

# Part 1 – Personal finance



## Working On Your Spending And Saving Habits

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**Pairs Activity:** (Think Pair Share) Discuss your ideas with a partner!

1.
  - a. Think about how much money you spend (on average) per week. What do you spend your money on, what do you buy?
  - b. What are some ways you could be more conservative with your spending?
  - c. How can you spend less money per week? What would you have available to save?
2. Now that you are budgeting and saving money each week, what are some of the choices available to make your savings grow?
3. What do you think happens to money that is invested wisely year after year after year?

**Internet Investigation:** Examine your spending habits and find some ways to cut back on your spending, review Penny Saver:

<http://www.getsmarteraboutmoney.ca/education-programs/for-teachers/multimedia-resources/Documents/pennySaver/index.html>

# Introducing Personal Finance And Wealth

(adapted from Taking Stock In Your Future Intermediate Guide)



Introducing Personal Finance provides an opportunity for your students to discover how important good money management is to all aspects of life.

**Group Activity:** Ask students to think about the following sentence and what it means to them: *How well you take care of the money you make will have a big impact on your life.* Then ask students to share their ideas with the whole group.

**Individual Activity:** Ask your students to read the Introducing Personal Finance section below. Use the text and graphic "Invest in You" as a focus to jot notes for the following questions:

1. What are some of the ways you can help other people and support worthwhile causes?
2. What would be a luxury for you?
3. List some leisure and creative activities in which you are interested.
4. How are you planning to afford life after high school?

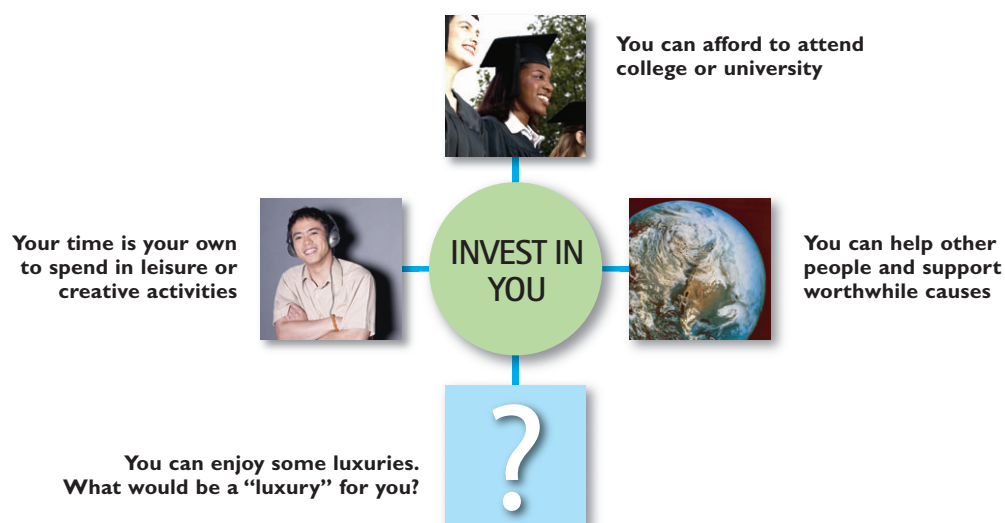
Ask students to share responses.

**Summary Activity:** Ask the whole class/group to brainstorm the following question: *Why is an understanding of money management essential to your future?*

## Introducing Personal Finance

How well you take care of the money you make will have a big impact on your life. Making choices about what you do with your money can be challenging, but understanding basic financial terms and concepts will help develop your ability to take care of and protect your money and future. Planning what you do with your money is called money management.

A good understanding of money and what to do with it can help you achieve goals you set for your future. In this sense, you can think of learning money management skills as an investment (something that is useful and will eventually pay off) in yourself.



# Introducing Personal Finance And Wealth



## What is Wealth

**Group Activity:** Organize a whole class or group discussion of the meaning of wealth and what being wealthy means to your students.

Some additional specific questions you may find helpful to guide the discussion are:

1. What is wealth?
2. What does a wealthy person have?
3. Should money be managed? Why or why not?
4. Should money be invested? Why or why not?

After the class discussion ask students to read, “What is Wealth?”,

**Summary Activity:** Ask students to add new financial terms they see on this page to their definitions.

To achieve the goals you set for your future, you need to build wealth. Building wealth requires having good information, planning and making good choices. You need to learn how to earn money, budget to save, save and invest and control debt. Wealth is made up of assets, possessions that generally increase in value or provide a return. In other words, your assets earn money or rise in value. They are said to appreciate. Some examples of assets that may be wealth-creating are:

- Houses or real estate
- Savings accounts
- Retirement plans
- Stocks and bonds

**Some possessions do not increase in value over time. For example, cars, electronics and clothing go down in value or depreciate.**

Money you owe, also called debt, is a liability. Examples of liabilities are:

- Mortgage on a house
- Car loans
- Student loans

**When you subtract your liabilities from your assets, you know your net worth. Your net worth is your wealth.**

$$\text{Assets} - \text{Liabilities} = \text{Wealth}$$

**Learn more about building wealth, view the Funny Money video clip Building Long Term Wealth on [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca)**

# Building Your Financial Vocabulary

What do the following terms mean?

Financial Literacy

Save

Invest

Capital Markets

## Learning Terms You Should Know

As you learn about saving and investing, you will also learn many new financial terms. It is important you understand these terms as you plan for your financial future.

The following definitions for the above financial terms: financial literacy, save, invest, capital market are given below. These definitions can be added to your money word list. As you learn more terms, you can add more words and definitions to your word list.

## Definitions Activity

1. Think about what each financial term means to you – financial literacy, save, invest and capital market.
2. Share and discuss your meaning with a partner.
3. Read the definitions listed at the side. Are these definitions similar to yours?
4. Are there any words you would like to add to your list of definitions?

**Financial Literacy:** The ability to read, analyze, manage and communicate about the financial conditions that affect material well-being.

**Save:** To rescue or deliver someone.

**Save (money):** To put aside as a store or reserve (save for emergencies); to spend less.

**Invest:** Spend or put in (time, energy, etc.) for later benefit. The volunteer group invested its energies in developing a new playground.

**Invest (money):** To lay out money for the purpose of making more money. Usually involves risk. He invested his money in stocks, bonds and land.

**Capital Market:** This market brings together all the providers and users of capital, all the financial products, like stocks and bonds which make the transfer of capital possible, and all the people and organizations that support the process.

**Put your work and notes in your portfolio! You'll have more financial definitions to add!**

**Visit the Glossary section on [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca) to check out more investment terms.**

# Other Forms Of Money

## Cheques, Credit Cards, Debit Cards

(adapted from Taking Stock In Your Future Intermediate Guide)



The following questions will introduce the topic, Other Forms of Money to your class/group:

1. What do people use instead of actual money to make purchases?
2. Have you ever used one of these “other forms of money”?
3. Do you know anyone whose has used any of these “other forms of money”?

**Refer to Exploring Cheques on the following page.**

**Pairs Activity:** Ask students to read the page and answer questions 1 to 8.

**Individual Activity:** Ask students to complete the blank cheque on page 14.

**Pairs Activity:** Ask students to complete questions 1 to 5 on page 15. Discuss instances when people may need to use a cheque.

**Refer to Investigation: Exploring Debit & Credit Cards**

**Group Activity:** Ask students to read the page including the following chart.

- Organize students in groups of three by numbering off then ask half the groups to list advantages and disadvantages of debit cards.
- Assign the remaining groups to list the advantages and disadvantages of credit cards.
- Post the lists and have groups present so all students have a shared understanding of advantages and disadvantages.

	ADVANTAGES	DISADVANTAGES
<b>Credit card</b>	<ul style="list-style-type: none"> <li>• good for emergencies when you don't have enough money</li> <li>• can be used for identification, phone or internet orders and internationally</li> </ul>	<ul style="list-style-type: none"> <li>• can easily get into debt by spending more than you are able to pay back</li> <li>• service fees</li> <li>• presents a security risk</li> </ul>
<b>Debit card</b>	<ul style="list-style-type: none"> <li>• no need to carry large amounts of cash</li> <li>• can only spend what you have</li> </ul>	<ul style="list-style-type: none"> <li>• service charges</li> <li>• can only spend what you have</li> <li>• presents a security risk</li> </ul>

**Internet Activity:**

1. Learn about buying on credit. View the Funny Money video, Get it On Credit, found on [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca)
2. Calculate the cost of credit credit balances using the Cost of Borrowing calculator on Industry Canada's website, <http://www.ic.gc.ca/epic/site/oca-bc.nsf/en/ca01812e.html>

## Exploring Cheques

A Canadian ten-dollar bill is a piece of paper you can exchange for \$10 worth of goods or services. A cheque also is a piece of paper that you can give to someone in exchange for goods or services. The amount you write on the cheque is the amount that the recipient is to receive when the cheque is cashed at a financial institution.

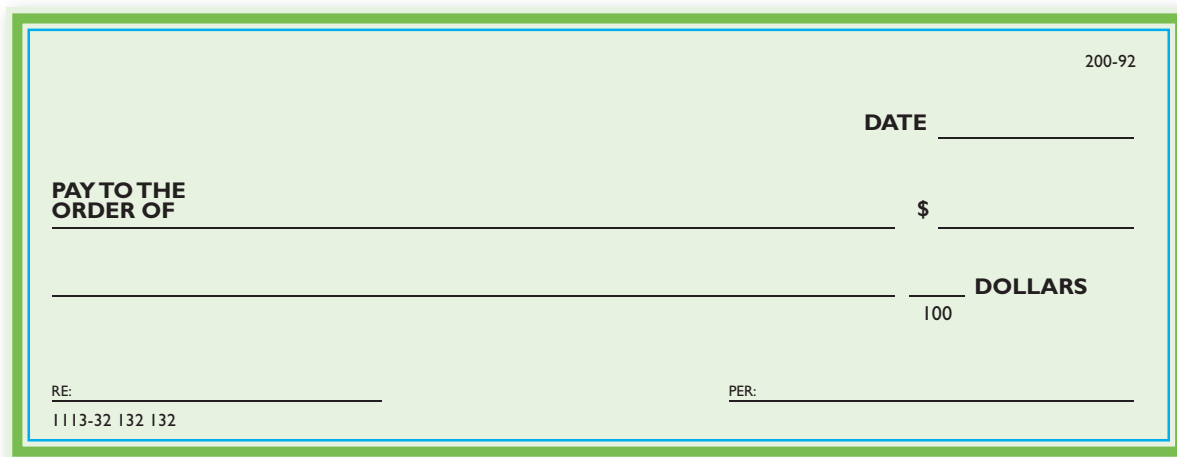
### About Cheques

Before you can write a cheque, you must open an account at a financial institution such as a bank, trust company or credit union and deposit money in that account. You may then write cheques for any amounts as long as their total does not exceed the amount of money in your account. Cheques are usually valid for 6 months, after that period of time they are not valid and are said to be stale dated.

<b>Myra Bolton</b> 123 Eschequar Avenue Chesterfield, Ontario W4R 2R4		200-92
		DATE <u>June 23, 2008</u>
<b>PAY TO THE ORDER OF</b>	<u>The Canadian Heart Federation</u>	\$ <u>25.35</u>
	<u>Twenty-five dollars and</u>	<u>35</u> DOLLARS
		100
<b>Bank Of Mozambique</b> 55 Lobacasah Drive Sofia, Ontario W2A 2R4		
RE: <u>Donation</u>	PER: <u>Myra Bolton</u>	
1113-32 132 132		

- To whom was the cheque written?
  - Where does it indicate to whom the cheque is written?
- On what day was the cheque written?
  - Where is the date on which the cheque was written?
- How much is donated to the Canadian Heart Federation?
- Explain why you think the amount of the cheque is written in numerals and in words?
- Who wrote the cheque?
  - Where does it indicate the name of the issuer of the cheque?
  - Until what date is the cheque valid?
- Why does the name of the issuer of the cheque appear in printed and written form?
- In what financial institution does Myra have her account?
- What is Myra's account number?

# Exploring Cheques



200-92

DATE \_\_\_\_\_

**PAY TO THE ORDER OF** \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ **DOLLARS**  
100

RE: \_\_\_\_\_ PER: \_\_\_\_\_

1113-32 132 132

## Fill out this cheque by entering the following:

- today's date,
- your name and address in block letters,
- the name of the financial institution where you choose to open your account,
- a person or place to whom you choose to issue a cheque,
- the amount you wish to give them in numerals and in words,
- sign the cheque. Why do you suppose a signature is necessary?

To *cash* your cheque, the person to whom it is issued must sign the back of the cheque to prove that they are the person to whom the cheque is issued. This is called endorsing the cheque. Why do you suppose cheque endorsement is necessary?

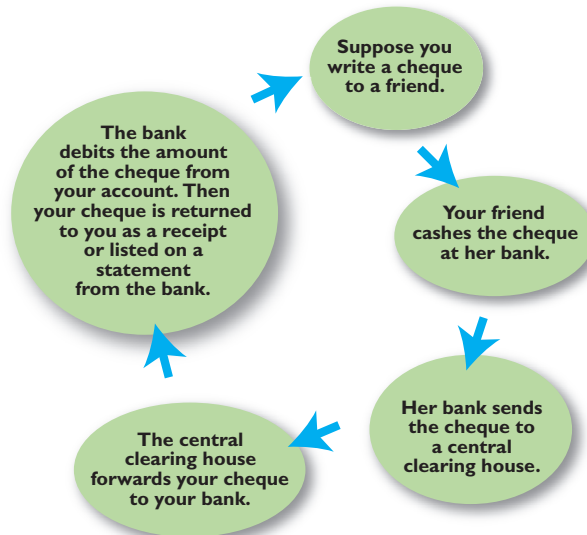
The chart on the right shows how the cheque you write travels until it is returned to you a few weeks later.

## Use the flow chart to help you answer the following questions.

**Suppose you wrote a cheque for \$20 to reimburse your friend for a loan.**

1. Explain how your friend cashes the cheque and receives \$20.
2. From where does her bank recover the \$20 paid to your friend?
3. To whom does your bank pay the \$20?
4. From where does your bank get the \$20?
5. Draw a flow chart to show what you think would happen to your cheque if you did not have enough money in your account.

## How Do Cheques Work?



# Investigation: Exploring Debit & Credit Cards

(adapted from Taking Stock In Your Future Intermediate Guide)

Instead of writing a cheque, you can use a debit card. Many merchants including department stores and supermarkets accept debit cards for purchases. Your financial institution issues a plastic card with your name and an account number. When you make a purchase, the cashier passes your card through an electronic device. It checks that you have enough money in your account to cover the purchase. If so, the amount is deducted from your account automatically. An example of how debit cards work is shown below.

Another way to pay for purchases is to use a credit card. This card displays your name, account number, and the sponsoring financial institution. Your financial institution pays the purchase price (up to a pre-set limit) on your behalf. This loan from the financial institution is interest-free as long as you repay the loan by the due date. Interest is a fee, calculated as a percent of the outstanding balance that is charged after that. The flow chart below shows how credit cards work.

## How Do Debit Cards Work?

You present your debit card to the cashier



The merchant scans your card into a device that electronically checks if you have money in your account



The money is transferred electronically from your account to the merchant's account

## How Do Credit Cards Work?

You present your credit card to the cashier



The merchant get electronic authorization for the purchase and imprints your card on a purchase statement



You sign the statement of purchase and receive a copy as a receipt



Your financial institution sends you an invoice or statement listing your purchases, the amount owed, and the due date



You pay your financial institution

## Internet Investigation

Visit the Financial Consumer Agency of Canada's website for information about debit cards and credit cards, [www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca)

1. Learn how to protect yourself against debit card fraud.
2. Find and review information on the costs of withdrawing money from an Automatic Banking Machine (ABM).

# Growing Your Savings

(adapted from *Taking Stock in Your Future Intermediate Guide*)



Saving is the first step in building your financial future. After you have created a budget, set your goals, and identified how much money you can save each month or year, think about what you will do with your money. Here are some choices:

1. Keep the money at home in a safe place.
2. Put your money in a savings account or guaranteed investment certificate (GIC) to earn interest.
3. Buy a Treasury Bill or a Canada Savings Bond to earn interest.
4. Buy some stocks to earn dividends or capital gains.

With the exception of the first option, choices 2–4 can help you to increase your savings. This means that you can increase your wealth by investing. An investment is anything you acquire that will give you future income or benefit.

Investments increase by generating income or by growing in value. To grow your money quickly, you need to understand and consider interest, or money that is paid out for the use of someone else's money. You will also need to learn about different kinds of investments. It is important to think carefully about the kind of investment you choose. There are good investments that will make money and bad investments that will cost money.

## Investment Terms

Define the following terms:

- Interest
- Guaranteed Investment Certificate (GIC)
- Treasury Bill (T-Bill)
- Canada Savings Bonds
- Stocks

# Money Invested Wisely Grows Over Time

(adapted from Taking Stock In Your Future Senior Guide)

## Compound Interest: Interest paid/earned on interest.

To calculate compound interest:

$$PV \text{ (present value)} \times R \text{ (interest rate \%)} \times T \text{ (time)} = I \text{ (Interest)}$$

**Example:** Interest for year 1, 2 and 3 for a \$1,000 savings bond at 5% interest compounded annually.

Year 1    \$1,000  $\times$  .05  $\times$  1 = \$50.00 interest  
Year 2    \$1,050  $\times$  .05  $\times$  1 = \$52.50 interest  
Year 3    \$1,102  $\times$  .05  $\times$  1 = \$55.125 interest

Answer questions 1 and 2 below:

1. You purchased a \$1,000 Canada Savings Bond (CSB) which earns 3% interest compounded annually.  
How much is the bond worth at the end of: Year 1: \_\_\_\_\_ Year 2: \_\_\_\_\_
2. You purchased a Guaranteed Investment Certificate (GIC) for \$500. Interest at 3% is compounded annually.  
What would be the value of your GIC after two years? \$ \_\_\_\_\_

## Rule of 72: How long it takes to double your money.

To calculate how long it takes to double your money:

$$72 / I \text{ (interest rate)} = \# \text{ of years to double money}$$

**Example:** If interest rate = 6%;  $72 / 6 = 12$  years. The initial investment will double in 12 years at 6% interest rate.

Initial investment	After 12 years
\$1,000	\$2,000
\$3,000	\$6,000
\$5,000	\$10,000

Answer question 3 below.

3. You have \$2,000 invested at 4% interest rate.
  - a. How long will it take for your investment to double? \_\_\_\_\_ years
  - b. How much money will you have? \$ \_\_\_\_\_

**Internet Investigation:** See how earning interest can help you grow your money, review Time is Money:

<http://www.getsmarteraboutmoney.ca/education-programs/for-teachers/multimedia-resources/Documents/timelsMoney/timelsMoneyMovie.swf>

Review the Broom Hilda Cartoon on the following page.

# Money Invested Wisely Grows Over Time

(adapted from Taking Stock In Your Future Senior Guide)



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Broom Hilda has discovered too late the power of compound interest. One dollar invested at an annual interest rate of 3% grows according to the table shown on the right. That is:

	Number of Years, n	Value at the End of nth Year
After one year, the dollar has accumulated \$0.03 interest, so the investment has grown to a value of \$1.03.	1	1.03
In the second year, the entire \$1.03 earns interest (not just the original \$1.00 invested) and so the investment has grown to \$1.03 plus the interest on \$1.03. So the total value is \$1.03 + (.03)(\$1.03). Applying the distributive law, we express this as $$(1.03)^2$ .	2	$(1.03)^2$
Each year the investment grows to 1.03 times its value at the end of the previous year, so the value at the end of three years is $$(1.03)^3$ .	3	$(1.03)^3$
In general, the value at the end of the nth year is $$(1.03)^n$ , so the value at the end of the 1500th year is $$(1.03)^{1500}$ .	1500	$(1.03)^{1500}$

**The accumulated value of \$10 at the end of the 1,500th year would be  $10(1.03)^{1500}$  or about \$180,000,000,000,000,000.**