

YOUR

MONEY



MATTERS!

TEACHER GUIDE

TORONTO STAR

CLASSROOM CONNECTION

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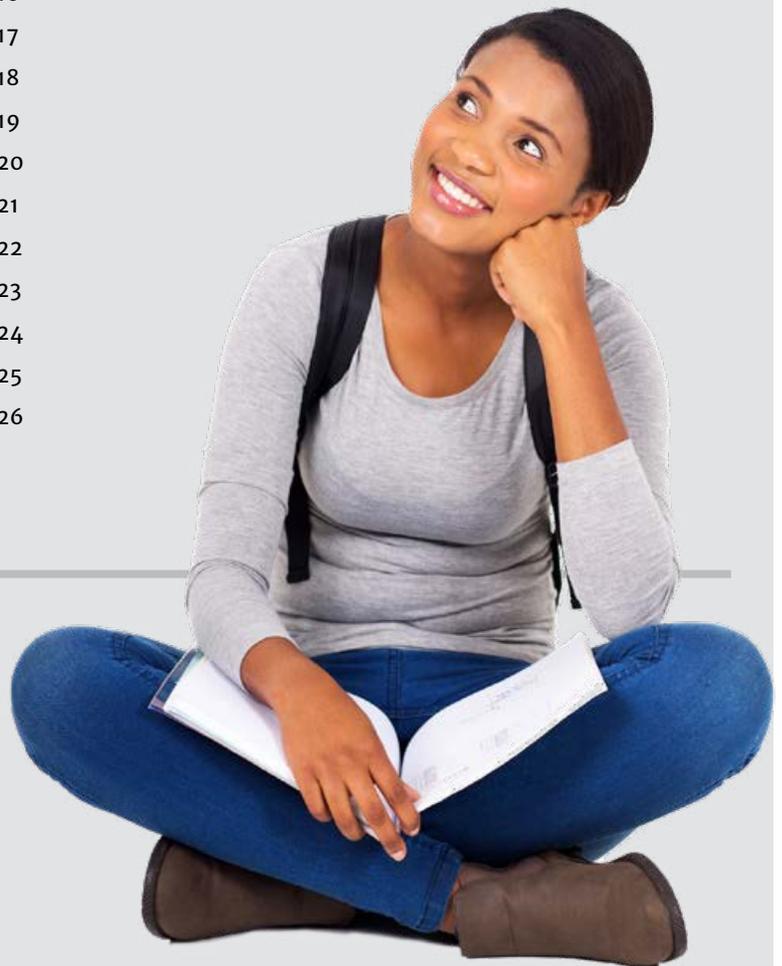
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 www.classroomconnection.ca



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. ®The TD logo and other trade-marks are property of The Toronto-Dominion Bank.

Dear Educator,

Welcome to our latest edition of Your Money Matters! This program is designed to help you teach your students financial literacy.

The student section activities and the supplementary activities in the Teachers' Guide help to support the financial literacy requirements as defined by the Ministry of Education. Students should learn to:

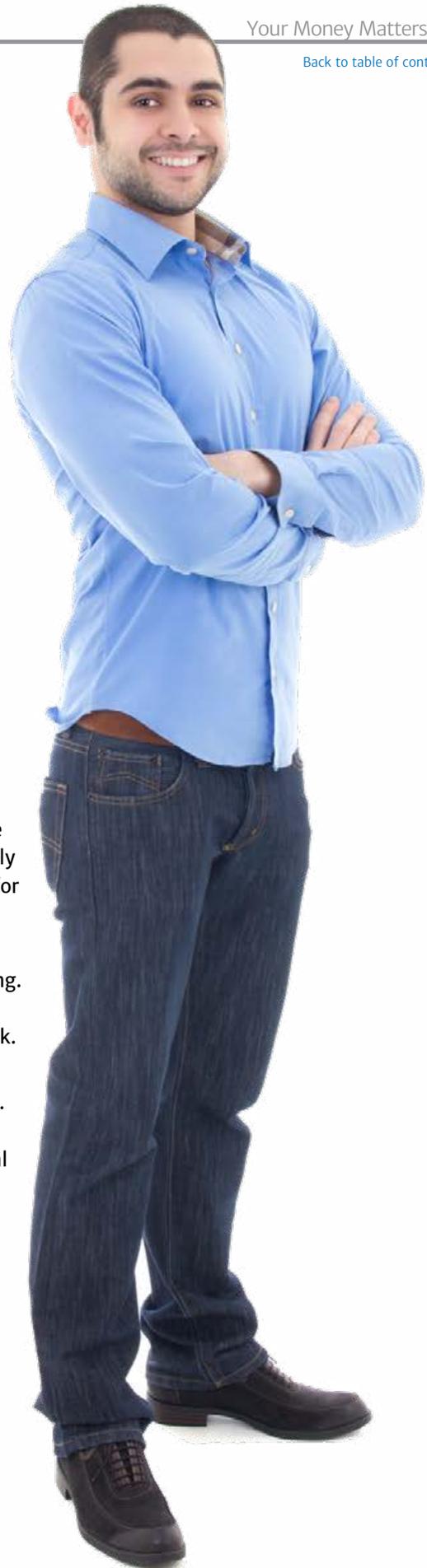
- Carefully consider their financial choices. This can apply to everyday decisions like buying groceries, to bigger investments like paying for tuition or buying a car.
- Understand basic money management.
- Develop their own perspectives on financial matters such as interest rates, mortgage rules or the economy.
- Participate fully in society as knowledgeable responsible citizens who can confidently make decisions about where and how to invest their money.
- Stay financially stable and healthy throughout their life.

Understand the impact of economic choices on the world they live in.

The student section activities introduce the required financial literacy knowledge, and the supplementary activities in the teachers' guide expand on that learning. The teachers' guide also includes suggested answers, where appropriate. Some activities are open-ended, allowing students to roam freely through possible approaches or decisions. There, we give some suggestions for possible outcomes, rather than definitive answers.

This guide also includes a relatively simple test on the basic concepts in the student materials. You can use it as a pre- and post-test, to measure learning. It also works as a standard test at the end of the unit. You could assign it as homework, independent study material or as an introduction to the new work.

Answers and expansion suggestions for the activities in the student section are in PART ONE. Suggestions for additional activities are here in PART TWO. They are set up to enable you to print them out easily or post specific pages to Google Classroom for students to access online. Answers for the additional activities are in PART THREE.



Get free access to the Star ePaper for 3 months!

The Star ePaper is a digital replica of the printed Toronto Star newspaper. What you see in the newspaper, is what you will see in your digital ePaper edition, but with cool interactive features students are sure to enjoy.

As part of our Financial Literacy program, schools across Canada have free access to the Toronto Star ePaper from October 2018 to December 31, 2018.



HOW TO LOGIN

1. Go to: torontostarnie.newspaperdirect.com
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3. Under 'Existing User' type the following login info:
 - User ID: **67370706**
 - Password: **education**

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- LISTEN to stories
- KEYWORD search
- SHARE stories via email and social media

NEW FOR 2018

Your Money Matters! Interactive Activities

This year, our financial resource program includes interactive activities including a Life Plan online tool to help students plan and visualize their future using a 20-year timeline calendar.

THIS PROGRAM INCLUDES:

- 10 Interactive Financial Literacy Activities
- Detailed student information pages for each activity
- A Teacher Guide
- A Life Plan Case Study

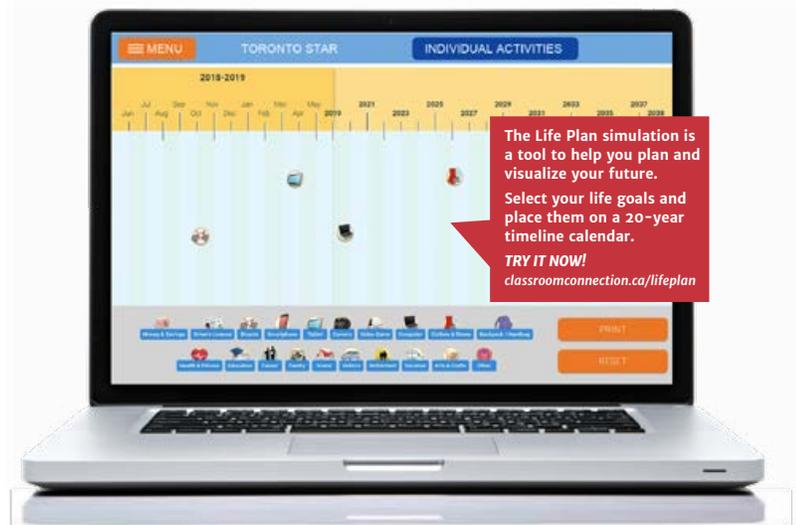
View the Teacher Guide at: classroomconnection.ca/lpteacherguide



The activities are designed to help students learn and practice fundamental personal financial literacy concepts. An information page has been created for each activity to provide students with additional details, prior to playing the activity.

STUDENTS CAN PLAY THE ACTIVITIES USING ONE OF TWO PROFILES

1. **The Mo Money profile–Case Study.** Mo Money is a fictional character with a detailed profile that can be used as a context to play all of the activities. It is recommended that students play the activities first using the Mo Money profile. Answers are included in the Life Plan Teacher Guide.
2. **Students' personal profiles.** Instructors can encourage students to research the information they need to make the data more personally relevant.



Links to the Student Activity Instruction pages:



- | | |
|-------------------------------------|---|
| 1) Life Plan | 6) Job Income |
| 2) My Money Profile | 7) Career & Education |
| 3) Net Worth | 8) Loans |
| 4) Budget/Cash Flow | 9) Investing & ROI |
| 5) Buy & Sell | 10) Retirement |



PART ONE:

Answers and expansion suggestions for the activities in the student section.

THE THREE BUILDING BLOCKS OF FINANCIAL FREEDOM:

ACTIVITY

AN EXERCISE IN GOAL-SETTING

1. List two of your medium- and long-term goals as well as three things you spend money on now.
2. How much money do you need to save to achieve each of those goals?
3. How much money can you afford to save each month to achieve your goals?
4. Given that, how many months will it take for you to reach each of your goals?
5. Can you think of a way to reach your goals sooner?

Answers will vary. Consider using this set of questions for a class discussion. The two medium- and long-term goals could be anything from saving for a new cell phone to tuition fees. That allows for a guided discussion to show students how to answer the last point. Then have students record their spending on the “Spending It” form. (Let them ignore the “discretionary” or “necessity” part for now. We will get back to that later.) There they can see how much money they have left after a week or a month, and how much they could save.

ADDITIONAL WORK:

- Students should brainstorm ways to measure their progress saving money. If necessary, steer the conversation toward the usefulness of periodic progress checks, which tends to be the easiest way to assess progress.
- If their plan will likely not allow them to meet their savings goals, have them reconsider either the amount of money they plan to save, or the time span.
 - Have students revise their plan as needed, to ensure it would help them meet their goal.
 - An opportunity for expansion: throw in a “Now what?” moment. How could they deal with having their employment hours cut, their allowance was reduced, or some other situation that reduced their ability to save?
 - Discuss the reasons for opening a bank account. Although accounts pay very little interest these days, they provide a structured way to save and develop good financial habits for the future.



EARNING IT

The student section refers to two ways of earning: hourly wages and salary. However, these are not the only ways workers are paid. Other alternatives are piece work, commission, or some combination of all of the above. Consider discussing these, because they apply to forms of employment students might encounter. Selling door-to-door or telemarketing jobs often pay only commissions. Other jobs may offer a combination of hourly pay and commission.

Students will probably be shocked the first time they see a pay stub showing all the deductions. Even those of us who have worked for years sometimes shake our heads when we compare gross and net pay. Students must understand the value and relevance of these deductions.

One important area for explanation is the CPP (Canada Pension Plan). While the CPP pension deductions are relatively small, the CPP provides an important safety net. On average, fewer than 40 per cent of Canadian workers have a company pension plan. Lower income workers are even less likely to have one. By starting to pay into the CPP early on, these students in later life will have a better pension. It also opens the door for further discussions about “paying yourself first,” by encouraging long-term saving for retirement. That in turn sets up a later discussion about investing and the benefits of compound interest.

Student Section Activities



ACTIVITY

COME UP WITH A SIDE HUSTLE OF YOUR OWN

List the costs associated with it; what market you'd like to reach (meaning, who you think are the people most likely to pay for your product or service), and how you would reach them; as well as how much you might expect to earn. Justify the hourly rate you think you could charge.

Most students will have had some job experience. Use that to start a class discussion on ways students can make some money in addition to any allowance they may receive. Have the class list all the jobs they have had, and discuss the advantages and disadvantages of these jobs. They could also compare how much they earned for these jobs.

The activity is asking students to prepare a business plan for creating their own job. Before starting any business, students need to determine if there is a market for their services. They may be considering mowing lawns, cleaning windows, whatever. That may require tools and supplies. These costs need to be considered. Students also need to find out what customers pay for these services. In many cases, students have no idea what they may reasonably charge for babysitting, shovelling a driveway, or mowing a lawn.

You could also discuss the role of technology in searching for a more regular job. Many companies do not accept dropped-off resumes. They want students to apply online. This could be an introduction to preparing resumes, and the key words that are important in such applications.



ACTIVITY

COMPARE TWO JOBS YOU'D BE INTERESTED IN HAVING IN THE FUTURE

Research both jobs online. Take into account wages, benefits, opportunities for growth and other non-tangible benefits such as job satisfaction. Which job is the most lucrative? Will you likely be paid a salary, commissions, on a fee-for-service basis or an hourly rate? What are the pros and cons of each job you're considering? Which would you prefer and why?

Have the class list interesting jobs. The students can then individually select any two jobs and research them and answer the questions in the activity above. Have them complete the activity with an oral presentation on one of the jobs they liked best. As part of the presentation, they should answer the points listed above.

For more activities, see Part Two of this resource.

SPENDING IT

Most students have never thought of their purchases in terms of how long they need to work to earn the money for that item. Previously, students have discussed jobs they have had and what they earned.

An opportunity for a further class discussion:

- Have them select a couple of those jobs and work out what the hourly rate was.
- Let the class list their “Needs” and, especially, “Wants.”
- Have them rate the items by desirability and research the prices.
- Finish this activity by having the students work out just how many hours they need to work to earn the money for those items. For those with no jobs, use the minimum wage (about \$14/hour).

Summary activity: a discussion about whether designer clothes/shoes or expensive cell phones are worth the sweat it takes to earn the money to pay for them.

Student Section Activities

ACTIVITY

APPLES TO APPLES —A LESSON IN COMPARISON SHOPPING.

Choose a product you'd like to own—whether it's a sweater or a new phone—and compare two competing brands, taking into account:

- Prices for the competing brands (check print and online ads).
- How much time it would take to earn the money to purchase each of the products.
- What the online reviews say about the products.

Assess all these factors to determine whether you believe the additional value is worth the additional cost.

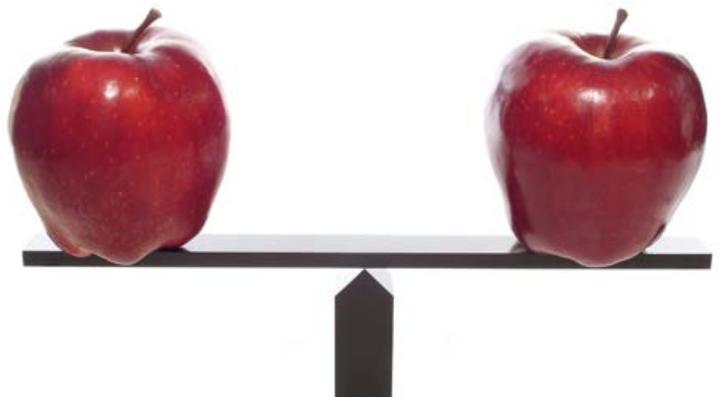
The discussion of needs and wants leads directly into working on comparison shopping. As a classroom activity, have students bring in the ads from the weekend newspaper or a magazine, or look for ads online. Select one item from their list of needs and wants, and have them search for the best price. For example, they may find several models of Brand X hoodies. Discuss which version they prefer and who offers the best price.

The second step could be examining more affordable substitutes.

If brands are important, might a Brand Y hoodie be a reasonable substitute?

If the function of the hoodie is to keep one warm, would a no-name brand hoodie work?

In the next section, there is a worksheet for comparison shopping.



ACTIVITY

WHERE DOES YOUR MONEY GO?

Keep a spending diary and then itemize your monthly expenditures on a pie graph. Are some discretionary expenses eating up a good deal of your budget? If you eliminate them, how much money could you save each month?

In the next section, there is a worksheet for recording spending. If a month is too long, shorten the exercise to one week. The main point is to stress the importance of recording everything on which they spent money. If some students feel uncomfortable about how much money they have (or don't have), make this a group exercise. Three or four students could record their spending on one sheet, and as a group, discuss where their money went. The group then reports on the difference between necessary and discretionary spending.

SAVING IT

You can start the *Saving It* and *Investing It* sections by having students fill out the *What's It Called?* activity form in the next section. This could be a class, group, or individual research activity. It will give students basic terminology for further discussions.

People like to save for something, rather than just save for some unforeseen circumstance. Brainstorm with your class about what they might want to save money to buy. It might be a car or an iPhone X. Maybe the goal is university tuition or a March break holiday. Whatever they decide, the process begins with setting goals.

Students are already listing their expenditures, separated into "Needs" and "Wants." You have also discussed comparison shopping. Now, combine these into a classroom discussion. Have students select one item from their "Wants" list and work out how to save enough money to acquire it. Suppose the item they choose costs \$250. Have them look at how much money they are saving. Could they save more by cutting back on some discretionary spending? How long will it take to accumulate the money? Allow them to work out how much they could save each week or month toward that purchase.

The Savings Option activity form allows students to compare interest rates and fees at various financial institutions.

You could also discuss two pitfalls of saving. Saving money is good. But putting too much money aside can be a problem. That can leave you feeling strapped for cash and frustrated. You might even give up on your savings plan.

The second pitfall is monitoring. Tracking progress is essential. Like any plan, for instance studying for an exam over several days, people need to check on their progress toward that goal. Have them set interim goals. For example, students saving \$20 a month should check on their savings after four or five months to see if their savings have actually grown by the planned amount. If not, they need to consider why not. Then they need to revise their plan. They might need to save over a longer period of time. They might have to try harder to save the allotted amount each week or month. They might have to find an alternative purchase.



Student Section Activities

ACTIVITY

CREATE A BUDGET

Draw up a budget. Which of your expenses are ‘needs’? Which are ‘wants’? Could you eliminate some wants? How much money would that free up for your medium- and long-term goals? Check out a sample budget worksheet at classroomconnection.ca/budget.

This activity leads directly into the next work: a detailed discussion of “Needs and Wants.”

- Ask students to list several “must have” items on the blackboard.
- Next, have them explain why these items are important to have.
- Pick one item from the discussion. Discuss cheaper alternatives. If the purpose of a smart phone is to text, browse, act as an electronic wallet, and even talk to someone once in a while, won’t a much less expensive item do that?

Now you have an opening to discuss function as an introduction to “Needs and Wants.”

Does a label make a sweater warmer? What makes that label an important part of needs and wants? How can students spend wisely when considering those needs and wants?

Student Section Activities

ACTIVITY

WHAT’S THE COST OF AN EDUCATION?

Calculate the cost of a university or college education. Don’t forget to add the cost of books, as well as housing and food (if you’ll be living away from home). What factors will affect this cost? What are the advantages associated with having a post-secondary education? Can you find some statistics that show how much more money people earn when they have a degree or a diploma?

In groups of 3 or 4, have students research tuition fees for different programs universities, colleges and trade schools. Different colleges or universities charge different fees. Even different programs have different fees. Tuition fees for students studying outside Ontario are significantly higher, and housing becomes an additional cost.

Students in Ontario may be eligible for grants. For lower income families, grants and subsidies cover most college and university fees.

Once students know the costs of tuition, and accommodations if out of town, have them visit <https://www.ontario.ca/page/osap-ontario-student-assistance-program> to find out more about the financial aid that is available. Note: Students may need to register online to use this website.

As part of that research, have students consider the cost of the program and earnings potential of the graduates of that program. One source: <https://www.jobbank.gc.ca/careertool>.

This site: <https://www.jobbank.gc.ca/occupationsearch> allows students to look up possible careers, educational requirement and wages, as well as employment prospects for that career.

INVESTING IT

The student section briefly discusses savings and chequing accounts. You could expand on that. Have the class discuss and explore:

- Different kinds of savings accounts. Every financial institution offers these, and all have slightly different benefits and fees. Some offer higher interest on savings than others. Some offer bonus interest if no withdrawals are made over a set time.
- Chequing accounts. These vary too. Often, they offer unlimited cheque writing, but pay no interest on deposits.

As a class or group activity, have students research and compare the offerings from different financial institutions. There is a worksheet in the next section.

Three investing solutions for students (and when you should use them).

If you decide to expand this section of the work, here are some points for further research and discussion:

Tax-Free Savings Account (TFSA)

- TFSA gives no tax benefits when one invests. However, investors do not pay taxes when retrieving that money.
- Any growth of that investment while in the TFSA is also tax-free.
- The TFSA is a better choice for people starting their career. Chances are they will be earning more when they reach retirement age, and their tax rate will also be higher. With TFSAs, they avoid those taxes.
- It is also a better choice for people who do not plan on taking any money out until after they retire, because money from TFSAs is not taxable.

Registered Education Savings Plan (RESP)

- This savings program allows parents to put money away for children's college or university tuition fees.
- The federal government provides matching grants.
- The funds can be withdrawn to pay tuition fees without tax penalties.
- As well, more provinces now are offering large subsidies for post-secondary tuition fees. In Ontario, those grants are enough to completely pay for college or university for students whose family income is below \$50,000. However, these subsidies are not available for out-of-province schools.

Have students check out: <https://www.ontario.ca/page/osap-ontario-student-assistance-program>.

Your students could also explore federal tuition aid at <https://www.canada.ca/en/services/benefits/education/grants.html>.

Registered Retirement Savings Plan (RRSP)

- The traditional selling point for an RRSP is that people get back the income tax they paid on the money they are depositing. Hopefully, their retirement income will be lower when they withdraw that money, so their tax rate will be lower than when they originally earned it.
- In fact, most people are earning much more money at the time of retirement than when first starting on a career. The investment, and any growth of that investment, is completely taxable when retrieved.
- RRSPs are not the best option for those at the beginning of their working life. However, one way to make it work is to put the tax refund away until the next RRSP season and use it towards the purchase of an RRSP.
- Money from RRSPs is considered income for tax purposes. That has some complicated tax implications which may be more than you wish to discuss in class. Essentially, it means RRSP withdrawals may increase someone's income so much that they no longer qualify for Old Age Security (OAS) pension or any income supplements.

GICs, Bonds and Stocks

- These are important, because they offer an option for individuals who want a higher return than savings accounts offer. They also represent an opportunity to discuss investment risk. The three types of investments are listed in order of increasing potential risk. The riskier an investment, the higher the potential return on that investment.

HAVE STUDENTS RESEARCH THESE THREE OPTIONS. THEY SHOULD DISCOVER THAT:

- GICs offer relatively low interest rates but are absolutely safe. Hence the name Guaranteed Investment Certificates.
- Bonds are loans to companies or governments. Canada Savings bonds are loans to the government of Canada, and offer slightly higher rates of return than GICs. They are as safe as Canada.
- Stock values depend on the performance of the company that issued them. That means they are risky, but potentially offer much higher rates of return than GICs. Ten years ago RIM (BlackBerry) was selling for more than \$130 a share. Today, those shares are worth about \$16. On the other hand, only two years ago shares in Bombardier sold for under 90 cents each. At this writing, they are close to \$5.

Students could present this as group work, one group on each investment. They could all do this as homework or individual research, followed by class discussions. The topic could also be used as a group or individual project.

In your discussions, you might consider setting up a debate: risk vs. returns. Some students might be willing to invest in something risky if the benefits are high enough. That becomes a very personal discussion, so a class debate has a lot of potential.

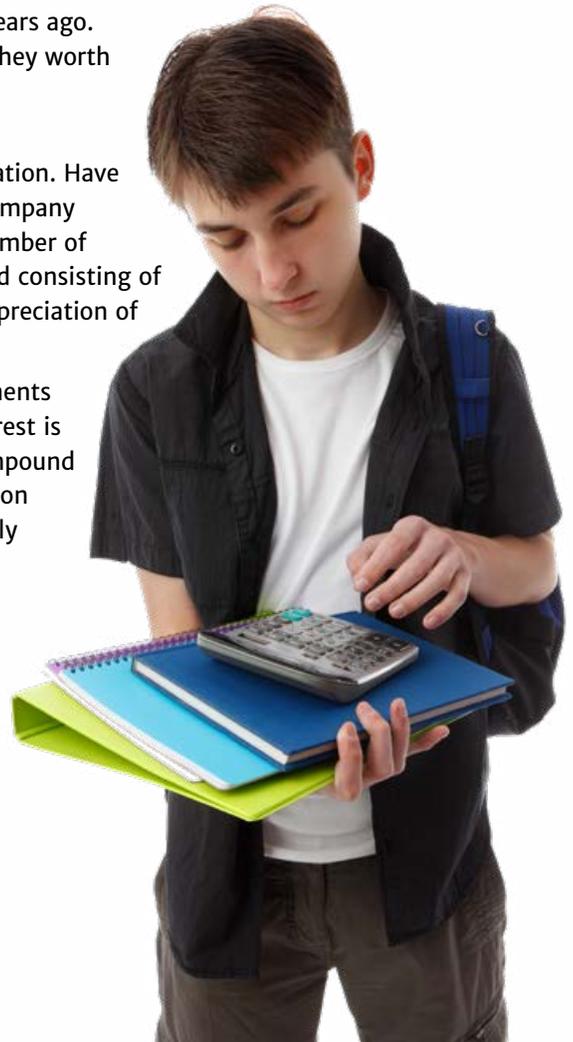
Introduce mutual funds and the idea of shared risk. Investing in one stock is potentially more risky than investing in a basket of different stocks. (Because, while one stock may fluctuate greatly, a basket of stocks is less likely to do so.)

One exercise to try: Have students collect stories about interesting companies, using the business section of the Toronto Star. Ask them to:

- Select one company in which they might want to invest \$1,000.
- Look up the value of that company's stock now, and one, two and three years ago.
- How many shares would \$1,000 have bought them back then? What are they worth now?
Would that investment have paid off?

If each student picked one company, you can simulate a mutual fund calculation. Have each student work out how much they earned or lost by investing in that company over three years. Add up the total gains or losses and divide them by the number of students in the class. The results would simulate the return of a mutual fund consisting of those companies. Comparing it to individual results will give students an appreciation of the benefits and drawbacks of investing in a pool.

You should also introduce compound interest. Savings accounts and investments in GICs and bonds earn either simple or compound interest. Compound interest is the most common. The table in Section 2 allows students to work out a compound interest calculation using just a calculator. They can also set up the calculation on a spreadsheet if the software is available. Spreadsheets allow daily, weekly and monthly calculations. The worksheet only approximates the calculation used by financial institutions, but allows students to see the effect clearly. The spreadsheet's compound interest calculator link on pg. 29 gives a more accurate calculation, but does not show how it works.



SIX THINGS YOU SHOULD KNOW ABOUT CREDIT CARDS

Class discussions: High school students will have at least a passing familiarity with credit and debit cards. Focus on some specific aspects of credit. Discuss:

- *why credit cards charge higher interest rates than bank loans.* The key point: discuss secured and unsecured loans and credit worthiness. Ask students why they might lend money to one friend but not another. Then remind them that financial institutions treat credit cards like unsecured loans. If an individual fails to pay back a credit card debt, the credit card company may have a hard time getting its money back. Taking back used clothing is not likely to be of much use to the credit card company.
- *the penalties for missing a payment.* Credit card companies charge 19.99% annually on unpaid balances. However, if a payment is missed, the card company charges interest on the debt, item by item, back to the original purchase date, and continues to do that until the entire debt and interest charges are paid. Missing a payment costs. Some card companies may also raise the interest rate charged.
- *how long it takes to pay off a credit card debt making only the minimum payment.* Credit card statements now have a line which states how long it would take to pay off the current card debt if the holder makes only the minimum payment each month. There is a worksheet that allows students to calculate the cost of paying off a credit card debt. This simplified simulation reinforces the interest cost of such debts.
- *how payments are applied to credit card debts.* The main point: the first item paid is credit card interest. Any sums left over then pays off the actual debts, starting with the oldest. Minimum payment may be less than even the interest owed on that statement, actually increasing the debt.

This topic can be assigned as individual research, or homework leading to a class discussion.

Completing the credit card debt calculation will show students how the interest adds up. If you have access to a computer spreadsheet, have them redo the simulated repayment schedule with a daily calculation of the interest owed. The card interest rate on unpaid balances is 19.99%. The interest calculation for one month would then be $.1999/365 \times$ the number of days in the month.



THE LOAN ARRANGER

The table will also work for calculating personal loans, lines of credits, and mortgages. All they need to do is change the interest rates and the amount of the debt. Set up a repayment schedule for 5 years. You can show the effects of making extra payments on mortgages by increasing the payment any one month.

You can use this worksheet to show several important lessons:

- The interest on a 25-year mortgage at seven or eight per cent interest can double or triple the cost of a home.
- Prepayments make the biggest difference if they are made early in the mortgage.
- Shopping for the best interest rate is important.



ACTIVITY

RESEARCH THREE DIFFERENT CREDIT CARDS

Using an online interest rate calculator, figure out the interest rate for each. What perks do they offer? Think about how you would use the credit card and justify why you would choose one over the others.

Divide the class into their usual work groups. Have each group look up several credit cards offered by one financial institution. They can prepare a list of the interest rates and perks offered. Have them report the results to the class, and prepare a written summary of all that information. Have each group decide which option they prefer. Compare the choices the groups make. As a writing exercise, have each group prepare a written justification for their choice.

They could also create a display ad or commercial for their favourite credit card, promoting the perks of that card.



ACTIVITY

WHY INTEREST RATES MATTER

Create a graph that shows how long it would take you to repay \$1,000 at three different interest rates. How much extra money would you pay over time?

After completing the repayment schedule worksheet, students have seen the effects of interest rates and repayment periods on debt. Have them repeat that exercise using different interest rates and two different payment amounts. Then they can compare just how much changing interest rates can affect loan costs.

GIVING IT

Giving back to your community is important. Have students review the options for giving back, in the student section. Then assign one suggestion to each work group. Have the group expand on the suggestion, showing how it might apply to the students in your class. Have them research actual community fundraisers and community volunteer opportunities. Some want money donations; others need volunteer time and labour.

You could also have them research other ways to give back.

ACTIVITY

DO YOUR HOMEWORK!

Research three charities in terms of how much of the money they raise goes to charitable work; the commitment of hours they require; the impact they make in your or another community and whether they ask for your time or money. Choose one charity to volunteer with and justify your decision on paper.

Many community groups need help. That does not have to be just money donations, it could also be volunteer hours. Remind students that they need volunteer hours as part of their graduation requirements.



PART TWO: Suggestions for additional activities

FINANCIAL FREEDOM ACTIVITIES:

1. Invest in yourself first! Review the Savings section in the Your Money Matters! student section. In your own words, describe what it means to invest in yourself first from a financial standpoint. Why is this important to your financial future?
2. Why is opening a savings account a better option than just squirreling your money away in a sock or under the mattress? Explain the two reasons that are most important to you. How does your answer compare to those from others in the class?
3. Check out the websites of several banks and credit unions. Some accounts charge fees for ATM withdrawals. Others limit the number of free transactions. Some offer better interest rates than others. On the form below, list several savings account options. Compare the fees, charges and rules. Which would be the best choice for you?

SAVINGS OPTIONS

NAME OF FINANCIAL INSTITUTION	ACCOUNT NAME	INTEREST RATE ON SAVINGS	THE NUMBER OF FREE TRANSACTIONS MONTHLY	FEES AND SERVICE CHARGES	OTHER CONSIDERATIONS

EARNING IT

1. What is meant by “piece work” and “commission”?
Briefly describe how people who have those jobs are paid.
2. What are the advantages and disadvantages of being paid by piece work or commission?
3. Overtime pay varies from province to province. What are the rules in Ontario?
Go to <https://www.labour.gov.on.ca/english/es/tools/esworkbook/overtime.php>
4. Some jobs do not pay overtime. Go to the Special Rules section of the website above for further information.
List three jobs not covered by Ontario overtime rules.
5. Complaining about income taxes is almost a national sport. However, provincial and federal income taxes are very important to us all. What are the three most important provincial or federal services you and your family receive that are paid for by income taxes?
6. Cities do not collect income tax. These taxes are levied only by the province and federal government.
Then why are they important to cities and towns too?
7. The CPP deduction on your pay slip makes you eligible for more than just a pension at age 65.
What two other benefits does it offer that might be important to you?
8. The CPP is indexed. What does that mean and why is that important?



SAVING IT

Money management and banking use specialized vocabulary. Use this table to look up words you should know. Write a brief definition of each word when used in financial transactions. Then use each word in a sentence. Use the blank lines to add any other important terms.

WHAT'S IT CALLED?

WORD	DEFINITION	USED IN A SENTENCE
NET WORTH		
EMERGENCY FUND		
PRINCIPAL		
MUTUAL FUND		
GUARANTEED		
INVESTMENT		
CERTIFICATE		
SIMPLE INTEREST		
COMPOUND INTEREST		
TERM		
RETURN ON INVESTMENT (ROI)		

GOAL SETTING

Let's set up a savings plan for something you really want. From your work on SPENDING IT, you have an idea how much you could save. Pick an amount that you can manage to save each week, and then complete this form as you work toward your goal.

ITEM:

COST: \$.....

MY PLANNED WEEKLY SAVING: \$.....

DATE	AMOUNT SAVED THIS WEEK	TOTAL SAVED TO DATE	CHECK: AMOUNT I SHOULD HAVE SAVED, ACCORDING TO MY PLAN	AM I ON TRACK? IF NOT, WHAT NEEDS TO BE CHANGED?

Draw your own version of this table to modify it for weekly or monthly savings. Remember, the most important part is to check on how you are progressing toward your goal. After a few weeks or months, ask yourself:

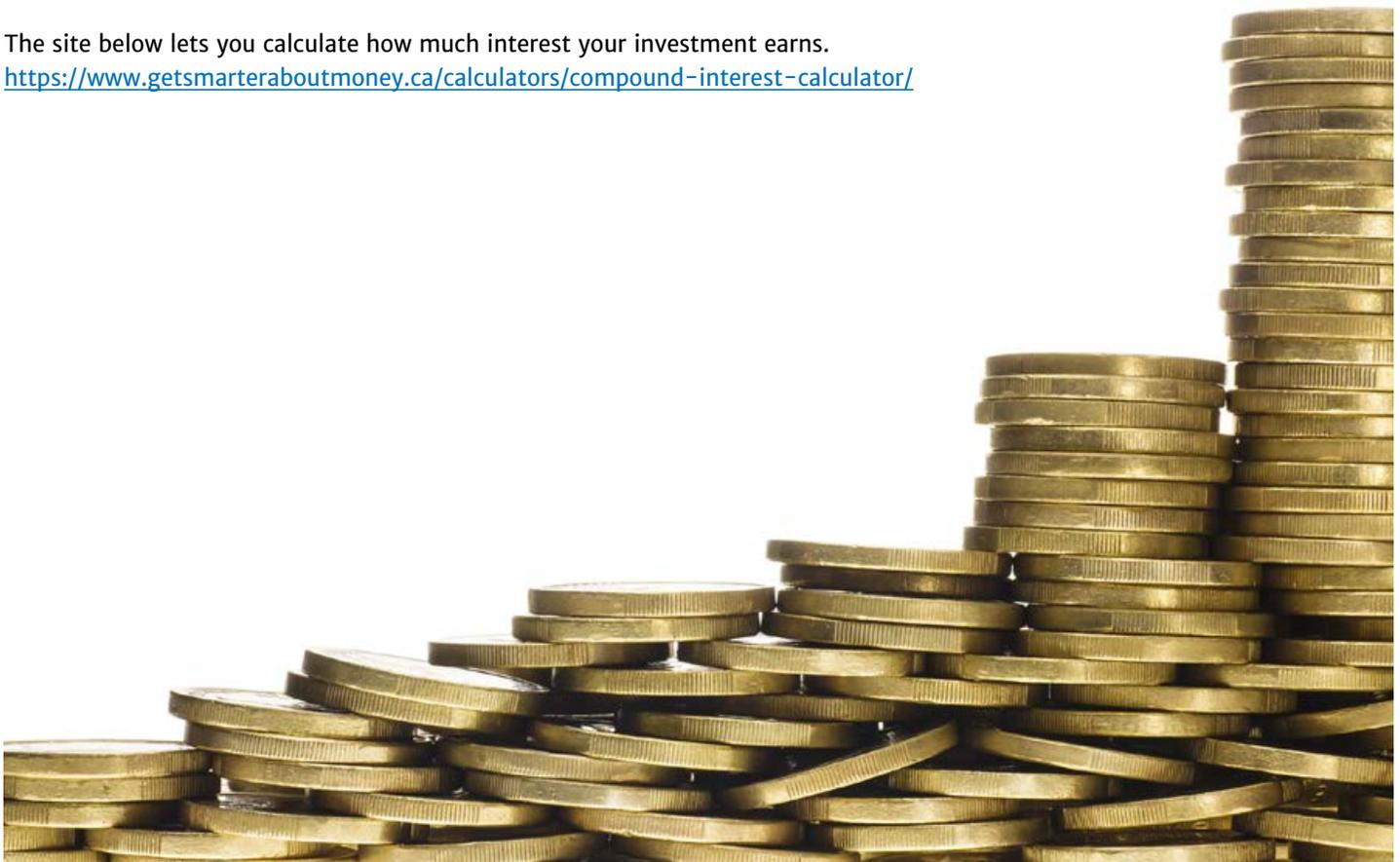
- Am I on track to meet my financial goal?
- Have I saved enough or more than planned?
- Have I skipped saving occasionally? How did I make up for that?
- Did I set too high a goal? How can I revise my goal so I can meet it?

GICS, BONDS AND STOCKS

When people want to earn more money than a savings account offers, they have choices. Let's see what these choices might mean for your investments. Imagine you wanted to save \$1,000 over three years. Look up what you would earn on these investment options:

INVESTMENT	SOURCE (WHERE DID YOU INVEST?)	ANNUAL INTEREST RATE	SAFETY (SAFE OR RISKY?)	VALUE IN THREE YEARS
GIC BANK A				
GIC BANK B				
CANADA SAVINGS BOND				
BANK SAVINGS ACCOUNT				
STASHING THE MONEY UNDER YOUR MATTRESS				

The site below lets you calculate how much interest your investment earns.
<https://www.getsmarteraboutmoney.ca/calculators/compound-interest-calculator/>



PROTECTING IT

Financial scams are everywhere. We all need to be active in protecting ourselves.

- Review the list of ways to protect yourself in the student section. For each point, write a brief explanation saying why that point is important.
- Why is it important to check your credit card balance regularly?
- How much protection do credit card companies offer if your card is lost, stolen, or compromised?
- Go to <http://www.antifraudcentre-centreantifraude.ca/index-eng.htm>. What other suggestions do the Canadian Anti-Fraud Centre have?
- In your work groups, select one common scam. Write a brief report on that scam and how to protect yourself. Present your report to the class.
- Draw a poster, warning others of possible scams.
- Look at the list of Red Flags. Does the anti-fraud centre have any additional suggestions?
- Go online and look for the most recent credit card scams. Describe the scams and how you could protect yourself against that.
- We often see videos on television or online warning about scams. In your work group, write a script and use your cell phone to record your own video warning.

Remember, not all scams involve compromising your credit card or bank account. Some may be offers of goods and services that are overpriced, never delivered after payment or fraudulent in other ways. Others are fake bills, phishing for your banking or credit card information. Try an excellent scam tracker at <https://www.bbb.org/scamtracker/us>, offered by the Better Business Bureau.



REVIEW

In your groups, go back over what you have learned. Prepare a report which outlines ways in which you could:

- know the difference between “Needs” and “Wants”
 - buy things for the best prices
 - use a budget to spend and save wisely
 - use your credit cards wisely
 - use time and compound interest to make money for you.
 - borrow and save money in the most financially responsible way
 - give back to your community in a meaningful way
-
- Review, edit and rewrite your report as a group, until you have a report you are all happy with.
 - Select two people from your group to make an oral presentation to your class of your findings.
 - Prepare a poster with hints on becoming money wise.
 - Prepare a poster warning of current scams.
 - Pick one issue of financial literacy important to you. Write a script for a public service announcement aimed at helping people understand your concern. If you can, film the ad.

Needs Wants



PART THREE:

Answers for the additional activities from part two

FINANCIAL FREEDOM ACTIVITIES:

1. Invest in yourself First! To invest in yourself first means: before you spend your money on entertainment, or things you want, set aside a portion of your income to save.
2. Savings options: students will find accounts offer somewhat different interest rates, different limitations on withdrawals, etc. Remind students also to check for student accounts. They are usually without fees and offer other perks.
3. The main idea is that putting some money away before doing anything else will insure that some money is saved from each paycheque.

EARNING IT

1. Piece work is paid for each item produced. Usually it applies to industries like the clothing industry, which pay workers for each garment assembled. Commission pay is more common in sales. Car sales staff or real estate or insurance agents earn a percentage of the value of each sale they make.
2. Both types of pay allow workers to earn more money when they improve production or sell more. The negative side is that it creates a lot of pressure on workers to produce as much as possible. Sometimes, piecework rates are so low that they make it very difficult to make a decent living. In Ontario, there is some protection. The piecework rates must be high enough that the average production worker earns at least the equivalent of the minimum wage.
3. Usually, you receive overtime for any time worked after 44 hours in one week.
4. Some exemptions: students in co-op placements, police officers, managers and professionals such as doctors, lawyers, some workers in shipping and many commissioned workers.
5. The most obvious large categories are healthcare, education, provincial police and courts, highways, social services and child welfare.
6. The federal and provincial governments subsidize cities. In Toronto, for example, both the federal and provincial governments are helping to pay for transit expansion.
7. Two examples are death benefits to help pay funeral costs when a family member dies, and disability pension for individuals unable to work. There is also a survivor's pension for the spouse of someone who has passed away.
8. Indexing links the value of a pension payment to some cost-of-living standard. The CPP is tied to the Consumer Price Index from Statistics Canada. Pensions increase annually by the rate of inflation that year. That allows retirees to continue to maintain their lifestyle after retiring, even as the prices for goods and services continue to increase.

SPENDING IT

1. Discretionary spending simply means spending on goods and services that are not necessities. That could be vacations, luxuries, entertainment, etc.
2. The answers will vary. You can have an interesting debate about the classification of some purchases. Is an iPhone really a necessity?
3. Answers will vary.

SAVING IT

WORD	DEFINITION
NET WORTH	Net worth is basically the value of anything you own right now (your assets), minus anything you owe (your liabilities).
EMERGENCY FUND	Savings set aside in case of emergency (i.e. unexpected expense or job loss). Usually 3 to 6 months' worth of expenses.
PRINCIPAL	The original sum of money on deposit or borrowed.
MUTUAL FUND	Investments made when groups of people pool their money to buy a collection of bonds and shares in various companies. Professional managers run these funds and individuals buy a portion or share in the collected investments.
GUARANTEED INVESTMENT CERTIFICATE	A Guaranteed Investment Certificate (GIC) is an investment that provides a guaranteed rate of return. Funds are invested for a specific period at a fixed interest rate. The investor is guaranteed the return of both principal and interest at the end of the term. Due to its low risk, the return is lower than on other investments.
SIMPLE INTEREST	Interest is calculated as a percentage on the principal, but is not added to the principal. The interest does not accumulate further interest, only the principal does. Both are returned at the end of the investment period.
COMPOUND INTEREST	Interest is calculated as a percentage of the investment and added to the principal. The next interest payment is calculated on both the principal and accumulated interest. The principal earns interest, and interest on interest.
TERM	A defined period for either an investment or a loan. At the end of that period, the principal is either returned with any accumulated gains or the loan has been paid off or renewed.
RETURN ON INVESTMENT (ROI)	Return on investment, or ROI, is the most common profitability ratio.

GOAL SETTING

The answers will vary. The answers should deal with these key points:

- Saving for financial goals must be tracked.
- Savers must be ready to adjust the amount they save, the time frame over which they plan to save, or their goals, depending on how their financial plan is working.

Chequing, Savings, Options, Oh My!

Answers will vary, but:

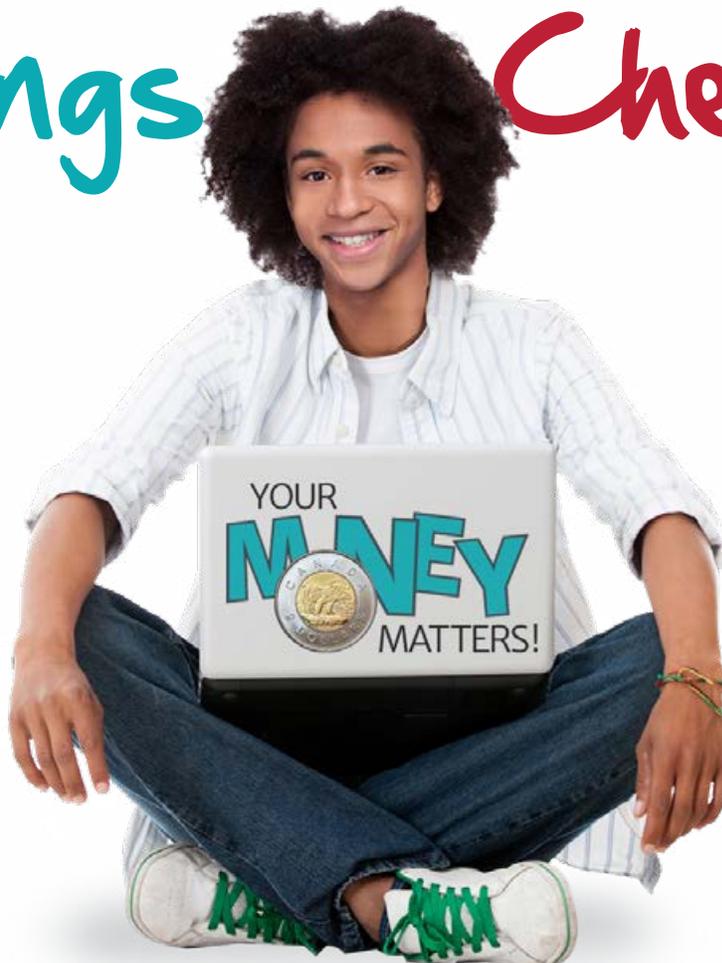
Students should discover that chequing account options vary from bank to bank. Some banks even offer several versions of chequing accounts. Similarly, savings accounts vary. They need to explain what perks each account offers, and what fees and restrictions are imposed.

Students can use this form to compare credit card offerings. They will find that interest rates, fees and perks vary a great deal. Some credit cards offer cash back on purchases, some on unlimited purchases, others up to an annual limit. Some credit cards are free; others charge for the privilege. Prepaid cards are useful for special applications.

GICs, Bonds and Stocks

Students will find the annual interest rates on GICs vary little among financial institutions for the same investment period. Longer investments provide higher returns. They are very low risk investments. Canada Savings Bonds offer similar returns and safety. Canada Savings Bonds offer both simple and compound interest, and may be bought through employers by payroll deduction. Students may already know the returns on bank savings accounts. They should note that specialized accounts with limited withdrawal privileges offer higher returns. And of course, stashing your money under a mattress is safe only as long as your siblings don't discover it.

Savings Chequing



CALCULATING COMPOUND INTEREST

Let's calculate what \$1,000 would be worth at the end of five years at 3% with interest compounded semi-annually (twice a year). Here's what the students' completed worksheet should look like. Remind them to round numbers off.

Note: Financial institutions calculate interest to several decimal points and don't round off to the nearest penny. They may compound interest more or less frequently. We are using a simplified process.

Note: the interest calculation is: investment x the twelve month interest rate divided by 2 to reflect the compounding period.

DATE END OF MONTH	PRINCIPAL AT BEGINNING OF COMPOUNDING PERIOD	INTEREST CALCULATION (SIX MONTHS AT 3% ANNUALLY)	INTEREST EARNED	SUM AT END OF COMPOUNDING PERIOD
1	\$1,000	$\$1,000 \times .03/2$	\$15.00	\$1,015
2	\$1,015	$\$1,015 \times .03/2$	\$15.23	\$1,030.23
3	\$1,030.23	$\times .03/2$	\$15.45	\$1,045.68
4	\$1,045.68	$\times .03/2$	\$15.69	\$1,061.37
5	\$1,061.37	$\times .03/2$	\$15.92	\$1,077.29
6	\$1,077.29	$\times .03/2$	\$16.16	\$1,093.45
7	\$1,093.45	$\times .03/2$	\$16.40	\$1,109.85
8	\$1,109.85	$\times .03/2$	\$16.65	\$1,126.50
9	\$1,126.50	$\times .03/2$	\$16.90	\$1,143.40
10	\$1,143.40	$\times .03/2$	\$17.15	\$1,160.55
TOTAL INTEREST EARNED: \$160.55			VALUE OF YOUR \$1,000 INVESTMENT NOW:	\$1,160.55

- Students have the answer from the definitions sheet earlier.
- Simple interest annually would have earned them \$150 over the five years. ($\$1,000 \times 3\% \times 5$)



PAYING OFF A CREDIT CARD DEBT

Let's calculate what \$1,000 would be worth at the end of five years at 3% with interest compounded semi-annually (twice a year). Here's what the students' completed worksheet should look like. Remind them to round numbers off.

Note: Financial institutions calculate interest to several decimal points and don't round off to the nearest penny. They may compound interest more or less frequently. We are using a simplified process.

DATE	DEBT	INTEREST CALCULATION (PRINCIPAL X INTEREST)	INTEREST OWED	TOTAL OWED	PAYMENT	NEW DEBT BALANCE
DEC.1	\$1,000	LOAN TAKEN OUT				\$1,000
JAN. 1	1,000	1,000 X .20/12	\$16.67	1,016.67	100	916.67
FEB. 1	916.67	916.67 X .20/12	15.28	931.95	100	831.95
MAR. 1	831.95	831.95 X .2/12	13.87	845.82	100	745.82
	745.82	X .2/12	12.43	758.25	100	658.25
	658.25	X .2/12	10.97	669.22	100	569.22
	569.22	X .2/12	9.49	578.71	100	478.71
	478.71	X .2/12	7.98	486.69	100	386.69
	386.69	X .2/12	6.45	393.14	100	293.14
	293.14	X .2/12	4.89	298.03	100	198.03
	198.03	X .2/12	3.30	201.33	100	101.33
	101.33	X .2/12	1.69	103.02	100	3.02
	3.02	X .2/12	0.05	3.07	3.07	0.00
TOTAL INTEREST PAID			103.07	TOTAL PAID		\$1,103.07

PROTECTING IT

- Answers will vary.
- Checking on credit card balances as well as bank account balances and activities is important to prevent fraud, or catch it early. Banks will assume liability for fraudulent activity only if they are notified as soon as possible. Customers need to monitor their accounts and notify the financial institution as soon as they discover something untoward, lose their card, or have an account compromised.
- Among the various scams:
 - Servers in a restaurant swap a customer's card for someone else's expired card. Then they use the legitimate card for awhile. If the fraud is not reported promptly, the credit card company may not cover any losses.
 - When a customer hands over their card for payment, clerks may double swipe, or simply take pictures of the front and back of the card. That lets them use the card for awhile. Unless customers monitor account activity, the fraud may go undetected for awhile.
 - Someone receives an email receipt for a purchase made on the Internet from what appears to be a legitimate source. The person never made such a purchase. When they follow the link provided, they are asked for their credit card or banking information. There is no purchase and the senders are defrauding them.
 - One new aid to combating fraud: some banks now offer customers email notifications every time there is activity on their accounts or credit cards. That allows customers to spot problems quickly. It also puts more onus on the users to monitor their accounts carefully.

PRE- AND POST TEST ANSWERS

1. Principal
2. Hourly rate, hours worked
3. Generally, 44 hours
4. True
5. CPP, Unemployment Insurance, Income Tax, Pension plan
6. Now
7. 10%
8. Guaranteed Investment Certificate
9. Credit card debt
10. True
11. False
12. False
13. True

PRE- AND POST-TEST

Name:

Date:

1. The money you deposit into a bank account, or that you owe, is called:
(interest, capital, or principal?)
2. If you work for hourly pay, your paycheque is calculated by multiplying your
by (2 marks)
3. Some people can earn overtime pay. How many hours do you need to work at most jobs before overtime kicks in?
..... hours.
4. A salesperson on commission makes money based on how much they sell. (True/False)
5. Name two deductions that may be taken from a paycheque: and
(2 marks)
6. At what age should you start saving money?
7. What is the minimum of your net income that you should save from each paycheque?
8. What is a GIC?
9. Which type of loan is the most expensive: a bank loan or a credit card debt?
10. A good credit score may reduce the cost of borrowing money. (True/False).
11. Interest rates on a line of credit are higher than on a credit card. (True/False)
12. Using an ATM to withdraw money from a bank account is always free. (True/False)
13. Compound interest is “a good thing” when saving money. (True/False)

Score out of 15: