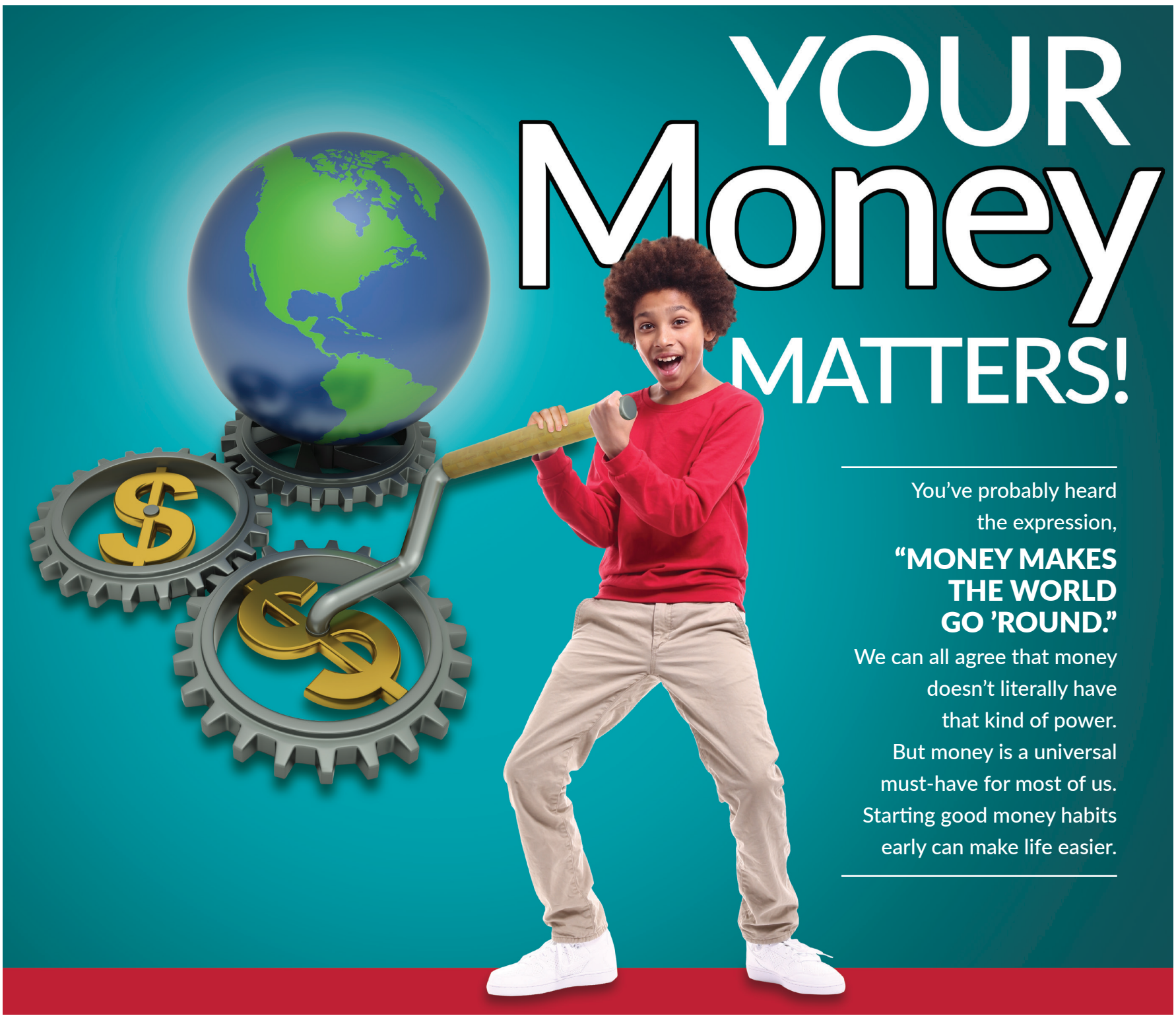
YOUR Money MATTERS!



You've probably heard the expression,

"MONEY MAKES THE WORLD GO 'ROUND."

We can all agree that money doesn't literally have that kind of power. But money is a universal must-have for most of us. Starting good money habits early can make life easier.

> "When money realizes that it is in good hands, it wants to stay and multiply in those hands."
>
> — IDOWU KOYENIKAN (AUTHOR)

Here's some good news. If you're a teenager now, you're in the awesome position of being able to start life with good money habits. Think about brushing your teeth regularly. You've been doing it for so long, you don't even think about it anymore. But over time, your teeth will stay strong and healthy.

Similarly, good money habits can lead to good financial health. If you develop those habits early, they become automatic and over time they can help you get the things you want, like a post-secondary degree or an apartment of your own. It's never too early to get savvy about useful habits like spending wisely, saving your money, and eventually putting those savings to work for you (investing).

On top of that, since there are plenty of scam artists out there who'd love to separate you from your hard-earned loonies, it's important to understand how to protect your money. And—because there are always people less fortunate than you—you may want to give some money back to the causes that are most important to you.

If you'd like to see where you stand in terms of your knowledge of the basics of personal finance, start off by taking this quiz. Don't worry if it all seems like a foreign language to you. By the time you go through these pages, you'll be talking money like a pro.

How does your family deal with money?

We all have different attitudes about money. Some of us save like crazy. Others spend like crazy. And a whole bunch of us fall somewhere in the middle. If your parents or grandparents lived through tough financial times, they may be reluctant to buy anything unless they have the cash for it in hand. They may borrow money for big things like a house or a car, but never pull out the credit card for a trip to the drive-thru. Other families have no problem buying things, big or small, without having the money in the bank—they don't worry too much about debt. You'll find that most people get their attitude about money from their family's values. If your parents think "saving is good" then chances are you will, too. Talk to your family about money.

- How important is saving money to your family?
- How important is staying out of debt to your family?
- Are your parents willing to wait to buy something while they save up, or are they okay with borrowing money, or putting things on a credit card?
- Compare your ideas about money to theirs.

ACTIVITY

Word play

"Money makes the world go 'round" is an idiom—a phrase that means something different than what the individual words mean. Research other money-related idioms and briefly explain what the expression means (for example: "Money talks").

ACTIVITY

QUIZ: What's your money IQ?

1. Which would pose the greatest threat to your financial health over time?
   a) Spending money you don't have on a credit card
   b) Buying a latte a day
   c) Borrowing money for a car to get to work

ANSWER: *a) Spending money you don't have on a credit card can land you in some serious hot water if you're not careful. Borrowing money for something that will make you money (a car to get to work) isn't so bad. That's a "need." A daily latte is a "want." Although it probably won't develop into a major problem, small "wants" do add up over time. You'll find more information on wants vs. needs and credit cards in the sections on spending and debt.*

2. When you apply for a credit card, what is the deciding factor regarding whether they approve you or turn you down?
   a) Whether you're nicely dressed
   b) Whether you have money in the bank
   c) Your credit score

ANSWER: *Brownie points if you answered c). Your credit score helps lenders decide whether you're likely to pay them back if they loan you money. You'll find more about how to build your credit score in the section on debt.*

3. What does a phisher want?
   a) To catch a nice fat bass
   b) To go out on a date with you
   c) To steal your personal information

ANSWER: *Email con artists (also known as phishers) steal personal information like credit card numbers, usernames and passwords and use it to buy things or borrow money in your name, and even to access your bank account. More about that in the section on protecting your money.*

4. What is an RESP?
   a) A series of letters in the alphabet
   b) A Really Excellent Savings Plan
   c) A special account used to save for your education

ANSWER: *If you chose c), you probably know that RESP stands for Registered Education Savings Plan. But you'd be partially right if you answered b) too. The really excellent thing about an RESP is that for each dollar your parents (or you) contribute, the government kicks in some as well, and you don't have to pay taxes on the interest your RESP earns. The only stipulation: you must spend it on your education. More about that in the section on investments.*

THANKS TO TD FOR HELPING US BRING THIS RESOURCE TO SCHOOLS FOR FREE.

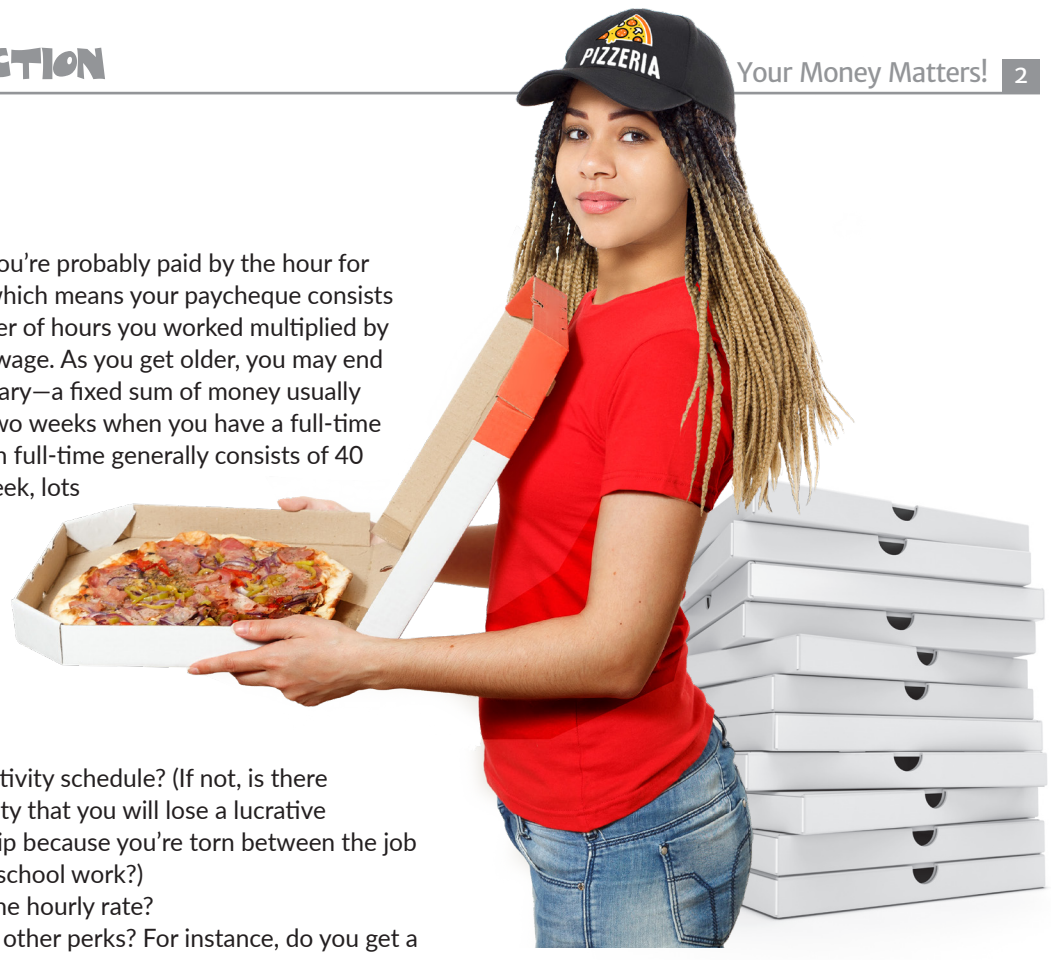
Your Money Matters! financial literacy program was developed by Toronto Star Classroom Connection.

EARNING IT

As a teen, earning money feels pretty awesome. Whether you're babysitting, staffing the popcorn stand at the theatre or flipping burgers, it's empowering to earn some cash of your own. And you're also picking up valuable life lessons.

For one thing, you're learning that you don't have to rely on your parents to bankroll you—you may even be helping them make ends meet. You're also figuring out how important it is to show up on time and take guidance from your employer. Give yourself a pat on the back—you deserve it!

Right now, you're probably paid by the hour for your work, which means your paycheque consists of the number of hours you worked multiplied by your hourly wage. As you get older, you may end up with a salary—a fixed sum of money usually paid every two weeks when you have a full-time job. Although full-time generally consists of 40 hours per week, lots of salaried workers put in longer hours.



Is it the right job for you?

Even when you're just starting out, it's important to consider carefully whether a job is the right fit. Sometimes, the pickings are slim—especially when it comes to getting your first job. But as you build experience, you may have more than one job offer. Here's what to keep in mind when assessing whether to take a position:

- How many hours will you be expected to work?
- Will your employer work around your school/activity schedule? (If not, is there a possibility that you will lose a lucrative scholarship because you're torn between the job and your school work?)
- What is the hourly rate?
- Are there other perks? For instance, do you get a free meal or a clothing discount?
- Can you walk or ride a bike to your job? If so, you'll save the cost of transit and that's more money in your pocket. Will the job help you reach future goals? For instance, working at a summer camp may allow you to build leadership skills that can be helpful later on.

Pay stub breakdown

The first time you get a paycheque, you may be shocked to notice the total amount gets whittled down by a series of deductions. It's helpful to be able to understand the line items on your paycheque. Here's a typical pay stub with explanations:

- **Income:** The amount of money you've earned, usually broken down into regular and overtime hours. It should list the number of hours you worked, the hourly rate and the total (# hours X hourly rate = total).
- **CPP** (Canada Pension Plan): Every worker from 18 to 70 pays a percentage of each paycheque to CPP. The good news: When you retire from working (or if you become disabled), the government will send you a "paycheque." Note: If you're not yet 18, your employer shouldn't be deducting CPP contributions from your paycheque.
- **EI** (Employment Insurance): A percentage of your income goes to the government for a fund that pays you if you lose your job in the future. Important note: You have to meet the government's eligibility requirements; for instance, you must have worked a certain number of hours to qualify for EI.
- **Income tax:** The government takes a bite out of every paycheque to pay for your share of the services it offers, such as healthcare and education.
- **Other:** Other deductions from your paycheque (particularly when you begin working full-time) may include private pension plans, health insurance premiums, union dues and professional fees, as well as transfers to your registered savings plans and charitable donations.
- **Gross pay:** The amount of pay before deductions.
- **Net pay:** The amount of pay remaining after all deductions.
- **YTD** (Year to Date): The amount of pay you've earned so far this year.

Pay Stub

YMM Incorporated
123 Street Toronto, ON M5E 1E6

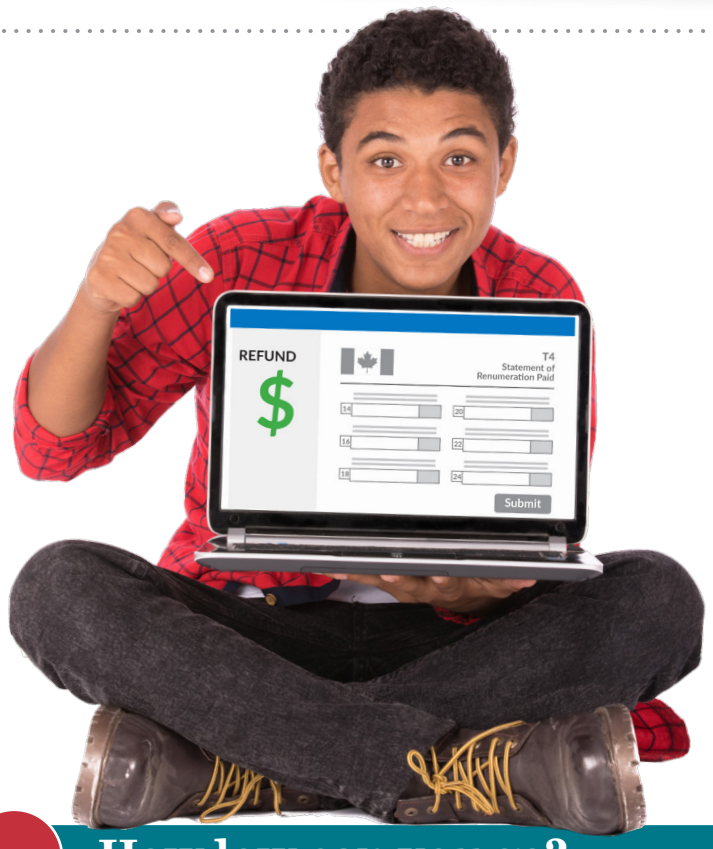
Earnings Statement For:
Jane Doe
Employee ID: 1234

Pay Period: 2019-09-08 to 2019-09-21 — Pay Date: 2019-09-21

Income	This Period	Year to Date	Deductions	Current Total	YTD (Year to Date):
Regular *(30 hrs @ 15/hr)*	450.00	8,100.00	Income Tax	1.46	26.31
			EI	7.47	134.46
Gross Pay	450.00	8,100.00	CPP	11.14	200.48
			Other	**20.07**	**361.25**
			Total Deductions		
			Net Pay	**429.93**	

These calculations are an approximation.

YTD (YEAR TO DATE) — INCOME — GROSS PAY — INCOME TAX — EMPLOYMENT INSURANCE — CANADA PENSION PLAN — OTHER — NET PAY



Three good reasons to submit an income tax form

If you've earned less than $12,069 (the basic personal amount this year), you won't pay any tax and you don't have to submit an income tax form. But you should do it anyway, because you may actually get some money from the government. There are other reasons as well. Here are some of them:

1. It lets you put money into your RRSP (Registered Retirement Savings Plan). Earning money creates "contribution room"—in other words, how much you can put into your RRSP is based on how much money you make, as shown on your income tax form. RRSPs can be used later to lower your taxable income and save for retirement. That may seem like a long way off now, but you'll be grateful for the extra RRSP room later (when you're rich!).
2. Once you're 19, you'll be eligible for the federal HST (harmonized sales tax) credit. You don't even have to apply—the government calculates the amount based on your tax return and that means money in your pocket that you didn't have to earn.
3. It's a rite of passage. You might as well get accustomed to filling out a tax form now, because later you won't have a choice.

ACTIVITY How low can you go?

The minimum wage is the lowest hourly wage an employer can pay full-time and part-time workers. For this activity:

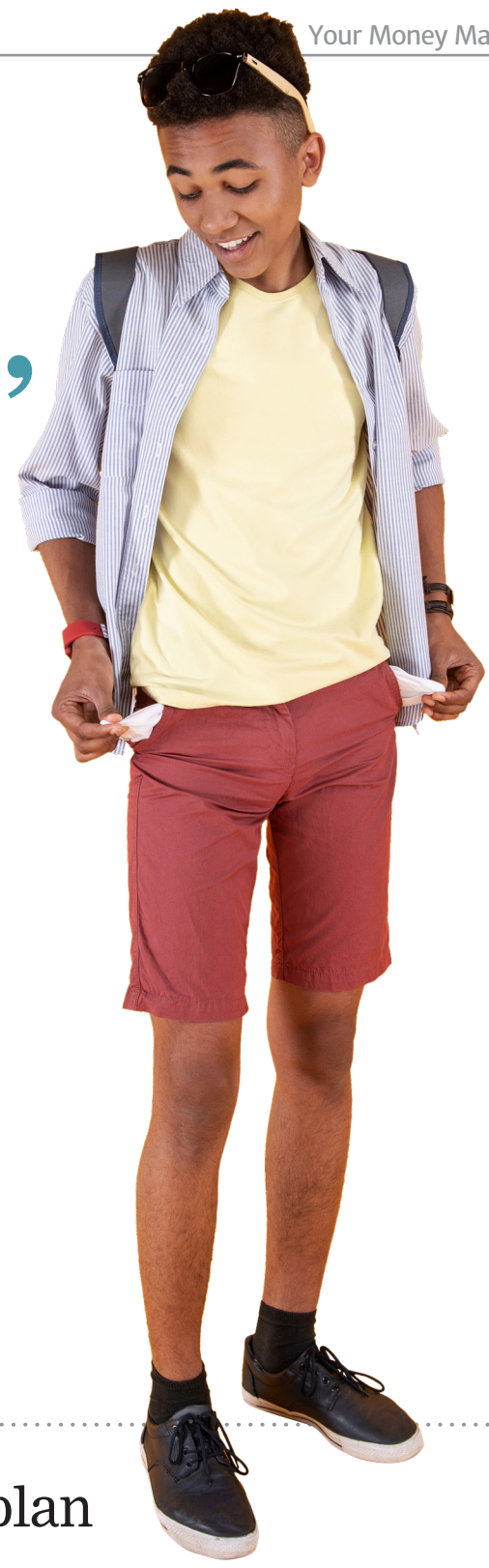
1. Research the minimum wage for your province. What is the lowest wage adults can be paid in your province? Can students be paid less? If so, what is the minimum wage for students?
2. Can servers in restaurants or bars serving liquor be paid less than the minimum wage? Why do you think that is the case?
3. Do you think the minimum wage should be higher, lower or stay the same? Why?

ACTIVITY Explore future careers

Choose two jobs you might like to land once you finish school. Justify your choices and, using online sources, find out:

- what qualifications each job requires;
- how much (on average) each job pays and whether you will be paid a salary, commissions, fee-for-service or an hourly rate;
- whether the jobs include benefits and, if so, what kind (for example, do they cover healthcare-related costs or dental visits? Are there benefits if you injure yourself and aren't able to work? How many weeks of vacation do they offer?); and
- list the pros and cons of each job, and then identify the job you think would best suit you. Justify your choice.

SPENDING IT



> "That money talks, I'll not deny, I heard it once: It said, "Goodbye."

— RICHARD ARMOUR (POET)

When you're a teenager, it's tempting to think you've got all the time in the world to get a handle on your spending. You may feel pressure to buy the latest clothes, sports gear and assorted name-brand stuff. And if you get out of line now and then, there's always the Bank of Mom and Dad, right?!

But here's the thing: the longer you wait to develop good spending habits, the harder it will be. You'd be wise to consider the following concepts before you make your buying decisions:

Spending involves making choices.

When you spend money on one item, you have less money available for something else. So at least be conscious of the choices you're making. It can be helpful to think about purchases not in terms of dollars and cents, but in terms of work-energy spent. Ask yourself whether the newest $1,000 cell phone was worth 67 hours of flipping burgers.

Consider value as well as cost.

There's a difference between being "cheap" and being "thrifty." Being thrifty is a good thing and being cheap can be counter-productive. Being thrifty is about spending your money wisely and that may mean shelling out a bit more for a better-quality item. If the only thing you take into consideration is the cost of a purchase, on the other hand, you may end up spending more money in the long run to replace or repair the item.

When assessing value, don't be fooled by luxury brands; a $300 pair of designer jeans won't necessarily last longer than a $30 pair. But if you're choosing a new laptop, you might want to pay a bit more for one that will last longer. Check out online reviews or ask family and friends for recommendations.

Inflation erodes your spending power.

The things you buy rarely go down in price. Instead, the poutine you paid $7 for last year, will likely cost you $7.50 this year. That's called inflation and it basically refers to the steady increase in the price of goods and services. The upshot: you should probably set aside a little extra cash for the things you want in the future.

Develop your own 5-step spending plan

If you're going to spend wisely, it helps to have a plan. Some people might call that a "budget," but that implies limitations and sacrifices. In contrast, a spending plan is all about setting goals for your money and achieving them.

Here's how to come up with a plan of your own:

1. How rich are you? Figure out how much money you have coming in. That means money from paycheques, jobs (like cutting the lawn for a neighbour) and your allowance.
2. Mary, Harry, quite contrary, where does your money go? Keep a spending diary to figure out where your cash goes. Track your expenses daily either in a notebook or an app on your phone. List the amount of the expense and what it was for.
3. "Needs" vs "wants." It's easy to spend money without thinking. Separating your needs (necessary expenses) from your wants (discretionary or nice-to-have expenses) can help you get a handle on impulsive and unnecessary purchases and direct your money to the things you really care about.

   To do that, tally up all your necessary expenses (needs). Depending on how much or how little your parents or guardians pay for, these might include: a roof over your head, cell phone payments, transit pass or gas for the car, clothing and accessories and grooming items. Keep in mind that there's a difference between clothing and other items you need and those you want. (If you've already got a closet full of clothes, it's a "want.")

   In a separate category, add up your discretionary expenses (wants). These payments often vary from month to month and you have more control over how much you spend on them. In this category you can include: impulse buys, entertainment (movies, video games, concerts), visits to the food court, coffee shop or ice cream store and clothing that isn't really necessary.
4. Take the wheel. Spending money is all about making choices. Think of spending mindlessly as akin to driving around aimlessly. You're moving, but you may be going in the wrong direction. Deciding on short-term, mid-term and long-term goals for your cash puts you back in the driver's seat. Additionally, you're more likely to save if you know what you're saving for.
   - Your short-term goals should include discretionary expenses that don't cost the earth; things like clothes you want but don't need, video games and concert tickets.
   - Mid-term goals are bigger-ticket items, such as a new bicycle or a skateboard, costly concert tickets or a gym membership.
   - Under long-term goals, list the really big-ticket items like saving for post-secondary education, buying a car or taking a trip.
5. How can you achieve your short-, mid- and long-term goals? Take a look at your list of needs and wants. Could you eliminate some of the wants (cutting out your daily non-fat chai latte would free up as much as $5 a day or $150 a month) and allocate that money for short-term, mid-term and long-term goals? Could you find a cheaper way of getting the things you need? For example, could you find a cheaper cell phone plan or ride your bike to school sometimes, eliminating the cost of a transit pass? Can you make more money?

ACTIVITY Take a walk in your parents' shoes

You may well be in the enviable position of having your parents or guardians cover a lot of your expenses. But have you ever thought about the kinds of payments your parents make on a monthly and yearly basis? To get an idea of where your money will go in future:

- Try to estimate how much your parents/guardians spend on things like housing, utilities, phone bills, Internet, transportation, food and grooming.
- Check with your parents to see if your estimates are in the ballpark. Were there some expenses you weren't aware of, such as property tax and car insurance that affect the amount of money spent on housing and transportation?
- How much money would you have to earn per year to cover all of those expenses?

SAVING IT

> "A simple fact that is hard to learn is that the time to save money is when you have some."
> –JOE MOORE

Pay yourself first

Lots of families cook extra-large portions for dinner so they can have leftovers the next day. That's fine for food, but when it comes to money, it's not the best way to save.

Most people spend their money in the following order:

1) Bills
2) Fun
3) Saving (whatever is left over)

The problem is, there's usually very little left over to put in the bank. Instead, try bumping saving to the front:

1) Saving
2) Bills
3) Fun

This way, you can set some money aside before you rationalize reasons to spend it. It sounds simple, but it's actually the most powerful thing you can do to help yourself achieve all your financial goals. Pay yourself first.

Simply put, paying yourself first means that the minute you get some cash or a cheque, you transfer a portion of it to savings. Then, and only then, you can take yourself out for a green tea chai latte.

4 Four tips to help you bank some cash

Stretching your money to make it go further isn't rocket science. And if your money goes further, you should be able to save more. Here's how to do it.

1. The 24-hour rule. The lure of that cute pair of jeans or those latest-edition sneakers is strong. But before you pull out your debit card, wait 24 hours. You'll have a chance to think about whether you really want it.
2. Make a shopping list and stick to it. Impulse purchases absorb available cash quickly.
3. Let your fingers do the shopping. You can easily compare prices online and take advantage of store coupons online. And online reviews are an easy way to check the quality and reputation of a product or service.
4. Opt for previously loved. Thrift stores allow you to expand your wardrobe at minimal cost. Heck, you can even earn money for things you don't wear anymore by selling them through a consignment store or a buy and sell website. Love books and video games? Borrow them from the library or find them at a second-hand store. You'll get what you want for less.

Stash your cash

Although stashing your savings under the mattress is always an option, it's not a very safe or effective way to save your money. That's where banks and credit unions come in. If you haven't yet opened a bank account, now is the time. Your money will be safe and secure. And even better, banks offer automated withdrawal plans that allow you to transfer money regularly from a chequing account to a savings account (so you're not tempted to spend every cent you get).

It's easy to open a bank account. Just walk into any bank and speak to a customer service representative. Don't forget to bring two pieces of identification (such as a driver's licence, a passport or a Canadian birth certificate). If you're under 18, you may have to bring a parent along and get their name on the account too.

Bank accounts come in the form of either chequing accounts or savings accounts. And each has its pros and cons, which is the reason many people have both.

Chequing accounts—the pros: These accounts are useful for depositing cheques and paying bills regularly, either electronically or using cheques. You can also access your money easily. And you're insured against the possibility of loss up to $100,000 by the Canada Deposit Insurance Corporation (CDIC).

Chequing accounts—the cons: You usually pay service fees for things like withdrawing money from the ATM and for debit card transactions. Hint: You can sometimes avoid these by ensuring you have a lot of money in the account (often about $5,000) or by paying for a low-cost account that allows for just a few transactions. Chequing accounts pay little, if any, interest.

Savings accounts—the pros: These accounts are specifically earmarked for savings. You'll often earn at least a little bit higher interest than a chequing account pays. You're also insured against the possibility of loss up to $100,000 by the Canada Deposit Insurance Corporation (CDIC).

Savings accounts—the cons: Your money isn't as easy to access when it is stored in a savings account and you usually can't pay bills or write cheques. There may be fees for moving your money and limits on the number of withdrawals you can make.

Money can be transferred regularly according to a schedule that works for you—daily, weekly or monthly. In some cases, you can set up small transfers into your savings account every time you use your debit card or withdraw money from your chequing account. That makes it easy to pay yourself first—in fact, there's a good chance you won't even notice the cash has been moved. Outta sight, outta mind!

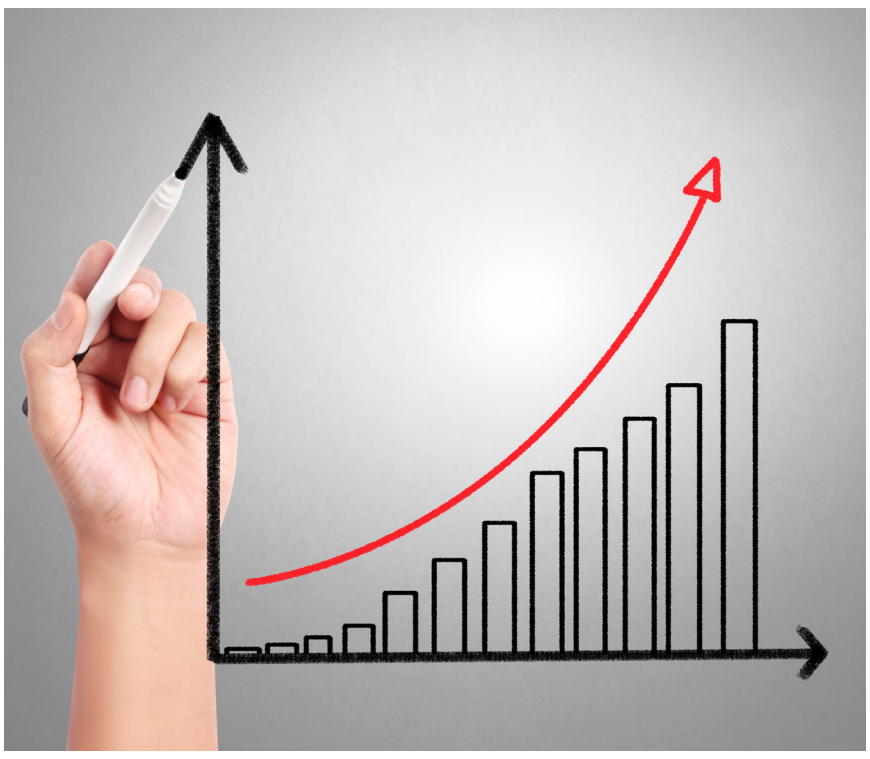
Taking an interest in interest

Another good reason to stash your money in a bank is the possibility that it will grow over time through the beauty of compound interest. Here's how it works: when you put your money in the bank, you get paid interest (a percentage of the original deposit) on the principal (the original amount you deposited). The following year, you get paid even more because you get interest on the entire amount in your account—the principal and the interest.

How much is enough? The amount you allocate for savings is going to depend on your budget, but 10 per cent of whatever you earn might be reasonable, and you may even be able to spare 50 per cent or more if your folks pony up for most of your costs. The key is to set a savings target—and stick to it. You'll be surprised at how that cash can add up over time.

Time is on your side. The good thing about adopting a regular saving habit when you're still a teen is that time works as a kind of fertilizer to help your money grow. For example: Let's say you spend the summer working as a lifeguard. By the time fall arrives, you have $1,000 in the bank. You invest it at a rate of return of 5 per cent, but you don't contribute another cent for 50 years. At the end of those 50 years, you will have $11,467.49. Sweet deal, right?

Sweet yes, but let's take this a step further. What if you did contribute additional money on a regular basis—let's say five bucks a week. How much money would you have after 50 years?



ACTIVITY Post-secondary reality check

Bound for college, trade school or university? You might be shocked at some of the expenses you (or your parents) will have to cover.

A) Prepare yourself by researching the following expenses for the post-secondary school of your choice:

- Tuition
- Residence fees
- Meal plans
- Transportation
- Books

B) Talk to your parents about whether they have money allocated to help pay for your post-secondary expenses. If so, how much of your total expenses will the money cover?

C) Explore alternative sources of funding for university or college. Are there scholarships or entrance bursaries you might be able to access?

INVESTING IT

Investing is a way of putting your money to work. The biggest difference between saving and investing is the risk versus the reward. When you deposit your money in a savings account, you typically earn a lower return (the gain or loss on an investment—in this case, it's interest), but you're not likely to lose your money.

When you invest your money, on the other hand, you aim to get a higher return but in order to do so, you run the risk of loss. Read on to learn about three kinds of investments, roughly organized from the least risky to the most.

Guaranteed Investment Certificates (GICs):

You agree to lock in your money for a certain period of time (usually one to five years) in return for a guaranteed pay-off of interest. GICs are one of the least risky investment types and their interest rates are higher than for a basic savings account, but other investments may earn you more over time.

Bonds:

Governments and corporations issue bonds to raise money. When you buy a bond, you loan money to the issuer in return for the promise they will pay back the principal (the amount you initially loaned) by a certain date with interest. Bonds are rated according to safety and some are virtually risk-free. But the safer the bond, the less interest it will pay.

Stocks (equities):

When you buy stocks, you are basically purchasing a share in the ownership of a company (like McDonalds or Apple). Equities typically have the potential for higher returns compared with other types of investments over the long-term. But you also run the risk that your stocks will drop in value. Some stocks pay dividends (a portion of the company's profits that go to you on a regular basis), which can cushion a drop in price.

Mutual funds, index funds and ETFs (exchange-traded funds):

These investments allow you to own a basket of stocks and/or bonds. The idea: you spread out your risk, because if the price of one investment tanks, others may rise. Conventional mutual funds use a fund manager to choose the investments in your bundle. But index funds and ETFs generally let a computer make the choice.

So, what should I invest in?

To determine the right investment for you, think about your risk tolerance (how you would feel if you suddenly saw your investments plunge in value and had to wait a long time until they went back up?) and your timeline. If you're going to need the money soon, you probably don't want to invest in equities, for example, because the price of the stock could plummet just as you're ready to cash it in. Some investments (like bonds and GICs) restrict when you can cash them, or charge you a penalty for withdrawing early.

Other things to take into account include whether there is a minimum investment level (for instance, you must have at least $1,000 to invest) and service fees (these come in many different forms—make sure you know what they are before investing).

Three awesome investment accounts for teens

We've already talked about bank accounts as a way to keep your money safe and secure. But once you've accumulated some savings, you can explore some of the other types of investment accounts. Although these may sound like creations pulled from a bowl of alphabet soup, they can be super-helpful in building your savings.

Tax-Free Savings Account (TFSA):

Think of a TFSA as basically a holder for a variety of investments. When you store your investments in that holder, they are tax sheltered—which means you won't pay tax on any money those investments earn. You can save up to $6,000 a year in a TFSA. This is referred to as your contribution room—the maximum amount you can contribute per year.

TFSAs are the most flexible of the tax-sheltered accounts. You can withdraw money without paying a tax penalty. Heck, you don't even lose the contribution room, so you can always go back and replace that money later if you want. You won't get a tax deduction for your contributions, though (as you would with an RRSP) or a grant from the government (as you would with an RESP).

Registered Education Savings Plan (RESP):

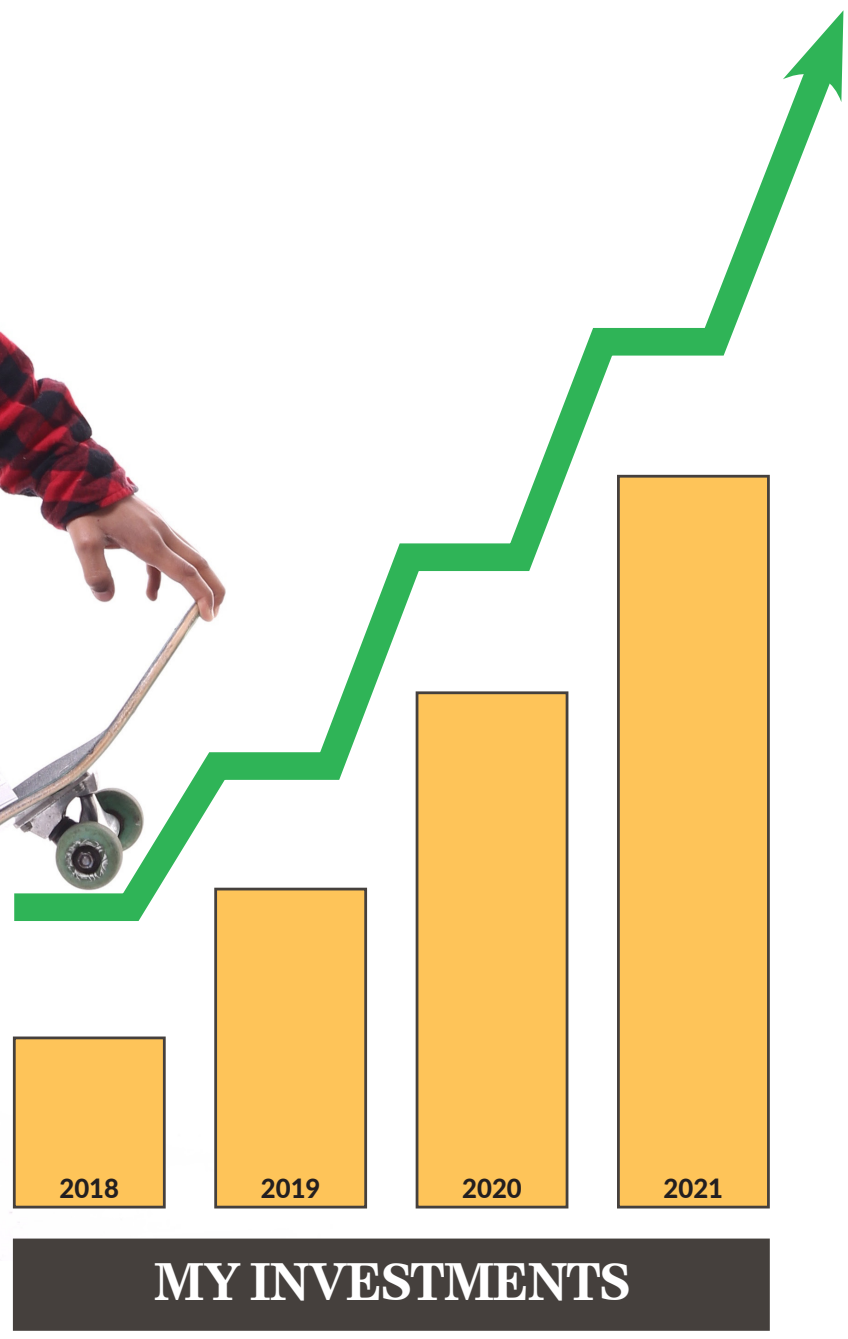
The government designed these accounts so parents could save for their kids' post-secondary education. Some families are able to max out their RESPs and put away lots of money, while others trickle in whatever money they can over the years, which may not be enough to fully fund a college education. The good news: if you have a part-time job, *you* can also contribute to your RESP.

For every dollar you contribute, the government gives you 20 cents in the form of a Canada Education Savings Grant (CESG). So if you manage to squirrel away $5,000, the government kicks in an extra $1,000 (up to a lifetime contribution limit of $50,000). If your family doesn't have a lot of income, you could get even more. There are just two small must-dos:

- you (or your parents, relatives or friends) must contribute $100 to an RESP in each of any four years before the calendar year you turn 15, or;
- if the RESP is set up in the year you turn 16 or 17, you must contribute at least $2,000.

Registered Retirement Savings Plan (RRSP):

RRSPs are made to help people save for retirement, but they can be used for education as well. You get a tax deduction for the money you put into them, and any interest they earn is tax-free as well. But since you're probably not earning a whole lot of money right now, you likely aren't paying much (if any) tax. That eliminates the major advantage of an RRSP, which is to reduce your taxable income. When you're older and earning more, an RRSP will be a much better deal.



ACTIVITY

The best place to stash the cash

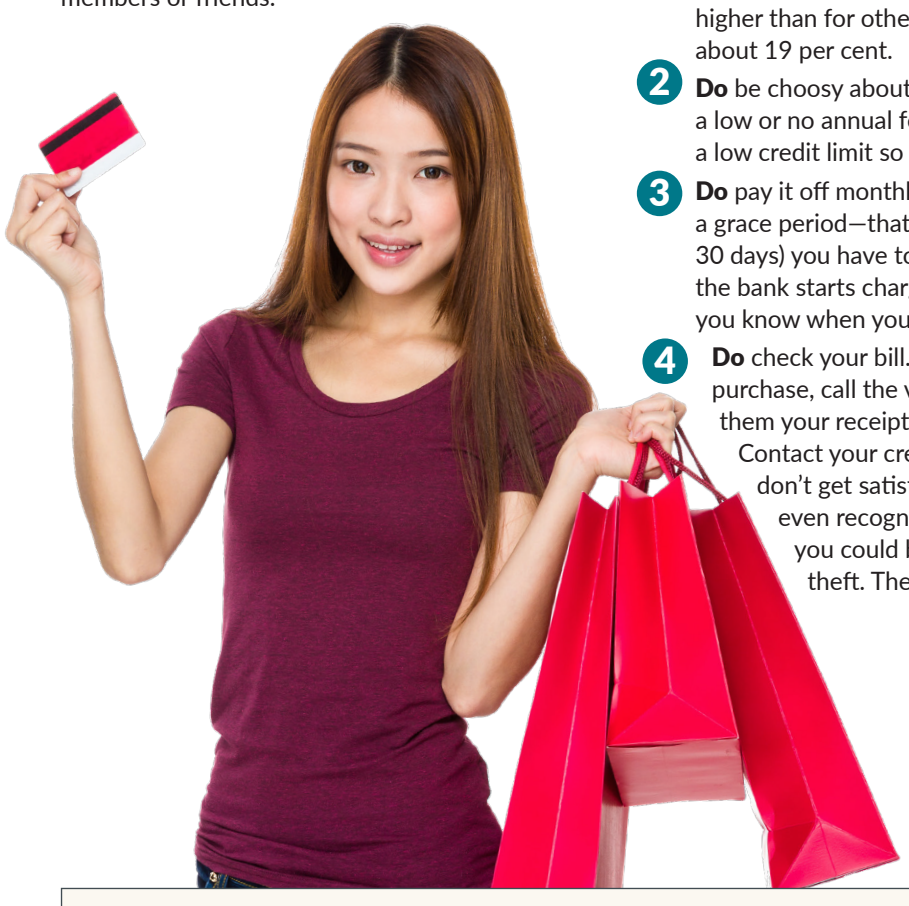
Scenario 1: Cass is starting Grade 12. She wants to go to Cancun at the end of the school year for a break before she starts her summer job. She has saved $500, but she needs $1,000. What is the best kind of account for her (bank account, TFSA, RRSP, RESP)? What type of investment is most appropriate (savings, GIC, stocks, bonds, funds)? Justify your choice by taking into account her timeline, potential service fees and other factors.

Scenario 2: Josh is in Grade 9. He plans to study accounting at university, but his parents won't be able to cover the full cost. Fortunately, Josh has a part-time job through the school year so he can put aside $100 per month himself. What is the best kind of account for him (bank account, TFSA, RRSP, RESP)? What type of investment is most appropriate (savings, GIC, stocks, bonds, funds)? Justify your choice by taking into account Josh's timeline, potential service fees and other factors.

BORROWING IT

If you've already borrowed money from your parents, you know the deal: they give you money to a buy a new cell phone and you agree to pay it back over time. But not all lenders are as easy-going as your parents. When you get a loan in the real world, you must pay it back with interest. That's the fee (usually a percentage of the loan amount) that goes to the lender for taking a chance on you.

Aside from perhaps a student loan, it's likely a credit card will be your first experience with borrowing from anyone other than family members or friends.



Eight credit card dos and don'ts

Credit cards may look like the answer to your dreams. Want that adorable new sweater? Swipe! Hungry for a burger and fries? Swipe! But you can end up swiping away all your cash. One MIT (Massachusetts Institute of Technology) study showed that people paid roughly twice as much for items when they used plastic instead of cash.

Credit cards have a place. They can help you track your spending, rent a car and pay for things without having to carry around a wad of cash. But approach them with caution.

1. **Do** think before you swipe. You will have to pay that money back. And if you don't pay off your credit card balance in full by the due date, you'll pay an interest rate three to five times higher than for other loans—on average, about 19 per cent.
2. **Do** be choosy about your credit card. Look for a low or no annual fee, a low interest rate and a low credit limit so you can't overspend.
3. **Do** pay it off monthly. Most credit cards offer a grace period—that's the time (usually 20 to 30 days) you have to pay off the loan before the bank starts charging interest. Make sure you know when your grace period ends.
4. **Do** check your bill. If you spot an unfamiliar purchase, call the vendor immediately. Show them your receipt and your bill. Contact your credit card provider if you don't get satisfaction, or if you don't even recognize the business listed—you could be a victim of identity theft. The phone number for your credit card provider is usually on the back of the credit card.
5. **Don't** get caught in the minimum payment trap. Credit card providers usually allow you to make a minimum payment by the due date to avoid other penalties, but you'll pay a lot of extra interest in the end, so it's best to just pay off the full amount every month.
6. **Don't** take cash advances. You can use your credit card to borrow cash (this is called a cash advance). But you may pay a fee for the service, the interest rate will be even higher, and you will pay interest immediately until every cent is paid back.
7. **Don't** make late payments. You may affect your future ability to borrow.
8. **Don't** lend out your card. If your friend makes purchases using your card and doesn't pay you back, the credit card company doesn't care that it wasn't you. Your name is on the card so you're responsible for it.

Reading a credit card statement

When you sign up for a credit card, you get a monthly statement. It can be confusing to read, but it's crucial that you know what you're getting into. Here's a typical credit card statement with explanations for the most important line items:

$ YourBank CREDIT CARD STATEMENT

PAYMENT INFORMATION

New balance:	The amount you owe this month.
Payment due date:	Pay by this date to avoid interest charges.
Minimum payment due:	The minimum amount you can pay this month without incurring a penalty.
Minimum payment warning (Time to Pay):	Note: you still have to pay interest on the remaining balance owing. This tells you how long it will take to pay off your balance if you only make the minimum payment.
Interest Rate (also called APR or Annual Percentage Rate):	

Statement Period:
From: **April 01, 2019**
To: **April 30, 2019**

Account Number:
000 00XX XXXX 1234

Primary Cardholder:
FirstName LastName

SUMMARY OF YOUR ACCOUNT

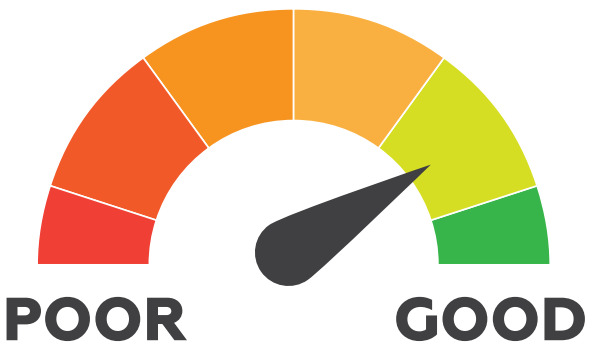
Previous Statement Balance:	$0,000.00
Payments:	$0,000.00
New Purchases:	$0,000.00
Balance Transfers and Access Cheques:	$0,000.00
Cash Advances:	$000.00
Interest:	$00.00
Fees:	$0.00
Subtotal:	$0,000.00
Your New balance:	$0,000.00

Ways to Pay:
Online Banking
Telephone Banking
ATM
Pre-Authorized Payment
By mail to:
YourBank
P.O. Box 000
BankCity, ON X0X 0X0

Score a good credit rating

You may not know it, but from the time you get your first credit card or loan, you are being graded on your ability to manage money. That grade comes in the form of a credit score that measures your credit-worthiness. Blots on your credit record can affect whether you can get a job, rent an apartment, buy a car or get a cell phone. Conversely, when you have a strong credit score, lenders may offer loans at a lower interest rate because you're a good risk.

You can get a free copy of your credit report from one of the two national credit bureaus in Canada, Equifax Canada and TransUnion Canada, by sending them two photocopied pieces of ID and basic background information. Credit scores range from 300 to 900. Higher scores indicate lower risk (in other words, the higher your score, the better). Most lenders consider a score of 600 or less an indicator that you're credit-challenged.



How can I get a better score?

- Pay your credit card bill on time. If an emergency comes up and you can't pay in full by the due date, at least make the minimum payment and then pay the rest as soon as you can.
- Don't max out your credit card. Limit your charges to 25 per cent of your credit limit, or even less. You can ask your credit card provider to give you a low limit.
- Establish a record. If you faithfully pay your bills over time, you'll be considered a good credit risk.

Tip: The debit card advantage. Debit cards share many advantages with credit cards; for instance, you can sign in to your account online and view all your purchases so they're easy to track and you don't have to carry cash. But, unlike with a credit card, there is no chance that they will leave you mired in debt. With a debit card, once there's no more money in your account, you can't continue to spend.

Other types of loans: You probably don't need to draw on these options yet. But it's useful to know about them in case you need to borrow in the future.

Mortgage: A loan specifically for buying a house or other real estate.

Personal loan: You sign a contract to borrow a sum of money to pay for, say, your education, a wedding or renovations to a home, and agree to repay the money over time in pre-determined amounts.

Line of credit (LOC): A line of credit from the bank is a pre-approved loan for a set amount. You can dip into it at any time, but you only pay interest when you use it. Once you borrow money, you have to make regular minimum payments, but you can repay it faster if you want.

ACTIVITY

How much would it cost?

Consider this example: You buy a new bicycle for $600, but you make only the minimum payment each month, at an interest rate of 19 per cent per month. Answer the following questions:

- How long will it take you to pay off your debt?
- How much extra will you pay in interest charges?
- What will that bicycle cost you in total? Is it worth it?

Protect yourself from scams

You can lock your doors against thieves, but making sure you don't fall victim to a scam is much less straightforward. There are plenty of ways to get cheated out of your cash. Here are some of the most common scams targeting teens:

Buy it cheap! You may have seen online ads for inexpensive electronic gadgets, designer clothing, or luxury goods on sale for a fraction of the retail price. However, often the products aren't as promised, or they never arrive.

"I work from home and make $8,000 a week!" You pay up-front for materials, equipment for training, but the promised earnings never arrive.

"You've won (fill in the blank)!" You probably don't even remember signing up for the contest. That's because you didn't. This is a classic scam to get hold of money or personal information.

"Sign up for this free trial!" Before you agree to a free trial, research the company and read the cancellation policy; you can end up being billed every month for charges.

Classic warning signs:

- *It sounds too good to be true.*
- *Phrases like "limited time," "act now" or "don't miss this opportunity."*
- *You're asked for up-front payments or personal information (like your credit card or Social Insurance Number).*

Protect the plastic

One of the most common ways thieves reach us is through credit or debit cards. You don't even have to lose your card to get taken. Thieves skim or swipe the information on your card's magnetic strip and take a snap of your PIN number with a hidden camera. Then they buy online or create a duplicate card, using it to withdraw money from your account. Here's how to protect yourself:

- Watch out for ATM machines that don't look like the real thing, plastic sleeves where you insert your card, or suspicious-looking people loitering nearby.
- Create strong passwords, with punctuation, special characters, capital letters and at least eight characters. Don't use a normal word for your password.
- Don't lend out your cards.
- When buying something, keep your card in plain sight and watch that merchants don't double-swipe it.
- Don't forget to retrieve your card after using it at an ATM or to pay for a purchase.
- Carry with you only the cards you need.
- Never, ever, ever provide your credit card number over the phone or on the Internet unless you're dealing with a company you know well, or you initiated the call.
- Check your account statements and review them regularly for suspicious transactions and charges. Report issues immediately to your bank.

GIVING IT

Ten awesome ways to make a difference

Part of being a contributing member of society is giving back to causes that are important to you. That may mean donating your time or your money or both. There are lots of not-for-profit/charitable organizations in Canada, so the opportunities are endless. Here are some ideas to help get you started:

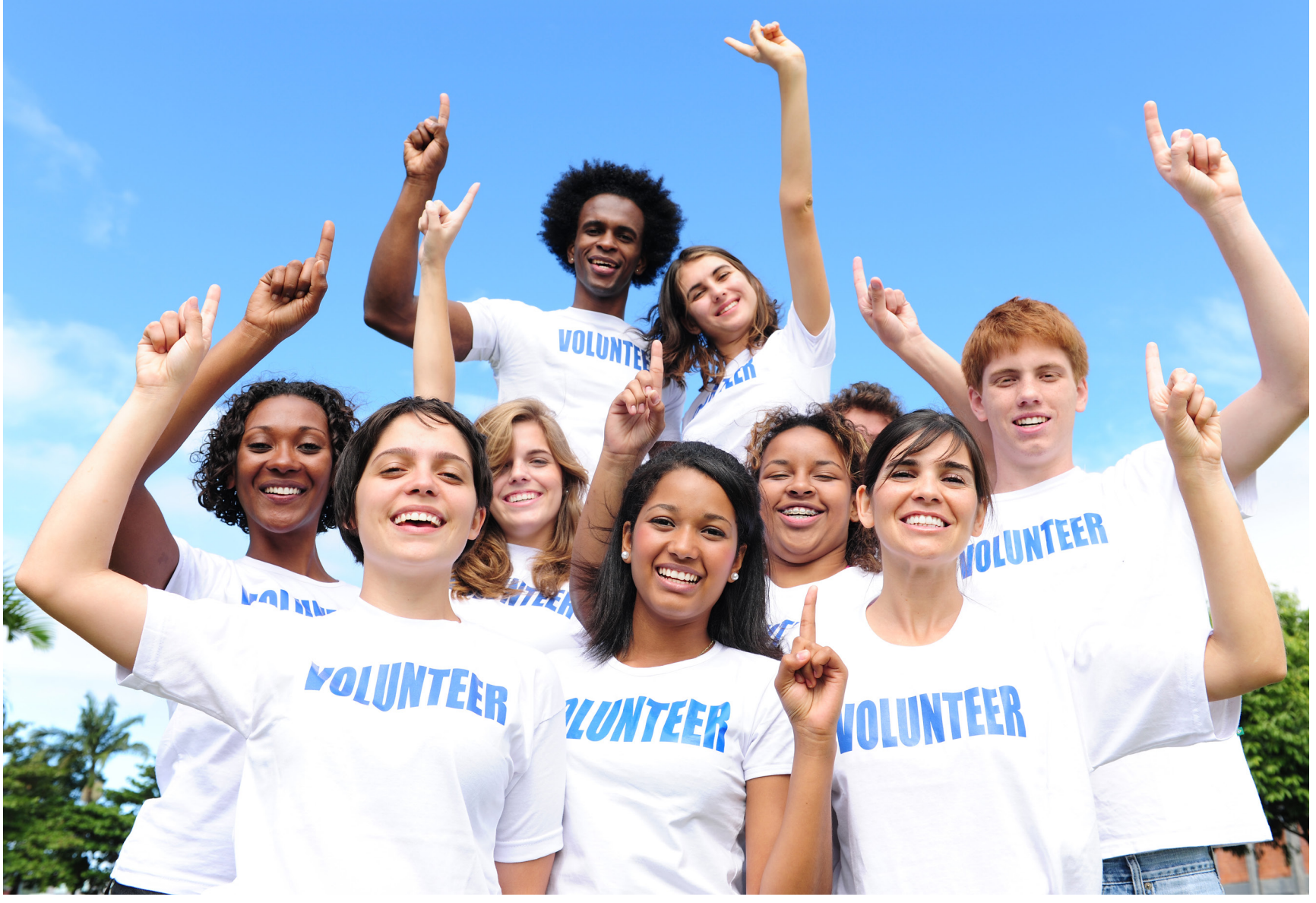
1. **Encourage literacy.** Many libraries and schools would welcome help teaching struggling readers.
2. **House a family.** If you like to work with your hands, you can help out at a Habitat for Humanity construction site, building an affordable home for a family. (Bonus: you'll learn construction skills.)
3. **Bring art to life.** Arts organizations rely on volunteers to fill a variety of roles, from dialing for donations to staffing events.
4. **Get physical.** After-school programs and kids' sports teams often accept student volunteer coaches or referees. The Special Olympics recruits student volunteer coaches to provide skills training and competition preparation.
5. **Feed people.** Homeless shelters can always use an extra pair of hands.
6. **Raise money and challenge yourself.** From marathons to bike rides, many charities raise money through personal challenges.
7. **Help out with the animals.** Animal shelters sometimes use volunteers to keep our four-footed friends happy and healthy.
8. **Get crafty.** Put your knitting or crochet skills to good use by crafting a hat or blanket for a preemie (premature infant) in the hospital.
9. **Get your green on.** Conservation areas and provincial and national parks often need help with clean-up events or teaching opportunities.
10. **Teaching tech.** You grew up with technology, but your grandparents sure didn't. Local seniors' homes and immigration centres welcome helpers who can teach people how to use the Internet, social media, computers or mobile devices.

What to ask

Before you volunteer your time, make sure you know the answers to the following questions:

- What is the age requirement for this position?
- Are there additional prerequisites, such as a police record check?
- Do I need to commit to a certain number of hours per week, per month?

"If you think you are too small to be effective, you have never been in bed with a mosquito."
— BETTY REESE



Let the games begin!

WORD SCRAMBLE

L N T I N O F I A

I O F T R P

E R T E V N L O U

N P E E X E S

N Y O E M

A F T S

L E Y P E O M R

E A W G

D T I R C E

L A S G O

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

An important principal of personal finance is to

See answers at: classroomconnection.ca/puzzle

Test Your Financial Vocabulary

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

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

- ◯ Something you can get by without (a want vs. a need)
- ◯ 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
- ◯ An account that allows you to set money aside tax-free
- ◯ The time a borrower is allowed after a payment is due to make that payment without adding to the interest owed
- ◯ A three-digit number that lenders use to make credit decisions
- ◯ A pre-approved loan for a set amount
- ◯ The amount of pay before deductions
- ◯ Setting goals for your money and achieving them
- ◯ Interest that is calculated on both the amount of money invested and on the interest that has been added to it
- ◯ The steady increase in the price of goods and services
- ◯ An amount of cash borrowed against your credit limit
- ◯ An investment account geared towards saving for a child's education

See answers at: classroomconnection.ca/puzzle

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