encounter some hesitation from loans officers when you apply for a loan. The lender will be looking to learn something about you – and the kind of person you are. You would probably want to know something about a person who asked you for a loan too.

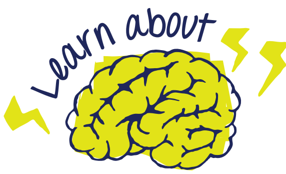
OF PEOPLE YOU KNOW WELL, WHO WOULD YOU BE WILLING TO LEND MONEY TO IF ASKED –AND IF YOU HAD THE MONEY TO LEND? ARE THERE OTHERS TO WHOM YOU WOULDN'T LEND MONEY? IF SO, WHY NOT? WHAT DIFFERENCES ARE YOU THINKING ABOUT WHEN YOU CONSIDER WHETHER YOU WOULD LEND THEM MONEY OR NOT?

We've looked at your capital (what you own) and your character (indications of the kind of person you are). Now how about whether you can afford the loan? That's your capacity.

Capacity

The creditor will also want to know if you can afford the payments on the loan. Do you have enough income to pay the monthly cost? Do you have other expenses that may make it hard for you to make the monthly payments? Do you have other debts? What you own, what you owe, and what you earn will be of interest to the possible lender.

These, then, are "the 3 Cs" that help to show your credit worthiness – and whether you are a credit risk. However, your credit rating will probably be as, or more important, to the lender if you are looking for a loan.



CHECK OUT ONLINE WHAT IT WOULD COST PER MONTH TO CARRY DIFFERENT SIZE LOANS AT DIFFERENT INTEREST RATES. FOR EXAMPLE, SEE WHAT THE MONTHLY COST IS FOR A 5 YEAR LOAN OF $10,000 AT 7% INTEREST. CHECK OUT A VARIETY OF OTHER LOANS FOR DIFFERENT AMOUNTS OF MONEY, FOR OTHER LENGTHS OF TIME, AND DIFFERENT RATES.

Credit Rating

Many people don't know a credit rating system exists. But it does. Those who are in the business of lending money share information. They share information about people to whom they have loaned money. They share information about those who have been good in repaying their debts – and making payments on time. They also share information on those who have not been so good – or who regularly make payments late – or who have not paid their debts.

For example, suppose you purchased something from a store on a credit card. Then, for some reason you did not pay the charges on the card. If that happens, the credit card company will probably first try and get you to pay the charge. If you still don't pay, the credit card company may notify the "credit bureau." And that can go on your record and may affect your ability to borrow money.

There are a number of "credit rating agencies" that keep this information. For example, two large agencies in Canada are "Equifax" and "TransUnion Canada." They keep records on people who borrow money – who they borrow from, how much they have borrowed, how good they are at repaying their debts, and so on. They also have information on bills you may not have paid – and should have. Based on all the information they have, they will calculate a credit score. The credit bureaus will make the information they have available to other lenders. Therefore, before making a loan, lenders will usually check with the rating agencies and check out your credit score.

Now here is a very important point. You can go to these companies to check out your credit rating – and you should. You may find things there you didn't know about – or you may find things that are wrong. A lender may have sent in notice that you didn't pay a debt – but you did, only late. But it may show on your credit rating that you never paid the debt – and that won't help your credit score.

How about you??

DO YOU KNOW IF YOU HAVE A CREDIT RATING? HAVE YOU BORROWED MONEY? DO YOU HAVE A CREDIT CARD?

Take action. Take Control!

Go online to the two credit agencies to see if you have a credit rating. If so, you may want to check and see if the information is correct. If you don't have a credit rating now, check back now and then to keep an eye on it. You should always be in touch with your credit rating. It's important.

Most creditors will work with a borrower to try and help the borrower repay the loan before providing any information to the credit bureau that would hurt a person's credit rating. After all, their goal is to get their loan back or have the bill paid. They may work out new terms with you to help you. That is why it is always important to contact the creditor if you are having problems repaying a debt or paying a bill that is overdue. You can often work out a payment plan. However, if a creditor does not hear from you, they may simply assume you aren't going to pay what is owed and send that information to the credit bureau.

Before information is sent to the credit bureau, people who are having trouble paying their debts or bills will often be contacted by a "collection agency." A collection agency will work for those to whom you owe money. Their job is to try and get you to pay. It is best to get in touch with anyone to whom you owe money – and haven't paid – before they get a collection agency to get in touch with you. If you are contacted by a collection agency about a debt, take this as a warning and deal with the matter right away so that you don't end up with a negative report going to the credit agency.

Take action. Take Control!

If you have trouble making loan payments, paying back a loan, or paying a bill that you owe, contact whomever it is you owe money to. Let them know you are having some difficulty. See if they can work with you to help. Try to do that before the matter is put in the hands of a collection agency – or recorded at the credit bureau.

Even if you don't have any intention of borrowing money, you never know when the need may arise. It is always wise to be able to borrow money just in case you have to some day. That means having a good credit rating.

The following are some tips for maintaining a good credit rating:

- repay your debts and make payments on time
- don't borrow more than you can afford
- set a borrowing limit and stick to it. This sounds easier than it is. Most people don't know how to set a credit limit – that is, the maximum amount you can afford to borrow. Here is one suggestion. Set up a budget. (See the chapter on budgeting.) As you do, see how much you could afford each month for debt payments. That amount should help set your debt limit. If you borrow money, don't borrow more than could be covered by the limit you have set.

  The cost of a loan will vary with how much you borrow, how long you will take to pay it back, and the interest rate. Therefore, the maximum amount of debt that you can comfortably afford to carry will change as these things change. Try to stay in your "comfort zone" and borrow only what you can afford.
- don't sign any kind of loan agreement until you have read it thoroughly, understand it, and know what you are getting into. Sometimes you may feel a little awkward doing this. It may be a person you know. Or the person may make it seem like time is short and you should hurry – or that this is just standard stuff and you shouldn't worry about it. Or it may be that the document is quite lengthy and may take some time to read over. Don't let that stop you. Most people will understand that you want to read what you are signing. If they don't, it may be because they really don't want you to read it. Even if you feel awkward, take the time. It is a small price to pay to be comfortable with what you are signing.
- never sign a blank form of any kind where information could be filled in or added after you sign
- always try to pay your monthly bills on time (like phone, electricity, etc.)
- contact your creditors if you are having trouble making payments on your debts
- deal with reputable creditors (they should have a good credit rating too)
- be cautious about co-signing for a loan

As we noted, co-signing a loan is a serious responsibility. A parent may co-sign a loan for a child if the child is still relatively young and needs help with borrowing money. That is quite common until there has been time for the child to build up a credit rating. But always think carefully if you are asked to co-sign for a loan. It may affect your own credit rating if things go wrong.

Take action. Take Control!

Don't just wait for your credit rating to be built up by others – try and build a good credit rating for yourself. If you can borrow some money without paying interest – like with some credit cards – and pay it back promptly and in full – consider doing this to build a good rating. Also, if you rent an apartment and pay electricity bills (on time), and phone bills, (on time), etc., this will show on your credit rating. So don't just let your credit rating happen. Try and do some things, as you can, to build a good credit rating.

It's also a good idea to start to develop a good credit rating as early as possible. To do this, some young people decide to get a credit card from a retailer or credit card company, make purchases, and pay off the bills promptly and fully each month. In this way, a good credit rating can begin to be established even at a relatively young age.

Many people borrow money by using a credit card or taking out loans to buy things. How you use a credit card or manage a loan can affect your credit rating. Let's take a look at some of the advantages and disadvantages of using credit through credit cards and loans.

The Advantages and Disadvantages of Credit

Advantages

- You can use something and enjoy it now (for example, a car, a house, a vacation, education, new clothes) and pay for it out of future income.
- You can buy things you could not buy from your current income. You can use some of your future income to pay for it.
- Credit enables you to handle emergencies and unexpected costs due to an illness, accident, losing a job, car repairs, and so on.
- Credit can enable you to pay more to buy goods of higher quality that you otherwise could not afford now. Buying better quality can mean it will last longer. That may make it a wise consumer choice.
- You can take advantage of sales and deals – if a really good one comes along. (Just make sure that the amount you save through the sale is more than it may cost you in interest.)
- Using a credit card provides you with a record of your expenses. Credit card issuers provide a monthly statement which lists all of the spending you did with the credit card.
- Credit can make it easier to deal with a number of debts you have if you are having difficulty repaying. By taking out a "consolidation loan" you can borrow one amount to pay all or most of your bills and then make a single payment each month rather than many.

Disadvantages

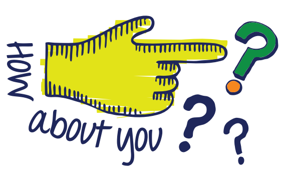
- Credit can encourage you to live beyond your means and get you into financial difficulty.
- Credit can mean that your future income will be tied up in paying past debts. You may not be able to buy things in the future that you wish you could.
- Using credit can increase your total cost for a product or service since the interest you will pay must be added to the price.
- Credit can lead to more impulse buying, which may lead to buying things you don't really need – and wish you hadn't.
- If you get and use a credit card for a particular store, you may just shop there and do less comparison shopping. You may lose out on cheaper prices or better deals elsewhere.
- Tapping into credit now will mean that you will have less available if unforeseen emergencies arise.

One way to keep a good credit rating is to avoid getting into debt trouble. When you "get in over your head" and have more debt than you can afford, you can start missing payments, paying late, or not repaying your debts. That can lead to problems with your credit rating. So avoiding debt trouble in the first place is the wise thing to do. But how do you know if you are heading toward debt trouble? Let's take a look at some of the signs that you may be headed in the wrong direction.

Signs That You May Be in Debt Trouble

You may be heading for debt trouble if you find you are:

- finding it difficult to save anything;
- continually short of money;
- using your savings to pay debt costs;
- near your credit limit on all or most of your credit cards and accounts;
- missing payments or due dates for your bills;
- always making only the minimum payments on your credit cards and accounts. Each month you will likely see a "minimum" monthly payment on your credit card statement. This is the minimum amount that the lender is willing to take as payment for that month. It is not the minimum you would be best to pay. The best thing is to pay off the full amount. If you can't, pay off as much as you can. If you just make the minimum monthly payment it can take a long time to pay back the money – and you end up paying a great deal of interest;
- unaware of how much you owe;
- worrying a lot about money – your debts are always on your mind – you are having trouble sleeping;
- borrowing money to pay off past debt costs; and
- having to borrow money to meet your week-to-week or month-to-month living expenses.



DO ANY OF THESE SIGNS APPLY TO YOU? EVEN AT A YOUNG AGE, ARE YOU POSSIBLY HEADING FOR SOME DEBT PROBLEMS OR ARE YOU WELL IN CONTROL? WHAT DO YOU SEE AS YOUR LIKELY "DEBT FUTURE?"

What To Do If You Have a Debt Problem

Do all that you can to avoid debt problems. Know how much debt you can afford and don't go over that limit. Set up a budget so you know how much debt you can afford. Don't borrow to that limit – leave yourself some room in case something comes up. Think about the trade-offs you are making when you borrow money – and borrow only when it is a good decision for you.

But in the end, some people will get into debt trouble. What can you do if that happens?

- Perhaps the most important advice for you if you are having debt troubles is to face up to your problems and start to do something about them. Don't try to handle it all alone. If you have close personal friends or family, seek their help and advice. They can also help you deal with what may be a bad situation. You will probably be surprised at how many people will understand and will try to help see you over a rough period.
- Contact your creditors. Don't simply start missing payments. Most of those who have loaned you money will try to help you get out of the hole you are in. After all, they have an interest in helping you – they hope to get their money back. Work out a new payment schedule with them. You will probably be surprised at how co-operative most creditors will be.
- Put all of your credit cards away to avoid getting into worse trouble. In fact, stop all further borrowing. No sense digging a deeper hole.
- Consider a consolidation loan for your debts. A consolidation loan is one loan you take out to pay back your other loans. In this way you can turn a number of payments for a number of different loans into a single payment for one loan. The monthly cost may be less than the total monthly cost of all other payments combined. If you are carrying debt on credit cards, the interest you will pay on a regular loan will usually be much lower than that on a credit card balance.
- Consider a second job, if you can, to see you over the hurdle and tough times.
- Cash in some investments or savings to lower your debt position. The costs you pay on your debt will usually be greater than the interest you earn on your investments. It may make sense to give up the investment to do away with the debt.
- Seek some professional advice and counselling if you can get it – or if someone will help you get it.
- Review your lifestyle and past decisions. What got you into trouble? What could you change to get out of trouble? What can you give up to get money to help you pay your debts?

When it comes to handling money, and making good money decisions, few things are more important than getting and keeping a good credit rating. Right from the outset, make that one of your priorities. Debt can help you – or debt can hurt you. Borrow wisely. And always stay within a limit you can afford.

Chapter Summary

Say What? Possible New Terms!

1. **Capital:** the assets you own – things of value – things that could be sold or cashed in, if needed, to help pay back a loan.
2. **Character:** things about you that indicate your degree of stability, responsibility, and reliability.
3. **Capacity:** your ability to make payments on a loan – usually determined by your income.
4. **Credit rating:** a score that indicates your history of managing and paying your bills and debts.
5. **Collateral:** something of value that you put up in support of a loan and that could be sold, cashed in, or given to the lender if a loan can't be repaid.
6. **Co-signer:** a person who signs a loan agreement who is willing to pay back the loan, or what is owing on a loan, if the borrower can't repay.
7. **Consolidation loan:** one loan taken out to pay off a number of debts to make one payment monthly rather than a number of payments to hopefully reduce the monthly cost.

Did It Stick? Can you recall ...?

1. What are the "3Cs?" Why are they used?
2. What is your credit rating? What kinds of things can affect your credit rating?
3. How can you build a good credit rating?
4. What are some signs that you might be heading toward debt problems?
5. What are some things you can do if you have debt problems?
6. What are some of the advantages and disadvantages of using credit cards and loans?

Thinkabout ... or discuss:

- How can a young person build a good credit rating?
- Is it too easy for young people to get credit these days?
- What leads some young people to get into debt difficulties at a young age?
- How might borrowing help a young person as he/she tries to build a successful future and achieve goals?

Tips and Suggestions

- Protect your credit rating. Pay bills – and pay them on time. Pay debts – and pay them on time.
- Know your credit limit – and stick to it. Know what you can afford – and leave some room if you can in case surprises come along.
- Know how borrowing can help and use it to your advantage. Know how borrowing can hurt, and avoid debt issues.

Tech-Talk

If you can, use the Internet to:

- See if you have a credit rating – and, if so, check it out.
- Compare the cost of carrying different amounts of loans over different periods of time at different rates of interest.
- Search:
  - Building and keeping a good credit rating
  - How to pick the right credit card
  - Signs of debt trouble
  - Credit Canada – Debt Solutions
  - Financial Consumer Agency of Canada

Part 5: Saving and Investing Money

CHAPTER 13:

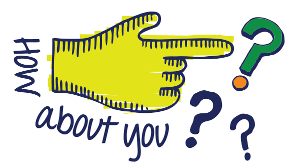
Putting Your Money to Work – Saving and Investing

Let's discuss...

- Basic banking
- Saving money
- Investing money

When it comes to saving and investing, there is no "chicken and egg" dilemma. You don't have to wonder which comes first. You can't invest if you don't have savings. Once you have savings, you can make decisions about how to invest them.

With any money you get, you will have some basic choices in how it is used. You can spend it, save it, pay taxes, or give some away.



DO YOU KEEP YOUR MONEY IN A BANK? IF SO, HOW DID YOU COME TO PICK THAT BANK? WHAT KIND OF ACCOUNT(S) DO YOU HAVE?

Basic Banking

Most people will use a bank to help manage their money. Banks provide chequing accounts, savings accounts, chequing-savings accounts and so on.

Money is deposited into these accounts and the bank will usually pay some interest on that money. Why? Because the bank will lend out a good portion of the money deposited to others as loans. The banks hold on to enough money to do their day to day business – but will lend out money to businesses and to borrowers as car loans, mortgages, etc.

The banks will make money on "the spread" – the difference between the interest rate paid to savers and the interest rate charged to borrowers. The banks also make money from fees, investments, etc. Overall, Canada's banks do pretty well and are some of the safest in the world.

IF YOU HAVE ONE OR MORE BANK ACCOUNTS, CHECK AND SEE IF THERE ARE MONTHLY FEES ON THE ACCOUNT. IF SO, SEE WHAT THE FEES COVER. SEE IF YOU CAN MAKE CHANGES TO LOWER YOUR MONTHLY FEE.

If you deposit money in a bank, you can usually get your money, as you need it, by withdrawing it at a branch or using an ATM. You can usually make payments by using cash, writing a cheque (less common these days), using a debit card, making an online transfer, etc. So there are different ways to get and use your money.

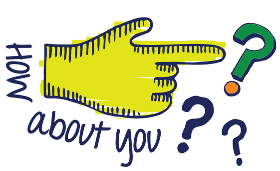
BE CAREFUL AND USE ONLY ATMs THAT YOU CAN TRUST – PREFERABLY THOSE OF YOUR BANK. YOU MAY PAY A FEE IF YOU USE AN ATM FROM ANOTHER BANK OR A GENERIC ATM THAT IS NOT ASSOCIATED WITH ANY OF THE MAJOR BANKS. ATMs CAN ALSO BE "COMPROMISED" BY PEOPLE WHO ARE TRYING TO STEAL YOUR PIN AND ACCOUNT NUMBER. AGAIN, TRY AND USE ONLY ATMs YOU TRUST AND THAT ARE IN A WELL SECURED AND PROTECTED AREA.

You can use banks to hold your money that you will spend as you need. And, you can use banks to hold on to money you aren't using today for spending – and that you will save for the future.

In the end you will make decisions, probably every day, about how you will use your money – spend it, save it, give some away, etc.

Saving Money

You won't have much choice in how you use some of your money. There will be monthly expenses and taxes that you will have to pay. But what about the money left over – if there is any?



HOW DO YOU USE YOUR MONEY? DO YOU KNOW WHERE IT'S GOING? HOW MUCH ARE YOU SPENDING? PAYING IN TAX? SAVING? GIVING TO HELP OTHERS?

You may be spending all your money – and paying some taxes as you do your spending (remember GST, HST, gas taxes, etc.) That may be your choice. But saving is important and can help you in a number of ways, such as helping you:

- Save up over time to help you achieve your goals and to afford some of the more expensive things you might hope for – car, home, etc.
- Be prepared if unexpected things come up – both good and bad.
- Choose things you could do when opportunities come up – travel, help others, buy something you want or need without using debt, etc.
- Feel better knowing you have money available – so you may worry less about money matters. You can have more "peace of mind."

SAVE SOME MONEY IF AT ALL POSSIBLE – EVEN A LITTLE EACH MONTH. IT CAN HELP YOU GET INTO THE HABIT OF SAVING – AND SMALL AMOUNTS CAN ADD UP.

The "Magic of Compounding"

You may hear someone talk about "the magic of compounding." This refers to how savings and investments can grow in value more quickly because of "compound interest." Here's a brief example of how it works.

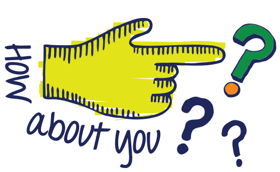
Suppose you were able to save $1,000 over a year and were paid 5% interest. That means you would make $50. If you leave the money that you earned in interest with your $1,000, you now have $1,050. Over the next year, your $1,050 will earn 5% – or another $52.50. If you leave that money in, you now have $1,102.50. Your $1,000 has grown – and is now growing faster because you are earning "interest on your interest."

If you continued to leave the money to grow, you would earn 5% on $1,102.50 = $55.12. Your money grew $50 the first year, $52.50 the second, and $55.12 the third – and this has happened without you having to add any new money. That's the magic of compounding. And that's the magic of saving and investing.

If you start saving at a young age, you can have many years for your money to grow through compound interest. And if you can add more to it each year, your savings will grow that much faster. Use the "magic of compounding" to help your savings grow wherever you can.

Although saving pays off, a recent survey found that almost 50% of Canadians are living paycheque to paycheque. This means half of Canadians have expenses and debts that are taking up most of their income. They aren't saving anything.

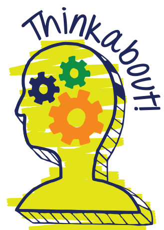
That's not the best way to handle your financial affairs. In some ways, though, it's not surprising. Until recently, little effort was made to help teach Canadians about how to handle money. People weren't taught about budgeting, managing debt and credit cards, setting their own debt limits, saving for education and retirement, and so on. Therefore, many Canadians were not well prepared for their money decisions and challenges. We're trying to change that for young people today.



DID ANY OF YOUR FAMILY MEMBERS GET A FINANCIAL EDUCATION OF ANY KIND? ARE ANY OF THEM ABLE TO HELP YOU? ARE YOU ABLE TO HELP ANY OF THEM WITH WHAT YOU ARE LEARNING?

The following are some things to do to start – and continue to save.

1. Make saving a priority. Save some money – even a little – before you do anything else with your money. As we have shown, compound interest can help your money grow.
2. Set a savings goal. Have a target. Give yourself something to work towards and reach for. Try and set a time period to get there.
3. Reward yourself if you succeed in reaching a savings goal. You'll deserve it.
4. Track your spending. Know where your money is going. This will help you look for ways to save more if you need to.
5. Try and use a budget and stick to it. This will help you better control how you use your money.



SAVING IS NOT EASY FOR MANY PEOPLE. BUT IT'S IMPORTANT TO SAVE IF YOU CAN. IF YOU CURRENTLY AREN'T SAVING – OR AREN'T SAVING AS MUCH AS YOU WOULD LIKE – WHAT CAN YOU DO TO TRY AND SAVE MORE?

The following are a dozen "Saving Tips" and suggestions. There are many others you might want to consider. For other ideas, and a savings calculator to see how little amounts saved can add up, visit the Canadian Foundation for Economic Education's Building Futures Network web site at http://www.buildingfuturesnetwork.com.

TRY AND SAVE A "TOONIE A DAY." IF YOU CAN, THAT ADDS UP TO $730 A YEAR. YOU MIGHT FIND THAT YOU DON'T HAVE TO GIVE UP MUCH TO SAVE $2 A DAY. AND, IF YOU DID, AND SAVED FROM AGE 15 TO 30, AND EARNED 3% INTEREST, THAT WOULD END UP AT ABOUT $15,000.

Saving Tips

1. We've already mentioned this before – save before you spend. It's the best way to save.
2. Shop for the best prices. If you pay less, you can save more.
3. Use a money jar of some kind. Now that we use loonies and toonies, if you put your change in a jar at the end of the day, it can really add up.
4. Don't carry much cash. It is too easy to spend.
5. Look for ways to spend less on transportation, use cheaper (maybe healthier) ways of getting around.
6. Eat out less – and/or eat at less expensive places. For many people, eating out eats up a good portion of their money.
7. Set an "i-tunes limit." It's easy to make online purchases today – so much so that, at the end of the month, the bill can be a shocker. Set a limit and stick to it.
8. Use your cell phone wisely. Don't waste money on extra charges, bad plans, roaming fees, etc. Once again, if you spend less, you can save more.
9. Cut back on vices. If you spend a lot on cigarettes, gaming, apps, etc. cut back – or cut them out entirely if it's something like smoking. You can save a lot. Same if you are drinking expensive coffees or power drinks, etc. They can eat up money quickly too.

HOW MUCH MONEY ARE YOU SPENDING EACH MONTH "EATING OUT" (INCLUDE LUNCHES AT SCHOOL, ETC.)?

10. Avoid impulse buying – that is, making fast spending decisions on the spot without much thought. They are often some of the poorest decisions people make and can use up money that could be saved.
11. Take advantage of sales and deals. You can save a lot of money this way. Buying "off season" or on the "shoulder season" for clothes can save a lot. End of year sales, end of line sales, going out of business sales, . . . they can all help you save.
12. It may be hard, but avoid fads. Keeping up in terms of style and fashion is a real challenge for many young people and can use up money quickly. Avoid them as you can – be your own person – set your own style. You'll probably find that's a lot less expensive – and can help you save.

USE THE CALCULATOR ON THE BUILDING FUTURES NETWORK WEB SITE AT: HTTP://WWW.BUILDINGFUTURESNETWORK.COM TO SEE HOW MAKING SMALL CHANGES IN SPENDING CAN ADD UP TO BIG CHANGES IN SAVING.

WHAT OTHER WAYS ARE THERE TO SAVE MONEY? WHAT SAVINGS TIPS CAN YOU LEARN FROM OTHERS? WHAT SAVINGS TIPS COULD YOU GIVE TO OTHERS? HAVE YOU TALKED WITH YOUR FAMILY MEMBERS ABOUT WAYS TO SAVE?

Just before we turn our attention to what you can do with savings – that is, investing – there is one other thing we noted you can do with your money. You can give some away. Canadians are a very generous people. Many Canadians give some of their money, their time, etc. to help others. And there are certainly those who need help.

Young Canadians are often particularly generous. They may not have a lot of money to give but they often contribute to various causes – some give money – and often give of their time, their ideas, etc. There are people who are homeless, hungry, suffering from an illness or disability, living in poor conditions, living in potentially violent circumstances, and so on.

In making your decisions about how you use your money – or your time – you may want to think about ways to help others in need. On your own, or with a group of friends, or as a class or as a school, you can probably make a difference in the lives of others.

WHICH GROUPS IN YOUR COMMUNITY NEED HELP – SUCH AS FOOD, CLOTHING, SHELTER, ETC.? WHAT KINDS OF THINGS ARE BEING DONE TO HELP THEM? WHAT COULD BE DONE TO HELP THEM?

Compassion – and considering the needs of others – is a powerful force. With all the pressures and challenges in the world today – to get by – to take care of one's self and one's family – to make ends meet – it can be hard to find the time and resources to help others. But, just like saving, if you decide it is important for you, you will probably find ways to help.

If you can – and if you want – consider building compassion and a concern for those in need into your money decisions. You may find you can't help. You may find you can. Or you may look for ways to be able to help. It is something to think about as you deal with money matters – and money decisions – in your life.

ARE YOU CURRENTLY DOING ANYTHING THAT HELPS OTHERS IN NEED? DO YOU KNOW OF OTHERS WHO ARE DOING THINGS TO HELP OUT? HOW IMPORTANT DO YOU THINK IT IS TO TRY AND HELP OTHERS IN NEED?

That said, let's turn our attention to what you can do with your savings – investing.

Investing Money

Saving is holding on to some of your money to use it in the future. Investing is what you do with your savings to try and:

- protect the value of your savings – the purchasing power – over time against the effects of inflation.
- increase value of your savings – and acquire greater purchasing power – by earning a return greater than inflation.
- save enough, and earn enough from investments, to be able to achieve your goals.

Investing, therefore, is not only for those with lots of money. Anyone who has savings can make decisions about how to invest those savings – and put them to work.

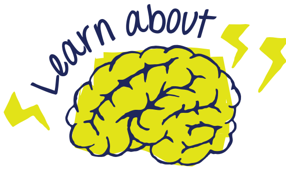
Take action. Take Control!

Investing doesn't just have to be money. For example, you can read, study, research, and learn and, as a result, invest in you. You can improve your abilities. You can become more valuable to others. And this can increase the income you might be able to earn from employment. Or it may prepare you to be able to start a business.

Protecting the value of your savings is "job one." You don't want money you hold for the future to buy less later than you could buy today. Lately, the rate of inflation (the increase in the average level of prices in the economy) has been about 2% a year. The Bank of Canada has done a pretty good job keeping inflation in that range.

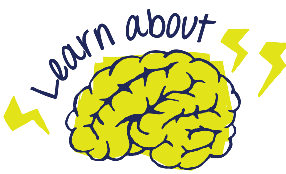
That means to protect your savings from losing value to inflation, you want to make at least 2% on your savings if you can. That may sound easy but, if interest rates are very low, as they have been, regular savings accounts may not pay 2% interest.

A regular savings account is one of the safest places to put your savings. Canada's banks are very sound and you don't take on a lot of risk by putting your money in a savings account. So a savings account is very low risk – but also gives you a very low return. That is one of the most important lessons to learn about investing – low risk will mean a low return. Let's look more closely at this key point about investing.



DO YOU HAVE SAVINGS IN THE BANK? IF SO, DO YOU KNOW THE INTEREST RATE YOU ARE EARNING? IF YOU DON'T HAVE SAVINGS, CHECK OUT THE INTEREST RATE BANKS ARE PAYING FOR MONEY IN SAVINGS ACCOUNTS. DO THE RATES SURPRISE YOU?

Suppose you decide that you would like to buy and sell stocks as one of your investments. Let's suppose that you haven't had a lot of experience with investing in the stock market. Therefore, you decide to work with a "broker."



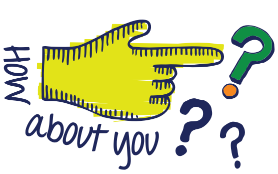
A BROKER IS SOMEONE WHO IS TRAINED, AND HAS A LICENSE, TO BUY AND SELL STOCKS. BE AWARE THAT ALL STOCKS MUST BE BOUGHT AND SOLD THROUGH A LICENSED "BROKER." THIS MAY BE A BROKER TO WHOM YOU PAY A FEE TO GET HELP AND ADVICE. OR IT MAY BE AN "ONLINE BROKERAGE" COMPANY THAT LETS YOU MAKE YOUR OWN BUYING AND SELLING DECISIONS. YOU WILL PAY A LOWER FEE IF YOU MAKE YOUR OWN DECISIONS – BUT YOU WON'T GET ANY ADVICE.

Suppose you tell your broker that you have some savings and you would like to achieve the following:

- You want your investments to hopefully make you a 20% return each year, and
- You don't want to run the risk of losing any more than 5% of the value of your savings.

Is this a reasonable thing to ask on your part? The answer, unfortunately, is no. Your broker would likely tell you "No can do." Why not, you might ask? The reason is that your potential return on an investment, and your potential risk, have to be in balance. If you want your investment to provide a possible 20% return, you have to accept the risk that your investment may fall 20% in value. The higher your target return, the more risk you have to take.

If possibly losing 20% of your savings is more than you are comfortable with, then you will have to lower the target for your potential return. You will have to find your "risk/return" balance point.



IF YOU WERE MAKING AN INVESTMENT, WHAT RATE OF RETURN WOULD YOU LOOK FOR – CONSIDERING HOW COMFORTABLE YOU ARE WITH RISK? WHAT MIGHT LEAD YOU TO TAKE ON MORE RISK? LESS RISK?

There are many reasons why one person's comfort with risk may be different than another's. But it will be important for you to have a sense of your attitude to risk when it comes to investing. What level of risk are you comfortable with? What level of risk will let you sleep at night without worrying? And what level of risk do you need to take, or are you willing to take, to reach your goals?

Your risk/return balance point will be affected by many factors, such as:

- Your age. For example, younger people tend to be better able to accept higher risk than older people since they have a longer time to recoup losses if the value of an investment falls or if they lose on an investment.
- How much you have to invest. Those with more money to invest are usually in a position to accept more risk since it is easier for them to afford a loss.
- Your goals and how much you are hoping to earn from your investments in order to realize your goals. If you set a certain goal and find that you will need an average return of 10% on your investments to reach your goal, are you comfortable with that level of risk? If not, you might have to change the goal – or set a longer date to give yourself more time.
- Your time horizon, that is, how long before you need to use the money from your investments. If you need the money from your investments in two years for education, you won't want to take on much risk. Someone who doesn't need their money until their retirement in 35 years will likely be willing to take more risk.

The role of investing is to put the money that you don't need today to work for you to help you achieve your goals in the future.

Before we explore investing in more detail, let's just take a moment to look at the role of investment in the economy. It can help you better understand why investing is important.

ARE YOU AWARE OF ANY INVESTMENTS THAT HAVE BEEN MADE IN YOUR COMMUNITY TO MAKE THINGS BETTER? FOR EXAMPLE, A NEW BUSINESS, A NEW SCHOOL, A RENOVATED BUSINESS, ETC. IF SO, WHO MADE THOSE INVESTMENTS – AND WHY DO YOU THINK THEY MADE THEM?

Our economy has a number of jobs. A key one, though, is to produce goods and services to satisfy people's needs and wants. Entrepreneurs and businesses combine resources such as labour, capital equipment, natural resources, and technology to produce goods and services that Canadians need and want. They also produce some goods and services to sell in other countries – exports.

We distribute goods and services in our economy through a price system. That is, every good or service has a price. If you are willing and able to pay that price, then you can acquire it. People work to get income to be able to pay the prices and get the things they want.

Learn about

IF YOU WANT A GUIDE AND AN EASY TOUR OF HOW AN ECONOMY WORKS – AND HOW ALL THE PARTS FIT TOGETHER – GET A COPY OF "THE BIG PICTURE" FROM THE WEB SITE OF THE CANADIAN FOUNDATION FOR ECONOMIC EDUCATION (CFEE) AT: WWW.CFEE.ORG

Overall, the well-being of people living in our society will depend on the wealth that we create in our economy – and the degree to which people are able to acquire the wealth that is produced.

Discuss

WHAT FACTORS AFFECT THE "DISTRIBUTION OF INCOME" IN CANADA? WHY DO SOME PEOPLE EARN MORE THAN OTHERS? WHAT IS DONE TO TRY AND MAKE THE DISTRIBUTION OF INCOME FAIRER?

As more products and services are produced by our economy, more wealth is generated. This growth in output usually means with it more jobs, higher incomes, and an improved standard of living.

One of our economic goals, then, is to create more goods and services to create more jobs and incomes for Canadians. At the same time, over the years, we have become much more conscious of the environment – and to look for ways to achieve growth in our economy without harming the environment. We even look for ways that economic activity can help the environment. This has also become one of our priority economic goals.

Learn about

RESEARCH WAYS IN WHICH EFFORTS ARE BEING MADE TO PRODUCE GOODS AND SERVICES IN A WAY THAT CAN HELP SUSTAIN OR IMPROVE THE ENVIRONMENT. DO YOU SEE BUSINESS ACTIVITY IN YOUR COMMUNITY THAT MAY BE DOING HARM TO THE ENVIRONMENT? DO YOU SEE BUSINESSES THAT ARE WORKING TO HELP THE ENVIRONMENT – OR TAKING STEPS TO MAKE SURE THEIR ACTIVITIES DO NOT DO ANY ENVIRONMENTAL DAMAGE?

But how do we get funds working to improve our economy – achieve growth – create new jobs and incomes – improve the well-being of all Canadians – and improve the environment? That takes money. That takes investment. And the funds for investment to fuel growth and improvement in our economy come from people's savings. How does that happen?

It starts with people putting some of their savings in banks. Banks then lend money to companies that are looking to invest – improve – and grow.

People may also use some of their savings to buy "bonds." In this way, with "corporate bonds," they are lending money to companies that are looking to invest – improve – and grow.

And some people use some of their savings to buy shares in companies. This also provides money to companies to invest – improve – and grow.

People's savings, then, are put to work – through savings, buying bonds, buying shares, etc. Savings find their way through loans and investments to businesses.

By using savings for investment, new resources are discovered, businesses are expanded, new techniques are devised, new technology is developed, new training programs are provided, and so on. In essence, the money saved by savers in our economy is placed into investments that allow the productive capacity of the economy to grow. In this way, our economy is able to develop and grow over time, create jobs, create incomes, and increase the overall level of well-being in our society.

WHAT ARE SOME OF THE MAJOR BUSINESSES IN YOUR COMMUNITY? HAVE YOU NOTICED ANY CHANGES LATELY – ANY IMPROVEMENTS? HAVE ANY BEEN DOING BETTER AND HELPING TO CREATE JOBS FOR OTHERS?

If you understand how investments lead to growth and improvements in our economy, you will then understand why investing your funds can lead to an increase in the value of your savings. If your savings are put to use in investment – and that investment helps to make things better – and helps increase the level of wealth that is produced – then those funds have helped to create value and become more valuable. That is why an investment may bring you a return of 10%. If it was a good investment and helped a company to become better and earn a 10% higher return, then your savings may earn a 10% return through that investment.

On the other hand, if you invested in a company that didn't make good decisions and ended up worse off, your investment may lose money. It is also why you have to make good investment decisions. Make sure you have good information before making an investment decision. Make sure you understand any investment you are considering. And get help and advice if needed.

ARE THERE COMPANIES IN YOUR COMMUNITY THAT HAVE NOT MADE GOOD INVESTMENTS – OR NOT INVESTED ENOUGH – AND ARE STRUGGLING – OR HAVE CLOSED? IF SO, HAS THIS LED TO ANY PEOPLE LOSING THEIR JOBS?

Let's take a minute to look at some of the criteria you may want to consider when making investments.

Investment Criteria

The following are important things to think about when investing. They are:

- **S**afety/risk
- **L**iquidity
- **R**eturn on the investment
- **T**ime management involved
- **G**rowth potential
- **K**nowledge of the investment

Let's take a quick look at each.

As we noted, the safety, or the level of risk, involved in an investment is a key factor to consider. Don't get involved in risky investments if they make you anxious – or if you can't accept the loss if the investment should lose value. You will have to know your risk tolerance – your level of comfort with risk – and know if an investment you are considering "fits" with you and your comfort level.

Time horizon refers to when you will need the money from an investment. Do you need it in six months, one year, three years, five years, ten years, twenty years, twenty-five years, or more? The time horizon – and when you need the money – will depend on your goals and how you plan to use the money. For example, will you need the money for education, training, a house, children, travel, retirement, or .....?

Your "time horizon" is important since it may affect the kind of investments you can consider. Investments can differ in their "variability" – that is, how much they can change in value. Some investments are more "volatile" than others. They may rise 35% in value and then, over time, fall 40% in value – and then rise again, and so on. Other investments may be much more stable and vary a lot less in value.

If your time horizon is quite soon, even 2, 3, or 4 years, you probably won't want an investment that swings a lot in value. Why? Because if it happens to be down when you need your money, you might not be able to wait for it to bounce back up. You may have to take a loss. Better to avoid those kinds of investments if you need your money soon.

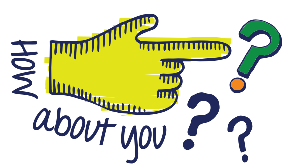
The "growth potential" of an investment is another thing to consider. Will the return you get from the investment possibly change and improve over time? An investment that pays a "fixed rate of return" obviously has little growth potential in its value. For example, if you invest in a Canada Savings Bond that pays a 4% return, that is what your return will be – 4%. However, an investment in a stock or a house may be another matter. The value of this type of investment may rise, or fall, over time. These investments would have greater "growth potential" than "fixed income" investments like a Canada Savings Bond. Of course, it also has a greater risk of a loss in value. There's the old "risk/return balance" again.

The "liquidity" of an investment should also be considered. Liquidity refers to how easily and quickly an investment or asset can be turned back into cash – and how certain you can be of its value. A savings account is an example of a "highly liquid asset" – it can be turned into cash quickly, easily, and you know what its value is.

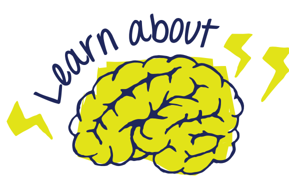
A five-year term deposit – where you lock your savings away for five years at a certain rate of return – is not a very liquid asset. Your investment is locked up for five years. Your money isn't easy to get if you need it. A house is also not a liquid asset. You can't turn a house into cash quickly. Its value may also be quite uncertain. Until you sell it, you may not know what it is worth.

The "time management" involved in looking after an investment is also something to consider. If you invest in a savings account or a term deposit, little of your time is needed to watch over the investment. An investment in stocks, or a business, or in a house, for example, may require a good deal of your time. You need to decide how much time you have available and are willing to spend looking after your investments. You may decide to use the services of an advisor who can invest the time and expertise to manage your investments for you (for a fee).

Lastly, your "knowledge of the investment" is also important. It is never a good idea to invest in any investment that you don't understand. As a rule of thumb, understand what you are investing in, and don't invest in something simply because others have. Be a knowledgeable investor – or work with someone who has the knowledge you need.



DO YOU HAVE ANY INVESTMENTS? HAS ANYONE MADE ANY INVESTMENTS FOR YOU? IF YOU DON'T HAVE INVESTMENTS YET, AND FIND YOU ARE ABLE TO SAVE, WHAT KINDS OF INVESTMENTS WOULD BE OF INTEREST TO YOU?



IF YOU ARE INTERESTED, GO ONLINE AND SEARCH FOR INFORMATION ON DIFFERENT KINDS OF INVESTMENTS. THE WEB SITE OF THE INVESTOR EDUCATION FUND CAN BE VERY HELPFUL.

These, then, are things to think about when you are investing – and deciding among different investment options. But what kinds of investments are there that you can consider. There are three general types of investments:

- Cash (and "cash equivalent")
- Fixed income
- Equity

Cash, or close-to-cash, or "cash equivalent" investments are those that are very "liquid," are low risk, and provide a relatively low return. Examples of cash, or close-to-cash, investments, are those such as cash, bank deposits, term deposits, and Guaranteed Investment Certificates (GICs). "Money market funds" are another example. More on "funds" shortly.

Fixed income investments are those like bonds. Bonds are basically a loan that you make to a government or company. For example, you might buy a $5,000 10-year corporate bond at 6%. In doing so, you are lending the company $5,000 for 10 years. In return, you will be paid 6% per year for as long as you own the bond. You may choose to hold and own the bond for 10 years – or you may choose to sell it.

You can buy and sell bonds in the "bond market" the same way that you can buy and sell stocks in the "stock market." The price of a bond will change in the bond market over time. For example, if you hold a 6% bond, and the interest rate generally offered on new bonds is 4%, then your bond becomes more valuable. Someone looking to buy a bond will be able to get a higher return from your bond than a new one. You may choose to sell your bond in the bond market for more than the $5,000 that you paid – if someone is willing to pay more to get the higher interest rate.

In this way, even though bonds provide "fixed income" – a fixed rate of return – they can be bought and sold in the bond market at different prices. Based on what happens to interest rates, its "market value" may rise or fall. In the end, though, after 10 years, whoever owns the bond will be paid back the $5,000 by the company that issued the bond and borrowed the money.

So "fixed income investments" provide a fixed rate of return for a particular period of time. The most common types are bonds – corporate and government – and "bond funds" – once again, more on "funds" in a moment.

Another kind of investment is equity – that is, buying a share of ownership in a company. Companies may sell stock to raise money for expansion and improvement. Money raised by selling stock is raised through "stock brokers." That is, a company will provide shares to one or more brokers who sell the stock to clients. The stock brokerage company will earn a fee for selling the stock. The company receives the money from the stock sale to invest in the company.

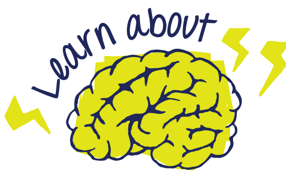
If the investments are good and pay off, and the company does well, the value of the shares of stock should rise. The higher stock price indicates that the value of the company is higher.

Discuss

PICK A STOCK OF A POPULAR COMPANY. LEARN HOW TO FOLLOW THE STOCK PRICE ON THE INTERNET. DISCUSS WHAT KINDS OF THINGS COULD MAKE THE PRICE OF YOUR CHOSEN STOCK RISE – AND WHAT MIGHT MAKE IT FALL. FOLLOW THE STOCK FOR A WHILE AND, IF THE STOCK PRICE CHANGES, TRY AND LEARN WHY.

If you buy stocks on the stock exchange, you are not buying new stock. You are buying stock from someone else that owned it. That is why it is called a "stock exchange" – it is where shares of stocks in companies are bought and sold – exchanged. The company doesn't receive the money when you buy stocks on the stock exchange. The company get its money when the stock was originally sold.

In the "old days" all stock exchanges had a "trading floor" where brokers met to do deals and buy and sell stocks for their clients. Today, some exchanges do not have trading floors. For example, at the Toronto Stock Exchange all trades are done electronically. Some exchanges, however, still have trading floors.



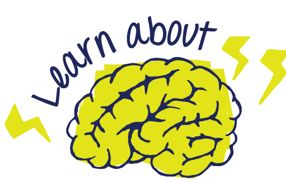
IF YOU HAVE A CHANCE, VISIT A STOCK EXCHANGE. TAKE A TOUR. LEARN A LITTLE ABOUT HOW THEY WORK – HOW TRADES TAKE PLACE – THE DIFFERENT FEES THAT ARE PAID, AND SO ON.

Equity investments, like stocks, are riskier than fixed income investments. Their value is more volatile and less predictable. A stock's value may rise – or fall – sometimes by a great deal. The possible return on an "equity" investment is higher – but so is the risk of loss. You want to know what you are doing if you buy and sell stocks – or get some help and advice.

There are also "equity funds" – in the same way we noted that there are "money market funds" and "bond funds," etc. We will discuss such "funds" in just a minute.

So those are the three general types of investments. You can also invest in other things such as real estate, collectibles (art, cars, etc.), directly in a business as an owner/partner, etc.

Having looked at the three general types of investments, this is a good point at which to talk about an investor's "portfolio." When a person invests, he/she will build up a "portfolio of investments" – a term used to refer to the collection of investments a person has. When you start investing, you will start to build a portfolio of investments. When you do, you will need to think about your "investor profile." If you choose to work with an advisor, your advisor will ask you questions to learn about your investor profile.



MOST INVESTMENT COMPANIES WILL HAVE INFORMATION ON THEIR WEB SITES ABOUT "INVESTOR PROFILES" – WHAT THEY ARE, HOW THEY DIFFER, AND HOW TO LEARN MORE ABOUT YOUR PROFILE. CHECK THEM OUT IF YOU WANT TO LEARN MORE.

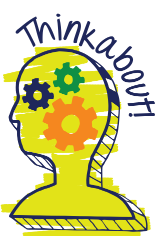
Your investor profile basically looks at the kind of investor you are – and what you want to achieve. For example, your investor profile would include things such as:

- What are your goals? What are you hoping to achieve from your investments?
- What is your target rate of return – that is, what are you hoping to earn from your investments?
- What is your level of investor knowledge and experience with investing?
- What is your "risk tolerance?" What level of risk are your comfortable with?
- How much do you have to invest?
- What is your "time horizon" – at what points will you need money – and how much will you need?

These are the kinds of questions that you will be asked – or that you should ask yourself – to get an idea of your "investor profile." Once this is known, you can start building your "portfolio" – putting together a collection of different kinds of investments that fit with your needs and goals.

The mix of investments that is best for you will often be different than for others. Why? Because your profiles will be different. There is a certain mix of investments that may be best for you – but which will be different for someone else.

Regardless of your "investor profile" you will want to "diversify" your investments. In a nutshell, this means not "putting all your eggs in one basket." You will want to have a good mix of different kinds of investments. Why? Because that provides you with some protection. If some of your investments fall in value, others may rise. If some are quite volatile, others may be pretty stable. By diversifying your portfolio you lower your risk. One of the primary rules of investing is to diversify! In real estate, it's location, location, location! In investing, its diversify, diversify, diversify!



ARE THERE ANY RISKS IN LIFE THAT YOU HAVE FACED – OR FACE TODAY? NOT JUST MONEY – BUT ANY KIND OF RISK? IF SO, HAVE YOU DONE ANYTHING TO REDUCE THE AMOUNT OF RISK? IS THERE ANYTHING YOU COULD DO?

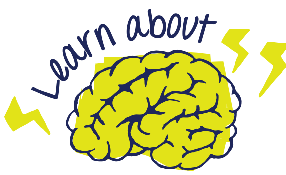
Take action. Take Control!

Whenever you invest, today or in the future, you can diversify in terms of the type of investments you make (stocks, bonds, GICs, etc.). You can diversify in terms of the location of your investments, for example, in Canada, the U.S., Asia, etc. You can diversify in terms of the level of risk of your investments. And so on. However you may choose to do so, make sure to diversify your investments.

Before wrapping up this section on investing, there are a couple more things to cover. First, we have mentioned "funds" on a number of occasions. This refers to "mutual funds." Let's see what these are.

A mutual fund is when investors pool their money in a fund and the fund is then invested, and managed, by a professional. You don't have to get together with others to pool your funds. There are "fund companies" that will do this for you. You will have to decide which fund companies, and which funds, to invest in.

Investors will buy "units" of a fund they want to invest in. The value of the units can change according to how well the investments in the fund perform. If the unit value rises, the value of your investment in the fund rises. If it falls, then the value of your investment falls. You will also pay a fee to the professional, and the professional's company, for managing the fund.



THERE ARE MANY DIFFERENT KINDS OF FUNDS OFFERED BY MANY DIFFERENT COMPANIES. A FUND MIGHT INVEST ONLY IN EQUITIES – OR ONLY IN CANADIAN EQUITIES – OR ONLY IN U.S. EQUITIES. ANOTHER FUND MAY ONLY INVEST IN BONDS – OR ONLY IN GOVERNMENT BONDS – OR ONLY IN CORPORATE BONDS. ANOTHER FUND MAY INVEST ONLY IN PRECIOUS METALS LIKE GOLD, SILVER, ETC. THE LIST GOES ON, AND ON AND ON. THERE ARE THOUSANDS OF DIFFERENT KINDS OF FUNDS. THE FUNDS CAN HAVE DIFFERENT KINDS OF FEES. MAKE SURE WHEN YOU INVEST IN A MUTUAL FUND YOU KNOW THE FEES YOU PAY – OR MAY NEED TO PAY.

A GOOD INVESTMENT FOR MANY YOUNG PEOPLE ARE TAX FREE SAVINGS ACCOUNTS – OR TFSAs. YOU CAN DEPOSIT UP TO A MAXIMUM AMOUNT EACH YEAR (FOR EXAMPLE, $5,000) AND YOU CAN INVEST THE MONEY THAT YOU PUT IN A TFSA. ANY MONEY YOU MAKE ON YOUR TFSA INVESTMENTS IS TAX FREE. THERE IS QUITE A BIT TO KNOW ABOUT TFSAs – BUT THEY ARE GENERALLY A GOOD INVESTMENT FOR YOUNG PEOPLE TO HAVE. LOOK INTO TFSAs, ASK ABOUT THEM, AND SEE IF THEY WOULD WORK FOR YOU.

Another thing to think about – probably when you have some savings built up and you are looking to build an investment portfolio – is the possibility of working with an advisor.

It is possible to do your own investing with help from banks and online brokerages. However, although you will pay a fee to work with an advisor, it may be worth it. This is especially true if you don't know a lot about investing. They may be able to help you get the return you are looking for – even taking into account the fee you pay for the help and advice. An advisor can help you set your goals, work through your profile and your comfort with risk, help you pick investments, diversify, and put together a financial plan.

Take action. Take Control!

Look into "investment simulations" that exist and see if you can learn by participating in a simulation activity. Consider setting up an "investment club" in your school.

As with all kinds of services, there are those that are good and those that aren't so good. If you are looking for financial help (advisor, broker, insurance agent, etc.), talk with others who use their services. Find out who is happy with the service they are getting and set up a meeting to see if the same person would work well for you. If you don't know anyone getting financial help, check out respected companies that provide financial services and help. Meet with one – or a few – people to see if there is a good fit and one you would like to work with.

IF YOU LOOK FOR FINANCIAL HELP, MAKE SURE THE INDIVIDUAL IS LICENSED AND QUALIFIED TO GIVE YOU THE HELP AND SERVICES YOU NEED. ALSO, LOOK TO WORK WITH SOMEONE WITH WHOM YOU ARE COMFORTABLE. LOOK FOR SOMEONE WHO LOOKS LIKE THEY WANT TO WORK WITH YOU FOR THE "LONG HAUL" AND THAT THEY AREN'T JUST LOOKING FOR A QUICK SALE. THE RELATIONSHIP YOU BUILD WILL BE A KEY ONE. MAKE A CAREFUL CHOICE IF YOU DECIDE TO GET FINANCIAL HELP.

A few final quick tips and reminders on investing:

- Tip number one is to be very cautious about investing on the basis of a "tip" from someone. Tips are highly unreliable and probably lead to losses more often than gains.
- Check out every investment carefully and fully understand it before investing in it.
- Don't panic if things don't go well; keep calm and avoid irrational decisions. When the market fell sharply in 2008-2009 it recovered most of its losses in the year or two after. Those who sold their investments when things went bad, lost money. Those who held on, and didn't panic, in many cases, got their money back. So avoid panic. Be careful about making quick decisions if things start to go a little crazy. That is also when an advisor can help.
- Keep inflation in mind when making your investment decisions. You'll want to earn a rate of return that is at least equal to the rate of inflation.
- Invest even small amounts; you will be surprised how they can add up over time.
- Diversify your investments.
- Never make investments that you don't understand.
- Keep in mind what J.P. Morgan said: "Sell down to your sleeping point," which basically means, avoid investments that cause you too much anxiety; invest so you can sleep at night. Find your risk/return balance point.

In summary, investing is something that should be considered by everyone, not only those with lots of money or great wealth. Investing is not only good for the individual investor; it also provides the fuel for the growth and development of our whole economy. So, be prepared to be an investor at whatever level is possible for you – and at whatever age you are.

As an example, suppose you had saved $100 at age 15. Suppose further that you were able to save an additional $100 each year. And suppose you were able to earn an average return of 5% a year for 40 years. After 40 years, your $100 a year in savings, well invested, would be worth almost $13,000. Investing can work to your advantage, bring benefits, and help you to achieve your goals. Invest when you can, and what you can – but do so wisely and make investments that are comfortable for you.

Chapter Summary

Say What? Possible New Terms!

1. **Advisor:** a professional who assists clients with planning and arranging their financial affairs.
2. **Broker (or stock broker):** a person trained and licensed to buy and sell stocks.
3. **Stocks or shares:** represent part ownership in a company. "Shareholders" will receive a share of company profits based on the number of shares they own – if the company makes a profit and profits are distributed.
4. **Economic growth:** an increase in the quantity of goods and services produced by an economy.
5. **Distribution of income:** the portion of total income produced in an economy received by the various members of the population – or groupings of the population.
6. **Liquidity:** the ease with which an investment or asset can be converted into cash – and the certainty of its value.
7. **Time horizon:** the period of time when you will need to turn investments into cash to use the money.
8. **Bond:** a way in which governments and companies can borrow money. A bond can be sold for a period of time and bondholders will be paid a set amount of interest. On the maturity date, the money will be repaid to the bondholder.
9. **Equity:** an asset that has value. The value of the asset may change over time.
10. **Bond market:** where bonds are bought and sold at a market price.
11. **Stock market:** where stocks (shares of companies) are bought and sold at a market price.
12. **Fixed income investment:** an investment with a fixed interest rate that does not change.
13. **Investor profile:** a description of the type of investor a person is in terms of goals, comfort with risk, knowledge of investing, etc.
14. **Portfolio:** a collection of investments held by an investor.
15. **Mutual fund:** funds pooled by investors and managed/invested on their behalf by a professional "fund manager" for a fee. Funds differ in terms of the kinds of investments held by the fund.

Did It Stick? Can you recall . . .?

1. What are the different things people can do with their money?
2. Why is saving important?
3. What are some ways to try and save money?
4. What is the purpose of investing?
5. Why might you choose to work with an advisor?
6. What factors can affect a person's comfort level with risk?
7. Why is investing important to the economy?
8. What are some key criteria to consider when making decisions about money?

Thinkabout . . . or discuss:

- What kinds of investments are the best ones for young people and new investors?
- What might young people do to be able to save more?
- What possible "frauds" and "scams" do young people have to be wary of?
- What factors can affect how well an economy, such as Canada's, performs when compared with the economies of other countries?

Tips and Suggestions

- Diversify your investments.
- Don't make investments you don't understand.
- Understand your target level of return will always equal your possible loss for an investment.
- Consider getting advice and help if you need it.
- Avoid "tips" and "hot opportunities." They usually don't work out.
- Only get financial help from those who are trained and licensed to provide the help you need.
- Consider "TFSAs" as a way to save and invest your money.
- Start early. Save what you can. Invest when you can. And give your savings a chance to grow.

Tech-Talk

You will find good information, handy calculators, etc. at the web sites of:

- GetSmarterAboutMoney.ca
- The B.C. Securities Commission
- Fiscal Agents
- Financial Consumer Agency of Canada (FCAC)
- Canadian Foundation for Economic Education (CFEE)
- Check out CFEE's Building Futures Network web site for a lot of tips on saving

Part 6: Protecting Assets and Planning for the Future


ELIZABETH II
CANADA

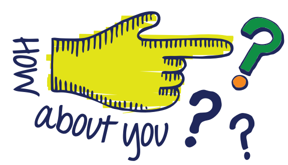
CHAPTER 14:

Protecting Assets - And Planning for Financial Independence

Let's discuss...

- Insurance
- Planning for Financial Independence

Nothing is more frustrating than working very hard to achieve something and then losing it. The same is true in the world of money. It can be very sad (sometimes tragic) if all of a sudden things for which we have worked so hard are destroyed or taken away. Part of good financial planning is to plan for things that may go wrong – and to protect the things you care about most. This includes the relationships in your life and your family members. And it can include the material things – a home, cottage, car, boat, etc.



WHAT ARE THE THINGS THAT YOU CARE ABOUT MOST IN YOUR LIFE AT THIS TIME? HAS ANY ITEM YOU HAVE EVER OWNED, AND THAT YOU REALLY CARED ABOUT, BEEN LOST, DAMAGED, OR STOLEN? IF SO, WERE YOU ABLE TO DO ANYTHING ABOUT IT?

That is the role of insurance. Insurance is a way to reduce or eliminate risk. What kinds of risk?

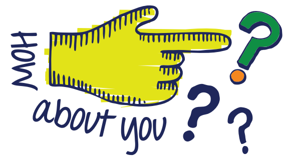
- The risk that, when you have a family, a life partner, children,etc., that you may die or become injured or disabled – and not be able to earn an income;
- The risk that another member of your family, on whom you may rely for support or assistance, may die or become unable to provide support;
- The risk that something you have worked hard to get – a computer, bike, cell phone, home, cottage, car, etc. – may become damaged, destroyed, or stolen;
- The risk that, while driving a car, you hit and hurt, or kill, someone.

And so on. There is a somewhat crude saying about what can happen in life – and it's true. Bad things will happen. We wish they didn't, but they do – and, if they do, you'll want to be prepared – and protected if you can.

Insurance can help. For a fee, you can buy a "policy" that can help you be prepared for such possibilities. Even at a young age, insurance will be important – for those who drive a car, or travel out of the country, or rent a house or apartment, etc. Bad things can happen – car accident, injury or sickness while in another country, a fire starts in your apartment – and you'll want to be protected if this happens.

The challenge, in some cases, is to think about things that could happen that you don't really want to think about. But it is necessary if you are going to be prepared.

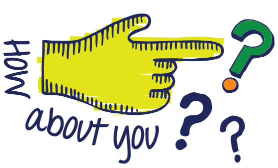
WHAT ARE SOME OF THE COMMON RISKS THAT YOUNG PEOPLE FACE? WHAT, IF ANYTHING, CAN THEY DO TO REDUCE THOSE RISKS?



HAVE YOU THOUGHT ABOUT POSSIBLE "RISKS" IN YOUR LIFE? ARE THERE RISKS THAT YOU FACE? IF SO, ARE YOU PROTECTED? IF SO, HOW? IF NOT, COULD YOU BE?

In addition to insurance and trying to reduce or eliminate risks, another key part of financial planning is to look ahead to a goal that most people have – to be "financially independent" some day. Sometimes this is referred to as "planning for retirement."

But what is "retirement?" Sounds like "getting old." But, in reality, to be able to retire, most people are trying to get to where they no longer have to work for a living. It is when they have saved, or acquired, enough money that they can live off the money they have – or can get from "non-working" sources – so they don't have to work anymore. The money they live off may come from government or company pensions, savings and investments they have made, "assets" – like a home – that they have acquired that could be sold, etc. It is a great moment in life when a person can be "financially independent" and not have to work.



YOU ARE JUST STARTING YOUR WORKING LIFE. BUT DO YOU HOPE TO NOT HAVE TO WORK TO MAKE A LIVING SOME DAY? IF SO, WHEN – WHEN YOU ARE 45, 55, 65, 75, EVER?

We encourage you to look ahead to your financial future not so much as "planning to retire" but rather planning to build up "non-working" sources of income so that you can decide whether you want to work or not.

IF YOU HOPE TO GET TO A POINT SOME DAY IN YOUR LIFE WHEN YOU CAN CHOOSE TO WORK OR NOT WORK – AND STOP WORK IF YOU WANT TO DO OTHER THINGS – TRY AND START PLANNING FOR THAT AS SOON AS YOU CAN. MANY PEOPLE LEAVE IT TOO LATE AND STRUGGLE TO EVER GET TO THAT POINT. PICK AN AGE WHEN YOU WOULD LIKE TO HAVE THAT FREEDOM TO CHOOSE – AND SEE WHAT IT WILL TAKE TO GET THERE.

If you want to get to where you can work or not work at some target point in your life, early planning is crucial.

Let's take a quick look at these two important areas of managing money – (1) how to protect the things in life you care about (or will care about) and (2) how to plan ahead for financial independence.

Protecting You And Your Assets: Insurance

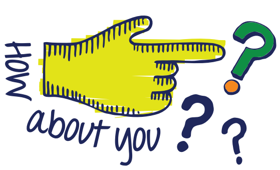
Insurance is a way to reduce, eliminate, or share risk. You buy insurance from insurance companies. These are companies that pool the money they receive from "policy-holders" (those who buy insurance) and then use that money to make payments to those who make "claims" when things happen. The payments made to insurance companies by policy-holders are called "premiums." Insurance companies will also put some of that money to work by making investments.

The insurance companies stay in business, and earn a profit, if they can take in more money through premiums and their investments than they have to pay out in claims.

The premium that you will pay for an insurance "policy" will depend on how much risk you represent for the insurance company. Insurance companies have very detailed records, and use "probability tables," to help them decide how much risk they would take on by providing possible clients with insurance "coverage."

For example, and as you may know, past statistics show that young males tend to get more speeding tickets – and get in more car accidents – than young females. Because of this, young male drivers represent a higher risk. Therefore, if you are a young male, you are probably going to find that your monthly premium payments for car insurance are going to be higher than if you are a young female.

That's how insurance works. The higher the risk, the more you will have to pay to get insurance coverage. That may not seem fair if you are a young male and a good and careful driver. Unfortunately, the "odds" work against you. Because the odds show that young males are more likely to have a car accident, young males usually pay more than young females for insurance.



DO YOU KNOW YOUNG MALES AND FEMALES WHO ARE DRIVING CARS AND ARE INSURED? HAVE YOU HEARD WHETHER RATES ARE DIFFERENT FOR MALES AND FEMALES? IF YOU DRIVE, OR WHEN YOU DO DRIVE, BE HONEST – WHAT LEVEL OF RISK WOULD YOU GIVE TO YOU?

very low risk very high risk

1 2 3 4 5

It is also the case that some people may be, or may become, such a high risk that companies won't insure them at all – or the costs of getting insurance are so high that the person may not be able to afford the insurance.

INSURANCE CAN BE VERY COSTLY FOR YOUNG DRIVERS. AVOID SPEEDING TICKETS. AVOID ACCIDENTS – OBVIOUSLY! SEE IF YOU QUALIFY AS AN "ADDED DRIVER" TO A POLICY OF A FAMILY MEMBER RATHER THAN BEING THE "PRIMARY" DRIVER OF A CAR. BE CAREFUL LENDING A CAR TO OTHERS WHO MAY GET INTO AN ACCIDENT.

In the same way that you want to keep a good credit rating, you also want to try and keep your "risk factor" as low as possible. What does that mean?

If you drive a car, the better driver you are, the longer you have been driving, the fewer tickets you have, the fewer accidents you have, etc. the lower risk you are – or the lower risk you will become and the cheaper your car insurance. You may not get a break at the beginning (although insurance is often reduced if you can prove you have had "driver training") but, over time, as you drive more, and time passes, your driving, speeding, and accident record will affect your insurance rates.

IF YOU CAN, AND CAN AFFORD IT, LOOK INTO A "DRIVER EDUCATION" PROGRAM. NOT ONLY MAY IT HELP MAKE YOU A BETTER DRIVER, IT MAY HELP LOWER YOUR INSURANCE COSTS.

The same is true for life and health insurance. The healthier you are, the younger you are, if you don't smoke, if you don't take drugs, the safer your job, the better the health of your parents and others in your family, etc. the lower will be your "health risk" – and risk of dying. Therefore, you will likely be able to get insurance on your life and health at a lower cost.

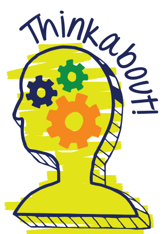
TO PAY AS LITTLE AS YOU CAN FOR INSURANCE, YOU WANT TO KEEP YOUR "RISK FACTOR" AS LOW AS POSSIBLE. THAT MEANS THAT INSURANCE COMPANIES WILL NOT SEE YOU AS A HIGH RISK IN TERMS OF THE LIKELIHOOD OF YOU MAKING A CLAIM – OR LOTS OF CLAIMS. THINK ABOUT FACTORS THAT MAY AFFECT YOUR "RISK FACTOR" AND HOW MUCH YOU MIGHT HAVE TO PAY FOR INSURANCE.

Types Of Insurance

There are basically two types of insurance – (1) general insurance and (2) life and health insurance. General insurance refers to insurance policies that cover property and physical assets – house, boat, car, jewellery, etc. Life and health insurance policies, not surprisingly, cover your life and your health.

The cost of a general insurance policy (how much your premium is monthly, semi-annually, or annually) will depend on a number of things including:

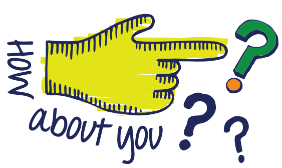
- the value of the asset you are protecting (e.g. a house at $350,000 or a car at $35,000) – the more valuable the asset, the more costly the insurance.
- the risk of something happening to the asset or how frequently it is used (e.g. do you drive your car 30,000 kms. a year or do you drive your car 10,000 kms. a year?) The more it is used, the more likely an accident will happen – and the higher will be the cost of insurance.
- your personal record with respect to your assets, their loss, and previous insurance claim you may have made (e.g. you may have claimed for lost jewellery and also claimed twice for house insurance – a break-in and theft and a flooded basement). The more you claim the more things seem to happen to you – the higher the risk – and the higher the cost of insurance.
- the type or style of the asset being insured (for example, insurance for a sports car will probably cost more than insurance for a conservative sedan because past history has shown that sports cars are involved in more accidents).
- the area you live in (for example, insuring a house and its contents in a high crime rate area may cost more than in a house in a low crime rate area).



HAVE YOU DONE ANYTHING TO DATE THAT MIGHT AFFECT YOUR "RISK FACTOR" – EITHER POSITIVELY OR NEGATIVELY? ARE THERE OTHERS IN YOUR LIFE WHO MAY HAVE AN INFLUENCE ON YOUR "RISK FACTOR" – EITHER TODAY OR IN THE FUTURE?

Life and health insurance is what you will acquire to (a) provide for others in the event you should die (life insurance) and (b) provide for yourself and others in the event you become sick or disabled and you are unable to earn an income (disability insurance).

With respect to life insurance, there are two general types – "term" insurance and "permanent" insurance. Term insurance is cheaper. It provides protection for those things for which the financial need for protection is more temporary. For example, suppose some day you have children. Suppose you want to be sure that, should you die, their post-secondary education costs would be covered. That would be a temporary need for insurance. Why? Once the children are beyond post-secondary school age, the insurance protection would no longer be needed. Therefore, you may arrange for term life insurance that would end when the children reached that age. The life insurance would be temporary and would only be paid if you died before the policy ended. If the children complete their education, and the policy ends, and you didn't die – first, celebrate! But you don't get anything from the policy. You were buying protection in case anything happened to you. If nothing did, the insurance company keeps the money. Their risk was that you might die. If you did – they pay. If you didn't – they don't. The payments you made would have been temporary. And the cost of term insurance is often relatively low compared with other kinds of insurance.



DO YOU KNOW IF THERE IS ANY INSURANCE PROTECTION IN PLACE THAT COULD HELP YOU IN A CERTAIN SITUATION – IF THAT SITUATION EVER AROSE?

Permanent insurance (such as "whole life" policies) are different. They are just that – permanent. They last for life. Whereas term insurance *might* be paid (for example, if you die), permanent insurance will be paid when you die.

Permanent insurance is for permanent protection. For example, suppose you want to ensure that estate taxes are covered when you die. (The government receives taxes levied on the estate of a person when he or she dies). Or maybe you want to leave money for a life partner, children, etc. after you die. That means you want insurance to provide money *when* you die – not if you die. You want *permanent* protection. That is when you would consider permanent insurance, which is more expensive than term insurance. Why?

With permanent insurance, the company knows they eventually will pay. They pay when you die. That is why it costs more than a policy where they might not pay – in fact, the odds may be pretty good that they won't pay.

So remember, insure things that are important to you – and insure them with the right kind of insurance. But don't take on more insurance than you need. Most people will work with an insurance agent to help provide advice on how much insurance to buy. But insurance, and deciding on the right amount, and the right kind, can be complicated. Do your homework. Read about insurance before making insurance decisions. And work with an agent who is able to explain things in a way you can understand. Try to make sure you have enough insurance – but not too much and more than you need.

At a young age, you will most likely have your first dealings with insurance when you drive a car, or when you travel (and need out-of-country) life and health insurance, or possibly "renter's insurance" if you move out and rent a house, condo, or apartment. You will probably need advice – and maybe help – from family members to make insurance decisions and cover the costs.

IF YOU MOVE OUT AND RENT A PLACE – OR IF YOU HAVE ALREADY, LOOK INTO "RENTER'S INSURANCE." YOU MIGHT WANT SOME TO PROTECT YOU IN CASE ANYTHING HAPPENS TO THE PLACE YOU ARE RENTING – AND IT'S YOUR FAULT.

DON'T PUT OFF THINKING ABOUT LIFE INSURANCE TOO LONG. NO ONE WANTS TO THINK ABOUT DYING – BUT LIFE INSURANCE POLICIES CAN BE A LOT CHEAPER IF THEY ARE STARTED AT A YOUNG AGE. AS SOON AS YOU START THINKING ABOUT FORMING A HOUSEHOLD WITH SOMEONE, OR HAVING A FAMILY, START TO THINK ABOUT – AND LOOK INTO – HEALTH AND LIFE INSURANCE.

Now, let's turn our attention to the goal of financial independence.

Setting A Target For Financial Independence

Pablo Casals, the famous Spanish cellist, once said that: "To retire is to begin to die." Casals obviously saw retirement as an unwanted change in life. To him, it meant shifting your focus from preparing to live to preparing to die. That would not inspire many people to think about retirement.

However, here is a suggestion. Don't think about "retiring." Think about getting to where you are "financially independent" – and don't have to work for an income.

Perhaps society made a mistake in creating the concept of "retirement" in the first place. In early civilizations, many privileges came with age. There was no fixed date after which you suddenly became "retired." Elders were highly respected – and often seen as having the most to offer based on their wisdom and experience.

Things have changed over time. The world changes so fast these days that older people are often seen more today as "out of touch" or "not up on things" or "behind the times." That is probably an unfortunate change since there is still a great deal that can be gained from the wisdom and experience of those who are "older" in our society.

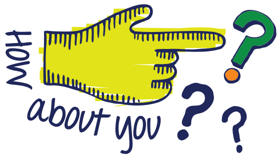
Discuss

HOW HAVE THINGS CHANGED IN TERMS OF HOW SENIORS ARE REGARDED – AND THE ROLE THEY PLAY IN OUR SOCIETY? WHAT HAS CHANGED THAT IS GOOD? WHAT HAS CHANGED THAT ISN'T SO GOOD? HOW COULD THINGS BE BETTER?

Regardless of whether it was a good or bad thing, the concept of "retiring" came into being rather recently in our society. For a long time, the common target date to retire was age 65. At that age, it was assumed most people would stop working for an income. In some cases, they even had to stop working because retirement was "compulsory" at age 65.

This is becoming less common today. Why?

- Many people are not prepared financially to retire at age 65;
- More and more people are not getting a pension from their employer to help them in retirement;
- More people are in good health and don't want to retire; and
- In some cases, we don't have enough skilled, trained, or experienced workers in an area of work and we need people – so they are being encouraged not to retire.



DO YOU KNOW PEOPLE WHO ARE WORKING WELL PAST AGE 65? DO YOU SEE PEOPLE OVER AGE 65 WORKING AT JOBS IN YOUR COMMUNITY? IF SO, DO YOU THINK IT IS BECAUSE THEY NEED TO WORK, OR DOES THE EMPLOYER NEED OR WANT THEIR SERVICES?

At your age "retirement" is way off in the distant future. You probably feel that life, over the next few years, holds out enough challenges that deserve your attention without thinking about retirement.

But your attitude and interest might be different if, instead of "retirement" you set a goal for your "financial independence." Would you be interested in thinking about a "financial independence point" – and getting to where you could decide whether to work or not? That may be a more interesting goal, at this point in your life, than retirement – something to think about for your future.

And there is another thing to think about in terms of your future – and that is how long you may live.

Statistics show that if you are like most people today, you may live 20% to 30% or more of your life after you stop working. That's a lot of your lifetime. It could be 30 years – or more. With the advances that are taking place in health care and medicine, maybe the portion of your life spent in years after work will be even higher. That makes it even more important to plan ahead – and start to plan early. If you can set a goal of financial independence, and reach it – then you can be much better prepared for those later years. In looking into your future, and thinking about financial independence, a question comes up. How much money will you need to earn from "non-work sources" of income to be "financially independent" – and be able to choose to work or not work?

To live the kind of life you want to live – without working from an income – will you need to have an annual income of $25,000 – $40,000 – $60,000 – $80,000 or more? What lifestyle are you aiming for? This will determine how much you will need to have in savings, investments, pensions, etc. to hit your financial independence goal if you would be content living on an annual income of $25,000 a year, you won't need to build up as much if you hope to be able to get $75,000 a year.

Planning for Financial Independence:

When setting a goal to attain financial independence, you might want some help. It isn't easy to reach financial independence – and it isn't easy figuring out how much income you will need.

There are a number of factors to consider, such as: how much money you'll need each year to be "financially independent;" possible income from pension plans (including the CPP); possible income from selling assets you acquire (e.g. a home); inheritance (difficult to plan for this); the rate of inflation; the savings needed each year to reach your goal; etc. Asking for advice can help you set – and reach – a goal.

For the next 15-20 years you will probably be focused on saving for things such as education, a home, a family, etc. However, try to set your sights on a time to start planning for financial independence. Don't leave it too late.

Let's say you set a target of age 40 to focus on financial independence – and you want to achieve that goal by age 60. That gives you 20 years. By age 40 you will have likely acquired some assets, equity, savings, investments, RRSPs, etc. You can see where you are, where you want to get to, and find out how much more you will need to save. Some possible outcomes from your savings and investments at that time would be:

$ 5,000 a year at 4% for 20 years = $160,000
$ 8,000 a year at 4% for 20 years = $255,000
$10,000 a year at 4% for 20 years = $319,000

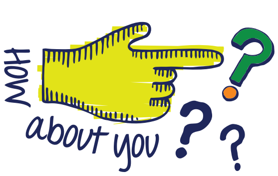
Now, what if, over 20 years, you were able to get a higher rate of return – say 6% rather than 4%.

$ 5,000 a year at 6% for 20 years = $200,000
$ 8,000 a year at 6% for 20 years = $320,000
$10,000 a year at 6% for 20 years = $400,000

Now, what if you started earlier at age 35, and targeted age of 60. That would give you 25 years.

$ 5,000 a year at 4% for 25 years = $220,000
$ 8,000 a year at 4% for 25 years = $355,000
$10,000 a year at 4% for 25 years = $443,000

As you can see, starting earlier or getting a higher rate of return, will help you build up more savings. Set your sights on a time when you will focus on financial independence. You'll be busy with other challenges in life for the coming years. But, if you want to be financially independent and secure, don't leave it too long to start your planning.



WITHOUT THINKING ABOUT INFLATION, WHAT LEVEL OF INCOME DO YOU THINK YOU WOULD NEED TO MAKE FROM NON-WORK SOURCES TO BE ABLE TO CHOOSE NOT TO WORK?

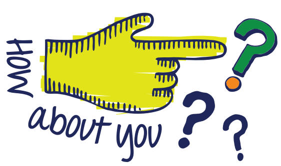
Let's look at some of the more common "non-working" sources of income that may allow you to reach financial independence.

HOW MIGHT THINGS BE DIFFERENT FOR YOUR GENERATION WHEN YOU START TO REACH YOUR 60'S THAN THEY ARE FOR PEOPLE IN THEIR 60'S TODAY?

Savings And Investments

Over the course of your life, you will hopefully set aside, and put to work, savings and investments. Hopefully, these will build up over time so that, in the future, they can help to provide an income for you.

As an example, suppose that from age 25 you saved and invested $1,000 a year and that you were able to earn an average of 4% interest or return a year. At age 60, those savings would be worth almost $80,000. As another example, if from age 30 to 65, you saved $2,500 a year, that would end up as almost $200,000! Starting to save and invest early will be very important to you later in life.



DO YOU THINK YOU WILL BE BETTER OFF, IN THE FUTURE, THAN YOUR PARENTS OR GUARDIANS? OR WORSE OFF? OR ABOUT THE SAME? WHAT FACTORS MIGHT AFFECT WHETHER YOU ARE BETTER OFF – OR WORSE OFF – THAN YOUR PARENTS OR GUARDIANS AT THEIR AGE?

Pensions

How does a pension plan work?

Payments from employees and the employer are pooled together. The pooled funds are invested and hopefully grow in value as a result. These are "pension funds" that are then invested and managed by professionals and professional companies. This creates a pool of money that employees will draw from as they retire and leave work with the company.

As we have noted, fewer companies are offering pensions today – but many still do. For those that do, you will likely make payments into the pension plan and the employer will likely also contribute a certain amount. The longer you work with the company, and the more payments you make into the plan, the higher will be the benefits that you can receive when you leave. If you work with a company that provides a pension plan, make sure that you become familiar with the pension program. Know your benefits, how they can change, and how you can maximize your benefits from the plan.

If you do get a company pension, it will most likely be a "defined contribution" pension rather than a "defined benefit" pension. What does that mean?

In the past, companies would often offer a "defined benefit" pension plan. That means, you were told the amount you would receive each year as pension when you retired. That is now seldom the case.

Today, if the company provides a pension, it will likely be a "defined contribution" pension. That means the company will contribute a certain amount each year to your pension. The money contributed will then have to be invested and managed. How well it is invested and managed will determine how much pension money you will receive when you retire.

Why does that matter? A defined contribution pension plan means it will be less certain how much pension money you will have when you leave work. It also means when economic times are difficult – as in the years 2008 and those that followed – the value of pension investments can take a real hit. If they lose value, people may not be able to retire when they had hoped – or may have to live on less in retirement than they planned. It makes future income from pensions more uncertain. And how the pension money is managed becomes very important.

In the end, a defined contribution pension plan, rather than a defined benefit pension plan, makes planning for the future – and reaching a goal of financial independence – more challenging. On the other hand, many people may not receive a company pension at all.

Canada Pension Plan/Quebec Pension Plan

Throughout your working life, you will see deductions on your paycheque referred to as CPP (or QPP in Quebec), which is your Canada Pension Plan (or Quebec Pension Plan) contribution. By contributing to this, you are eligible to receive a pension from the government when you reach age 65. (At the time this book was written, the maximum benefit payable at age 65 was around $13,000 a year.) The CPP was never set up to provide a full pension for all Canadians that they could live off. It was set up to help Canadians in their retirement years and provide some financial assistance. The benefits paid can change over time and are usually increased to keep pace with the rate of inflation.

How about you?

Do you work at a job? If so, what amounts are "deducted" from your paycheque? Is there a deduction showing for "CPP?" Other deductions from paycheques can include: income tax; deductions for "employment insurance;" a company savings plan – if there is one; company pension plan – if there is one; dues payments to a union if the company's workers are "unionized;" etc.

Other Government Benefits

Old Age Security (OAS) is also available to those who are eligible at age 65. OAS benefits are subject to a "claw back," which means all or part of the money provided may be taken back depending on your income.

The Guaranteed Annual Income Supplement is also payable to pensioners who have little or no income other than the OAS.

Registered Retirement Savings Plans (RRSPs)

These are plans you can invest in to help save for your later "non-working" or retirement years. Money contributed to RRSPs is tax-deductible – up to certain amounts based on your income, other pension plans you have, etc. Money made from investments in an RRSP is not taxable if the money stays in the RRSP.

Money from RRSPs is taxed when the funds are taken out of the plan. The idea is that, for most people, contributions to an RRSP will be made in the years when their tax rate is highest. Then funds will be taken out of the RRSP in later years when their tax rate is lower. You can take money out of an RRSP at any time. But those funds taken out of the plan will be taxable as income.

THERE ARE MANY EXCELLENT PUBLICATIONS AND ONLINE RESOURCES AVAILABLE THAT PROVIDE DETAILED INFORMATION ABOUT RRSPs. CHECK OUT THE WEB SITE OF THE INVESTOR EDUCATION FUND. WHEN YOU PUT MONEY INTO AN RRSP, TRY TO LEAVE IT THERE. YOU CAN BORROW MONEY FROM YOUR OWN RRSP TO HELP WITH YOUR EDUCATION OR BUYING A FIRST HOME. BUT THE MONEY WILL NEED TO BE PAID BACK WITHIN A CERTAIN PERIOD OF TIME OR YOU WILL HAVE TO PAY TAXES ON IT.

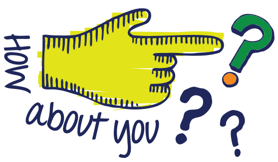
The Sale Of Assets

Assets that you get over the course of your life may be (a) assets you will always hold on to and never sell (e.g. jewellery) or (b) assets that you may sell and turn into cash to help you earn an income from that money (e.g. a home, a cottage, a trailer, a boat, etc.) You may also make changes such as selling a large car and buying a smaller car or selling a larger home and buying a smaller home – or moving into rental housing.

Selling assets and "scaling down" in size can provide money to save and invest and generate income.

Inheritances

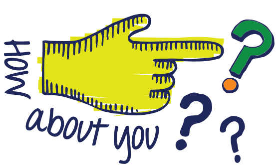
For many people, at some point in their lives they may inherit some money or some assets from others. It's not always something you want to think about or plan for – but it is something many people will receive.



DO YOU THINK AN INHERITANCE OF ANY KIND MAY AFFECT YOU IN THE FUTURE?

Interestingly, though, people are living longer and longer these days – many into to their late 80's and 90's and beyond. Some people may receive inheritances – but won't receive them until they have actually stopped working themselves. That may mean that the inheritance may not be received by the "beneficiary," (person who received an inheritance according to a will) until he/she is 65 or older.

In addition, more and more people have to draw upon their money in their later years of life to help get the care they need. This can often use up much, if not all, of the money that might have otherwise been passed on to others as inheritance. The cost of caring for elders – especially if they need constant care, sometimes for many years – can be very expensive.



MANY FAMILIES HAVE BEEN AFFECTED THESE DAYS BY ELDERS WHO ARE STRUGGLING IN THEIR LATER YEARS WITH ILLNESSES, DISEASES, DEMENTIA, ALZHEIMER'S DISEASE, AND SO ON. HAS YOUR FAMILY BEEN AFFECTED IN THIS WAY AT ALL? IF SO, WAS YOUR FAMILY PREPARED FOR THE SITUATION?

Therefore, as much as some money or assets might be inherited some day, this is a difficult source of income to include in future planning. In addition, as times and needs change, as people live longer, as the cost of "elder care" rises, people may actually have to start planning for how they will care for aging parents more than receiving an inheritance. That is unfortunate, but, as people live longer and longer – and often in ill-health – it becomes more of a possibility.

These, then, are possible "non-work" sources of income that you may be able to get or plan for.

Although the present has lots of challenges and takes a lot of your attention, try and give some thought to your later years. You (hopefully) may live a long time. A great many of those years will be in the latter period of your life. You may not want to work. You may not be able to work. If you start planning and preparing in your 20's, you may be very glad you did when you reach your 60's, 70's, 80's, 90's, or.....

Set a goal for financial independence so that you can take care of you – and your loved ones – whether you work or not. It will be an important goal to reach in life.

Chapter Summary

Say What? Possible New Terms!

1. **Insurance:** protection you can buy for the risks we may face with things we own, our health, and our life.
2. **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.
3. **Premiums:** the monthly amount you will pay for an insurance policy and insurance protection.
4. **General insurance:** provides protection against the loss, damage, destruction, or theft of property.
5. **Life and health insurance:** provides financial protection for the possible loss of income due to illness, disease, disability, or loss of life.
6. **Term life insurance:** temporary protection, to a certain age, to provide funds to others (your "beneficiaries") if you should die – to help others with expenses they face – or will face. Term life insurance is paid if you die.
7. **Permanent life insurance:** permanent protection that will provide funds to others (your "beneficiaries") when you die.
8. **Beneficiary:** the person who will receive funds paid by a life insurance policy if, or when, the policy-holder should die.
9. **Defined benefit pension plan:** a pension plan where the provider (company, government, etc.) commits to providing a certain amount of income each year when the employee retires.
10. **Defined contribution pension plan:** a pension plan where the provider commits to contributing a certain amount each year to the plan. There is no commitment to an annual payment in retirement.
11. **Old Age Security (OAS):** a government benefit provided to seniors.
12. **Guaranteed Annual Income Supplement:** a government benefit provided to seniors who are in need.
13. **Registered Retirement Savings Plan (RRSP)**: a means of saving for retirement. Money deposited each year is tax deductible up to a certain maximum. Money is taxed when it is taken out of an RRSP.

Did It Stick? Can you recall …?

1. For what kinds of risk might you want to have insurance?
2. How does "insurance" work to provide protection against risk?
3. What kinds of factors can affect the cost you will have to pay for insurance?
4. What are the different "types" of insurance and what do they cover?
5. What is the difference between "term" life insurance and "permanent" life insurance?
6. What possible "non-work" sources of income are there?
7. What is the difference between a "defined benefit" pension plan and a "defined contribution" pension plan?

Thinkabout … or discuss:

- What are some of the challenges that today's youth may face in their more senior and retirement years?
- What can young people do to try and lower the costs of insurance they pay?
- What kinds of insurance should young people think about and look into?
- Compare what different amounts of annual savings, at different rates of interest, would you have if saved from age 25 to 60. (e.g. $2,000 a year at 3%; $3,000 a year at 4%; and so on.)
- How well prepared are adult Canadians today for their retirement? What challenges are they facing? How can today's youth be better prepared?

Tech-Talk

- Check out information on insurance and pensions on the Investor Education Fund's web site.
- Check out the excellent financial calculators on the "Fiscal Agents" web site.
- Check out the web sites of "The Insurance Bureau of Canada" and "The Canadian Life and Health Insurance Association."

Tips and Suggestions

- As soon as you face risk of any kind in your life, see if insurance can help reduce or eliminate the risk.
- Protect your "risk factor" so that you are not seen as a high risk and you can pay less for insurance.
- Be careful about being "over-insured" and having more insurance then you need – and paying more than you have to.
- As much as it might be a challenge – plan for your future as well as today. The future will be "today" some day.
- Plan for "financial independence" more so than retirement. Try and set a goal – what it will take to reach it – and work to get there.
- Seek advice, when you need it, on planning for retirement. It's not easy to set the right financial targets – and to figure out how to get there. Be careful of those offering advice that you will need to save more than you really have to in order to reach your retirement goal.

Conclusion

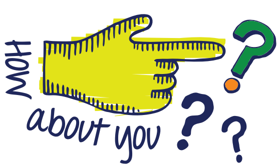

ELIZABETH II
D·G·REGINA
CANADA

CHAPTER 15:

That's all Folks!

If you're reading this there is a strong likelihood that you have now been through all the material presented in this book. If so, we hope it has been of help to you. We hope it helped you to be in a better position to "take action and take control" of your money and your financial affairs.

It is certainly more challenging today than it was in the past to manage money and make good "money decisions" – and it may get more challenging in the future. It helps to have a basic understanding of key areas such as spending, saving, investing, and insurance. We hope we have helped in that regard. Beyond that, it is up to you – to build your knowledge and skills, ask questions, and seek help and advice if you need it. Before we wrap things up, let's summarize a number of key points and leave you with a set of guidelines that can help you get, and keep, control of your financial affairs.



DID YOU FIND THIS RESOURCE TO BE HELPFUL? ARE THERE WAYS WE COULD IMPROVE IT? IF SO, GET IN TOUCH WITH CFEE (SEE THE CONTACT INFORMATION AT THE END) AND LET US KNOW.

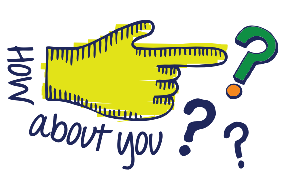
didn't help at all — Helped a lot

1 2 3 4 5

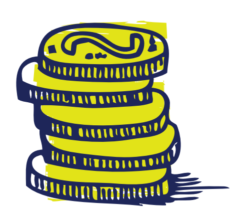
First, let's summarize some general tips.

Some General Tips

- Take care of the things you own. It will save the cost of repairs and replacement.
- If you are still living at home, consider having "the talk" with your parents or guardians. That is, if you haven't already, open up the discussion of money. They may be able to help you. You may be able to help them. See if you can become more involved in household money decisions. Many families don't talk a lot about money – but you can probably learn a lot from family members.
- Avoid impulse buying. Before you buy anything, pause and think! Why are you buying it? Do you really need it? What's your opportunity cost? What's the benefit? Is it worth the expense compared with your other options and what you will trade off?
- If you have a credit card, take care to prevent someone from retrieving any record of it and forging something in your name (it is also important to take great care so that you do not lose your cards).
- Always make sure that the total on a credit card slip is filled in before signing it.
- Don't overlook your collection hobbies as a possible investment (look at what some of the old Superman comics are worth today).
- Keep all warranties and guarantees. You may well need them at some point.
- Don't be influenced by packaging. It is the product that you use.
- Buy things off-season, such as buying skis in spring.
- Read instructions on clothing etc. carefully so that you don't ruin them accidentally by how they are washed, dry-cleaned, etc.
- Know your rights in the marketplace. Complain if you have a legitimate beef and let the vendor have a chance to fix the problem and maintain your future business.
- Resist peer pressure if it is pushing you where you don't want to go. It may take some courage, but others will usually respect you for it – and for being your own person.
- Shop with a list as often as you can. Know what you want to buy before you go out to buy it.
- Recognize that there is a high price to pay for trying to keep up with styles and fads.
- Beware of "freebies;" there is no such thing as a "free lunch" (somebody somewhere always pays; the question is who is paying and why?)
- Comparison shop. You owe it to yourself to know you are getting the best deal you can. And it is easy to do on the internet.
- Budget for the unexpected. Something unforeseen always seems to come up!
- Pay your bills – and pay them on time. You want to build a credit record that helps you – not one that hurts you.
- Protect your "PIN" and passwords. They open the doors to your money and credit cards. Guard them very carefully.

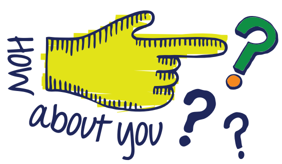


DO YOU TALK MUCH ABOUT MONEY? IN YOUR HOME? IF SO, DOES IT HELP? IF NOT, WOULD IT HELP? CAN YOU GET THE CONVERSATION STARTED?



A Few Other Things to Keep in Mind

Watch out for frauds and scams. As much as there are people in this world who can help you – friends, family, advisors – there are others who may try and take advantage of you.



HAVE YOU OR MEMBERS IN YOUR FAMILY HAD EXPERIENCE WITH INTERNET SCAMS – ATTEMPTS TO GET YOU TO SEND PERSONAL INFORMATION, PIN NUMBERS, BANK ACCOUNT NUMBERS, ETC?

Never provide personal or banking information in response to an e-mail. Banks, credit card companies, etc. will never ask you to do this. In these times, it is possible to practically duplicate a web site to look like that of a bank or other financial institution. The site may look real but, if they are asking you to update your account information online, etc. don't! It won't be a legitimate request – even if it looks to be.

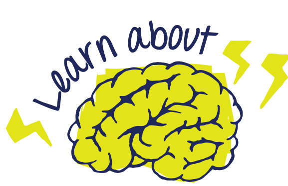
If you are contacted about a financial matter that you think might be real, don't respond by e-mail. Call and make sure it is real.

Keep or destroy any old credit cards, credit card records, bank receipts, etc. Some people will go through trash to find such records. They might be able to forge your signature too if they find a credit card receipt you signed. A "shredder" is quite inexpensive these days. If you aren't going to keep, file, and store your financial records, try and shred them before throwing them out.

You can now get your bank statements, etc. online. This is a good thing to do. You automatically have them on file and can retrieve and review them when you like. You also won't have paper records to store, worry about, or throw away – and that is good for the environment too.

Keep close control of key financial and personal information. This is very important. This includes bank records, cancelled cheques, credit card statements and receipts, etc. One reason to do this, among many, is to guard against "identity theft." It is possible for someone to try and "steal your identity" if they can get enough personal information.

If they do, they can present themselves as you, get credit cards, take out loans, etc. in your name. And you may never hear about it until it is too late. You may find there are large balances on a credit card you never asked for, never received, and yet is in your name. The same may be true of a loan you never took out. Keep close control over all your personal information and financial records. It is very important.



LOOK FURTHER INTO "IDENTITY THEFT" AND HOW IT IS POSSIBLE FOR SOMEONE TO STEAL ANOTHER PERSON'S IDENTITY. MAKE SURE THAT DOESN'T HAPPEN TO YOU.

As we come to the end, let's share some final suggestions on how to stay in control of your money and financial affairs.

Personal Money Guide: Keeping Control of Your Money

1. **Pay yourself first.** Save when you can. Start early to benefit from compound interest. Make saving a "habit."

2. **Plan ahead.** The future will be the present some day. You will want to enjoy that too. For some things you may want in the future, you will have to begin planning today. Plan for all phases of your life. And be prepared for the unexpected expenses that may come up.

3. **Pause and think** – even for a minute – before making a significant purchase. Do you need it? Why are you buying it? What are the trade-offs – today and in the future? Have you taken time to compare prices and options?

4. **Ask until you are comfortable.** Information is the key to making a good decision. Learn enough to know the kinds of questions you should ask – and then ask them. If you don't get the answers that you need, or can understand, be cautious about moving head.

5. **Know your credit limit.** And live within it. Work out how much debt you can afford to carry. Borrow what you can afford and, if you get to your limit, shut down any further borrowing.

6. **Resist temptation.** It may be hard. There are so many efforts to make you "buy this," and "buy that." Buy what you need and want – not what others want you to buy. Keep in control.

7. **Return = Risk.** Consider the possible risk as well as the potential return on any investment. The more you hope to gain, the more you risk losing. Find a balance between the two that is right for you. And remember, if something sounds too good to be true, it possibly is.

8. **Read the fine print.** The things people want you to see will usually be big, bold, and obvious. It's the things they might not want you to see that will be in the "fine print." Take time to read the fine print before signing.

9. **Avoid fees and penalties.** Many people pay fees, interest, penalties, etc. that can easily be avoided. Make sure you have bank accounts, credit cards, cell phone plans, etc. that are right for you. Pay bills, taxes, etc. on time. Late charges can really add up – and late payments affect your credit rating.

10. **Seek advice when needed.** You can likely handle some aspects of managing your money. Some things can be complicated. If you can handle those too, go right ahead. But, if you are uncomfortable or unsure, consider getting some advice. You may pay a fee – but it could be worth it. Make sure the person you work with is trained and registered to provide the services you need. Ask about fees.

11. **Know where your money is going.** Nothing is more important to help you stay in control of your money. Is it going where you want it to go? Are you saving enough? Are you spending too much in some areas? Do you want to put some money toward helping others? Tracking your spending is very important. A budget can be very helpful. It can help you get control of your money – and keep control. And keep good records, as well as receipts, warranties, etc.

12. **Money can't buy happiness!** But it can help – and it can cause unhappiness and stress. Try to keep control of your money. Keep in mind that many things in life that matter most have little to do with money – family, friends, relationships, experiences, adventures, and so on. Don't let money problems get in the way of your happiness.

Having a basic understanding of money matters, managing your money and keeping control can help you do that. And the key is to try to prevent problems from ever occurring.

Life is short – though we hope not too short. But it is ours to enjoy as best we can. Work to avoid financial worries and problems. Build your financial future on a strong foundation – and keep it there. Control your money as best you can. Don't let it control you.

We hope *Money and Youth* has helped to prepare you to do just that – get control and keep control. And we hope that, as a result, money can help contribute to the happiness you will have in your life.

Control your money
as best you can.

Don't let it control you.

Glossary Of Terms

Advisor: a professional who assists clients with planning and arranging their financial affairs.

Amortization: the period of time over which you agree to pay back a loan – such as a mortgage – via a series of regular payments.

Appraisal: the estimate made of the value of a property.

Asset: is something you own that has value.

Bank of Canada: Canada's central bank that holds the responsibility, among other things, of influencing the money supply, interest rates, and spending to keep prices relatively stable and protect the purchasing power of Canada's money.

Bartering: when one item is exchanged directly for another without using money.

Benefactor: a person who receives money or assets as indicated by a will from someone who has died.

Beneficiary: the person who will receive funds paid by a life insurance policy if, or when, the policy holder should die.

Bond: a way in which governments and companies can borrow money. A bond can be sold for a period of time and bondholders will be paid a set amount of interest. On the maturity date, the money will be repaid to the bondholder.

Bond market: where bonds are bought and sold at a market price.

Broker (or stock broker): a person trained and licensed to buy and sell stocks.

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.

Canada Education Savings Grant: grant program of the federal government to provide money to help people save for post-secondary education and training.

Canada Learning Bond: a federal government program to provide assistance to lower income Canadians to help them save for post-secondary education and training.

Capacity: your ability to make payments on a loan – usually determined by your income.

Capital: the assets you own – things of value – things that could be sold or cashed in, if needed, to help pay back a loan.

Capital gain: is earned when an asset is bought at one price and sold at a higher price.

Career path: various career stages over the course of one's life. Many people will have multiple jobs over time building up to a career path.

Career plan: the steps and strategies taken to explore career options, set career goals, and obtain the required education, training and experience to achieve career goals.

Carrying cost of a debt: the interest charges that you pay on debts that you carry on a credit card over time. That is, credit card debts that you don't pay off right away and result in interest charges.

Caveat emptor: "buyer beware," which means that, in the end, a consumer is largely responsible for each decision that is made.

Character: things about you that indicate your degree of stability, responsibility, and reliability.

Co-signer: a person who signs a loan agreement who is willing to pay back the loan, or what is owing on a loan, if the borrower can't repay.

Collateral: something of value that you put up in support of a loan and that could be sold, cashed in, or given to the lender if a loan can't be repaid.

Compound interest: when savings earn interest, and the interest is added to the savings, this enables the savings to grow and earn more interest. Over the years more and more interest is added and this helps to build up the value of savings.

Consolidation loan: one loan taken out to pay off a number of debts to make one payment monthly rather than a number of payments to hopefully reduce the monthly cost.

Consumer rights: these are what a consumer should reasonably expect in the course of fair dealings and expectations with a producer or retailer.

Covering letter: a letter written to accompany a résumé and is written specifically for a job for which you are applying.

Credit rating: a score that indicates your history of managing and paying your bills and debts.

Creditor: is someone who lends money to others.

Debtor: is someone who borrows money from others.

Defined benefit pension plan: a pension plan where the provider (company, government, etc.) commits to providing a certain amount of income each year when the employee retires.

Defined contribution pension plan: a pension plan where the provider commits to contributing a certain amount each year to the plan. There is no commitment to an annual payment in retirement.

Depreciation: the gradual decline in the value of an asset from when it is new (full value) to when it has no value.

Disability insurance: protection you can buy to provide an income in the event of a long-term illness or disability.

Distribution of income: the portion of total income produced in an economy received by the various members of the population – or groupings of the population.

Dividend: the shares of a company's profits that are given to shareholders.

Economic growth: an increase in the quantity of goods and services produced by an economy.

Employment insurance: a program which governments can use to help provide funds to people who become unemployed – if the person qualifies for the benefit.

Enterprising person: someone who applies entrepreneurial characteristics and skills to any kind of endeavour.

Entrepreneur: a person who recognizes an opportunity (need, want, or problem) and uses resources to pursue an idea for a new, thoughtfully-planned venture.

Entrepreneurial opportunity: a need, want, or problem for which a reasonable number of people (to make a venture viable) would welcome a solution.

Envy: the desire to have what others have, look like others look, live like others live, etc. This is a pressure you usually put on yourself.

Equity: an asset that has value. The value of the asset may change over time.

Estate: the money and assets left by a person upon death.

Exchange rate: the value of one country's currency in terms of the currency of another country.

Executor: the person or persons responsible for seeing that an estate is settled according to a will.

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.

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.

Financial planning: setting goals for things you hope to achieve and acquire over time and making a plan for how to achieve those goals.

Fixed costs: the costs that come up on a regular basis that you have to pay each month.

Fixed income investment: an investment with a fixed interest rate that does not change.

Foreign exchange market: locations where the currency of one country can be exchanged for the currency of another country.

General insurance: provides protection against the loss, damage, destruction, or theft of property.

Guaranteed Annual Income Supplement: a government benefit provided to seniors who are in need.

Inflation: a rise in the average price level of goods and services in the economy.

Insurance: protection you can buy for the risks we may face with things we own, our health, and our life.

Intensity of feelings: how strongly you feel about something. This is hard to measure or put a number on. But it will be important in making decisions.

Intrinsic value: when money has value in and of itself. For example, money made from gold or silver.

Investor profile: a description of the type of investor a person is in terms of goals, comfort with risk, knowledge of investing, etc.

Irregular costs: the costs that come up every now and then and for which you have to plan for to be able to cover.

Legal tender: the official money in a country that is widely accepted.

Liability: is something that you owe.

Life and health insurance: provides financial protection for the possible loss of income due to illness, disease, disability, or loss of life.

Life cycle: the different general stages of life people commonly go through where circumstance, priorities, and goals change over time.

Liquidity: the ease with which an investment or asset can be converted into cash – and the certainty of its value.

Medium of exchange: one of the roles of money. Prices can be set in terms of money for goods and services and then money can be used to "exchange" to receive a good or service.

Metacognition: thinking about your thinking – and to pause and take time to think about what you are going to do – and any decision you are about to make.

Minimum wage: the lowest wage that an employer can legally pay an employee.

Mutual fund: funds pooled by investors and managed/invested on their behalf by a professional "fund manager" for a fee. Funds differ in terms of the kinds of investments held by the fund.

Net worth: your assets (what you own) minus your liabilities (what you owe.)

Old Age Security (OAS): a government benefit provided to seniors.

Opportunity cost: the next best alternative given up, when you make a decision.

Peer pressure: the influence that others, around the same age, can have on your actions and decisions. This is a pressure that others try to put on you.

Permanent life insurance: permanent protection that will provide funds to others (your "beneficiaries") when you die.

Portfolio: a collection of investments held by an investor.

Premiums: the monthly amount you will pay for an insurance policy and insurance protection.

Principal: the amount of money borrowed that has to be repaid. It does not include any interest charges that have to be paid for borrowing money.

Purchasing power: the ability of money to acquire goods and services. As prices rise, the purchasing power of money falls.

References: letters or comments from people you know regarding your abilities, characteristics, skills, etc. that an employer may refer to in making a hiring decision.

Registered Education Savings Plan (RESP): a means to save for children's education. Money deposited to the plan is not tax-deductible.

Registered Retirement Savings Plan (RRSP): a means of saving for retirement. Money deposited each year is tax deductible up to a certain maximum. Money is taxed when it is taken out of an RRSP.

Résumé: sometimes called a "curriculum vitae," or "CV," this is a summary of your work, education, and experience as well as other abilities you have that make you a candidate for a particular job.

Salary: the annual amount paid to a worker.

Self-efficacy: your belief in your ability to accomplish goals and tasks.

Stock exchange: where buyers and sellers come together (not physically) to buy and sell stocks with the help of stockbrokers.

Stock market: where stock (shares of companies) are bought and sold at a market price.

Stocks or shares: represent part ownership in a company. "Shareholders" will receive a share of company profits based on the number of shares owned – if the company makes a profit and profits are distributed.

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.

Tastes and preferences: our own individual likes and dislikes that can affect what we buy, what we do, what we eat, where we shop, what we wear, and so on.

Term life insurance: temporary protection, to a certain age, to provide funds to others (your "beneficiaries") if you should die – to help others with expenses they face – or will face. Term life insurance is paid if you die.

Time horizon: the period of time when you will need to turn investments into cash to use the money.

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.

Values: the beliefs, morals, attitudes and decisions that make up your character, affect what you do in life, how you handle situations, and your goals.

Wage: the hourly rate paid to a worker.

Money and Youth

Index

CFEE CANADIAN FOUNDATION FOR ECONOMIC EDUCATION
FONDATION CANADIENNE D'ÉDUCATION ÉCONOMIQUE

The Canadian Foundation for Economic Education has other resources to help youth and teachers with improving economic, financial, and entrepreneurial capability. All of our resources are free and most are in English and French. Examples of resources available include:

- **Mentors, Ventures, and Plans (MVP):** a website for those wanting to explore the world of entrepreneurship and perhaps take steps to set up a business or new entrepreneurial venture. (www.mvp.cfee.org)
- **Managing Your Money in Canada:** a website to help people with their financial questions, challenges and affairs. (www.mymic.ca)
- **Online Classroom Edition of the Globe and Mail:** a partnership with The Globe and Mail newspaper. CFEE produces a monthly Classroom Edition drawing upon key articles appearing in The Globe and Mail and provides teachers with complete lesson plans for instruction. (http://classroomedition.ca)
- **Saving for Your Future (previously The Building Futures Network):** CFEE is working with a nationwide network of organizations and agencies to assist Canadians with their savings activities – especially saving for future education and training. Funded by the Government of Canada. (www.buildingfuturesnetwork.com)
- **VECTOR:** an online-, CD-ROM-, and DVD-based career exploration and development resource featuring access to more than 170 five- to six-minute video vignettes profiling individuals and their careers. Information is available on related providers of education and training. Funded by the Government of Canada. (www.vector.cfee.org)
- **The Virtual Adviser:** an online tool designed for those working at the community level to assist Canadians with their "MONEY" and "WORK" challenges and decisions. The Virtual Adviser provides free online access to advice and information organized according to common questions that Canadians ask about money and work. Funded by the Government of Canada. (www.virtualadvisor.ca)
- **Newcomers to Canada DayPlanner:** a resource to help newcomers to Canada easily acquire information, knowledge, and links that can assist them during their period of transition. The DayPlanner is available in hard copy, can be downloaded, and can be used in digital format. Free copies are available. Funded by the Government of Canada. (www.cfeedayplanner.com)
- **The Canadian Economy: The Big Picture** – a graphic-based publication explaining how all of the parts of the economy fit together and interrelate. (http://cfee.org/resources/the-big-picture.html)

Free class sets of *Money and Youth*

CFEE provides free class sets of *Money and Youth* to teachers for students. The only cost is for postage and handling.
For more information on these and other resources, contact:

Canadian Foundation for Economic Education
110 Eglinton Avenue West, Suite 201, Toronto, Ontario M4R 1A3
Tel: (416) 968-2236; Fax: (416) 968-0488; Toll free: 1-888-570-7610;
E-mail: mail@cfee.org; Web site: www.cfee.org

CFEE CANADIAN FOUNDATION FOR ECONOMIC EDUCATION
FONDATION CANADIENNE D'ÉDUCATION ÉCONOMIQUE

Canadian Foundation for Economic Education
110 Eglinton Avenue West, Suite 201, Toronto, Ontario M4R 1A3
Tel: (416) 968-2236; Fax: (416) 968-0488; Toll free: 1-888-570-7610;
E-mail: mail@cfee.org; Web site: www.cfee.org