



Participants' Handbook

Financial Basics WORKSHOP



Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada

Canada

Financial Basics workshop resources are available in both English and French. These free resources are also available online and include the following:

- Presenter's Manual
- Participants' Handbook
- Presentation slides
- Promotional artwork
- Financial Basics brochure

If you are interested in ordering Financial Basics materials please visit Financial Basics in the Educational Programs section at www.fcac.gc.ca.

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Introduction

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

The workshop materials cover several topics:

- How to manage your spending and prepare a realistic budget
- Ways to save
- How to manage credit
- 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 protect yourself from fraud.

This handbook summarizes all of the key information points that are presented, 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, but not limited to, 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. In addition, 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 journalist. 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!

Budgeting

BIG IDEA: Budgeting is the first step in managing your money. It's not hard, complicated or full of sacrifice.

- The first step in managing your money is knowing what's coming in and where it's going out—and making sure the “in” exceeds the “out” so you have enough for your needs, and can save and invest for your future.
- There's nothing difficult about a budget. Budgeting doesn't mean doing without. It's just an organized way to manage your money.

Expenses

Know what you spend

- Keep every receipt.
- Record every expense in a notebook or electronic device.
- Review bank and credit card statements.
- Do this for at least three months.
- Make a list of irregular expenses (gifts, donations, car or home repairs, vacations).
- Total your expenses at the end of the month.

My monthly budget

Use pages 4 and 5 to fill out a monthly budget for yourself or your family. On this page, enter your monthly income. On page 5, enter your monthly expenses (fixed and variable). At the bottom of page 5, subtract your expenses from your income. Do you have a surplus or a deficit?

Examples of monthly income

Average monthly net income from employment after deductions.

	Typical
Food and beverage servers	\$911
Cooks	\$1,187
Early child educators and assistants	\$1,141
Musicians and artists	\$1,365
Retail salespersons and clerks	\$1,420
Hairstylists and barbers	\$1,027
Sales and service occupations	\$1,395
Dental assistants	\$1,439
Bookkeepers	\$1,568
Graphic art technicians	\$1,820
Construction trades workers	\$1,720
Banking, insurance and other financial clerks	\$1,583

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Your monthly income

Monthly income

Other sources

Total

[Source: Average Canadian net income for various occupations, after deductions, adjusted for typical hours of work, based on Statistics Canada, 2011.]

Monthly expenses

Fixed expenses

	Typical	Your fixed expenses
Housing	\$355 – 1,090	_____
Car payments	\$220 – 1,305	_____
Other loan payments	\$0 – 275	_____
Insurance (car, home, travel, etc.)	\$10 – 380	_____
Utilities (electric, gas)	\$70 – 90	_____
Telecommunications (cable, Internet, telephone, cell phone, long distance, voice and data roaming charges)	\$30 – 260	_____
Child care	\$240 – 710	_____
Other		_____
Total fixed expenses		_____

Variable expenses (includes irregular expenses)

	Typical	Your variable expenses
Groceries	\$165 – 275	_____
Eating out	\$55 – 275	_____
Household expenses (cleaning, maintenance, furniture)	\$55 – 165	_____
Computer (hardware, software, accessories, supplies)	\$90 – 275	_____
Pets	\$25 – 165	_____
Transportation (transit, gas, car maintenance, etc.)	\$30 – 220	_____
Health care (medical services plan, dental, glasses/lenses, medication)	\$35 – 120	_____
Clothing and footwear	\$50 – 220	_____
Personal care (toiletries, hair care, make-up, laundry)	\$45 – 130	_____
Recreation (movies, games, DVD/videos, clubs, concerts, sports, etc.)	\$60 – 300	_____
Travel	\$40 – 275	_____
Gifts and charitable donations	\$30 – 220	_____
Education (post-secondary tuition, books, fees, etc.)	\$435 – 820	_____
Other	\$5 – 75	_____
Savings	\$0 – 275	_____
Total variable expenses		_____
Total monthly income (from page 4)		_____
Less total monthly expenses (fixed + variable)		_____
Equals monthly surplus or deficit		_____

[Source: Average Canadian expenses based on Statistics Canada, 2011.]

More information on budgeting

- FCAC Budget Calculator
 - ▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators and select Budgeting tool
- FCAC Tip sheet: *Making a budget and sticking to it*
 - ▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Budgeting and money management
- IEF Videos, Worksheets and Calculators:
 - ▶ www.GetSmarterAboutMoney.ca, click Tools & Calculators
- Off the shelf budget software that downloads data from your bank account and credit cards:
 - Local version on your desktop
 - Mobile apps



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

Areas for saving

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

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 time frame?
- 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 Account Selector Tool to find the best banking service package for you.

► www.fcac.gc.ca, under Resources, click Tools and Calculators and Account selector tool



The screenshot shows the website of the Financial Consumer Agency of Canada. The header includes the agency's name and a search bar. Below the header, there are navigation links for 'For consumers', 'For merchants', 'For the industry', and 'Financial literacy'. The main content area is titled 'Account selector tool' and features a sidebar with 'Tools and calculators' including 'Credit cards interactive tools', 'Mortgage calculators', 'Budget Calculator', and 'Account selector tool'. The main text describes the tool's purpose: 'Our interactive tool makes it easy to compare features for different accounts, including monthly fees, interest rates, transaction fees and services.' It includes a graphic with the text 'Which account is right for you?' and 'Compare features and find the chequing or savings account that best suits your needs.' A link to 'Rate the Account Selector tool' is also visible.

Compare phone costs

- What am I paying for land line and cell phone?
- 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?

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 can save you money. Ask your service provider what discounts you can get if you combine two or more communication services (home phone, cell phone, Internet or cable). Make sure you understand all cancellation fees and penalties before signing up.

Save on food expenses

- Eat breakfast at home.
- Bring your lunch, drinks, 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).
- Check out FCAC’s page on Financing a car
▶▶ www.fcac-acfc.gc.ca, under For Consumers, click Topics, then select Credit and loans
- The CAA estimates that the total costs of a typical car range from about \$120 to about \$170 a week, or about twice what you paid for it over the life of the car.
- Check out Driving Costs brochure
▶▶ www.caa.ca, under Working for You, click Driving Costs
- Try the Vehicle Lease or Buy Calculator
▶▶ www.ic.gc.ca, under Just for consumers, select More, select Office of Consumer Affairs, click Spending Smarter Tools

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, including property tax, home insurance, condo fees and maintenance fees.

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

- You move frequently:
 - It takes at least five 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?
- IEF Buy or rent calculator
 - ▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Home Ownership
- Rent or Buy a Home Calculator
 - ▶ www.ic.gc.ca, under Just for consumers, select More, select Office of Consumer Affairs, click Spending Smarter Tools

Put it all together

Making these three changes can save you \$142 a month. This adds up to \$1,700 a year!

How to cut \$142/month of spending

Category	Behaviour 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
Cell phone plan	Pay as you go vs. monthly	\$1/day (\$55/mo. – \$25 = \$30)	\$7	\$30	\$360



Managing your cost of living— 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, or to do your job. 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 and only carry the cash you are willing to spend.
- Reduce available credit on your credit card and line of credit. (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 refillable 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

- FCAC Mortgage Calculator Tools
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators and select Mortgage calculators
- FCAC Tip sheet: *Before you sign any contract: 10 things you need to know*
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Your rights and responsibilities
- FCAC
 - ▶▶ www.fcac.gc.ca, under For consumers and Topics, click Banking
- IEF Buy or rent calculator
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Home Ownership
- Rent or Buy a Home Calculator
 - ▶▶ www.ic.gc.ca, under Just for consumers, select More, select Office of Consumer Affairs, click Spending Smarter Tools
- Driving Costs brochure
 - ▶▶ www.caa.ca, under Working for You, click Driving Costs



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 are available, all with different features, rewards and fees.
- You need to choose carefully to get the credit card that best suits your needs and plan to use the card.
- The interest rate isn't the only criteria; 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, gambling at a casino and placing bets
- Reprinting statements or making copies of sales slips
- Optional services
- Rewards points

- Use the FCAC's Credit Card Selector tool to find the cards with the features you want.
 - ▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators and select Credit card tools

The screenshot shows the Financial Consumer Agency of Canada website. The header includes the agency's name and a red maple leaf logo. Below the header is a navigation menu with options: For consumers, For merchants, For the industry, and Financial literacy. The main content area is titled 'Credit cards interactive tools' and includes a sidebar with 'Tools and calculators' such as 'Credit cards interactive tools', 'Mortgage calculators', 'Budget Calculator', and 'Account selector tool'. The main content features two tool sections: 'Credit Card Selector tool' with a question mark icon and the text 'Which credit card is right for you?' and 'Credit Card Payment Calculator' with a calculator icon and the text 'How much does it cost if you only pay the minimum on your credit card balance?'. Both sections include a brief description and a link to 'Rate the [Tool Name] tool'.

How to stay out of trouble

- Remember that when you pay for something with a credit card, you are taking out a loan and you have to pay it back.
- Pay the balance in full each month.
- If you can't pay it in full, pay as much as you can.
- Don't make only the minimum payment.
- If you always carry a balance, get a low-rate card.
- Transfer the balance to a line of credit with a lower rate.
- Pay a few days before the due date.

Tips for managing debt

- Shop around.
 - Compare interest rates. Don't accept your first offer.
- Keep within your budget.
 - Borrow only what you can afford to pay back regularly and on time.
- Pay back more and pay more often.
 - Additional payments mean you'll pay it off sooner and pay less interest.

Three online credit card payment calculators

- FCAC Credit Card Payment Calculator
▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators and select Credit card tools
- IEF Pay off credit cards and debt calculator
▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Credit Cards and Debt
- Credit Card Payment Calculator
▶ www.tesaffaires.com, click Calculators and select Credit Card

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.

Canada Student Loans Program

- For students in financial need.
- Interest-free while you are enrolled in post-secondary education.
- Become payable six months after you leave your studies.
- Apply for this federal support through your provincial or territorial student assistance office.
- For more information, visit www.CanLearn.ca.

University cost calculator

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 cost calculator.
▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Paying for Education

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The screenshot shows the 'University cost calculator' page on the website 'GetSmarterAboutMoney.ca'. The page has a dark blue header with the site logo and navigation menu. The main content area is white with a blue sidebar on the left. The calculator is titled 'University cost calculator' and has a sub-header 'Find out how much money your program will cost and if your planned savings will be enough.' Below this is a progress bar with three steps: 'Costs', 'Funding', and 'Results'. The current step is 'Step 1: Select your program'. The instructions state: 'If your degree is not listed below, or if you are enrolled in a college, apprenticeship or other program, leave the province, school and degree fields blank. Select the length of your program and proceed to Step 2 below.' The form includes three dropdown menus: 'Select the province where you will attend school', 'Select a school', and 'Select a degree'. Below these is a slider for 'Select degree length' set to 4 years.

- Compare your loan options, and determine how best to pay back your student debt with the Investor Education Fund payback calculator.
 ▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Paying for Education

Credit report

- Your credit report 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.
- FCAC Publication: *Understanding your credit report and credit score*
 ▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Budgeting and money management

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 interest 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 loans

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.

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Three options for getting help 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 Licensed Insolvency 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, visit the Office of the Superintendent of Bankruptcy Canada (OSB) website: www.osb.gc.ca

More information on credit and debt

- FCAC Credit Card Selector tool and Payment Calculator
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators and select Credit card tool
- FCAC Publication: *Choosing the right credit card for you*
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Credit cards
- FCAC Publication: *Understanding your credit report and credit score*
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Budgeting and money management
- FCAC Tip sheet: *How to beat that debt*
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Budgeting and money management
- FCAC Life event: Paying for post-secondary education
 - ▶▶ www.fcac.gc.ca, under For consumers and Life events
- IEF Credit Cards and Debt
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Credit Cards and Debt
- IEF Credit IQ Quiz
 - ▶▶ www.InspireFinancialLearning.ca, Use Fast Find to select Quiz, click find
- Office of the Superintendent of Bankruptcy Canada
 - ▶▶ www.osb.gc.ca
- Credit Canada—Debt calculator
 - ▶▶ www.creditcanada.com, under Money Management, select Debt Calculator
- How to get lower credit card interest rates (CBC report by Reg Sherren)
 - ▶▶ www.youtube.com, search for CBC credit card rates



Saving and investing

BIG IDEA: Pay yourself first. Save regularly and start early. There are many savings and investment vehicles to choose from, so do your homework and get good advice.

Why save for the future?

- Feel more secure and in control.
- Be prepared for emergencies.
- Reduce stress and conflict.
- Spend with less guilt or fear.
- Afford major purchases.
- Pay off debt and avoid new debt.
- Retire comfortably.

Make your savings goals specific

- Set a dollar amount and deadline.
- Break your goal into smaller goals.
- Write down your goal and post it where you can see it every day.

Examples:

- A vague goal: “Get rid of debt and save some money for a rainy day.”
- An achievable goal: “Eliminate credit card debt of \$1,600 and build an emergency fund of \$2,000 by saving at least \$3,600 by [date].”
- A smaller goal: “Save \$200 a month, or \$100 every two weeks, rather than saving \$2,600 in a year”.

Four steps to savings

Set up an emergency fund

- The first thing to do is 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.

Grow your savings

- 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.

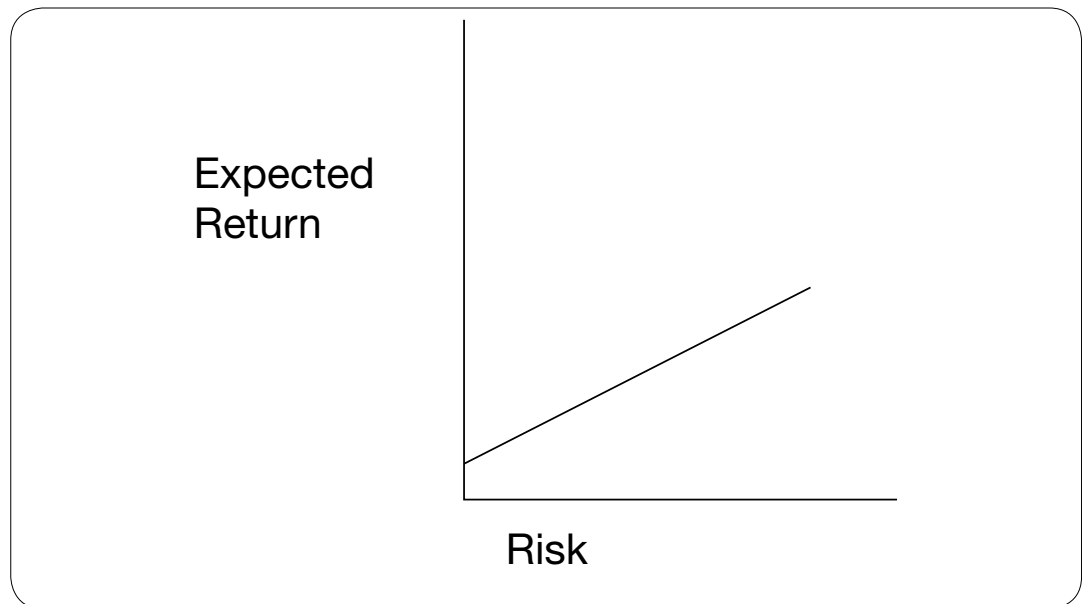
Grow your savings

- 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.



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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 investments. 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 and make your own investment decision.
- For other products, talk to a licensed investment advisor.

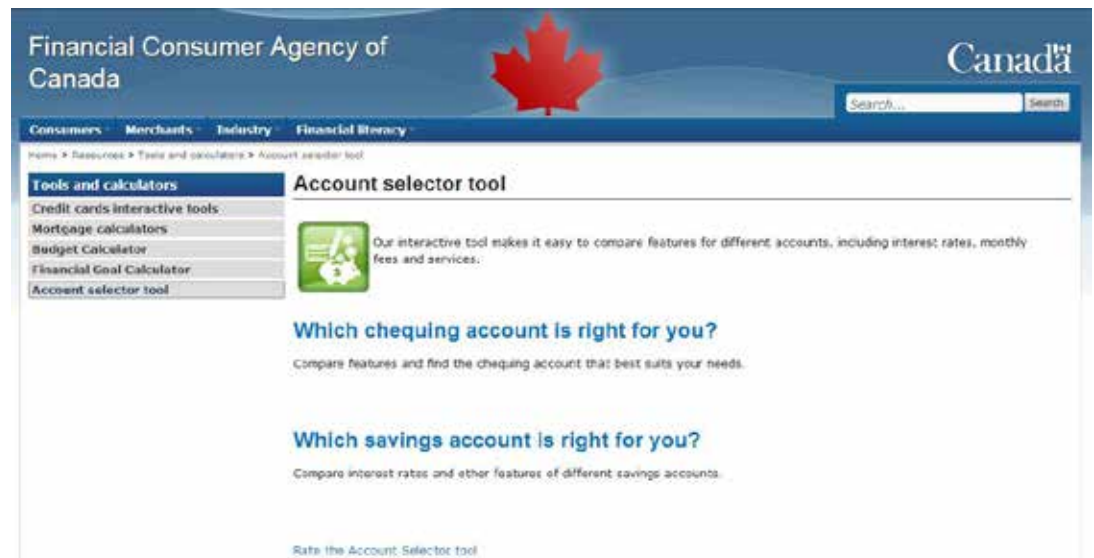
Four types of investments

- 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 Account selector tool helps you compare features and find the chequing account that best suits your needs.
 - ▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators and select Account selector tool.



Canada Savings Bonds

- Available from early October to December 1st 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.

Guaranteed Investment Certificates (GICs)

- Your money is locked up for a period of time, ranging from less than 1 month to 10 years.
- Generally, the longer the term, the higher the rate of interest.
- Traditional GICs: principal and return are guaranteed.
- “Market-linked” GICs: principal is guaranteed, but returns are linked to a stock market index, so they fluctuate.
- You can also get cashable GICs, more flexible but with lower rates.

Stocks

- Shares in a company; you are partial owner of the company.
- Share prices and returns can be positive or negative.
- No guarantee of income: you could lose your whole investment.
- Traded on stock exchanges or over-the-counter markets.
- Stocks have outperformed other investment options by a wide margin over periods of 10 years or more—but they are not guaranteed. They can lose value.

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.

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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 investments, 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. Historically, 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.

The automotive industry has since recorded positive gains and new vehicle sales have increased every year from 2010 to 2014. The insurance sector's situation has also improved.

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).

[Source: Statistics Canada, 2010 and 2015.]

Finding a financial advisor

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

Choose an advisor with care.

Questions to ask a prospective financial advisor

- 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 advisor.

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.

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Working with a financial advisor

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

- 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 advisor

What qualifications and experience does the advisor have?

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

What services does the advisor's firm provide?

What fees and commissions does the firm charge?

Are the advisor 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 Fund website at:
▶▶ www.GetSmarterAboutMoney.ca

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

- Your provincial or territorial securities regulator
▶▶ www.securities-administrators.ca
- Investment Industry Regulatory Organization of Canada (IIROC)
▶▶ www.iiroc.ca
- The Mutual Fund Dealers Association of Canada
▶▶ www.mfda.ca

Tax-sheltered savings plans

Several registered savings plans allow you to shelter some income from taxes payable while setting money aside for specific purposes.

Registered tax plans

- Tax-Free Savings Accounts (TFSA): earn income from investments without paying taxes on the income
- Registered Retirement Savings Plans (RRSPs): defer paying income tax until retirement
- Registered Education Savings Plans (RESPs): shift the tax to a student
- Registered Disability Savings Plans (RDSPs): shift the tax to someone with a disability.

These plans are not investments themselves

- Think of them as filing cabinets. They're secure receptacles where you store different kinds of investments. They help you minimize the taxes you pay. You pay tax on the earnings only when you pull an investment out of a drawer (except for TFSAs).
- The plans allow you to withdraw certain sums of money tax-free for certain purposes. For example:
 - You can withdraw up to \$25,000 tax-free from your RRSP for a house down payment under the home buyer's plan.
 - You can withdraw up to \$20,000 (\$10,000 per year) tax-free from your RRSP to finance education for you and your spouse under the lifelong learning plan.
 - However, you have to repay these withdrawals back into your RRSP or pay extra taxes each year to compensate for the withdrawals.
- A TFSA is an essential plan to have, even if it is just used for everyday banking.
- Get expert advice on the best plan for you and how to manage the funds you save there.

More information on saving and investing

- FCAC Account Selector tool
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Tools and calculators
- FCAC Life event: Planning your retirement
 - ▶▶ www.fcac.gc.ca, under For consumers and Life events
- IEF Retirement cash flow planner
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Retirement Planning
- IEF Pay down debt or invest calculator
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Investing
- IEF Mutual fund fee calculator
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Investing
- IEF Compound interest calculator
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Calculators, under Budgeting and Savings
- IEF Case study: Build Your Savings Faster: Dominic's Story
 - ▶▶ www.GetSmarterAboutMoney.ca, under Planning, click Case studies, under Tax-Free Savings Accounts
- IEF Case study: RRSP or TFSA? Tia's story
 - ▶▶ www.GetSmarterAboutMoney.ca, under Planning, click Case studies, under Tax-Free Savings Accounts
- IEF Case study: Planning your RRSP contributions: Gary, Kevin and Judith's story
 - ▶▶ www.GetSmarterAboutMoney.ca, under Planning, click Case studies, under Registered Retirement Savings Plans (RRSPs)
- IEF Videos on benefits of investing in your early years
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Videos, select Investing
- IEF Videos on selecting a financial advisor
 - ▶▶ www.GetSmarterAboutMoney.ca, under Tools & Calculators, click Videos, select Financial advice
- Canada Savings Bonds
 - ▶▶ www.csb.gc.ca
- Description of investment types
 - ▶▶ www.yourmoney.cba.ca, click Overview, select Investing
- Canadian Securities Administrators
 - ▶▶ www.securities-administrators.ca, under Investor Tools, click Working with Advisers
- Ontario Securities Commission
 - ▶▶ www.osc.gov.on.ca



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 expenses	shows expected future income and expected future expenses
shows sources of income and allocation 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.fpsc.ca, click Find a Planner or certificant
- Remember that a financial plan is a living document. You need to revisit it and update it regularly as your circumstances change.

My 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

My investments

My other assets

My scholarships/bursaries

My participant loans (the money I'll get)

RESP in my name

Contributions from family and friends

Other

My total assets

 B

Debts

My credit card balances

My participant loans (the money I'll owe)

My car loan

My bank or other loans

My other debts (money owed to family and friends)

My total debts

 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

5. Will I have enough money to meet my goals?

Income	from F	
Expenses	from G	
Difference		H
If the difference is a positive number, you can add it to your savings.		
Savings available to meet my goal:	from H	I
Years required to meet my goal:	(if positive)	J

If the difference is a negative number, or if the time needed to reach your goal is too high, you have a few options:

- 1) Cut back! Reduce your expenses and adjust Step 4.
- 2) Push on! Work more to earn more money and adjust Step 3
- 3) Use your resources! Try the funding strategies in Step 6.

6. What can I do to get the extra money I need?

Use the assets listed in Step 2

	Amount
Ask family for support	
Use my scholarships and bursaries	
Use my student loan	
Use my savings	
Use my RESPs and other investments	
Earn additional income in part-time or full-time employment	
Earn income from self-employment	
Apply for additional scholarships, bursaries or student loans	
Apply for a bank loan or line of credit	
Total	K
Years required to meet my goal now:	L

Tip: If your resources are greater than your excess expenses, decide which resources you'll use first.

7. What could go wrong?

Use this list of questions to think ahead about possible problems and how you would 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 or if I am sick?

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 of each year.

More information on financial planning

- Resources for finding a financial planner, questions to ask your planner, etc.
 - Choosing An Advisor
 - ▶ www.GetSmarterAboutMoney.ca, Planning, Getting Advice
 - The Financial Planning Standards Council
 - ▶ www.fpsc.ca/find-a-planner-certificant
 - The Financial Advisors Association of Canada
 - ▶ www.advocis.ca, click Find an advisor
- IEF Retirement planning
 - ▶ www.GetSmarterAboutMoney.ca, under Planning, select Retirement planning

Protecting yourself

BIG IDEA: Be alert. Take steps to protect your identity and your finances.

Identity theft

In 2010:

- More than \$25 million lost as a result of credit card fraud.
- \$119 million stolen via debit card fraud.

In 2014:

- Over 20,600 Canadians fell victim to identity fraud.
- Average loss to identity fraud: \$508.68.

[Source: Canadian Anti-Fraud Centre and RCMP, 2015.]

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 COLLEAGES OF THE PANEL TO LOOK FOR AN OVERSEAS PARTNER INTO WHOSE ACCOUNT WE WOULD TRANSFER THE SUM OF US\$21,320,000.00(TWENTY ON 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/ZY369

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 email 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

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Tips:

- DO NOT respond to an email asking you to disclose personal information.
- DO NOT use the contact information provided in the email 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.

ABC BANK 1-800-ABC-BANK

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

1 Dear Client,

2 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:

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

4 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 over-payment 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 the certified cashier's cheque to get 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 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 is a long lasting business relationship.

Thanks and hope to hear from you soon.

Best Regard,

Madida

[Source: <http://netforbeginners.about.com/od/scamsandidentitytheft/ss/top10inetscams.htm>]

Note: These examples are provided as is; some may contain grammatical or spelling errors which we are not responsible for.

Employment scams

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

The three most notorious employment scams

- Being recruited for an illegal job.
 - I.e., 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.
- Contain no physical address or contact person.
- Require you 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 steal your card.
- Keep a separate credit card with a low credit limit for online purchases.
- Check your credit report at least once a year.
- Make sure any website you are using is secure before transmitting personal information. Look for “https” in the Web address or a lock icon.
- 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).
- Contact the Canadian Anti-Fraud Centre.
- Notify your local police as soon as you are aware of it.

More information on identity fraud and protecting yourself

- FCAC Tip sheets: Fraud
 - ▶▶ www.fcac.gc.ca, under For consumers and Resources, click Publications and select Fraud
- Know the red flags of fraud
 - ▶▶ www.securities-administrators.ca, under Investor Tools and Avoiding Fraud
- Quiz on Fraud
 - ▶▶ www.competitionbureau.gc.ca, under Resources, click Fraud Prevention
- Canadian Anti-Fraud Centre
 - ▶▶ www.antifraudcentre.ca

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, credit cards and service plans.
- Pay all debts on time and in full, if possible.
- Set clear savings goals.
- Find a licensed financial advisor 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.



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