

Participants' Handbook



Financial Basics WORKSHOP



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Introduction

Welcome to Financial Basics, a one-day workshop on personal financial management for young Canadians.

In today's workshop you will learn:

- How to manage your spending and prepare a realistic budget
- Ways to save
- How to pay off debt
- How to invest to make your money work for you
- How to plan to reach your own financial goals
- How to avoid financial frauds and scams

This handbook summarizes all of the key information points that will be presented in today's workshop, and includes handouts and worksheets that you can use today and in the future to keep track of your finances. It is a resource that can support you as you continue to learn about financial management.

The Financial Basics workshop was specially designed for Canadians aged 18 to 29 – Canadians who are taking their first steps toward managing their finances effectively. Although a one-day workshop cannot cover financial management in depth, Financial Basics will introduce you to the topics you need to know about to successfully manage your money. And it will point you toward resources where you can learn more.

Financial Basics was developed by the Financial Consumer Agency of Canada (FCAC), an agency of the Government of Canada, and the Investor Education Fund (IEF), a non-profit organization established by the Ontario Securities Commission, in collaboration with Ellen Roseman, a financial author and columnist for the Toronto Star. Both organizations, FCAC and IEF, are dedicated to developing and promoting unbiased, independent information, programs and tools to help consumers make better financial decisions.

Financial literacy has been defined as: "having the knowledge, skills and confidence to make responsible financial decisions." Today's Financial Basics workshop will get you started on that path. Have fun!



My Monthly Budget

Use pages 5 to 7 to fill out a monthly budget for yourself or your family. On this page, enter your monthly income. On pages 6 and 7, enter your monthly expenses (fixed and variable). At the bottom of page 7, subtract your expenses from your income. Do you have a surplus or a deficit?

Monthly Income

Average monthly income from employment after deductions OR
choose one from the following list and enter the typical monthly income

	Typical *
Food and beverage servers	\$894 _____
Cooks	\$1,055 _____
Early child educators and assistants	\$1,157 _____
Musicians and artists	\$1,194 _____
Retail salespersons and clerks	\$1,258 _____
Hairstylists and barbers	\$1,275 _____
Sales and service occupations	\$1,371 _____
Dental assistants	\$1 568 _____
Bookkeepers	\$1,621 _____
Graphic art technicians	\$1,770 _____
Construction trades workers	\$1,939 _____
Banking, insurance and other financial clerks	\$1,973 _____
Other sources of income (gifts, tax credits, investments, student loan or family, etc.)	_____
Total Monthly Income	_____

* Average Canadian net income for various occupations, after deductions, adjusted for typical hours of work, based on Statistics Canada 2009.

Variable expenses

	Typical *
Groceries	\$150 – 250 _____
Eating out	\$50 – 250 _____
Household expenses (cleaning, maintenance, furniture)	\$50 – 150 _____
Computer (hardware, software, accessories, supplies)	\$80 – 250 _____
Pets	\$20 – 150 _____
Transportation (transit, gas, car maintenance, etc.)	\$25 – 200 _____
Health care (Medical Services Plan, dental, glasses/lenses, medication)	\$30 – 110 _____
Clothing and footwear	\$45 – 200 _____
Personal care (toiletries, hair care, make-up, laundry)	\$40 – 120 _____
Recreation (movies, games, DVD/videos, clubs, concerts, sports, etc.)	\$55 – 275 _____
Travel	\$35 – 250 _____
Gifts and charitable donations	\$25 – 200 _____
Education (post-secondary tuition, books, fees, etc.)	\$400 – 750 _____
Other	\$5 – 70 _____
Savings	\$0 – 250 _____
Total variable expenses	_____
Total Monthly Expenses (fixed + variable)	_____
Total Monthly Income (from page 5)	_____
Less Total Monthly Expenses	_____
Equals Monthly Surplus or Deficit	_____

* Average Canadian expenses based on Statistics Canada 2009.

Managing your cost of living – be a smart consumer

Big idea: You can be proactive in reducing your costs. By shopping around and negotiating with service providers, you can get better deals that will save you money. Small behaviour changes will result in big savings.

Ways to reduce your cost of living

Area to save

- Check your bills.
- Negotiate better plans (banking fees and services, telephone, cell phone).
- Pack a lunch.
- Consider whether you need to own a car and a home.

Check your bills

- Spot mistakes and overcharges.
- Pay less in late fees, interest and penalties.
- Get errors corrected before it's too late.

Negotiate better plans

Most service providers (except monopolies like power utilities) will negotiate and match the prices of their competition, especially if you have done some homework and tell them what the competition is offering.

Call the customer retention or loyalty department of each service provider and ask:

- How can I cut back my monthly bills?
- Am I currently on any plans?
- Do you have a better plan or deal for me?
- If so, what is the timeframe? Will I be put on contract for any new deals?
- Can I bundle services to save money?
- Can I avoid interest or late payment penalties?

Reduce banking costs

You can reduce your cost of banking by asking the right questions and making changes to your service package.

- What am I paying in monthly service charges?
- How much am I paying for ATM fees?
- Can I save by doing more banking online?
- Am I eligible for a low-fee deal if I'm a student?
- Can I get a reduced fee if I keep a minimum balance?
- Can you suggest a better plan for me?

Use the FCAC's Cost of Banking Guide to find the best banking service package for you.

► www.fcac.gc.ca, select For Consumers and click Interactive Tools

Banking Package Selector Tool



Which chequing account is right for you?

Compare features and find the chequing account that best suits your needs.

Savings Account Selector Tool



Which savings account is right for you?

Compare interest rates and other features of different savings accounts

Compare phone costs

- What am I paying for land line and cellphone?
- How much do my long-distance calls cost?
- Can I bundle services together to save?
- Can I switch suppliers to save money?
- Do I have a contract? When does it expire?
- Have I called suppliers to ask how to cut costs?
- Bundling services pays big-time

If you are tied into a long-term contract, you have less flexibility to negotiate your costs, and you may have to pay exit fees to get out of your contract, thus raising your costs.

Bundling services pays big-time. Ask your service provider what discounts you can get if you combine two or more communication services (home phone, cell phone, Internet or cable).

Save on food expenses

- Eat breakfast at home.
- Bring your lunch, drinks and snacks (and coffee).
- “Veg out” on meatless meals once a week or more.
- Cook one big dish on weekends and freeze.
- Shop with a buddy at discount supermarkets and split quantities.
- Set a budget and stick to it.
- Bring a list and don’t shop on an empty stomach.

Cut your car costs

Do you really need a car? Given the real costs of car ownership, you may be better off cycling, taking transit, taking taxis, joining a car sharing organization (car pooling or car co-op) or renting a car when you need it.

- Add up the real costs of ownership (gas, insurance, depreciation, interest and maintenance).
- The CAA estimates that the total costs of a typical car range from about \$140 to about \$175 a week, or about twice what you paid for it over the life of the car.
- Check out Driving Costs brochure
▶▶ www.caa.ca, select Public Affairs
- Try the Lease or Buy Calculator
▶▶ www.ic.gc.ca, select For Consumers and click Money, Credit and Debt
- Check out Where can I find car sharing?
▶▶ <http://www.carsharing.ca>, click City List

Own or rent a home?

- People think it's better to own your home so you have equity in it and forced savings, but that's not necessarily true.
- You can't rely on increasing property value to make home ownership worthwhile. Property values can go down as well as up.
- When looking at the costs of home ownership, consider not just the interest rate on the mortgage but also at any fees or penalties associated with mortgages.

Owning a home *doesn't* make sense if:

- You move frequently:
 - It takes at least 5 years to make it worthwhile.
- If you have a very low down payment:
 - You'll need mortgage default insurance.
 - You may have a higher interest rate.
- If your income covers only mortgage payments and taxes

Can you afford it?

- Try it out:
 - Put the monthly costs of owning a home (mortgage, property taxes, maintenance, etc.) into a savings account.
 - Can you afford to live on what's left?
 - Could you afford higher costs for heating, taxes or insurance?
- Use a Buy or Rent calculator:
 - ▶ www.ic.gc.ca, select For Consumers and click Money, Credit and Debt
 - ▶ www.getsmarteraboutmoney.ca/tools-and-calculators/rent-vs-buy/default.aspx

Put it all together

Making these three changes can save you \$100 a month. This adds up to \$1,200 a year!

Slide 31: How to cut \$100/month of spending

Category	Behavior change	Daily saving	Weekly saving	Monthly saving	Annual saving
Food	Take lunch 3 x week	\$5/day (\$8 saved, \$3 cost)	\$15	\$60	\$720
Transportation	Take transit, not car, once a week	\$13 (\$12 parking + \$3 gas - \$2 transit fare)	\$13	\$52	\$624
Cellphone plan	Pay as you go vs. monthly	\$1 (\$55/mo. - \$25 = \$30)	\$7	\$30	\$360

Needs and wants

Big idea: Small behaviour changes will result in big savings. It's important to know the difference between needs and wants.

What's the difference between a need and a want?
A need is something essential. A want is something nice to have. It may be important to you, but it's not essential.

Your needs and wants may change over time.
For example, a car may be a want at one stage but may become a need if you require it to get to and from work.

Get into the habit of asking yourself if something is a need or a want. It's important to learn to set spending priorities so you will have money for the things you *really* need and want.

What is your latte factor?

Your "latte factor" is the small – or large – extravagance you love to spend money on.

"We've all got a latte factor, regardless of our income level."
—David Bach

- Designer coffees
- Lunch in restaurants
- Impulse buys
- The latest, greatest [fill in the blank]

Be aware of why you spend. Questions to ask yourself:



- When does a want become a need?
- What motivates me to buy – advertising, friends, trendy styles?
- Does the urge to buy die the next day?
- Do my purchases make me happier?
- What "needs" are now collecting dust?
- What can I learn to live without?

Reduce impulse buying

- Avoid trips to stores and shopping malls and online buying sites.
- Pay cash or cheque for purchases.
- Reduce available credit on your credit card. (New federal regulations say that credit card companies have to ask your permission to raise your credit limit.)
- Leave credit cards at home.
- Sleep on it and see if you still want it the next day. Or try the 30-day test: Write down a list of things you want, wait 30 days and recheck the list. Do you still want these things?
- Take baby steps and cut costs by increments.

Cutting back

- Mark areas where you could cut back in your own life.
- Calculate how much you would save per week and per month.
- Then write down what else you could do with that money.

	Average cost	# times per week reduction	Weekly savings
Bring lunch instead of eating out			
Take transit instead of driving			
Buy a reusable water bottle instead of buying bottled water			
Have one less coffee or cappuccino a week			
Ride-share with a colleague instead of driving alone			
Buy none or fewer each week: cigarettes, candy bars, after-work snacks			
Stop buying or buy fewer lottery tickets			
Skip the popcorn at the movies			
Share a magazine subscription with a friend			
Borrow DVDs from the library instead of buying them			
Eat out less often			
Return library books and DVDs on time and skip fines and late fees			
Other			
Other			
Total:	—	—	

With this money, I could:

More information on needs and wants



- Your Money or Your Life by Joe Dominguez and Vicki Robin
▶▶ www.yourmoneyoryourlife.org
- Debt Free Forever by Gail Vaz-Oxlade
▶▶ www.gailvazoxlade.com
- Ecoholic columns by Adria Vasil in Now magazine and her new book
▶▶ www.ecoholic.ca
- Money-saving coupons and discounts
▶▶ www.redflagdeals.com
▶▶ www.frugalshopper.ca
- Latte factor calculator
▶▶ www.finishrich.com, select Learn and click Latte Factor Calculator
- FCAC Cost of Banking Guide
▶▶ www.fcac.gc.ca, select For Consumers and click Interactive Tools
- Cellphone choices for Canadians
▶▶ www.ic.gc.ca, select Consumer Information and click Cellphone Choices
- Cellphone shopping
▶▶ www.comparecellular.com
▶▶ www.geckobeach.com
▶▶ www.howardforums.com
- Long-distance phone plan shopping
▶▶ www.telecomparisons.com
- Driving Costs brochure
▶▶ www.caa.ca, select Public Affairs
- Lease or Buy Calculator
▶▶ www.ic.gc.ca, select For Consumers and click Money, Credit and Debt
- Where can I find car sharing? (links to car sharing organizations in different North American cities)
▶▶ www.carsharing.ca, click City List
- Buy or Rent Calculator
▶▶ www.getsmarteraboutmoney.ca/tools-and-calculators/rent-vs-buy/default.aspx
- Before You Sign Any Contract: 10 Things You Need To Know
▶▶ www.fcac.gc.ca, select Consumer Publications and click Tip Sheets
- *The Wealthy Barber* by David Chilton
- *Personal Finance for Canadians for Dummies* by Eric Tyson and Tony Martin
- *Spend Smart Save Bigger* by Margot Bai
▶▶ www.spendsmarter.ca

Credit and Debt Management

Big idea: Credit is a helpful tool but it can get out of control. Pay your bills in full and on time. Pay down your most expensive debt first.

Credit isn't a bad thing; it's a tool to help you pay for big-ticket items and meet your financial goals. It becomes a problem only when you can't comfortably repay the debt.

Picking the right credit card for you

- A wide range of credit cards is available, all with different features, rewards and fees.
- You need to choose carefully to get the card and plan that best suits your needs and plan to use the card.
- The interest rate isn't the only issue; find out what kind of fees you will pay to use your card.

Credit card service fees

Fees may be charged for:

- Cash advances inside and outside Canada
- Going over your credit limit
- Converting purchases in foreign currencies into Canadian dollars
- Having an inactive credit balance
- Purchasing lottery tickets, casino gambling chips and bets
- Reprinting statements or making copies of sales slips

Other types of debt

Credit card debt isn't the only kind of debt people incur. They also take out student loans, mortgages, car loans, personal loans from friends or relatives, etc.

Student loans

Figure out the real cost of your student loan under different scenarios.

- Estimate the costs of tuition, room and board, books and more, as well as what it takes to pay for your education with the Investor Education Fund University Cost and Debt Calculator.
▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click University Cost and Debt Calculator.

University Cost and Debt Calculator



Welcome to the Investor Education Fund's University Cost and Debt Calculator. This resource will help you estimate the total cost of your post-secondary education and provide you with an idea of what it will take to pay for your investment in education.

The tool is meant to provide an approximation of your annual costs and is not intended as a budgeting tool. It provides a high-level understanding of what your total debt might be, and help you to develop a plan to pay it back. For a more exact estimate of costs, contact your institution as the prepopulated figures in our tables are based on Canadian averages.

Although your education may seem to be expensive, it should provide you with earnings and life benefits that stretch for your entire lifetime. Understanding the cost is the first step to developing a plan to rationalize your debt and pay it off. The Investor Education Fund is here to help young people plan their finances. For more unbiased information about how to plan your financial future, visit www.investored.ca.



Investor Education Fund

Disclaimer

Degree
Costs
Financing
Paying Back
Budgeting Hints

- Compare your loan options, and determine how best to pay back your student debt with the Investor Education Fund payback calculator.
▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click When will I be able to pay back my student loan?

When will I be able to pay back my student loan?

 Investor Education Fund

This calculator compares three different plans for paying back your student loans. By filling in different information for each option you can see which scenario best fits your repayment goals.

Option 1
Option 2
Option 3

Name of loan:

Total amount of loan:

Type of loan: Fixed Government-sponsored

Yearly interest rate: %

Playback period: Yrs

Monthly payment amount:

CALCULATE

Results: Option 1 will save you the most amount in interest. It will take you 10 years to pay back this loan. Consider that interest paid on government sponsored loans generates a tax credit. Interest paid on commercial loans does not.



Total paid



	Option 1	Option 2	Option 3
Monthly payment:	\$151.87	\$0.00	\$0.00
Total payable:	\$18,224.06	\$0.00	\$0.00
Playback period:	10 Yrs	1 Yr	1 Yr
Total interest:	\$3,224.06	\$0.00	\$0.00

DETAILED RESULTS
PRINT

*Calculation results are approximations and for information purposes only. [View assumptions here.](#)

Credit record

- Your credit record is a history of how much credit you have taken out and how consistently you pay your bills.
- You should get a copy of your credit report every year and correct any mistakes.
- FCAC's publication Understanding Your Credit Report and Credit Score explains what your credit report and credit score are, why they're important, and how to get them for free.

Credit score

- Your credit score is a rating of your financial health at a specific point in time. It indicates the risk you represent for lenders, compared with other consumers. The higher your score, the lower the risk.
- Lenders use your credit score to determine whether to loan you money and to set the interest rate you will pay.
- You can get your credit score through Canada's two credit bureaus, TransUnion and Equifax.
- If you're planning to apply for a mortgage, you should check your credit score in advance and do what you can to improve it.
 - ▶▶ www.fcac.gc.ca, select Publications and click Consumer Publications

Recognize the danger signals



Your use of credit may be out of control if:

- You use your credit cards as a necessity instead of a convenience.
- You use credit or cash advances for your daily living expenses.
- You miss payments or due dates.
- You're near the credit limit on most of your cards.
- You borrow from one card to pay another.
- You transfer balances every few months just before the introductory offer expires.

Take control of your debt

- Use savings to pay off balances.
- Pay down your highest interest rate debts first.
- Switch to less expensive credit cards.
- Call creditors to negotiate for lower rates.
- Start automatic/online bill payment to stay on schedule.
- Leave your credit card at home.
- Avoid "buy now, pay later" offers.
- Get a consolidation loan to make one low-interest payment.

Consolidation

A consolidation loan means getting one single loan to pay off all your existing debts so you have just one payment to make. For the consolidation loan to save you money, it must have a lower interest rate and a lower monthly payment than all the other loans put together. It is also important to stop using any credit cards that you consolidated into the new loan.

If you run into trouble with debt

- There are three steps you can take:
 - Credit counseling: you will be put on a debt management program (average duration is 4 to 5 years)
 - Consumer proposal through a bankruptcy trustee (average duration to discharge is 4 to 5 years)
 - Bankruptcy (can be discharged in 1 to 2 years)
- All of these will affect your credit score, but they may be necessary. As a first step, talk to Credit Canada.

More information on credit and debt

- Debt calculator
 - ▶ www.creditcanada.com, select Credit Education and click Financial Tools
- Credit Card Selector Tool and Credit Card Payment Calculator
 - ▶ www.fcac.gc.ca, select For Consumers and click Interactive Tools
- Credit card and loan repayment calculator (tells how long it will take to pay off all of your debts and prioritizes them)
 - ▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click How long will it take to pay off credit cards or other loans?
- Credit Cards and You: Getting the most from your credit card
 - ▶ www.fcac.gc.ca, select For Consumers and click Interactive Tools
- Understanding Your Credit Report and Credit Score
 - ▶ www.fcac.gc.ca, select Publications and click Consumer Publications
- Tip Sheets: How to beat that debt
 - ▶ www.fcac.gc.ca, select Consumer Publications and click Tip Sheets
- Mortgage Calculator: What type of mortgage is right for you?
 - ▶ www.fcac.gc.ca, select For Consumers and click Interactive Tools
- How to get lower credit card interest rates (CBC report by Reg Sherren)
 - ▶ www.youtube.com/watch?v=PnOLKA2FBXI or www.youtube.com, search for CBC credit card rates
- How can I get out of debt? (Larry Winget on the Today Show)
 - ▶ www.youtube.com/watch?v=gu7CfQmRfzs or www.youtube.com, search for Larry Winget on the Today Show
- Managing your debt
 - ▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click Videos, Managing Debt with Laurie Campbell and Rob Carrick
- Credit Canada
 - ▶ www.creditcanada.com

Four steps to savings

Set up an emergency fund

- Save 3 to 6 months' worth of take-home pay.
- This is what you'll rely on if you lose your job, get sick or have unexpected expenses.
- Keep the money in a separate savings account or in an easily cashable investment, such as a Canada Savings Bond.
- Don't rely on credit cards, bank loans or personal lines of credit for an emergency – and don't spend your emergency fund on non-emergency expenses.

Pay yourself first

- Set aside your savings before you spend on other things.
- Treat savings like any other recurring bill that you must pay each month.
- Put a set amount of money away every paycheque without thinking about it.

Make your savings automatic

- Set up direct debits from your bank account or paycheque.
- Save 5% to 10% of your take-home pay.
- Extra money (from gifts, tax refunds, etc.) or a raise? Save it.

The power of compounding

- Leave the money to grow!
- Get the best compound interest rate you can.

Compound interest: interest that's paid on the initial deposit, and also on any interest that's been earned in previous periods

The Rule of 72

- A way to see how many years it will take to double your money with compound interest
- Divide the rate of interest into 72 to see how many years it takes to double your money.
- E.g., at 10% interest, your money will double in 7.2 years.

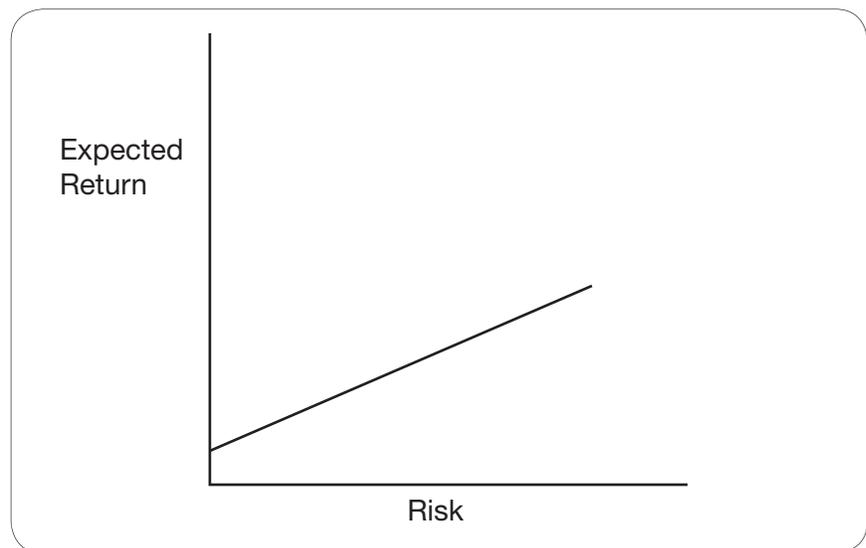
Grow your savings



- Once you get into the savings habit and you've got a pool of money set aside, you need to put your money to work to grow your savings.
- That is what we call investing.

Risk and return

- Every investment comes with the risk that you may not make any money or even lose your investment, and also comes with an expected return, usually in the form of interest or dividends or capital gains.
- As the expected return goes up, the risk also rises.
- You cannot expect a high return with low risk.



Savings and investment vehicles

- There are many savings and investment vehicles.
- Some are short-term and some are long-term.
- They have varying levels of risk and varying rates of return.
- That's why you need to be clear about what your investment goals are, when you will need the money, how much risk you are comfortable with, etc.
- It's important to diversify: that is, to spread your money among several different types of investment. This reduces your risk of losing money in case one investment does poorly.
- In general, for accounts, deposits and savings bonds, you can compare rates and fees make your own investment decision.
- For other products, talk to a licensed investment adviser.

Four basic types of investment

- Investments that pay interest (savings accounts, CSBs, GICs, etc.)
- Shares in a company (stocks, mutual funds that invest in stocks, etc.)
- Property (real estate, art, precious metals, etc.)
- Direct investment in a business

Investments that pay interest

Savings accounts

- Institutions pay different rates of interest on their savings accounts
- Shop around to find the account with the best rate and the best features for you.
- The FCAC Savings Account Investor Tool takes you through a three-step process for choosing the right bank and savings account.
▶▶ www.fcac.gc.ca, select For Consumers and click Interactive Tools

Banking Package Selector Tool



Which chequing account is right for you?

Compare features and find the chequing account that best suits your needs.

Savings Account Selector Tool



Which savings account is right for you?

Compare interest rates and other features of different savings accounts

Canada Savings Bonds

- Available from early October to April 1 each year
- Opt for regular or compound interest
- Buy online, where you bank or invest, or at your workplace through payroll deduction
- Canada Savings Bonds:
 - Cashable any time, but no interest paid if cashed within first 3 months
- Canada Premium Bonds:
 - Cashable only once a year but pay more

Mutual funds

- Mutual funds are an investment product in which your money is pooled with the money of many other investors.
- A professional fund manager invests the pool of money in a variety of vehicles, depending on the fund's specific objectives.
- There are funds that invest in specific markets or geographical sectors, while others invest in bonds, blue chip companies or small company stocks.
- There are also "green" funds that invest only in environmentally friendly companies.
- When you purchase mutual funds and stocks, the salesperson must fill out an account application form (also called the Know Your Client form). This requires the salesperson to ask you questions about yourself, your risk tolerance, your investment goals, etc. Ask for a copy for your records.

Why invest in mutual funds?

- Professional management
- Diversification: your money is spread over several investments
- Ease of access: you can generally sell any time
- Readily available through most financial institutions

But:

- Funds may have restrictions on when you can redeem your units.
- There may be fees depending on when you redeem (and other factors).
- Fees significantly reduce your earnings.

Risk and return

Based on *broad averages* of risk and return over a long term, you can describe the general characteristics of different types of investment, such as the following:



- **Bonds** issued by the Government of Canada, and the governments of most developed countries, have a low risk. Because they have a low risk, they also pay a low return.

Bonds issued by a large corporation are, on average, riskier than bonds issued by a major government, but less risky than shares are. However, bonds do range from low to high risk. In order to attract investors, they often pay a higher return than government bonds do.

- **Land and housing** are the biggest investment that most people ever make. Prices can rise and fall, although on average they vary less than stocks do. The return on the value of housing over a number of years tends to be a little less than the return on stocks.

- **Stocks** rise or fall in value as the company's business prospects rise or fall. If the company is risky, the shares will be risky, too.

Stocks in a private company that are not traded on a stock exchange, on average, have a higher risk for investors. Because they are not traded on an exchange, they are harder to sell. Shares in a private company may be subject to numerous restrictions on sale.

- **Direct investment** can be risky. Many people try to set up their own business, but only some are successful. Although the expected returns may be high, the actual returns are often very low – or even negative – so the level of risk is high.

- **Collectible items** like trading cards, art pieces, jewellery and similar items can vary greatly in price. They are a high risk as an investment – a few unique pieces have a high value, but most have a very low return compared to other investments.

These general descriptions may or may not apply to any specific investment. For example, car manufacturers and insurance companies were once considered relatively safe investments, but in 2009 many faced possible bankruptcy and major losses for their investors.

You always have to consider the specific conditions of each investment, and do some homework to know if it's the best choice for you. Remember, if you hope to earn higher returns, you can do that only if you take more risks. But you can reduce the risks a bit by spreading your money over a variety of investments (diversifying).

Finding a financial adviser

For larger, long-term investments, it's wise to talk to a licensed financial adviser. (See the resources in the More Information section.)

Choose an adviser with care.

Questions to ask a prospective financial adviser

- What is your background, experience and track record?
- Is your firm registered with a securities commission or other formal body?
- What can you do for me? Provide advice only, sell products, help me build a financial plan?
- What products do you sell?
- How do you get paid?
- How do you work with your clients?
- Can you provide references?

The three “knows”

When it comes to investing, there are three main things you need to know:

- Know yourself: your investment goals and timeline, your risk tolerance.
- Know your investment: is it right for you?
- Know your adviser.

Knowing these things will help you make good investments, and avoid risks you are not willing to take.

You should get professional advice, but you also have to do your own homework.

Refer to the Investor's Checklist on the following pages.

Working with a financial adviser

There are three levels of involvement you can have with a financial adviser:

- Participate
- Delegate
- Abdicate

Participate is best!

Refer to the Investor's Checklist on the following pages.



Here are some questions to ask and things to look out for when you're ready to invest. Check them if you have the answers.

Know yourself

What are your investment goals?

What's your risk tolerance?

How much do you plan to invest, now and in the future?

Are you looking for regular income or long-term growth?

When will you need access to your money?

How much can you rely on your own knowledge without expert advice?

Know your investment

What type of investment is it?

How does it earn money?

What are the investment's expected return, risk and liquidity?

What does it cost to buy and sell?

Have you read and understood the fund prospectus?

Does it fit with your investment goals and the other investments in your portfolio?

What public information is available now and what information will be provided to you in the future?

Is the business plan logical and consistent with outside facts?

Is the financial performance acceptable?

Is the management knowledgeable and reputable?

Know your adviser

What qualifications and experience does the adviser have?

What kinds of clients and investments does the adviser specialize in?

What services does the adviser's firm provide?

What fees and commissions does the firm charge?

Are the adviser and the firm registered with the provincial securities regulator to trade the types of investments you're interested in?

Are they members of an industry association?

Do they have a good reputation and references?

Have they been disciplined by the provincial or territorial securities regulator or an industry association?

- ✓ **These warning flags can alert you to risks of fraud or other investment problems. Check any warning flags you see – and stay away!**

Warning Flags

Promises of high returns with low risk
Claims that are too good to be true
Promises about future profits or share prices
Failure to answer your questions completely
High-pressure sales tactics
Secretive behaviour or requests for silence
Reluctance to provide any written information
Requests that you sign documents that aren't filled in
Requests that you sign documents before reading them
Back-dated or falsified forms
No documentation at all
Purchases made without your specific instructions
Illegal businesses

Companies and mutual funds that offer investments to the public in Canada or the United States must publish detailed information about their financial and business affairs. All of this is available at www.sedar.com for Canadian investments and www.sec.gov for American investments.

Many other media and commercial information services also provide information about investments.

Questions about investing?

- For information about investing and avoiding fraud, see the investor education website at:
 - ▶ www.getsmarteraboutmoney.ca

Questions about or problems with an investment or a financial adviser? Contact:

- Your provincial or territorial securities regulator
 - ▶ www.securities-administrators.ca, select Investor Tools and click Who To Call
- The Investment Dealers Association of Canada
 - ▶ www.ida.ca
- The Mutual Fund Dealers Association of Canada
 - ▶ www.mfda.ca

More information on saving and investing

- Savings Account Investor Tool
 - ▶▶ www.fcac.gc.ca, select For Consumers and click Interactive Tools
- Canada Savings Bonds
 - ▶▶ www.csb.gc.ca
- Pay off debt or invest calculator
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click Should I pay off debt or invest?
- Mutual Fund Fee Impact Calculator
 - ▶▶ <http://www.getsmarteraboutmoney.ca/tools-and-calculators/mutual-fund-fee-calculator/about-mutual-fund-fees.aspx>
- Description of investment types
 - ▶▶ <http://www.yourmoney.cba.ca/participants/inside/investing/>
- Investment worksheet
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click Investment Planning Worksheet
- Video on benefits of investing in your early years
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click Videos, Investing in your early career years with Preet Banerjee and Rob Carrick
- Information on selecting a financial adviser:
 - o Investor Education Fund video
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click Videos, Selecting an adviser with Dan Richards and Rob Carrick
 - o Canadian Securities Administrators
 - ▶▶ www.securities-administrators.ca, select Investor Tools, Investor Guides and click Know Your Financial Advisor
 - o Ontario Securities Commission
 - ▶▶ www.osc.gov.on.ca
- Tax shelter calculator (demonstrates value of RRSP)
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators and click Should I pay off debt or invest?
- Case study on TFSA compared with savings account
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators, Case Studies and click Build Your Savings Faster: Dominic's Story
- Case study on TFSA compared with RRSP
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators, Case Studies and click RRSP or TFSA? Tia's Story
- Case study on when is the optimum time to make your RRSP contribution
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators, Case Studies and click Planning your RRSP contributions: Gary, Kevin and Judith's story
- How to pay less– and keep more for yourself: The essential consumer guide to Canadian banking and investing by Rob Carrick
- The Lazy Investor by Derek Foster
- The Automatic Millionaire, Canadian edition: A powerful one-step plan to live and finish rich by David Bach
- Sleep-Easy Investing by Gordon Pape (www.sleepeasyinvesting.com)
- No Hype: The Straight Goods on Investing Your Money by Gail Bebee (www.nohypeinvesting.com).
- The For Dummies series on investing in Canada, published by Wiley

Financial Planning

Big idea: Financial planning can help you reach larger or long-term goals.



Why a financial plan?

- If you have a financial goal, it is helpful to develop a financial plan.
- A financial plan goes beyond a budget.
 - A budget compares income with expenses and shows whether you have a surplus or a deficit.
 - A budget is useful for managing your money over the short term.
- A financial plan is a road map to help you manage your finances over the longer term to reach your financial goal.

Budget and financial plan

Budget	Financial plan
does not set out goals	states a goal
shows current income and current expenses	shows expected future income and expected future expenses
shows sources of income and allocation of expenses	shows how income and expenses will be organized over time to achieve objectives
doesn't include present or future assets	shows investments, savings and other assets that are available or will be generated or acquired
doesn't include debts, such as loans	shows loans that may be required
doesn't include steps to be taken	shows steps that will be needed to meet financial goals

How can a financial plan help you?

A financial plan can help you:

- Minimize your taxes
- Cover insurance needs
- Buy a home and pay off the mortgage quickly
- Fund your children's education
- Optimize employee benefits and pensions
- Save and plan for retirement
- Fund long-term health issues
- Care for elderly parents
- Manage estate planning and how to transfer wealth in families

Remember that a financial plan is a living document. You need to revisit it and update it regularly as your circumstances change.

Get a financial planner

- For complex financial planning, you should get a qualified financial planner.
- Some financial planners can help you with long-term financial planning as well as with investment advice.
- To find a certified financial planner, contact the Financial Planners Standards Council.
▶ www.fpsccanada.org, click Finding a Planner



A Simple Financial Plan

Whether your goal is to buy a house or condo, start a business, pay for your education or your children's education, or pay off your debt, you need to plan for it. This financial plan template can help you organize your finances to meet your goal.

1. What do I want to do?

My financial goal is to:

Total amount needed for this goal: **A**

2. What will I be starting out with?

Assets

My savings	<input type="text"/>
My investments	<input type="text"/>
My other assets	<input type="text"/>
My scholarships/bursaries	<input type="text"/>
My student loans (the money I'll get)	<input type="text"/>
RESP in my name	<input type="text"/>
Contributions from family and friends	<input type="text"/>
Other	<input type="text"/>
My total assets	<input type="text"/> B

Debts

My credit card balances	<input type="text"/>
My student loans (the money I'll owe)	<input type="text"/>
My car loan	<input type="text"/>
My bank or other loans	<input type="text"/>
My other debts (money owed to family and friends)	<input type="text"/>
My total debts	<input type="text"/> C

My net worth (total assets minus total debts) **D=(B-C)**

**Needed to reach my goal
(Total needed minus net worth)** **E=(A-D)**



3. What will my yearly income be?

Tip: Don't include scholarships, bursaries, loans, gifts or similar one-time receipts of money. List them as Assets in Part 2.

Income after deductions

--

Income from investments or other sources

--

On-going financial support from family

--

Total Yearly Income

--

F

4. What will my yearly expenses be?

Fixed

Housing

--

Car payments

--

Other loan payments

--

Insurance

Car

--

Home or contents

--

Other (e.g.: travel medical)

--

Utilities (electricity, gas)

--

Telecommunications

--

(cable, Internet, telephone, cellphone)

--

Other

\$

Total fixed expenses

Variable

Food

--

Groceries

--

Eating out

--

Household (cleaning, maintenance, furniture)

--

Computer (hardware, software, accessories, supplies)

--

Health care (medical insurance, dental, glasses/lenses, medications)

--

Childcare

--

Pets

--

Transportation

--

Car (gas, maintenance, repairs)

--

Public transit

--

Clothing

--

Personal care (toiletries, hair care, make-up, laundry, etc.)

--

Recreation (movies, games, music, DVD/ videos, clubs, concerts, sports, etc.)

--

Travel

--

Gifts and charitable donations

--

Education, lessons, etc.

--

Tuition, fees

--

Books, supplies

--

Other

--

Savings

\$

Total variable expenses

Total yearly expenses

--

G

7. What could go wrong?

Use this checklist to think ahead about possible problems and how you'd solve them.

How will I make sure I don't miss any important dates and deadlines?

What will I do if the cost of tuition or some of my other expenses go up a lot?

What will I do if I don't meet my savings goal?

Do I have an emergency fund for unplanned expenses?

Do I have enough insurance?

How will I make money if my job falls through?

Who can I call for emergency advice if things don't work out?

What other problems might come up?

8. How do I keep my plan up-to-date?

To keep my plan up-to-date, I will:

I'll review it and revise it on [date] of each year.

More information on financial planning

- Resources on finding a financial planner, questions to ask your planner, etc.
 - Choosing An Advisor
 - ▶▶ www.getsmarteraboutmoney.ca/investingbasics/choosinganadvisor
[need proper URL from IEF]
 - The Financial Planning Standards Council
 - ▶▶ www.fpsc.ca/find-cfp
 - The Financial Advisors Association of Canada
 - ▶▶ www.advocis.ca, select Programs & Services and click Find an Advisor
- Focus on Your Finances: A Financial Planning Tool Kit for Canadians Aged 15-25,
 - ▶▶ www.fpscCanada.org/files/Focus_On_Your_Finances_0.pdf
- Consumer information resources from the Financial Advisors Association of Canada
 - ▶▶ www.advocis.ca, select Consumer Info
- Information sheets on different aspects of financial management
 - ▶▶ www.getsmarteraboutmoney.ca, select Investing Basics and click Managing Your Money
- Information sheets on saving for retirement and managing retirement income
 - ▶▶ www.getsmarteraboutmoney.ca, select Life Events and click Planning for Retirement
- Case study on building an income portfolio for retirement
 - ▶▶ www.getsmarteraboutmoney.ca, select Tools and Calculators, Case Studies and click Building an income portfolio for retirement: Suhata's story



Protecting Yourself

Big idea: Be alert. Take steps to protect your identity and your finances.

Identity theft

In 2006:

- 4 million North Americans fell victim to identity fraud
- Average loss to identity fraud: \$1,086
- Average loss per phishing attack : \$1,244
- Scholarship and loan scams: more than \$100 million
- Average loss from a scholarship or loan scam: \$263

A World of Scams

Some typical scams:

Transfer of fund scam

THE SOURCE OF THIS FUND IS AS FOLLOWS; DURING THE LAST MILITARY REGIME HERE IN NIGERIA, THE GOVERNMENT OFFICIALS SET UP COMPANIES AND AWARDED THEMSELVES CONTRACTS WHICH WERE GROSSLY OVER-INVOICED IN VARIOUS MINISTRIES. THE PRESENT CIVILIAN GOVERNMENT SET UP A CONTRACT REVIEW PANEL AND WE HAVE IDENTIFIED A LOT OF INFLATED CONTRACT FUNDS WHICH ARE PRESENTLY FLOATING IN THE CENTRAL BANK OF NIGERIA READY FOR PAYMENT.

HOWEVER, BY VIRTUE OF OUR POSITION AS CIVIL SERVANTS AND MEMBERS OF THIS PANEL, WE CANNOT ACQUIRE THIS MONEY IN OUR NAMES. I HAVE THEREFORE, BEEN DELEGATED AS A MATTER OF TRUST BY MY COLLEAGUES OF THE PANEL TO LOOK FOR AN OVERSEAS PARTNER INTO WHOSE ACCOUNT WE WOULD TRANSFER THE SUM OF US\$21,320,000.00(TWENTY ONE MILLION, THREE HUNDRED AND TWENTY THOUSAND U.S DOLLARS). HENCE WE ARE WRITING YOU THIS LETTER. WE HAVE AGREED TO SHARE THE MONEY THUS; 1. 20% FOR THE ACCOUNT OWNER 2. 70% FOR US (THE OFFICIALS) 3. 10% TO BE USED IN SETTLING TAXATION AND ALL LOCAL AND FOREIGN EXPENSES. IT IS FROM THE 70% THAT WE WISH TO COMMENCE THE IMPORTATION BUSINESS.

PLEASE,NOTE THAT THIS TRANSACTION IS 100% SAFE AND WE HOPE TO COMMENCE THE TRANSFER LATEST SEVEN (7) BANKING DAYS FROM THE DATE OF THE RECEIPT OF THE FOLLOWING INFORMATION BY TEL/FAX; 234-1-7740449, YOUR COMPANY'S SIGNED, AND STAMPED LETTERHEAD PAPER THE ABOVE INFORMATION WILL ENABLE US WRITE LETTERS OF CLAIM AND JOB DESCRIPTION RESPECTIVELY. THIS WAY WE WILL USE YOUR COMPANY'S NAME TO APPLY FOR PAYMENT AND RE-AWARD THE CONTRACT IN YOUR COMPANY'S NAME.

Lottery scams

UK-LOTTO Headquarters:
Customer Service
580 N. Tenth Street, CA 85914
Arena Complex Km 18 Route de Rufisque
I.P.P Award Dept.
Johannesburg, South Africa.
Ref: UK/9420X2/68
Batch: 074/05/2Y369

WINNING NOTIFICATION:

We happily announce to you the draw of the UK-LOTTO Sweepstake Lottery International programs held on the 27th of February, 2004 in Johannesburg, South Africa.
Your e-mail address attached to ticket number: 564 75600545 188 with Serial number 5368/02 drew the lucky numbers: 19-6-26-17-35-7, which subsequently won you the lottery in the 2nd category.

You have therefore been approved to claim a total sum of US\$2,500,000.00 (Two million, Five Hundred Thousand United States Dollars) in

Phishing emails and phony web pages

Tips :

- DO NOT respond to an e-mail asking you to disclose personal information.
- DO NOT use the contact information provided in the e-mail or in the telephone message without first verifying that it is valid.
- As a general rule, always be cautious about how and with whom you share personal and financial information.

BANQUE ABC

1-800-ABC-BANQ

To: John Dorman
From: ABC Bank <info@abcbank.com>
Subject: ABC Bank Security Breach - Immediate action required

Dear Client,

Due to a recent security breach in the ABC Bank computer systems, we are asking all customers to immediately update their client profile using the link below and immediately report any unnoticed information changes, unexplained funds depletion or the likewise. Rest assured that we have the safety and privacy of our customers as our top priority but please help us by following the instructions below:

Update and verify your information by clicking the link below:
<https://update.abcbank.com>

If your account information is not updated within 48 hours, then any complaints will be dealt with as a separate incident from this security breach. Please update your profile as soon as possible.

The ABC Bank Team
This is an automatic message. Please do not reply.

Items for sale overpayment scam

Hello Mr. (edited by Roadfly to protect identity),

Good to hear from you and thanks for the mail, my client who said he's interested in your vehicle has promised to be buying it and will be issuing a certified cashier's cheque of \$32,500 and you deduct the amount of your vehicle which is \$24,000 after which you will send the difference \$8,500 via Money Gram money transfer to my P.A here in Europe to settle our shipper to book us for their cargo and also pay for the insurance, she would be coming over to your place to pick the vehicle up and get it transported to the Europe and also to sign all require documents.

To bring to your attention, it only takes (24HRS) for a certified cashier's cheque to get cash in the US, so I will like you to get the cheque cashed the same day it's presented on the counter and I will also like to know if I can count on you to send the difference of the money to my P.A as soon as the cheque get to you and verified. To make things fast and convenient for the both of us I will like you to give me the exact name you want on the check..... Your mailing address....(Street, City, State and zip code) and your Phone # so I can forward it to my associate, so he could start with the procurement of the cheque and won't mind to engage in a long lasting business relationship.

Thanks and hope to hear from you soon.

Best Regard,

Madida

Employment scams



There are several types of employment scams, and the incidence is rising.

The three most notorious employment scams

- Being recruited for an illegal job
 - E.g., work-at-home offers like the “reshipper.”
 - You get a salary for receiving packages and reshipping them overseas.
 - The packages were paid for with stolen and fake credit cards.
 - You pay to ship the packages overseas, and get paid with a fake cheque.
- Identity theft through job applications
 - Thieves request your personal information “for the human resources department” and use it to steal your identity.
- Bogus employment fees
 - Someone promises you a job, but only if you pay a fee for processing, administration or uniforms.

Signs of bogus job ads

- Offer considerable pay with few to no duties
- Promise payment of wages in cash
- No physical address or contact person
- You have to open a new bank account or accept company cheques to “test” a wire transfer service

Tips for protecting your identity and your finances

- Share your personal information only with companies you know and trust.
- Burn or shred any mail or financial papers containing your personal information. Never recycle them.
- Keep your wallet or purse out of reach in public places, crowds and while on public transportation.
- Don't carry ID you don't need with you.
- Lock your household mailbox if possible. If you are going to be away, ask a trusted neighbour to pick up your mail or arrange for Canada Post's hold mail service.
- Limit the number of credit cards you hold, and inspect your financial statements each month.
- Keep your credit card limit down so thieves can't exceed that limit if they get your card.
- Keep a separate credit card with a low credit limit for online purchases.
- Check your credit report once a year.
- Make sure any website you are using is secure before transmitting personal information.
- Delete any email that asks for personal information.
- Ensure that your computer firewalls and spyware are up-to-date to protect stored personal information.
- Hang up on telemarketers who seem to be fishing for personal information, like your birthday.
- Destroy old documents that contain identity information, like driver's licenses.
- Be skeptical – if an offer sounds too good to be true, it is!
- Save paper bank records for at least a year so you can prove your account balance in the event of an ID fraud incident.

If you've been the victim of identity theft

What to do

- Contact your financial institution immediately.
- Notify Canada's credit bureaus (Equifax Canada at www.equifax.ca and TransUnion Canada at www.transunion.ca).
- Notify your local police as soon as you are aware of it.



More information on identity fraud and protecting yourself

- FCAC tip sheets:
 - Protecting your debit card and PIN
 - Protecting yourself from credit card fraud
 - Protecting yourself from fraudulent e-mails and telephone calls
 - Tips to prevent identify fraud
 - ▶▶ www.fcac.gc.ca, select Consumer Publications and click Tip Sheets
- CBA quiz to match type of cyber fraud with its definition
 - ▶▶ <http://www.cba.ca:8080/en/cyber.asp>
- Five red flags of fraud
 - ▶▶ www.securities-administrators.ca, select Investor Tools and select Investing Guides
- Fraud Squad TV show
 - ▶▶ www.fraudcast.ca
- Crimes of Persuasion website
 - ▶▶ <http://crimes-of-persuasion.com>

Summary

Big idea: Financial fitness is like physical fitness – you’ve got to stick with it!

What have we learned?

- Keep track of your income and your expenses in a budget.
- Save money by questioning your bills and reducing your “latte factor.”
- Pay yourself first with automatic savings.
- Start an emergency fund.
- Shop around for the best banking accounts.
- Pay all debts on time and in full, if possible.
- Set clear savings goals.
- Find a licensed financial adviser for long-term investment guidance.
- Use RRSPs and TFSAs to let your savings grow tax-free.
- Secure your identity and avoid identity theft.





Financial Fitness Checklist

Do I ...

Daily

Track my expenses

Act like a smart consumer: Compare prices and hunt for deals

Weekly

Monitor my online banking accounts

Stick to my weekly budgeted expenses

Make ATM cash withdrawals only once a week

Monthly

Pay bills on time

Add up expenses in categories and compare with income

Save 5% to 10% of my income through automatic deposit (and keep three months' net income in reserve for emergencies)

Check all bills and account statements, and correct any errors

Check my investment statements (quarterly)

Annually

Check my credit report

Contribute to my RRSP or other registered savings plan

Revisit my financial goals

Update my financial plan

Continue to learn what I need to know about finances

