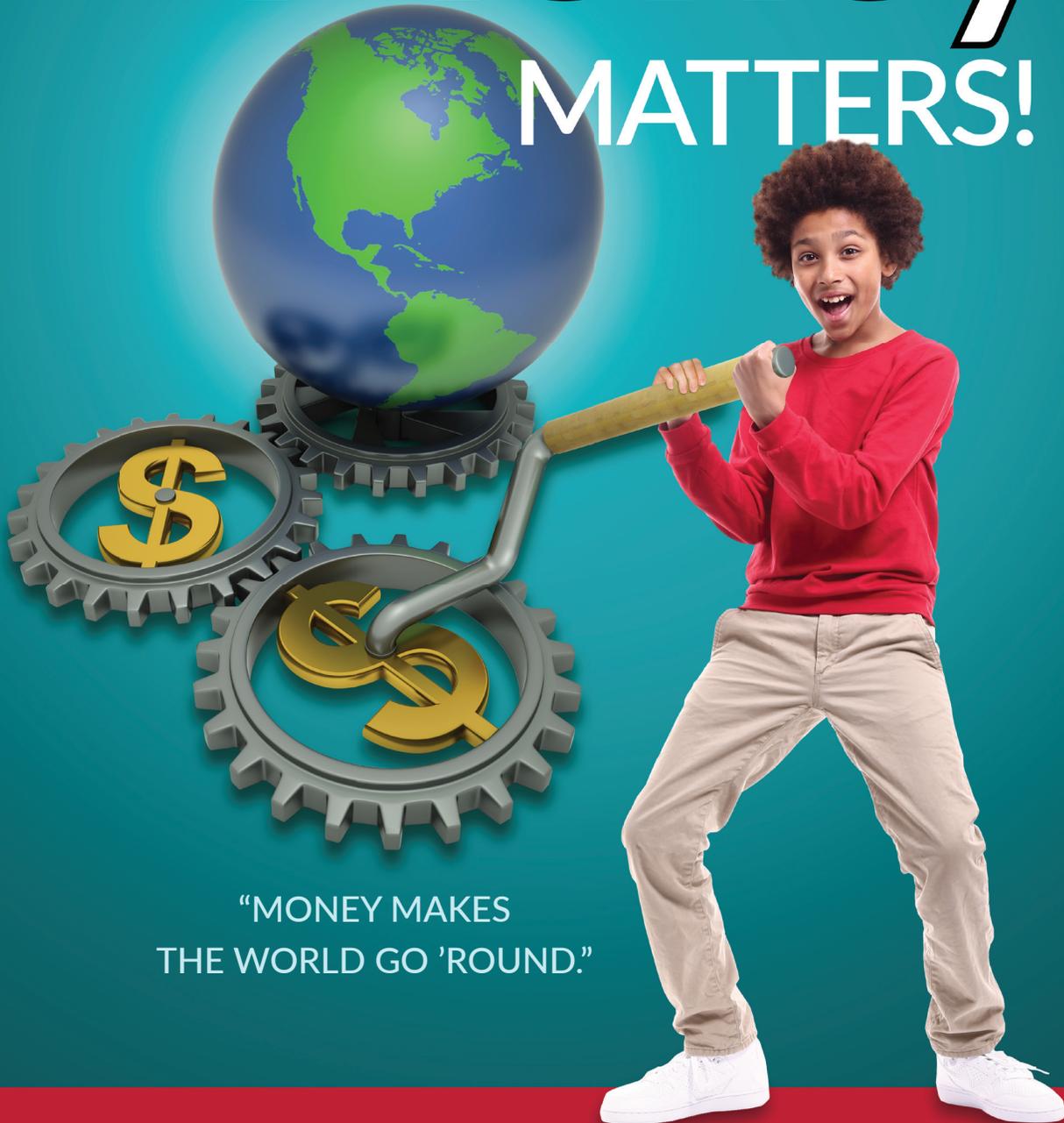


YOUR Money MATTERS!



"MONEY MAKES
THE WORLD GO 'ROUND."

TEACHER GUIDE

«TORONTO STAR»

CLASSROOM CONNECTION

classroomconnection.ca

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This resource was developed by Toronto Star Classroom Connection.

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 www.classroomconnection.ca.



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Dear Educator,

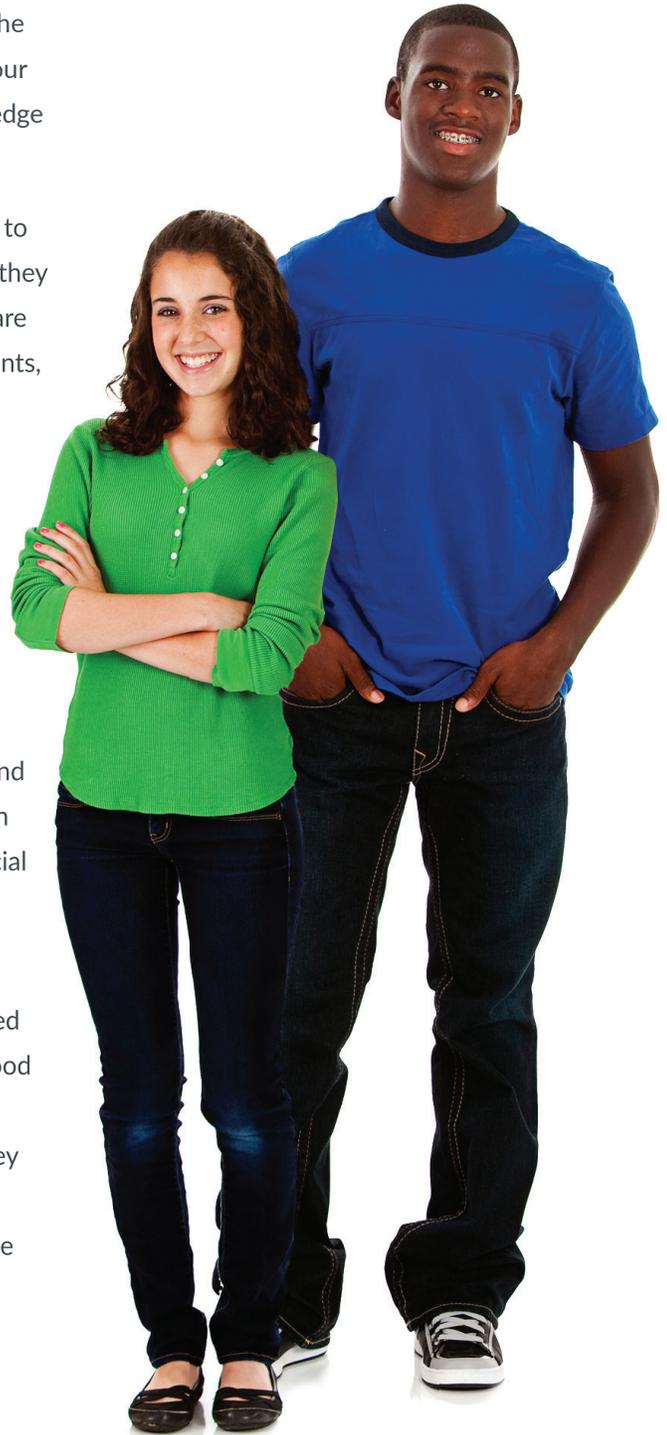
Welcome to our latest edition of *Your Money Matters!* This teacher guide is intended to be used with the *Your Money Matters!* student section and the Toronto Star. You may duplicate the activity pages in this resource for your students. Completing the activities will give students good basic knowledge and skills related to financial literacy.

The unit focuses on developing knowledge and skills that are applicable to your students' lives right now while in school, and down the road when they are young adults. Knowing how employers pay for work or how to prepare a spending plan and save money is useful now. Learning about investments, credit cards, and debt management will help them in the future.

Some activities deal with the concept of "needs and wants". This is to help students set their spending priorities. Setting priorities, and understanding which purchases are "needs" and which are "wants", is an essential skill best learned early. Budgeting activities reinforce the concept of "needs and wants".

These activities can be a starting point or a follow-up to your financial literacy lessons, and can enhance learning, making it more memorable and long-lasting. The activities address a range of abilities and can be used in any order and adjusted to suit your class. Be sure to review your provincial requirements for your specific grade level(s) and subject areas.

You can turn these activities into worksheet, individual homework, independent research, or in-class group activities. To help, we have added some forms and templates you can hand out. The activities are also a good starting point for classroom presentations, either by the student work groups or individuals. Some of the activities already have that focus. They direct the search for information, and then require students to use that information to prepare an individual report or make a presentation to the class on their findings.



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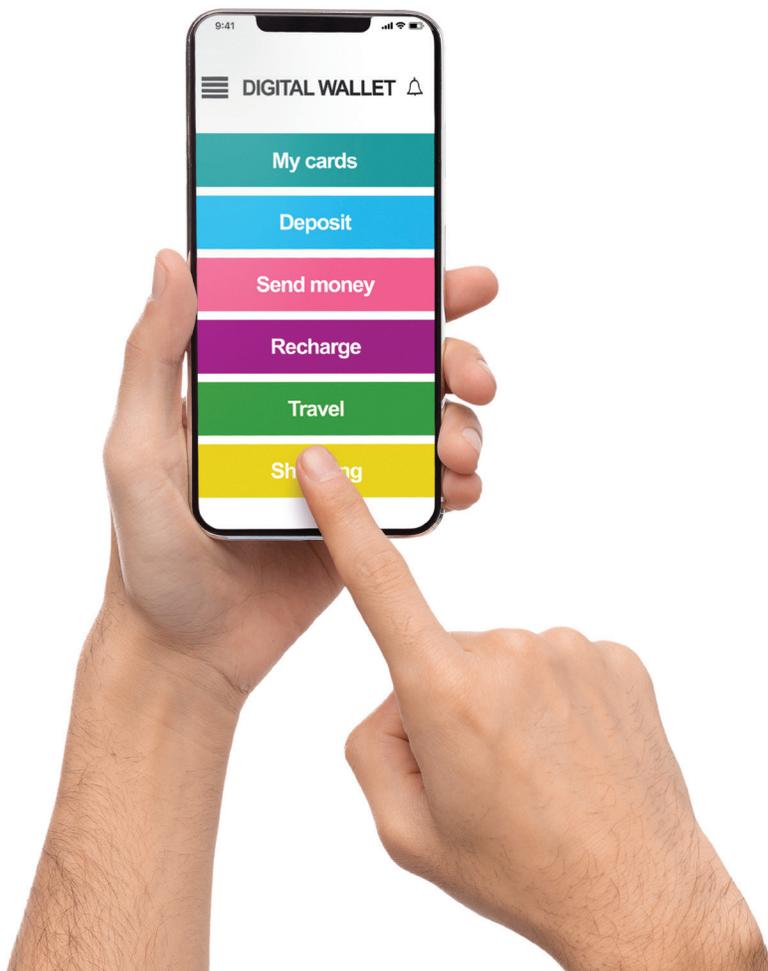
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ADDITIONAL ACTIVITIES

How does your family deal with money?

You can use this section for a brief discussion of when to use a credit card. The student section suggests that people use credit cards when they do not have the money to pay for a purchase. However, using a credit card does not necessarily mean going into debt. Many users pay the balance owed at the end of the month. They use credit cards even when they have the money to pay by cash. Have your students discuss why this may be advantageous.



THE KEY POINT

The key points are convenience and rewards. People do not need to carry a lot of cash with them, and many credit cards offer rewards for purchases made using a credit card. Have students research what rewards different credit cards offer.

Earning it/Exploring future careers

Your students may have some idea of what career they want. The section dealing with what job is right for them can be expanded into future jobs and careers. A good source of information about Ontario jobs is <http://tiny.cc/yymtg1>. It provides general information about jobs by category, including average pay, whether that area of employment is growing or declining, and education requirements. You can see an example of the general listings below.

OCCUPATION	ANNUAL INCOME	GROWTH RATE	TOTAL OPENINGS	
Drillers and blasters - surface mining, quarrying and construction	\$68,442	7.1% - 8%	101 - 200	<input type="checkbox"/>
Dry cleaning, laundry and related occupations	\$30,829	<=0%	1,001 - 2,000	<input type="checkbox"/>
Early childhood educators and assistants	\$34,391	9.1% - 10%	10,001 - 15,000	<input type="checkbox"/>
Economists and economic policy researchers and analysts	\$88,421	4.1% - 5%	1,001 - 2,000	<input type="checkbox"/>
Editors	\$54,622	3.1% - 4%	1,001 - 2,000	<input type="checkbox"/>
Education policy researchers, consultants and program officers	\$69,850	7.1% - 8%	1,001 - 2,000	<input type="checkbox"/>
Educational counsellors	\$67,619	0.1% - 1%	501 - 600	<input type="checkbox"/>
Electrical and electronics engineering technologists and technicians	\$69,499	0.1% - 1%	2,001 - 3,000	<input type="checkbox"/>
Electrical and electronics engineers	\$97,871	<=0%	601 - 700	<input type="checkbox"/>

Students can research education requirements, career paths, details on income and job availability at <http://tiny.cc/yymtg2>.

The federal government offers specific job opening information at www.jobbank.gc.ca/home and the qualifications required. It allows searches by jobs for teens, part-time jobs, and more.

If part of your class focus is on employment futures, have students use their needs and wants discussions to work out what sort of an income they want later in life. Have them look up jobs that will provide that income. Then they need to look at the education and training requirements.

Pay Stub Breakdown

Students are usually shocked when they see the deductions from their pay. Most people don't like paying taxes. Discuss what benefits they receive in government services from those taxes. Could they provide those services for themselves? Have them expand on the explanation for the other deductions.

Pay stubs also include the individual's S.I.N. Have students look up what that is and why the S.I.N. is used.

THE KEY POINT

The S.I.N. is a personal identification number that will follow them for the rest of their lives. All their government information is filed under that number. When they need a passport or file for Employment Insurance, they need that number. The S.I.N. is used for their CPP deductions, RRSP or TFSA savings and income tax payments.



ADDITIONAL ACTIVITIES

Have students practice reading the pay stub:

1. How many days does the pay stub cover?
2. If Jane Doe works the same number of hours in each pay period, how many weeks does the Year to Date cover?
3. If everything stays the same, what will she earn annually?
4. How much of her pay does she keep?
5. Explain the concept "Take-home Pay".
6. Explain why and how each deduction from her pay stub is a benefit.

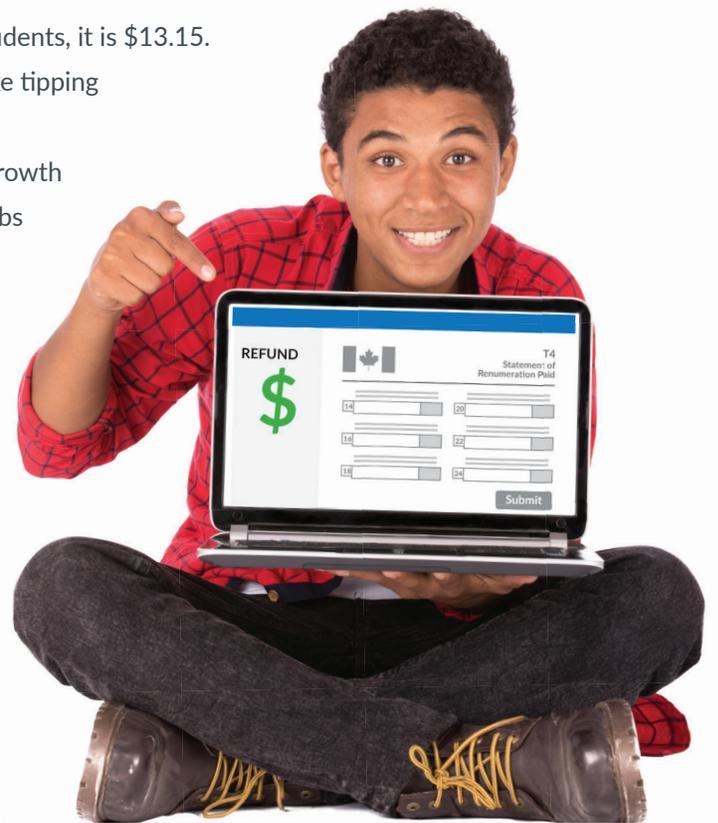
Three good reasons to file a tax form

Filing a tax form is always a good idea, regardless of income. Students can also open and contribute to a Tax-Free Savings Account (TFSA) as soon as they turn 18. You could introduce the concept here and discuss it further when you get to the INVESTING IT section. One approach: Assign researching TFSAs and RRSPs as a project before you get to that section.

How low can you go?

Answers:

1. Minimum wage is \$14.00 for the general population. For students, it is \$13.15.
2. Liquor servers earn \$12.20. Obviously, students need to take tipping into account.
3. Studies following minimum wage increases show both job growth and increases in economic activity. Others argue a loss of jobs will follow. This would be an ideal topic for a class debate.
 - a. Divide students into opposing teams, research the topic, and have a class debate.
 - b. They could also use the information gathered to prepare written presentations, posters, or even video blogs.
 - c. One curriculum requirement is for students to write "in the voice of". Have them prepare letters to the editor as a restaurant owner, arguing against higher minimum wages, and a minimum wage worker arguing for an increase. Students can also use these letters for peer editing.



Explore future careers

Both websites mentioned on page 6 will provide the information needed on wages and qualifications for specific jobs. They can prepare for these discussions by individual or group homework and research.

How workers are paid is an interesting topic. Here are some additional activities:

1. What is meant by salary (as opposed to wages), commission, fee-for-service, and hourly rate (wage)?
 - a. List examples of jobs using each form of payment, or a combination.
 - b. Discuss the advantages and disadvantages of each type of payment, both for the workers and employers.
 - c. Follow up on the research with class presentations or debates. One group of students could present each form of payment, and the pros and cons.
2. Have students explore the rules around overtime pay.



THE KEY POINTS

For example, freelance writers are paid a fee-for-service, so much for each project. Some sales people earn a base salary plus a commission on sales. Other sales people earn only a commission. Retail staff earn a wage, but their managers often receive a salary. People on salary often work longer hours without any overtime pay. People working on fee-for-service also includes workers paid by piecework.

Spending It

The concept of needs and wants is an excellent way to introduce one of the most important tools for money management: developing a spending plan (budgeting). Here is an activity you can assign to your class.

We all have mental lists of items we either need or want.

1. Make a list of ten items you really have to have. These are your personal “Needs” and “Wants”. Add the prices and explain why you need or want each item.
2. Define the terms “Needs” and “Wants”.
3. Go back to the list of “Needs and Wants”. Using your definitions of those terms, divide the items into two groups, “Needs”, and “Wants”.
4. Compare your list to those of other students in your workgroup. Based on their ideas of what is a “Need” or a “Want”, revise your definition of “Needs and Wants”.
5. In your workgroup, discuss the last occasion, a birthday celebration, or a similar event, on which you received some presents.
 - a. Discuss which of those items were something you absolutely had to have.
 - b. How did you feel about those items six months later?
 - c. How many of those “Need” items were really “Want” items?
 - d. Revise your definitions of “Needs” and “Wants” if necessary.
 - e. Use this information to discuss as a class the difference between “Needs” and “Wants” and prepare definitions that the entire class can agree on.



Have students revisit their list of needs and wants. Have them create and fill out a form like this. It will reinforce the idea that you can weigh your needs and wants in terms of how much work it takes to satisfy a wish.

HOW MUCH MY JOB PAYS HOURLY		\$		
ITEM	NEED	WANT	COST	HOURS OF WORK TO PAY FOR PURCHASE

ADDITIONAL ACTIVITIES

1. Are brand name sneakers or jeans any better than no-name brands?
2. Define inflation, necessary expense, discretionary expense, impulse spending, and short-, mid-, and long-term goals.
3. The student section suggests that a budget implies limitations and suggest having a spending plan instead. Discuss the concept of goal setting.
 - a. Ideally, when you set a goal, you need to have checkpoints along the way. Review your progress towards a goal at several points along the way.
 - b. Goals may be too ambitious or too low. Discuss how to revise a spending plan.
 - c. The process of reviewing a spending plan goal applies to other areas of life too. Discuss how this applies to setting study time, planning homework time, or even balancing free time with work or study time.

A spending diary is simple, just a three-column list: date, purchase and cost. You take it a step further by adding a column which starts with the amount of money available at the beginning of the time. Then after each purchase, students deduct the price from the amount available, and keep a running account of the money left. They can also add in any additional money. You can use this exercise for several purposes. It makes students more aware that their money is a finite resource. It makes them aware that they may need to put money aside for larger purchases, and it reinforces the need to save for unexpected needs. See the form at the end.

Take a walk in your parents' shoes

Use this as an excellent start for an education goal setting exercise.

1. How much money do you need to live as well or better than your parents?
2. Look for careers which would offer that level of income.
3. Pick three possible careers. What are the educational requirements for those careers?

Do a "How do I get there from here" exercise. Your students have several more years of school ahead of them. Then they enter employment, apprenticeships, college or university. What do they need to do to enter those careers? The key is to work backwards from their ultimate goal, to plot a course from where they are now.

- a. Goal setting: What do they need to do to obtain the career qualifications? (For example: a BA in Science).
- b. What do they need to do for their high school graduation to start earning those qualifications? (At least two university level HS math courses).
- c. What do they need to do this year and next to earn the correct prerequisites? (Take academic and university level math courses).



Saving it

Saving can be hard. One of the better ways to make “Pay Yourself First” work is by payroll deduction. Many employers pay by direct deposit to the employee’s bank account. The bank can set up an automatic monthly or weekly transfer of some of that income into a savings account. Discuss with students why that might work well.

ADDITIONAL ACTIVITY

Comparison shopping is key to buying smart and saving some money. Have students use an online flyer and coupon site like save.ca or flipp.com to search for items they need or want. Have them make a list of each item and compare the price between two retailers. Then have them calculate the savings. Another consideration could be whether or not the retailer offers reward points when you purchase from them. This may be an added incentive to purchase from one retailer over another, especially when their prices are the same.

Stash your cash

The point of “stashing your cash” is two-fold: you want to have some savings for future purchases, and you want that money to earn money. Savings earn interest. However, many savings accounts offer low interest rates so your money doesn’t earn much.

Discuss with the class the difference between straight interest and compound interest. Why does compound interest on savings earn more money?

CALCULATING COMPOUND INTEREST

Be aware that different compound interest calculators will give slightly different results. Compound interest is applied slightly differently, and the interest calculations vary slightly. American and Canadian calculators give quite different answers.

ADDITIONAL ACTIVITIES

Interest Calculations:

1. If you left \$1000 in a savings account at 1.5% straight interest, how much money would you have at the end of the year?
2. Find a Canadian compound interest calculator. Calculate how much your \$1000 would be worth at the end of a year at 1.5% compounded monthly.
3. Now extend that investment period to twenty years, with interest of 3%, compounded monthly. What does that earn?
4. Individual research: look for the best interest rate for savings. Make sure you find out what the compounding period is. Calculate what your \$1000 would be worth in ten or twenty years at the best interest rates offered.
5. Interest rates change over time to reflect inflation. Define inflation. Look up the rate of inflation and interest earned by savings accounts ten, fifteen and twenty years ago. Is it a good idea to invest money for fifty years at a set rate of interest? What options do you have?
6. Try the 50 year calculation, \$1,000 at 5%, compounded monthly, but also adding \$5.00 a week.

KEY POINTS

The investment would grow to \$70,032.76, of which \$56,032.76 is interest.

Answers: at straight interest, the return is \$15. Monthly compounding earns an additional ten cents. At 3% compounded monthly, the 20-year savings are worth \$1820.75. At straight interest after 20 years, the \$1000 would be worth \$1600. The extra \$220.75 is the interest on interest that compounding earns.

Post-secondary reality check

Review the Post-secondary reality check activity in the student section. Students can find out most of the information for Part a) online. Once they have the amounts, discuss in class some options for reducing costs. You could assign groups to look up the cost of renting shared accommodations privately. They could estimate what it would cost to provide their own food.

For Part b), not all parents can pay all or most of a student's tuition. Have students discuss how much money they could earn with summer and part-time jobs.

Part c) is a great scavenger hunt topic, either individually or in groups. Have students go back to their career research and pick one or two career options. Have them look for scholarships, bursaries and other financial assistance available for those careers.

Investing it

This section lists all the basic options for investments. Here are some additional activities you can copy for your class.

1. Write a definition of GICs, Bonds, Stocks or Shares, Mutual Funds, Index Funds, ETFs, return on investment, risk. Exchange your definition with another student. Revise the definitions until you both agree. Compare your definition with the class.
2. Look up the interest rates offered on GICs. Compare them to savings account interest. GICs offer different interest rates, depending on how long your funds are locked in. What difference does the length of time for GICs make to interest rates?
3. Bonds are somewhat riskier, but Canada Savings Bonds are among the safest. How do one-year interest rates for CSBs compare to GICs?
 - a. You can also buy bonds in mutual funds. These contain bonds from many companies and governments in different countries. Look up any three bond funds (start with your favourite bank's website and check the list of funds available) and compare how much bond funds have earned in the last year.
 - b. If you had bought a GIC five years ago, and one of these bond funds, which would have offered you a better return?
4. Buying individual stocks can be both profitable and risky.
 - a. Look up the value of shares of Apple, Microsoft, Blackberry, and Bombardier. If you had invested \$1000 in each of these companies in 2000, what would your investment be worth now?
 - b. These companies also pay dividends. What is that? What difference does that make to your earnings or losses?
5. You can also buy mutual funds containing stocks. These funds buy shares in a range of companies and put them into one big pot. You buy a part of that pot and share in the profits or losses that pot earns. That "pot" can be made up of bank shares, mining and energy stocks, manufacturing company stocks, and more. Some mix Canadian companies with American or worldwide investments.
 - a. Go to your favourite bank website and look up several mutual funds. Pick one each from three different areas of investment. How have these companies done since 2016 compared to a 3-year GIC bought in 2016?
6. Which investment would be riskier, a GIC or a mutual fund?
7. Go through your list of investment types and risk. Brainstorm which investments would be suitable for:
 - a. an older retired person
 - b. a middle-aged person with a family
 - c. a young person in their first few years of working.

ANSWER KEY:

Answers will vary depending on which banks, bonds and mutual funds students choose. The key points they should take away from this exercise is that as risk increases, so do returns. Higher returns are a “reward” for making higher risk investments. GICs are as safe as an investment can get and offer the lowest return on investment. Investing in individual stocks is both risky and potentially rewarding. Look at the example of BlackBerry (Formerly RIM) which was considered so safe it was nicknamed a “Widows and Orphans” fund where nothing could go wrong. Similarly, returns by sector in mutual funds vary. Sometimes resource funds do very well and industrials tank. At other times, the reverse is true.



TFSA compared to RRSPs

ADDITIONAL ACTIVITIES

Both plans try to save investors income tax on whatever their investments earn. The RRSP allows investors to deduct the money invested this year from their income. That reduces their income taxes and gives them more money to invest. However, when they take money out of an RRSP, they must pay income tax on that money. A TFSA does not give a tax deduction when the investment is made but allows investors to take money out of the TFSA without paying any taxes on whatever the investment earned.

1. Have students compare what would happen if they invested \$1000 in an RRSP and a TFSA for ten years, earning 5% annually, compounded monthly. For the RRSP, let's assume they received a \$250 reduction in their tax bill the year they invested, but will have to pay a 25% income tax on all the money they withdraw. The TFSA gave no tax savings on investing but all withdrawals at the end of the ten years was also tax free. Which was the better investment?

ANSWER KEY:

Answer key: \$1000 for ten years compounded monthly will add up to about \$1657.00. After taxes that would leave \$1242.75. The TFSA would have earned the entire sum. If the RRSP holder had also invested the \$250 tax reduction, that would have earned an additional \$411.75. After the 25% tax rate, the net return would have been \$1551.00. (all sums are approximate). Also note that the marginal rate will vary depending on the person's actual income ten years down the road. If RRSP investors are in a higher tax bracket by that time, their investment return would be further reduced by a higher tax rate. The investor's income would have no impact on the TFSA investments.

Registered Education Savings Plans

ADDITIONAL ACTIVITIES

1. RESPs are a good way to save for a college or university education. In your workgroups, investigate and report to your class on the rules and benefits these plans offer.
2. If you do not yet have such a plan, you and your parents can still start one. What are the rules for people starting an RESP after they turn 16?
3. Suppose you are in Grade 9 now. You have three years to save about \$9000 for your first year of university or \$3500 for your first year of college. How much do you need to save annually? How can using an RESP help?
4. What happens to the investment if you do not go to college or university?



Borrowing it

Reinforce the *eight credit card dos and don'ts* listed in the student section by having students explain why each is important. They can do this as a class presentation or class discussion. Other options for each point would be:

- A poster,
- A brief ten second video,
- A written explanation in the form of a newspaper editorial,
- A group effort: a short acted-out public service announcement.

Credit rating

This section is an ideal introduction to the concept of “credit worthiness”. Some people may have difficulties obtaining a loan from a bank or credit union. Others are welcomed with open arms. The difference is credit worthiness. Banks loan money on the assumption that they will be paid back. To make sure, lenders will check the borrower’s credit worthiness by means of a credit rating. That includes how well they paid back previous debts, their employment record, and any other regular payments they need to make. They also check what assets a borrower has to secure the debt. If the bank decides the borrower is a good risk, they will then proceed to offer a loan. The credit score is an essential part in building up that individual creditworthiness.

ADDITIONAL ACTIVITIES

In your work groups discuss these individual scenarios. Each person needs to borrow \$5,000. Assume their income is high enough to cover the loan repayments. Decide whether the borrower is creditworthy and if you would approve their loan application:

1. Jane has been employed at her current job for five years and is well regarded by the company. She rents an apartment and has never missed a rent payment. She has a credit card and pays the outstanding balance at the end of every month.
2. John is new to the city. He has been employed at his current job for only three months. He owes a small amount of money on his credit card but has made regular payments.
3. George owns a condominium which is mortgage free. He is retired on a relatively small pension and has no other debts.
4. Dorothy has worked at the same job for 15 years. She is a respected member of her union. She does have credit card debts and has missed the occasional payment.

Review:

1. Why do lenders consider how long someone has been employed and what other debts that person has?
2. Why might lenders look at some jobs more favourably than others when someone is applying for a loan?

How much would it cost?

The credit card statement shows basic information but highlights a key section. The statement of how long it will take to pay off the accumulated credit card debt making only the minimum payment needs to be considered carefully. For example: on a debt of \$2896.62 a card statement requires a minimum payment of \$10 that month. It also estimates that it will take 24 years, 2 months to repay that debt, assuming no new charges. The minimum \$10 payment however applies only to that one month. Thereafter, it will be significantly higher.

Have students look up how the minimum payment is calculated and just how much it cost to pay that debt. The \$10 amount is misleading, because the subsequent minimums are 3% of the amount owed plus interest.

Protect yourself from scams:

Because scams have become so common, sources providing additional help in protecting oneself are also becoming more common. Have students search online and in the Star for advice on protecting themselves against scams. They can list the various sources they found and compare their credibility in the class presentation.

One way to track current scams is the Better Business Bureau scam tracker. It covers North America. You can zoom in on your town and city for up-to-date reports. Have the students and their work groups investigate scams that have been reported in the last month in your region. Ask them how the victims could have protected themselves against such scams.

Giving It

We create a better society when we give back. Encourage your students to use the examples in the student activities as some ways to give back. They will not only earn some volunteer hour credit, but also help others and feel better about themselves.

For many students, donating money may be hard, but they have ready and willing hands. Just sharing their time can be valuable. Seniors' residences love visitors. Contact a local home to see how a class visit might help. Students could entertain with songs and dances. They could play cards with seniors, or they could simply visit, listen and ask about the lives of seniors.

You could integrate that into a living history unit. Many seniors were children during World War II. Have students find out what life was like for them in those days or what life was like in Canada during the fifties and sixties. What was their City like? How did people live back then? The distant past for your students was for the seniors their young lives.

Tiny donations add up. If your students are able, try a school "nickels and dime" drive. Place a strip of double-sided tape along the hallway in front of the cafeteria or office. Ask students to drop a nickel or dime on the tape. At the end of the day, collect the coins and donate them to a cause the students prefer.

Review:

Summation Activities: Copy for your class

In your groups, go back over what you have learned. Brainstorm some ways which that learning has made you smarter about money. Prepare a report which outlines ways in which you could:

- Pay yourself first
 - Spend wisely
 - Save wisely
 - Be smart with your credit cards
 - Prepare a spending plan
 - Consider risk and invest wisely
 - Use time and compound interest to make money for you.
-
- Review, edit and rewrite your report as a group, until you have a report with which you are all happy.
 - Select two people from your group to present your findings to your class.
 - Prepare a poster of what it takes to pay yourself first
 - Shoot a short video advising others how to save wisely.

Summary Part Two

Copy this chart for your class, or use it as a template for class discussion.

Check each question either “Yes” or “No.” Not all of these questions will apply to you. If a question does not apply to your present circumstances, skip the question. At the end, calculate the percentage of questions answered “Yes” and “No.”

QUESTION	YES	NO
Do you have a spending plan?		
Do you keep track of your spending?		
Do you have a plan in case of unexpected expenses?		
Do you consider if a purchase is a “Need” or a “Want”?		
Do you save for “Needs” and “Wants”?		
Do you save for unexpected expenses?		
Do you have a plan for borrowing for emergencies?		
Have you avoided the need to often borrow money?		
Do you keep track of your expenses?		
Do you understand how interest is charged when you borrow money?		

The more “yes” answers you have, the wiser you are about your finances.

How have the Student Activities changed how you understand money?

Word Search Answers

WORD SCRAMBLE

L N T I N O F I A
I N F L A T I O N

I O F T R P
P R O F I T

E R T E V N L O U
V O L U N T E E R

N P E E X E S
E X P E N S E

N Y O E M
M O N E Y

A F T S
T F S A

L E Y P E O M R
E M P L O Y E R

E A W G
W A G E

D T I R C E
C R E D I T

L A S G O
G O A L S

Unscramble the words, then arrange the letters circled in RED to complete the statement below.



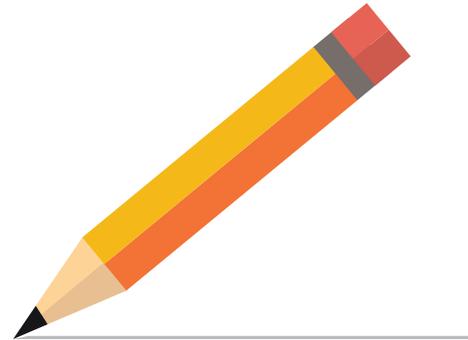
An important principal of personal finance is to

P A Y Y O U R S E L F F I R S T

Vocabulary Test Answers

Test Your Financial Vocabulary

Match each word or phrase with its correct definition.
See how many you can get right!



- | | |
|---------------------------------|--|
| A Inflation | G Simple Interest |
| B Grace Period | H Compound Interest |
| C Credit Score | I Credit Card Cash Advance |
| D Gross Pay | J Line Of Credit (LOC) |
| E Spending Plan | K Tax-Free Savings Account (TFSA) |
| F Discretionary Expenses | L Registered education savings plan (RESPs) |

- | | |
|---|---|
| F Something you can get by without (a want vs. a need) | J A pre-approved loan for a set amount. |
| G Money that is paid only on an original amount of money that has been invested, and not on the extra money that the original amount earns | D The amount of pay before deductions |
| K An account that allows you to set money aside tax-free | E Setting goals for your money and achieving them |
| B The time a borrower is allowed after a payment is due to make that payment without adding to the interest owed | H Interest that is calculated on both the amount of money invested and on the interest that has been added to it |
| C A three-digit number that lenders use to make credit decisions | A The steady increase in the price of goods and services |
| | I An amount of cash borrowed against your credit limit. |
| | L An investment account geared towards saving for a child's education |