YOUR MONEY MATTERS!

"Money isn't the most important thing in life," author and motivational speaker Zig Ziglar once said, "but it's reasonably close to oxygen on the 'gotta have it' scale."

So true. But having money is only the beginning. If you don't learn to manage your cash, it can melt away faster than a snowball in August. Did you know about 70 per cent of people who win a lottery or get a big windfall end up broke in a few years?

It's never too early to learn useful habits like living within your means, spending carefully, budgeting and saving regularly. And once you begin earning a steady pay cheque, learning how to invest wisely will help you reach major life milestones, such as moving out of your parents' basement, buying a car or even scraping together a down payment for a home someday.

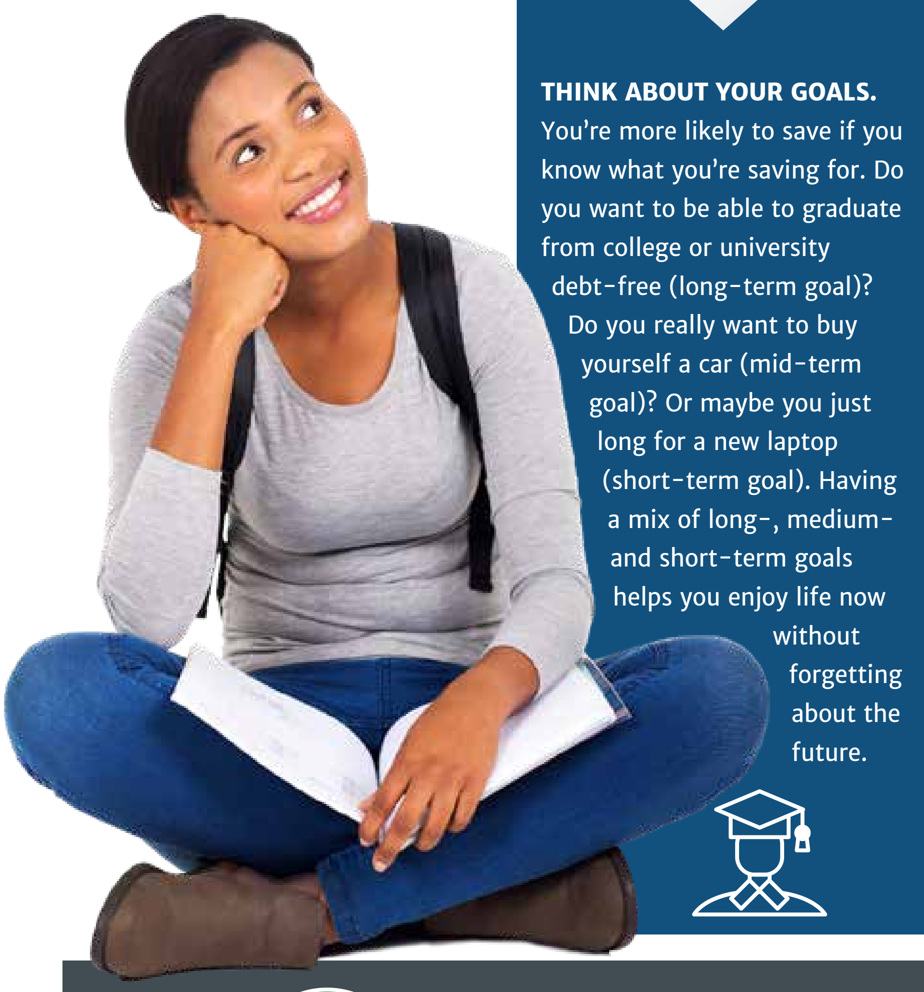
True, you may not have a whole lot of cash to stash away yet. But now is as good a time as any to begin your financial education. If you play your cards right, you're likely to achieve real financial freedom in the end—that means freedom to do the job you love, live without debt (or stress) and buy the things that really matter to you.

The three building blocks of financial freedom

Money has a language all its own, which at first that can seem a bit daunting. But you've already shown you know how to learn—after all, you're in high school! And figuring out how to make good financial decisions is a crucial life skill.

Becoming more money savvy won't solve all your problems, but it can give you a good base for the future. When people aren't financially literate, they're more likely to struggle with debt and less likely to invest and plan for retirement (yes, that's decades away but you're going to want to do it at some point).

HERE'S WHAT YOU NEED TO DO FOR STARTERS:



1

THINK ABOUT YOUR GOALS. You're more likely to save if you know what you're saving for. Do you want to be able to graduate from college or university debt-free (long-term goal)? Do you really want to buy yourself a car (mid-term goal)? Or maybe you just long for a new laptop (short-term goal). Having a mix of long-, medium- and short-term goals helps you enjoy life now without forgetting about the future.

2

OPEN A BANK ACCOUNT. If you haven't yet, now's the time. Think of a bank account as a virtual piggy bank. The big difference? Your money can grow over time through the beauty of compound interest. Here's how it works: When you put your money in the bank, you get paid interest (a percentage of the original deposit) on the 'principal' (the original amount you deposited). Bank accounts can help you deal with short-term emergencies (like bike repairs) and longer-term goals (like buying a car or paying for university or college).

3

ALWAYS PAY YOURSELF FIRST. The first 'bill' you should pay every month should be to yourself. So, before you give your debit card a workout at the movies or the tech store, set aside a consistent portion of your pay cheque or allowance to help you meet those future goals. Your bank may be able to automatically take a few bucks off your pay cheque before you even see it! Start with $5 or $10 every week, or even opt to set aside a percentage of your overall pay cheque. Out of sight is out of mind, and you will be surprised at how quickly that money will add up.

ACTIVITY

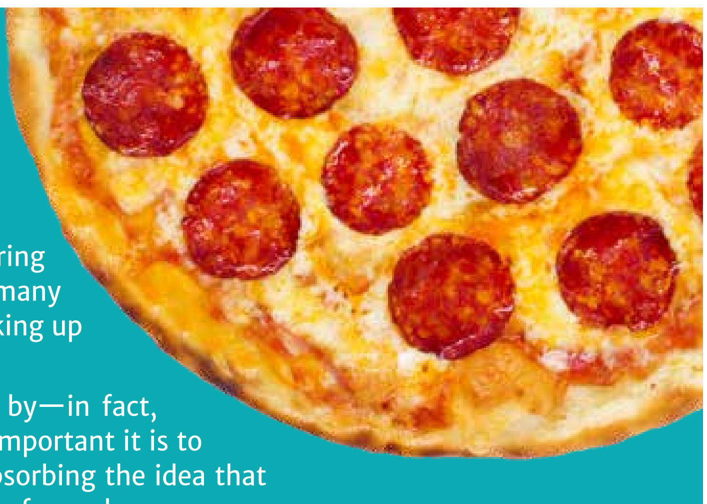
AN EXERCISE IN GOAL-SETTING

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

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

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

Earning It



Whether you're babysitting, serving popcorn and snacks at the theatre or delivering pizza, if you're already earning money in high school, you're a step ahead of many teens. Although you may miss out on hanging out with your friends, you're picking up some valuable lessons.

You're learning you don't have to rely on The Bank of Mom and Dad to get by—in fact, maybe you're actually helping them make ends meet. You're figuring out how important it is to show up on time and take guidance from your employer. And finally, you're absorbing the idea that people don't just give money away. That should give you a healthy appreciation for cash.

Right now, you're likely paid by the hour for your work, which means your pay cheque consists of the number of hours you worked multiplied by your hourly wage. But as you get older, you may have a salary. That means you'll be paid a fixed sum of money, usually every two weeks, to work at a full-time job. Although full-time generally consists of 40 hours a week, many salaried workers put in longer hours.

Some people (usually in sales) work on commission, meaning they get paid a percentage of every sale they make. Others get paid a fee-for-service, meaning they negotiate a fee for a specific project (say, a photography shoot or consulting).

Could you be entitled to overtime?

As a rule of thumb, Canadians who work more than 40 to 44 hours a week are supposed to be paid overtime. The rate for this is 1.5 times the usual pay, so if you make $15 an hour, you'd make $22.50 for overtime.

But here's where it gets complicated. Some people are exempted from receiving overtime pay. Exactly who is exempted varies from province to province. As a rule of thumb, executives and employees with managerial responsibilities don't get overtime, and neither do professionals (think doctors, lawyers, dentists and architects). But not all job classifications are covered by overtime, so it can be hard to determine your rights.

A good source of information is workershelp.ca/overtime.asp. Don't assume you're getting paid overtime even when you're entitled to it. Not all employers are aware of this. If you think you're missing out, document your hours and talk to your boss.

PAY CHEQUE BREAKDOWN

If you're like most people, your eyes immediately go to the big bold number on your pay cheque that tells you your take-home pay. But it's useful to understand what those other line items refer to. Here's a typical pay stub with explanations of each:

YTD (YEAR TO DATE):

Pay Stub

YMM Incorporated
123 Street Toronto, ON M5E 1E6

Earnings Statement For:
Jane Doe
Employee ID: 1234

Pay Period: 2018-09-08 to 2018-09-21
Pay Date: 2018-09-21

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

These calculations are an approximation.

INCOME:
GROSS PAY:
INCOME TAX
EMPLOYMENT INSURANCE
CANADA PENSION PLAN
OTHER
NET PAY:

Income: This refers to how much money you've earned and will usually be broken into regular and overtime hours. It should list the number of hours you worked, the hourly rate and the total (# hours X hourly rate = total).

CPP (Canada Pension Plan): If you are not yet 18, your employer should not be charging you CPP contributions. Otherwise, every worker from 18 to 70 pays a percentage of each pay cheque to CPP. The good news? When you retire, the government will send you a pay cheque.

EI (Employment Insurance): You pay a percentage of your income to the government which goes into a fund that will, in turn, pay you if you become unemployed in the future and need to look for a job or upgrade your skills. Important note: You have to meet the government's eligibility requirements.

Income tax: The government takes a bite out of every pay cheque to pay for your share of the services it offers. You may be exempt, though, if you make less than $11,635 (the basic personal amount this year).

Other: There may be other deductions from your pay cheque (particularly when you begin working full-time), including private pension plans, health insurance premiums, union dues and professional fees, as well as transfers to your registered savings plans and charitable donations.

Gross pay: The amount of pay before deductions.

Net pay: The amount of pay remaining after all deductions.

YTD (Year to Date): The amount of pay you've earned so far this year. The amount of deductions taken from your pay so far this year.

Top five side hustles for teens

Even if you're too young to get a real job, you're perfectly capable of making money on your own. Side hustles make use of your skills and interests and help you earn some income, but you get to decide how much time to devote to your venture.

If you're not busy with schoolwork, you can put in plenty of hours. Here are a few ideas to consider:

1. ***Yard work all year long.*** Your neighbours' yards could be your cash cow. Ask around to see who wants the leaves gathered in the fall, the walkway shoveled in winter, garden tidied in spring, and the grass cut in the summer. You could have a year-long gig you can do after school or on weekends.
2. ***Pet-sitting or dog-walking.*** If you're a dog or cat lover, combine cuddles with cash. Pet-sitting and dog-walking can be a lucrative side business. Offer to walk your neighbours' dogs (but only those you know you can handle) or check on and feed their pets while they're on vacation.
3. ***Get crafty.*** Do you love drawing, knitting, baking or woodworking? Sell your creations to friends or at bazaars and flea markets. If you're really ambitious, you can even set up an account on a craft website to sell online. You may need a parent's help (minors usually aren't allowed to set up an account), but you can take it from there—monitoring the orders and packing and shipping your handiwork.
4. ***Share your know-how.*** Do you have a subject at school you excel in, and that you're passionate about? Why not take advantage of it? Consider offering tutoring services for students who may need help with a particular subject.
5. ***Childcare.*** Not only is this an excellent way to make some money, but if you're babysitting at night and the kids are asleep, you can get your homework done too!

ACTIVITY

COME UP WITH A SIDE HUSTLE OF YOUR OWN

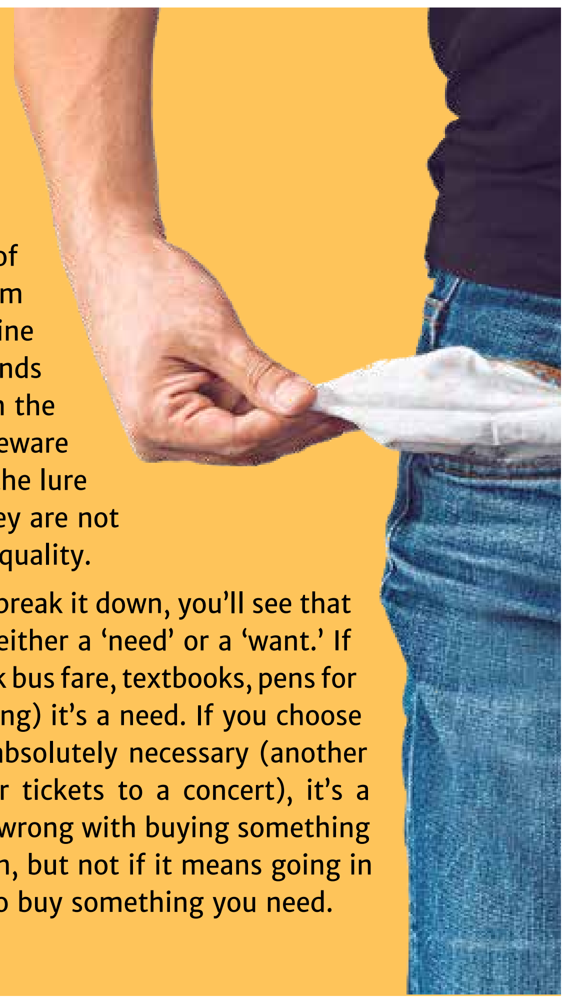
List the costs associated with it; what market you'd like to reach (meaning, who you think are the people most likely to pay for your product or service), and how you would reach them; as well as how much you might expect to earn. Justify the hourly rate you think you could charge.

ACTIVITY

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

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

Spending It



There's one basic rule to live by when it comes to personal finance: spend less than you make. But as you may know from watching friends and family—that's not as easy as it sounds. We all face temptations to blow our money on things that may not matter much to us in the long-term. If you want to make your money go further, you'll have to learn to spend it wisely. Here are a few things to take into account:

Energy spent. Think of purchases not in terms of dollars, but in energy spent: Are those new $80 headphones worth eight hours of babysitting or four lawn jobs? You may look at purchases in a new light when you view them this way.

Cost vs. value. Being thrifty is about more than saving money—it means spending your money wisely. And the price of items you buy doesn't always equate to the value. If a new skateboard is better quality and therefore lasts longer, it may be worth the extra cost. Buying cheap can sometimes mean spending more money down the line on maintenance or replacement.

When making a big-ticket purchase such as a laptop, you can get a better idea of the quality of the item by checking out online reviews and asking friends and family members in the know for feedback. Beware of being caught up in the lure of designer labels—they are not always an indicator of quality.

Wants vs. needs. If you break it down, you'll see that everything you buy is either a 'need' or a 'want.' If you *have* to buy it (think bus fare, textbooks, pens for school and basic clothing) it's a need. If you choose to buy it but it's not absolutely necessary (another brand-name hoodie or tickets to a concert), it's a want. There's nothing wrong with buying something you want now and then, but not if it means going in debt or being unable to buy something you need.

Quiz: What's your money personality?

Whether you realize it or not, you've been picking up little messages about money for most of your life. Maybe you watched your parents write out a monthly budget, or plan together to pay off their house by a certain date. You may have heard phrases like 'money is the root of all evil' and 'money can't buy you everything,' or conversely, 'money is power' and 'just put it on plastic.'

Your family background, social and religious messages and personal experience all inform how you think about money. Just as no two people have the same fingerprints, your money personality is unique to you. But although you can't completely change how you view money, understanding it can help you control your worst tendencies and harness your best ones.

Take this quick quiz to determine your own money personality and how to manage it.

1. ***When it's time to go out for lunch with friends you …***
   A) join them but pull out your brown-bag lunch and just drink water.
   B) split the bill evenly and include a tip for the server.
   C) don't pay much attention to prices, you're there to enjoy time with friends.
2. ***At the end of every month you...***
   A) can account for every penny you spent, right down to the $1 late-return fine at the library.
   B) aren't really sure where your money has gone; you may come out a little ahead, or a little behind.
   C) are scouring your pockets for change to get you through to your next allowance or pay cheque.
3. ***A budget...***
   A) is your personal guidebook. You love colour-coded pie charts and track your expenses daily.
   B) is a necessary evil if you're going to reach your goals.
   C) sounds like work.
4. ***Your idea of paying yourself first is to...***
   A) set aside most of the cash from each pay cheque or allowance for longer-term goals.
   B) allocate some cash from your earnings for things you want now and save the rest for later.
   C) buy yourself a new phone as soon as you get your pay cheque in your hot little hand.

Add up the number of As, Bs and Cs you circled. The category in which you have the highest score represents your money personality, even if your answers don't all fit the bill.

Read on for some targeted tips on how Savers (As), Middle-of-the-Roaders (Bs) and Spenders (Cs) can get things on track financially.

THE SAVER:

You don't waste cash, like... ever! You've probably got every dime your grandmother ever sent for your birthday. Potential issues: You may miss out on life's pleasures because you're so focused on watching your bank balance build.

Money Rx: Live a little. As a rule of thumb, if you're putting away 10 to 50 per cent of what you earn (depending on how much of your expenses your parents cover), you're doing great. So, feel free to spend a little of your hard-earned cash on something you want right now.

THE MIDDLE-OF-THE-ROADER:

You probably have some idea where your money is going and you're likely channeling a bit of cash toward the things you want, not just now, but tomorrow too.

Money Rx: If you haven't already, make yourself a wish list. Include long-term goals, like paying for post-secondary education, as well as short-term goals like buying a new jacket or an expensive video game. List these 'wishes' in order of priority. Then channel your savings into a special savings account. You likely won't even notice it's missing and the remainder of the cash is yours to spend on making the more whimsical items on your wish list a reality.

THE BIG SPENDER:

You're not trying to keep up with the Joneses—they're trying to keep up with you! Unfortunately, all that stuff comes at a price; you may be headed down the same path as about 30 per cent of your fellow Canadians who are concerned about their ability to manage their debt. You'd be hard-pressed to say where your money is going.

Money Rx: Most people can't tell you where every cent of their cash is going—in this you are not alone. But tracking how you spend is crucial to ensuring you don't get into debt in the future. Try recording all your expenditures in a little notebook and then tally them to get a clear picture.

ACTIVITY

APPLES TO APPLES —A LESSON IN COMPARISON SHOPPING.

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

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

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

ACTIVITY

WHERE DOES YOUR MONEY GO?

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

Saving It

Getting into the habit of putting aside cash when you're young can set up a life-long saving habit. And that's especially important now, because education costs continue to rise and careers take longer to build.

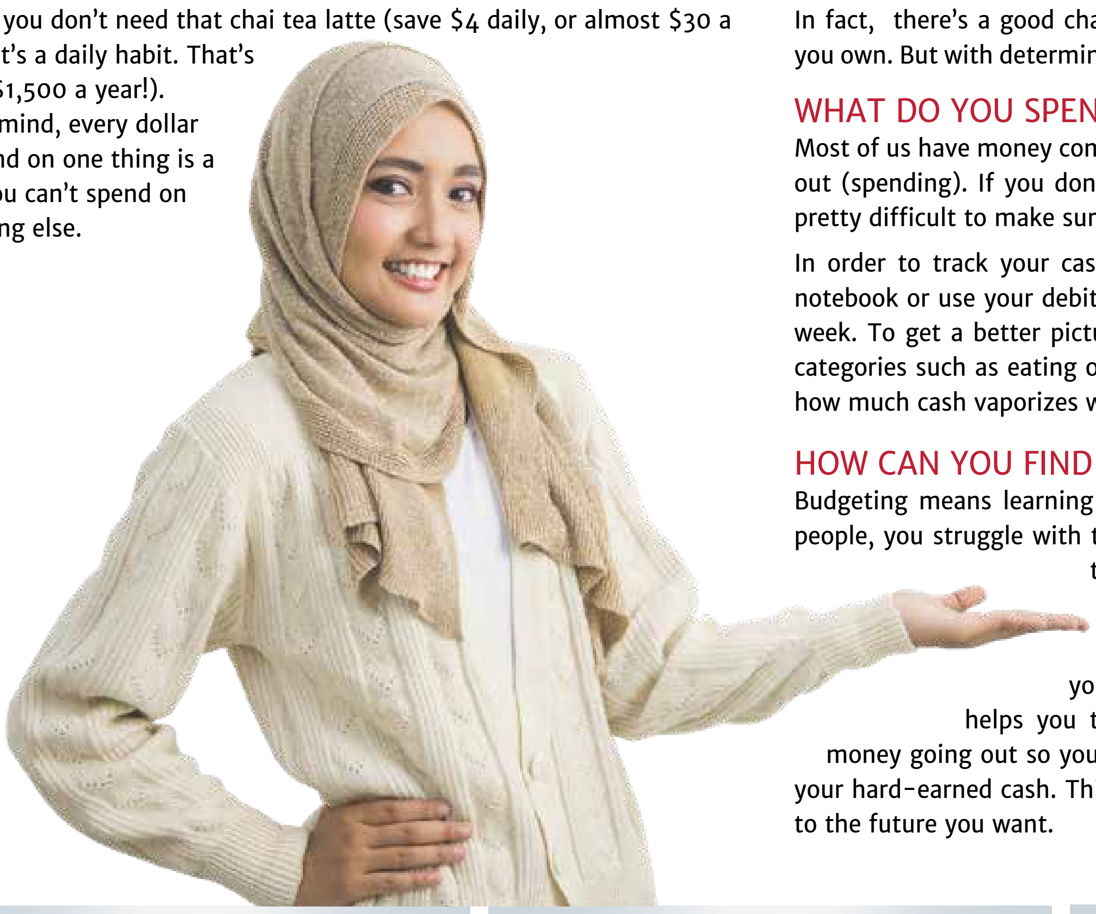
In order to achieve your financial goals, you first have to figure out where you're going (set goals), as well as where you are right now in terms of the stuff you own (that's called net worth) and where your money goes (cash flow). Only then can you map out a route to help you reach your financial goals (your budget).

If you can answer the following questions, you're on your way to the future you want.

WHAT'S IMPORTANT TO YOU?

Determining long-term, mid-term and short-term goals for your money is actually a great incentive for saving. If you know that your primary financial goal is to save money for college or university, you're more likely to tell yourself you don't need that chai tea latte (save $4 daily, or almost $30 a week if it's a daily habit. That's almost $1,500 a year!).

Keep in mind, every dollar you spend on one thing is a dollar you can't spend on something else.



WHAT'S YOUR NET WORTH?

Think of net worth as the starting point for your budget map. Your net worth is basically anything you own right now (your assets), minus anything you owe (your liabilities). Chances are, your net worth is fairly low right now. In fact, there's a good chance your cell phone is the most valuable thing you own. But with determination and some hard work, it won't always be so.

WHAT DO YOU SPEND YOUR MONEY ON?

Most of us have money coming in (earnings or allowance) and money going out (spending). If you don't know how much money you're spending, it's pretty difficult to make sure you're living within your means.

In order to track your cash flow, write down everything you spend in a notebook or use your debit card for spending. Tally it up at the end of the week. To get a better picture of where your money goes, organize it into categories such as eating out, clothing and gifts. You might be shocked at how much cash vaporizes with little to show for it.

HOW CAN YOU FIND THE CASH TO REACH YOUR GOALS?

Budgeting means learning to live within your means. If you're like most people, you struggle with that. It's hard to say no to a burger at the local takeout in favour of a brown-bag lunch. And who doesn't want to have the latest smart phone?

But the earlier you can learn to spend less than you make, the better off you will be. A budget helps you track the money you have coming in and the money going out so you can make better decisions about how to spend your hard-earned cash. Think of budgeting as a tool that can help you get to the future you want.

1

GOLDEN RULE #1: INVEST IN YOURSELF FIRST

It's simple: The first thing you do when you get some cash or a cheque is transfer a chunk of it to savings. Then, and only then, you can buy yourself those awesome new jeans or take yourself out for pizza. Exactly how much money you set aside will depend on your budget.

The good news: out of sight is out of mind. You'll no longer be tempted to spend every cent you make.

2

GOLDEN RULE #2: THINK BEFORE YOU SPEND

Is it hard to keep money in your pockets? If you're tempted to spend on impulse, develop strategies that help you just say "no." Find things to do with friends that don't involve hanging out at a mall, and avoid online shopping sites.

3

GOLDEN RULE #3: START EARLY

You've heard the expression 'the early bird gets the worm.' Well, we've got something much better than a worm in mind. When it comes to saving, the earlier you start, the bigger your pile of cash at the end. Why? Because when you start saving early, your money has more time to grow.

TAKE THE EXAMPLE OF TWINS MYLES AND MIKAYLA.

Myles saves $1,000 yearly from age 25 to 45 – a 20-year period. In total, he sets aside $20,000. He doesn't add to his nest egg after that (maybe he's got a mortgage and kids – and they cost money), but he doesn't spend it either. He allows those savings to grow to age 65, at which time he has almost $118,000 (assuming he earns 6 per cent on his money annually).

Mikayla, on the other hand, likes to put things off. She doesn't start saving until age 30, but then she too begins to save $1,000 every year for 35 years, from age 30 to age 65. Her savings total $35,000 and just like Myles, she earns 6 per cent per year on her money.

The crazy thing? At age 65, Mikayla has managed to build a nest egg of just $111,435 – less than Myles even though she actually saved more. The reason? Myles's money had five extra years to grow. Just imagine what would happen if you were to start saving now!

ACTIVITY

CREATE A BUDGET

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

ACTIVITY

WHAT'S THE COST OF AN EDUCATION?

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

Investing It

Do you like the idea of earning money without having to work? Well, that's the basic concept behind investing. Your goal is to see those savings you've been accumulating grow. You could always toss your spare change into a piggy bank, or stash bills in your sock drawer, but you're far better off opening a savings account if you don't already have one.

When it comes to choosing a bank account, explore the different options Canadian banks offer. Student accounts usually charge very little (if anything at all) in the way of fees. And other accounts make it easy to transfer money to a savings account or pay bills.

To open a bank account, simply walk into any bank and speak to a teller. Don't forget to bring two pieces of identification (such as your driver's license, passport or birth certificate). If you're under 18, you may have to bring a parent or guardian along and get their name on the account too. When you set up a bank account, you're usually asked to decide whether you want a chequing account or a savings account.

Here's what to consider:

Chequing account: Choose this option when you're going to be depositing cheques and paying bills regularly, either online or using cheques. You can access your money easily, but you will usually pay service fees for things like withdrawing money from the ATM and debit card transactions. You can sometimes avoid these by ensuring you have a lot of money in the account (often about $5,000) or by paying for a low-cost account that allows for just a few transactions. Chequing accounts pay little, if any interest.

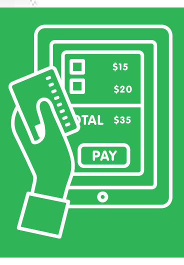
Savings account: It's pretty clear what this account is for: savings. You'll often earn at least a little bit higher interest than a chequing account pays, but your money isn't as easy to get hold of. Usually you can't pay bills or write cheques from a savings account and often the bank charges fees to move your money and limits the number of withdrawals you can make.

NON-SUFFICIENT FUNDS AND OVERDRAFT PROTECTION

If you write a cheque or use your debit card, but don't have enough money in your account to cover it, you'll likely be charged an NSF (non-sufficient funds) fee from your bank and the company to whom you wrote the cheque. Most financial institutions offer overdraft protection, which is like a small loan in case you spend more than you have in your account. Overdraft protection can help you avoid NSF fees, but it comes at a cost. This is why it's so important to pay close attention to the balance in your bank account to make sure you don't overspend and wind up paying additional fees.

THREE INVESTING SOLUTIONS FOR STUDENTS (AND WHEN YOU SHOULD USE THEM)

Bank accounts aren't the only option when it comes to investing your money. Once you've accumulated some savings, you can explore some of the other types of investment accounts. They may sound like creations pulled from a bowl of alphabet soup, but they can be super-helpful in allowing you to build your savings. Read on for the pros and cons of each.



1. **Tax-Free Savings Account (TFSA):** You can save $5,500 a year in a TFSA no matter how much income you're earning. Think of a TFSA as basically a 'holder' for investments. When you store your investments in that holder, they are tax sheltered – which means you won't pay tax on any money those investments earn.

   Pros: This is the most flexible of the tax-sheltered accounts. You can withdraw money from a TFSA without paying a tax penalty. Heck, you don't even lose the contribution room so you can always go back and replace that money later if you want.

   Cons: You don't get a tax deduction for your contributions to a TFSA (as you would with an RRSP), nor do you get a grant from the government (as you would with an RESP).

2. **Registered Education Savings Plan (RESP)** These accounts were developed by the government as a way for parents to save for their kids' education. Some parents will have maxed out their contributions, but many will be more concerned about paying the bills. The good news: if you have a part-time job, you can contribute to your own RESP through your parents.

   Pros: Why would you want to? In order to encourage people to save for education, the government boosts every contribution you make with some money of its own. That's called the Canada Education Savings Grant (CESG) and it amounts to $20 for every $100 you contribute. So if you manage to stash away $5,000, the government will kick in an extra $1,000. Depending on your parents' or caregiver's income, you might get even more.

   Cons: If you change your mind about pursuing post-secondary education for some reason, the government will take back the grant money and any earnings on it (but not the money you personally invested). Some plans allow you to transfer the RESP to a sibling without penalty.

   Also, in order to be eligible for the grants, either:
   - You (or your parents, relatives or friends) must contribute $100 to an RESP in each of any four years before the calendar year you turn 15, or
   - If the RESP is set up in the year you turn 16 or 17, you must contribute at least $2,000.

3. **Registered Retirement Savings Plan (RRSP):** RRSPs are intended to help people save for retirement, although they can be used to pay for education as well.

   Pros: You get a tax deduction for your contribution, and earnings accumulate in an RRSP account tax free.

   Cons: Since you're probably not earning a whole lot of money right now, you aren't paying much (if any) tax. That eliminates the major advantage of investing in an RRSP because you can't lower your taxes to less than zero. When you're older and earning more money, an RRSP will make a whole lot more sense.

GICs, bonds and stocks

Investing always involves risk. The greater the risk of a loss on an investment, the greater the potential return. The lower the risk of loss, the lower the potential return. It is wise never to invest money that you can't afford to lose. Here's a brief description of a few investment options you might want to consider.

GUARANTEED INVESTMENT CERTIFICATE (GIC)

The least risky investment type. With a GIC you agree to lock in your money for a certain period of time (usually one to five years) in return for a guaranteed pay-off of interest.

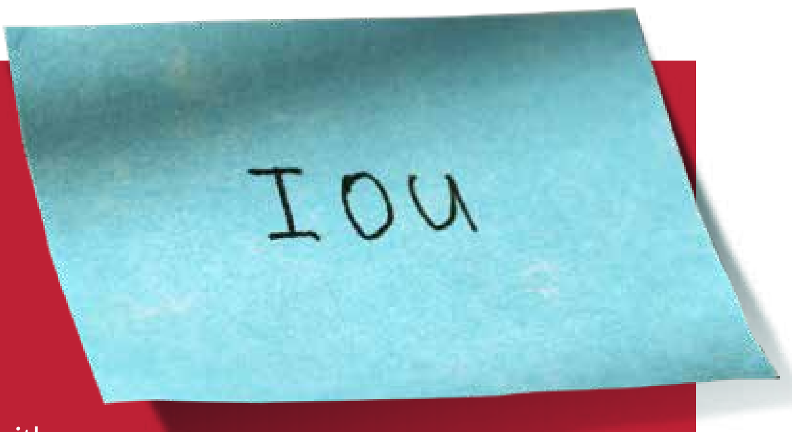
BONDS

Bonds are loans, or IOUs. You loan your money to a company, a city, the government – and they promise to pay you back in full, with regular interest payments. The risk level depends on how likely it is the borrower will be able to repay you.

STOCKS You are basically buying a 'share' of a company. In fact stocks are often referred to as 'shares' or 'equities.' You can buy and sell them individually on the Toronto Stock Exchange (TSX), Nasdaq and other markets. Or you can buy a group of stocks that is chosen for you (that's called a mutual fund or an exchange-traded fund).

Stocks pay you back in two different ways. You may get a share of the growth in earnings (dividends) or the value of the stock may rise (growth). If you're lucky, you may earn dividends and still see your stocks rise in value. Stocks are the riskiest of the three investment types – but they can also come with the greatest reward.

Borrowing It



Maybe you've already borrowed money from your parents. You know the deal. They agreed to give you a loan to buy a new laptop and you agreed to pay the money back over time. But not all 'lenders' are as easygoing as your parents.

When you get a loan in the real world, you're generally expected to pay it back with interest. In this case, that's the fee (usually a percentage of the loan amount) that goes to the lender for taking a chance on you. Aside from perhaps a student loan, it's likely a credit card will be your first experience with borrowing from anyone other than family or a friend, so it helps to know the basics about how they work.

Six things you should know about credit cards

"Put it on plastic!" These can be dangerous words. We live in a largely cashless society. In fact, credit cards are becoming more common than cold, hard cash in our wallets. Credit cards can be super-helpful, allowing you to track your spending, rent a car and pay for things easily without having to carry around a lot of cash. Even better, you get a couple of weeks to pay that money back before the bank starts charging you interest.

But credit cards can also get you into a lot of trouble if you're not careful.

HERE ARE SIX THINGS TO KEEP IN MIND:

1. ***You're spending real cash.*** Studies show it's easier for people to swipe a credit card than to pull cash out of their pockets to pay. But don't kid yourself—you will have to pay that money back. And if you don't pay in full by the due date, you'll pay interest too.
2. ***Credit card interest rates are higher than for other types of loans.*** In fact, they are three to five times higher; on average, about 19 per cent. The interest rate on a credit card is referred to as the Annual Percentage Rate (APR) and by law, all lenders must list it in the credit card agreement. Make sure you know what yours is.
3. ***You should pay the full balance (total amount owing) every month*** ... on time. Most credit cards offer a 'grace period.' That's the time (usually 20 to 30 days) you have to pay off the loan before the bank starts to charge interest. If you absolutely can't pay off the balance, at least pay as much of it as you can manage, before the deadline.
4. ***Don't just make minimum payments.*** Credit card issuers usually allow you to make a minimum payment by the due date each month—that's the minimum amount you can pay to avoid other penalties. But if you pay only the minimum balance, there's a good chance you'll be forking out for your purchase long after you've had to replace it. Consider this example: You buy a new cell phone, with all the bells and whistles, for $600. If you make only the minimum payment, it will take you more than five years to pay off your debt. On top of the cost of the phone, you will pay an extra $323 in interest! Check the back of your credit card bill for information about how long it will take you to pay off your balance if you only make the minimum payment.
5. ***Avoid cash advances.*** You can use your credit card to borrow cash—that's called a cash advance. But the interest rate on cash advances is usually even higher. And there is no grace period; you pay interest on the money from the moment you take out the cash until you pay back every single penny. Banks may also charge you a fee for a cash advance. Use them only for dire emergencies.
6. ***You need to check your bill every month.*** Billing errors can happen with credit cards. If you see a purchase on your statement that you didn't make, be sure to correct the mistake right away: If you haven't ever been to the business in question, call your credit card company immediately—it's possible you've been a victim of identity theft. But if you have made a purchase from the vendor listed, your best bet is to contact them directly. Make sure you always keep your receipts just in case you ever need to show them to the vendor. If you don't get satisfaction, call your credit card provider with all the evidence at hand.

HOW TO CHOOSE A CREDIT CARD

When it comes time to apply for a credit card, you'll soon discover there are many options available. Which should you choose? Here are the factors to take into consideration:

- Is there an annual fee? If so, consider carefully whether it's worth paying that additional cost yearly or opting for a card with no fee. At this point in your life, the no-fee option might be best.
- Will you pay it off every month? This should be your goal. But if not, finding a card with a low interest rate should be the biggest consideration.
- Do you want it mainly for the perks that go along with it? Some credit cards offer special perks to card-holders such as free insurance, points that can be cashed in for travel and items, and the ability to skip lines for tickets to concerts and other events.

Tip: The debit card advantage. Debit cards share many of the advantages of credit cards (your purchases all show up online so they're easy to track and you don't have to carry cash). But unlike credit cards, there's no risk of getting into debt. Once there's no more money in your account, you can't continue to spend.

The loan arranger

The big risk with a credit card is that you might run up debts you can't repay. If you need to borrow money, there are plenty of cheaper ways to do it. You probably don't need to draw on any of the following options yet. But it's helpful to know about them in case you need to borrow cash in the future.

Mortgage: A loan meant specifically to help you buy a house or other real estate (land or buildings). Most people can't afford to pay the whole cost of a home up-front, so they take out a loan to pay for it over time (often 25 years). Interest rates for mortgages are low, mainly because the loan is 'secured' by your house. On the down side, the bank can take back your house if you don't pay.

Personal loan: At some point in life, you may need to borrow a sum of money to pay for your wedding, a renovation or unexpected expenses. With a personal loan, you sign a contract agreeing to repay the loan over time in pre-determined amounts. The interest rate is lower than for credit card debt, but higher than for a mortgage.

Line of credit: You can also get a line of credit (LOC) from the bank. It's like a pre-approved loan for a certain amount and you can dip into it at any time, up to that limit. You only pay interest when you use it. And, although you have to make regular minimum payments on the loan, you can repay it faster if you like. LOCs charge less interest than a credit card, making it a less expensive way to borrow money.

WHAT'S YOUR CREDIT SCORE?

You're used to being graded; your report card gives a snapshot of how well you've done at school. Well, from the time you get your first credit card, you're being 'graded' on your ability to manage money.

That grade is called your 'credit score.' It may not matter to you too much right now, but it will matter in the future, when you're applying for a car loan or to get a mortgage. The good news: bolstering your credit score ain't rocket science. Here's how:

a) You can build your credit rating simply by opening a credit card account and consistently making your payments before the due date.

b) You get lower grades for missing bill payments.

c) You can ask for a free copy of your credit report by mail from one of the two national credit bureaus in Canada: Equifax Canada and TransUnion Canada. You have to send in photocopies of two pieces of identification, along with some basic background information.

ACTIVITY

RESEARCH THREE DIFFERENT CREDIT CARDS

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

ACTIVITY

WHY INTEREST RATES MATTER

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

Protecting It

There are plenty of ways to get robbed of your cash. But one of the most common ways thieves reach us is through our credit or debit cards. You don't even have to lose your card to get taken.

Thieves can 'skim' or swipe the information on your card's magnetic strip and take a snap of your PIN number with a hidden camera. Then they buy things online or create a duplicate card, using it to withdraw money from your account.

Here's how to protect yourself:

- Watch out for ATM machines that don't look like the real thing, plastic sleeves where you insert your card, or suspicious looking people lingering nearby.
- Choose strong passwords.
- Don't lend out your cards.
- When buying something, keep your card in plain sight at all times and watch that merchants don't double-swipe your card.
- Don't forget to retrieve your card after using it at an ATM or to pay for a purchase.
- Carry only the cards you need, in your wallet or pocket.
- Never, ever, ever provide your credit card number over the phone unless you're dealing with a company you know well, or you initiated the call.
- Check your account statement as soon as it arrives. Report issues immediately to your bank.

Red flags: Five signs you're being scammed

By phone or by email, there are people out there who'd like to take your money and give you nothing in return. If you come across the following warning signs, hang up the phone or walk/click away:

1. You don't remember signing up for the contest.
2. In order to collect your winnings you have to pay cash up-front.
3. They want your financial information.
4. They've asked you to wire money. Thieves love wire transfers because once the money leaves your account you can't "undo" the transaction.
5. You're being pressured to do it now! If you hear words such as "limited-time," "act now" or "don't miss this opportunity," you're being exposed to high-pressure sales tactics. Back away.

It sounds too good to be true. If someone is offering to pay you lots of money for no effort ... well, there's a good chance the offer is bogus.

Giving it

Time or money? Which will it be? Part of becoming a contributing member to society involves giving back to those less fortunate. Giving back can be in the form of donating your time or your money. Or it may involve both.

You should give back in ways that fit your lifestyle, your budget and your interests. Just plug some details into VolunteerMatch.org and you'll get a list of options. Other things to take into account include how to make sure most of your money makes it to the cause you're supporting. You can find information about that at charityintelligence.ca.

Tip: Give some to get some. Some universities and colleges take into account volunteer experience when assessing candidates for admission. Your volunteer work offers a way to judge your character that goes beyond grades and test scores.

FIVE INSPIRED WAYS TO GIVE BACK

Volunteering can help a wide range of causes and make you feel pretty good. But the best reason to volunteer is quite simply that it helps to build a better society. Opportunities are endless. Here are five ideas to get you started.

1. Micro-volunteer. You don't need a big block of time to volunteer. Micro-volunteering is, basically, flexible volunteer opportunities that don't require endless hours or a long-term commitment. Read an expiry label for a visually impaired person via live video chat (Be My Eyes), register your daily run to earn money for charity (Charity Miles), or count the birds in your garden (Zooniverse).
2. Find your inner culture-vulture. Are you passionate about theatre, music, art or dance? Volunteering with an arts organization could help you get experience or simply enjoy free performances.
3. You don't have to go far to find a chance to help out, whether helping kids overcome reading problems at your local school or cleaning up the neighbourhood park. Just pick the thing you're passionate about.
4. Raise money and challenge yourself. From marathons to bike rides, many charities raise money through personal challenges. Remember that crazy Ice Bucket Challenge? It raised $115 million for the ALS Association.
5. Get crafty. Share your knitting or crochet skills by crafting a hat or blanket for a premature infant in the hospital.

ACTIVITY

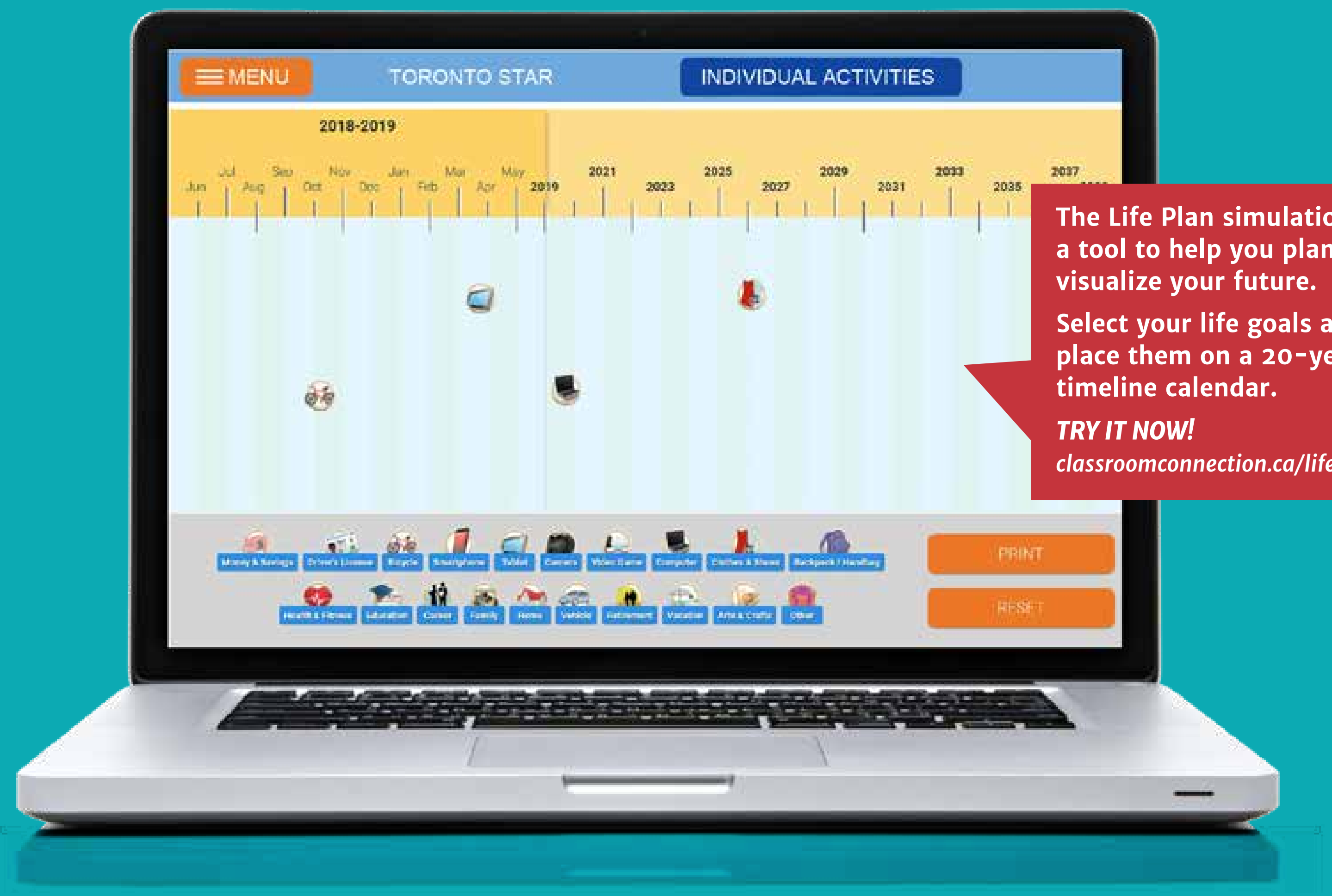
DO YOUR HOMEWORK!

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

What is your life plan?

As you think about your future, you may have items you want to own and accomplishments that you want to achieve. These life goals often require time and money.

By planning your future, you can make better decisions to help you achieve your goals.



The Life Plan simulation is a tool to help you plan and visualize your future.

Select your life goals and place them on a 20-year timeline calendar.

TRY IT NOW!

classroomconnection.ca/lifeplan

Your Money Matters! Word Play

HOW TO PLAY:

Circle the letters in the puzzle below to find the words listed on the right hand column. Words can run in all directions – up, down, right, left, backwards even diagonally. Letters can be used in more than one word. Good luck!

S	L	A	O	G	M	R	E	T	G	N	O	L	W	F	B	D	H	I	J
C	E	G	T	D	L	O	Z	T	P	J	H	I	S	N	G	R	N	K	Y
H	M	C	K	Z	F	U	N	S	D	E	E	N	C	J	O	T	I	M	P
L	O	A	N	L	E	A	I	T	G	R	A	S	L	H	E	Q	M	C	A
R	Q	B	C	A	V	M	S	X	A	L	I	F	A	R	N	A	Y	R	Y
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E	M	A	O	N	R	I	X	E	A	B	U	S	O	A	X	S	K	D	O
T	R	I	R	E	D	Z	F	F	Y	E	T	W	S	I	O	C	F	I	U
N	I	X	T	A	S	I	B	X	C	R	E	U	L	A	V	V	P	T	R
U	S	N	G	R	L	A	V	N	H	C	N	T	H	Q	E	X	B	S	S
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M	J	L	P	A	Y	B	J	P	E	R	C	E	N	T	A	G	E	E	F
H	K	B	H	I	H	G	I	R	M	A	O	K	F	N	F	J	B	L	I
B	I	S	K	N	C	W	B	J	N	E	T	W	O	R	T	H	T	Y	R
I	A	L	W	R	F	E	A	L	Q	Z	U	N	A	X	I	M	A	D	S
C	S	J	T	D	O	J	X	J	P	Q	X	C	P	N	N	L	Z	J	T
K	C	G	J	A	M	E	H	O	A	F	S	K	C	O	T	S	E	I	G
I	N	V	E	S	T	M	E	N	T	K	D	W	K	H	L	S	F	S	E

CASH ADVANCE
CREDIT SCORE
DEBT
FINANCES
INTEREST
INVESTMENT
LIFE PLAN
LOAN
LONG TERM GOALS
MORTGAGE
NEEDS
NET WORTH
NSF
OVERDRAFT
OVERTIME
PAYCHEQUE
PAY YOURSELF FIRST
PERCENTAGE
STOCKS
TFSA
VALUE
VOLUNTEER
WANTS

UNLISTED CLUE: _ _ _ _ _ _ _ _ _ _ Payment issued by the employer to the employee for work performed.

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

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