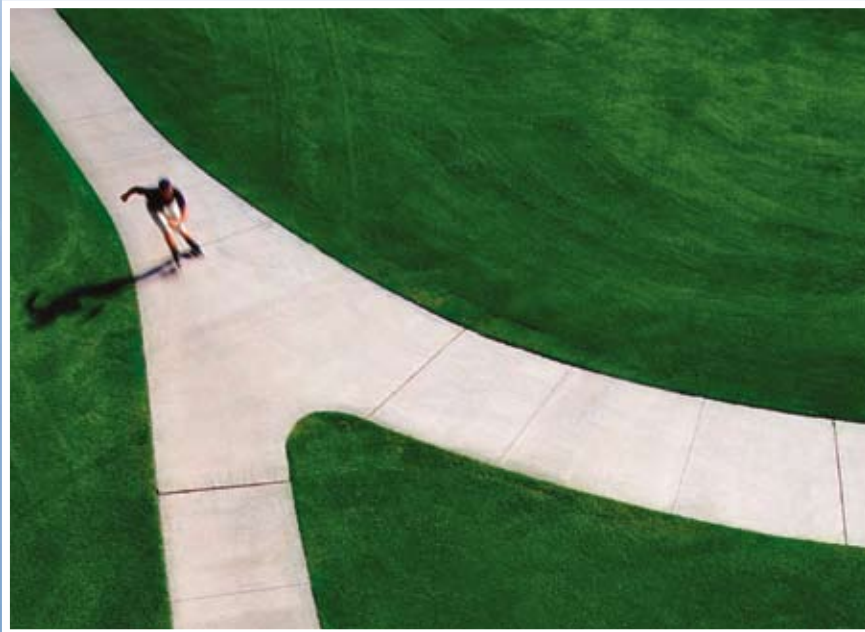


Career and Life Management



Module 2 **Resource Choices**

Career and Life Management



Module 2

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Career and Life Management
Module 2: Resource Choices
Student Module Booklet
ISBN 978-0-7741-2878-0

Alberta Education acknowledges with appreciation the Alberta Distance Learning Centre and Pembina Hills Regional Division No. 7 for their review of this Student Module Booklet.

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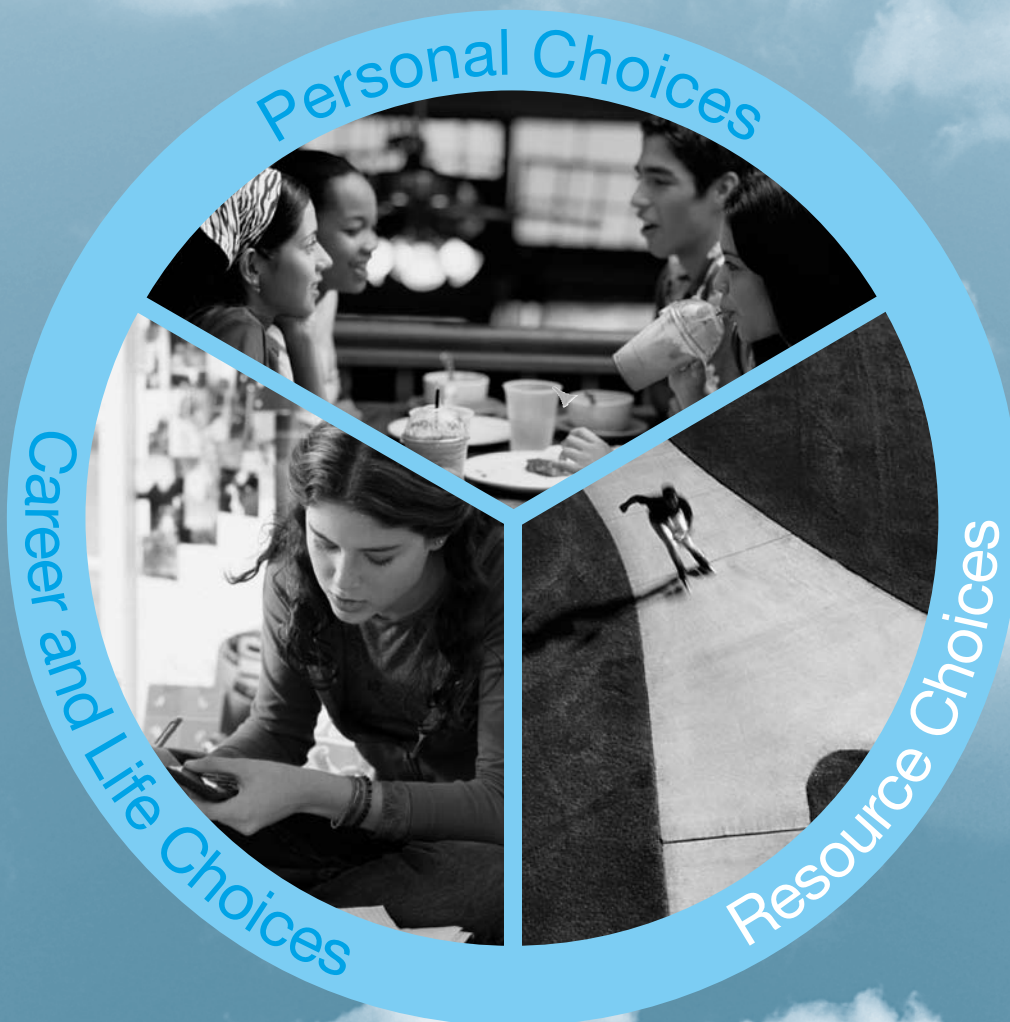
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Welcome to Module 2

of Career and Life Management

We hope you enjoy your study of Career and Life Management. This course will help you make well-informed, considered choices in all aspects of your life.

There are three modules in this course. It is recommended that you work through these modules in order because the concepts and skills introduced in one module will be reinforced, extended, and applied in later modules.



Module 1 contains general information about the course components, additional resources, icons, assessment, and strategies for completing your work. If you do not have access to Module 1, contact your teacher to obtain this important information.

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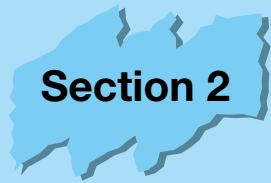
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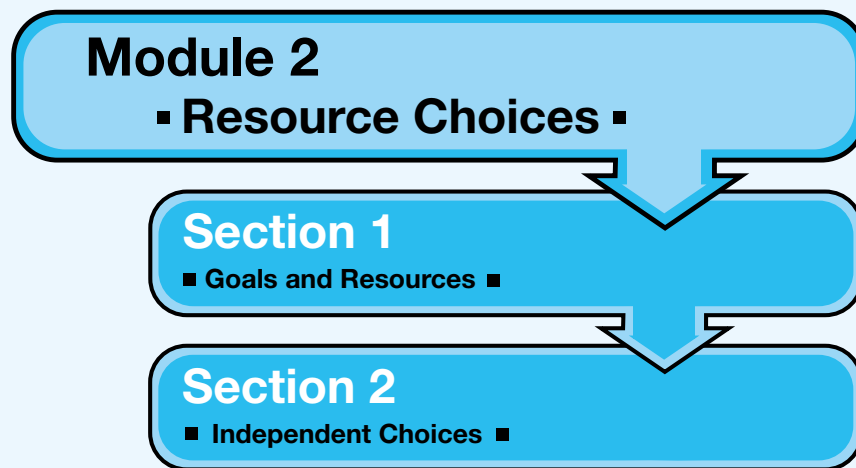
Module Overview



Seventeen-year-old Rena has been working part-time in a coffee shop since she was fifteen. She lives with her parents and is about to graduate from high school. As she plans for her future, Rena is thinking about moving away from home and living independently. Part of Rena's planning involves gaining the knowledge and skills she needs to manage her resources wisely.

Like Rena, you are probably thinking ahead to the time when you will graduate. Your plans may include post-secondary training or going directly into the work world. Most likely, your plans include venturing out on your own. Even if you don't move away from home for a long time, it is important that you begin to make responsible, independent choices.

This module will help you explore some important issues surrounding the management of your personal resources. In Section 1 you will examine your goals and resources—especially financial resources. In Section 2 you will focus on independent choices and the skills you need to live successfully on your own.



Assessment

Your mark will be determined by your work in the Assignment Booklets. In this module you are expected to complete two section assignments. The mark distribution is as follows:

Assignment Booklet 2A	
Section 1 Assignment	100 marks
Assignment Booklet 2B	
Section 2 Assignment	<u>50 marks</u>
Total	150 marks

Be sure to check with your teacher to determine if this mark allocation applies to you. Your teacher may include other reviews and assignments.

Note: By now you should have received and begun working on either Part A: Human Sexuality or Part B: Relationships. Remember, you must complete and submit one of these components for assessment with Module 3 Assignment Booklet 3B.

Section 1

Goals and Resources



Graham works part-time and spends some of his salary on clothes and guitar lessons. He also has an agreement with his stepmother; he can use her car provided he pays for the insurance and gas. However, as Graham reviews his monthly bank statement, he makes an unpleasant discovery: “Oh, no! I forgot to pay my car insurance, and I don’t have any money left this month. Now what will I do?”

Unexpected expenses have a way of sneaking up on you. You can save yourself headaches and stress by planning ahead financially. Wise financial planning will help you make the most of your money and ensure you have enough income to cover your everyday costs, as well as enough left for savings and investments.

In this section you will reflect on your personal goals and the resources you can access to achieve those goals. You will expand your understanding of resources—especially financial resources. You will examine your consumer decisions and marketplace skills, discover how your money can work for you, and investigate credit and insurance.

Lesson 1: Resource Management



Every day you have a variety of decisions to think about. Will you get up in time to have breakfast or will you sleep in and rush out without eating? Will you catch the bus or walk to school? Will you get a summer job or go on vacation with your family?

The decisions you make have a huge impact on your lifestyle and your personal well-being. Sometimes you might make poor choices. For example, you may mismanage resources such as time or money. Perhaps you will choose to go out with friends instead of doing your homework, or you might spend all your lunch money at the arcade. Mismanagement of resources usually has negative consequences, but successful management of resources allows you to feel better about yourself and your choices. Other people will also feel better about you when they see that you are responsible and self-reliant.

resource management: the process of controlling or organizing resources in order to achieve goals

In this lesson you will examine the issue of **resource management**. You will expand your understanding of resources, consider factors that affect resource choices, and look at ways to manage your own resources so that you can achieve your goals.

What Are Resources?

In Module 1 you discovered that there are different kinds of resources available to help you reach your goals. When you think of resources, what things come to mind?



human resources: resources that are found within a person or that come from other people who give support in some way

non-human resources: resources that are not part of any human being

You may think of **human resources**. These are resources found within yourself and from family, friends, and other people who provide you with support. They include knowledge, talents, skills, time, health, physical and emotional energy, relationships, imagination, and attitudes such as determination and perseverance.

You may also think of **non-human resources**—material resources that include money, land, community facilities, raw materials, and tools needed to achieve goals.

1. In your notebook, create two charts like the following. Complete each chart with examples that illustrate these human and non-human resources.

Human Resources	Examples
knowledge	
talents and skills	
time	
health	
physical and emotional energy	
relationships	
imagination	
attitudes	

Non-human Resources	Examples
possessions and tools	
technological resources	
community facilities	
financial resources	
environmental resources	

Compare your answers with the Suggested Responses at the end of the lesson.

What Factors Affect Resource Choices?

The resource choices you make each day are influenced by many factors. Following are some of them.

Factors That Influence Resource Choices	
needs and wants	People <i>need</i> certain things, such as food, shelter, clothing, and love. People <i>want</i> other things that will improve the quality of their lives. Everyone's needs and wants differ, and they usually change over time.
values and goals	You set your goals based on what is important to you. Your values and goals affect the choices you make in life.
relationships	Your choices are influenced by connections you have to family and friends, priorities you establish in relationships, and exposure you get to different careers through people you know.
income	Income—not just your own but also your family's—prevents or permits you to make various choices. Income can change throughout the stages of life, and thus choices will change.
geographical location	Where you live affects the range of lifestyle choices available to you. Urban communities tend to have more resources than rural communities because of the population density.
education	The education you receive has a direct effect on your career choices and on your personal and financial decisions.
age	As you pass through various stages of life—infancy, childhood, adolescence, young adulthood, middle age, and senior adulthood—your views on what is important in life may change. As you get older, more choices shift from your parents or guardians to you.



The better you understand how your resource choices impact your lifestyle and well-being, the wiser your decisions will be.

Right now, like many teenagers, you probably place importance on resources such as personal relationships, sports, education, jobs, music, and travel.

Over time, though, and at different stages of your life, different resources will become more or less important to you. After all, the priorities, concerns, and goals of someone who is 15 years old will be quite different from those of someone who is 65.



To use your personal resources effectively, you cannot think only about what you find important today. You must think also about what will be important to you in the future—at other stages in your life cycle. Therefore, you need to set goals for various times in your life. In other words, you need to plan ahead.

The Importance of Planning

Setting goals—planning ahead—involves identifying what you really want to achieve in life. When setting goals, take into consideration the following time periods:

- the short term (what you hope to achieve over the next year)
- the intermediate term (one to three years)
- the long term (three to ten years)
- the more distant future (beyond ten years)

Short-term goals can be stepping stones to intermediate goals and intermediate goals can be stepping stones to long-term goals. Goals give markers to check your progress.



Plotting your goals on a time line will give you an idea of what you value and how your goals will fit into your life. Following are possible goal sequences:

- high school → university → career → marriage
- high school → work → marriage → parenting
- high school → apprenticeship → technical training → career
- high school → college → career → marriage → parenting
- high school → work → parenting → college → career

Different people focus on different goals. What one person wants to achieve might be totally opposite from what another person wants. The resources people have also differ greatly. Some people have access to many resources, including education, training, employment, and income. Others have access to fewer resources and must find ways to overcome challenges and take advantage of opportunities.

Think about your life and what is important to you. Are there things you want to do, places you'd like to go, and experiences you'd like to have?

Some people desire money and the luxuries it can buy. Other people want to be useful and to help others. What would you like to achieve in the next five years? How would you like your life to be by the time you are 40?

For example, do you care whether you pay rent, or is it important to you to own a home some day? If so, will it be a house? A condominium? A townhouse? A manufactured home? Would you prefer to live in a highrise downtown or a house in the suburbs? Is it important to you to live in the country or in a small town? Maybe your economic circumstances will limit your choices, but what would you want, and how much does that matter to you? These are all important considerations in your life.



Think about how you see yourself earning a living.

- Will you enter the workforce after high school or take post-secondary education?
- Will you begin an apprenticeship that leads to a career in one of the trades?
- Would you like a time-intensive career or one with no weekend or evening work?
- Do you want to be your own boss, work in a family business, or work for others?
- Would you prefer to work outdoors or inside an office?
- Have you a special skill, such as cooking, music, sports, or computers?
- Do you have a hobby you'd like to develop into a business or a career?
- Is there something you love to do—create things, sing, research, manage details, help others, operate machinery?

Planning is important. Whatever your goal—organizing a career, having a great trip, winning a ball game, or enjoying a date—your chances for success are better if you are prepared and take the time to learn and plan. You’ll see the important role that planning plays in the following case study.

Judy Needs a Job

Judy is in Grade 12 and has been accepted into nursing school. She has some scholarship money but not enough to cover her full course, and her family cannot afford to help her. She can postpone her college entrance while she earns the rest of the money, so that is what she plans to do.

Judy’s Problem

Judy also needs to support herself while saving for her post-secondary education. She will have to work for at least a year, so she wants a position that offers nice conditions and interesting tasks related to her future career as a registered nurse. She can continue to live at home but she cannot afford a car, so she would like to find a job within walking distance or near a local bus route. In order to meet her financial goals, Judy needs to find full-time work that requires only a high school education.

Judy’s Goals

Judy’s Community Health teacher helps her write her goals in order of importance:

- full-time, secure job with good wages
- comfortable surroundings (indoors, not outside)
- some benefits, for example, health care
- challenging work duties
- pleasant people to work with
- close enough to walk or take a bus
- chance to learn skills related to nursing

Judy’s Resources

They also identify the resources Judy has for her job search:

- Grade 12 diploma with high marks
- knowledge of computers
- work experience at her aunt’s drug store
- volunteer experience with patients at a local hospital and nursing home
- excellent job references from a pharmacist and a doctor
- excellent character references from the school principal and two teachers
- willingness to work long hours, weekends, and evenings
- confidence gained by winning two scholarships

Judy's Alternatives

résumé:

a written summary of a person's skills, education and training, employment experience, interests, and references, often submitted with job applications

Armed with her goals and resources, Judy creates a **résumé** and begins her search. She checks job advertisements in the newspaper and online; she asks around and investigates job postings on bulletin boards and in windows. Many ads requesting her qualifications are for part-time or summer work, so she passes them by. She compares potential jobs with her list of goals; she distributes several résumés; and she is interviewed for three jobs: medical clinic receptionist, assistant-in-training for a grocery-store pharmacy, and hospital kitchen aide. She learns more about these jobs during the interviews, and after careful consideration, she makes her decision.



Judy's Decision

Judy politely declines job offers from both the medical clinic and the hospital. She accepts the position in the pharmacy—a job that meets all her criteria and offers the opportunity to take courses in over-the-counter and prescription medications. The deciding factor for this job is that she can continue working part-time while she attends college.

2.
 - a. What short-term goals does Judy hope to achieve in the next year?
 - b. Judy's short-term goals are stepping stones to intermediate and long-term goals. Identify some of her intermediate and long-term goals.
 - c. How can Judy's job-searching strategies help her achieve her short-term goals? How will they help her reach her intermediate and long-term goals?



If you are interested, view Segment 9: A Resume and Covering Letter on your Student Support CD. You will explore this topic in greater detail in Module 3.

3. What are some of your current goals? In your notebook, write "I will" statements that identify each of the following:
 - a. three short-term goals you hope to achieve within the next year
 - b. three intermediate goals you hope to achieve within the next three years
 - c. three long-term goals you hope to achieve within the next ten years

4. Select three of your “I will” goals from question 3—one each from your one-year, three-year, and ten-year statements—and answer the following questions. These questions will help you decide which goals are most important to you.
 - a. What values are represented in your three goals? What factors will influence your achievement of these goals?
 - b. What are the options and possibilities for each goal? What tasks would you undertake to achieve each goal? What would be the benefits of each goal?
 - c. Which of the goals that you listed are the most important to you based on your values and what you want out of life?
 - d. From these three, select your one most important goal and then rank the other two in order of importance.
 - e. What criteria might you use to review whether or not you achieved the goals you selected?

Compare your answers with the Suggested Responses at the end of the lesson.

Go to page 1 of Assignment Booklet 2A and respond to questions 1 and 2 of Section 1.

You have thought about what is important in your life now. At some point your personal plans may merge with those of someone else. This change will mean incorporating the hopes, goals, debts, and resources of another person—a partner or spouse, a child, a parent, a business partner, or even a roommate.



Whoever it is, you may have to align some of your needs and wants with those of the other person—and sometimes that person’s needs and wants may take precedence over your own.

Managing Resources to Reach Your Goals

Life events—illness, unemployment, relationship changes—can also influence your choices about how to obtain and use resources. People of all ages need effective management skills to reach particular goals. Consider the following example.



Mason's goal for the day is to complete every task on his list:

- go to school
- do his homework
- visit a friend in hospital
- prepare his family's supper
- clean his room
- work on his website

To do all of these tasks today, he must use his time effectively. There are only 24 hours in the day, and he needs some of this time to sleep.

As you manage your resources, ask yourself several questions:

- What are my resources? Which ones are plentiful? Which are in short supply?
- How can I increase some of my resources? **Note:** You can increase money by investing it. You can increase energy by getting plenty of sleep, eating healthful food, and being physically active. You can increase skills by practising. You can increase knowledge by reading, talking to people, and asking questions.
- How can I make more effective use of my resources? **Note:** Many resources are limited—you only have a certain amount of time, energy, money, and space. However, you can ensure that no resource is wasted. You can also combine several resources to make more effective use of each.
- Can I use what I have to make up for a resource I'm lacking? Can I trade one resource for another? **Note:** An indirect way of exchanging resources is to work for an employer. When you are employed, you exchange your human resources—energy, knowledge, skills, time—for money. With the money you earn, you can buy goods and services. A direct way of exchanging resources is to trade one good or service for another; this is sometimes called **bartering**.

bartering:
trading goods
or services
without the
exchange of
money

To reach your goals, you often need to be resourceful. Consider Justine's example:

Justine is learning to play the piano. She has a part-time job, but she cannot afford to buy a piano to practise on, and her family cannot help her with such a large expense.

Justine is happy when her piano teacher suggests two resource options that are within her budget. She could rent a piano, or she could purchase a less-expensive electronic keyboard.



5. With a partner or small group, consider this scenario: Quinton's family wants to visit relatives in Nunavut, but this trip is currently not in their budget. Brainstorm some ways Quinton's family could save money for this vacation.

Compare your answer with the Suggested Responses at the end of the lesson.

Go to page 4 of Assignment Booklet 2A and respond to questions 3 and 4 of Section 1.

Looking Back; Looking Ahead



In this lesson you examined resource management. You expanded your understanding of resources, considered factors that affect resource choices, and looked at ways to better manage your resources to reach your goals. In the rest of the lessons in Section 1 you will examine one of your resources—financial resources—in more depth.

Glossary

barter: to trade goods or services without the exchange of money

human resources: resources that are found within a person or that come from other people who give support in some way

non-human resources: resources that are not part of any human being

resource management: the process of controlling or organizing resources in order to achieve goals

résumé: a written summary of a person's skills, education and training, employment experience, interests, and references, often submitted with job applications

Suggested Responses

1. Answers will vary. Following are some sample responses.

Human Resources	Examples
knowledge	<i>information needed when making choices, managing projects, using the Internet, applying learning strategies</i>
talents and skills	<i>gardening, baking, musical ability, artistic ability, athletic ability</i>
time	<i>an hour, a day, a week, a lifetime</i>
health	<i>positive choices for physical health: maintaining physical fitness, eating well, and sleeping properly; positive emotional choices for healthy self-image and self-esteem</i>
physical and emotional energy	<i>energy for studying, doing chores, fixing cars, engaging in social activities with friends</i>
relationships	<i>support and encouragement from family, friends, teachers, and community members</i>
imagination	<i>ability to deal resourcefully with unusual problems; creativity</i>
attitudes	<i>optimism, willingness to deal positively with change, respect for others, determination, perseverance</i>

Non-human Resources	Examples
possessions and tools	<i>food, home, car, bicycle, microwave, sewing machine, lawn mower, computer, video camera, digital camera, scanner, CD burner, stereo, television, MP3 player</i>
technological resources	<i>Internet access, electricity, telephone service</i>
community facilities	<i>hospital, school, bus, library, recreational centre</i>
financial resources	<i>money earned in exchange for work done; income from savings and investments; gifts</i>
environmental resources	<i>clean water, clean air, wildlife, parks</i>

2.
 - a. Judy’s short-term goals are to find a job that will allow her to save enough money for a college education and then to actually save the money.
 - b. Judy’s intermediate goals are to attend college and become a registered nurse. Her long-term goal is a career in nursing.
 - c. Judy’s job-searching strategies include setting out goals so she can focus on good job leads and not waste time considering unsuitable jobs. This strategy means she ends up with several options and finally with a job that matches her goals. With this suitable job, she is more likely to attain her other goals of saving money, attending college, and achieving a nursing career.

3.
 - a. to c. Your “I will” statements pertaining to current and future goals will vary. Check your statements with the following questions:
 - Have you considered goals that affect all dimensions of your well-being including emotional, intellectual, physical, social, and spiritual?
 - Have you considered the interests you currently have and how these interests may connect to your future goals?
 - Have you considered resources you have now or potentially will have in the next one, three, and ten years?

4.
 - a. to e. Your responses to the questions in this activity will vary, depending on the goals you select and the priorities you identify. Share your responses with a parent or another interested adult. Ask this person for feedback and perspective on the priorities you established through applying your decision-making process. Did you receive feedback that gave you some new perspective on your goals or how you could achieve them?

5. Responses will vary. Following are some possible responses:

- Quinton’s family could cut utility costs by conserving energy; they could turn off lights when they leave a room, turn down the heat when no one is home, and use less water.
- Quinton’s family could buy fewer meals away from home; for example, Quinton could take lunches to school sometimes instead of eating in the cafeteria every day.
- Quinton could exchange his time and skills to earn money for the vacation. Perhaps he could tutor younger students, run a babysitting service, mow lawns, or get a part-time job.
- Quinton’s family could have a garage sale.

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Lesson 2: Financial Resources



You probably spend at least some of your time thinking of ways to earn money to fulfill your needs and achieve some of your goals.

The old saying *money can't buy happiness* is true. But it is also true that a lack of money creates problems. Being unable to pay bills, to take holidays, to save, to pay for an education, or to afford a home is frustrating and unpleasant. A lack of money causes deep anxiety and can have a huge impact on your well-being. It could lead to depression or the breakup of a relationship. If you cannot afford to eat properly, you could end up with health problems. Money cannot buy happiness—but earning and managing it effectively can help.

It is possible to control your personal financial affairs and avoid money problems. After all, if you don't take control, who will? You can spend your money wisely to get the most from what you have. You can begin to save and invest at a young age; even small amounts will build over time into significant savings. You can avoid debt problems. You can set goals that you are likely to achieve. Now is the best time to take control of your finances, and the best way to take control is to be prepared.

In this lesson you will explore the connection between sources of money and stages of the life cycle. You will also examine the Statement of Earnings for a paycheque, and you will compare financial institutions.

Sources of Money and the Life Cycle



Your sources of money—your income—are connected to where you are in your life cycle. For example, as a child you may have received an allowance or gifts of money from relatives. Perhaps your parents helped you open a savings account and your money began to earn interest. As you matured, you may have taken a summer job or you may have made a profit selling your 4-H calf. Allowances, gifts, interest from savings, wages, and sales of farm produce are all possible sources of income.

You might know people in your community who have other sources of income. For example, you might know citizens who receive payments from provincial or federal government programs.

Payments from government programs vary. They include the following types:

- payments to individuals from funds to which they have contributed through their jobs, for example, Canada Pension Plan and Employment Insurance
- payments to all citizens in a specific group, for example, Old Age Security (OAS) received by all senior citizens in Canada
- payments based on need, for example, various types of social assistance programs, such as AISH (Assured Income for the Severely Handicapped) payments received by people in Alberta with a variety of disabilities



1.
 - a. With a partner or small group, brainstorm a list of sources of income. Start by writing down as many different sources of income as you can think of—not just sources from your own life.
 - b. After your brainstorming session, use a chart like this one to group the items in your list.

Income Sources	Examples
money received as a result of personal effort, time, or other personal resources	
money received as a result of the previous use of one's own money	
money provided by a government program	

Compare your answers with the Suggested Responses at the end of the lesson.

Your Paycheque

When you start to earn money, it can feel like you have an increased amount of freedom. The money you earn, however, is not necessarily cash in your hand or in your bank account, because all of the money is not yours to freely spend.

When you are employed, your employer must provide you with a written statement at the end of each pay period. This Statement of Earnings, also known as a *pay slip*, can come in many different forms, ranging from a handwritten report to a computer printout attached to a cheque made out in your name to a notice on a secure website.

The Statement of Earnings must include certain information—your name and Social Insurance Number (SIN), the dates of the pay period, the wage rate, the overtime rate, total hours of regular and overtime work, and time off in lieu of overtime.

When you receive a Statement of Earnings, pay attention to the following financial information. If you find any inaccuracies, contact your employer immediately.

gross income:
the total amount of money earned within a specific time period

deduction:
an amount of money that is subtracted from the gross income

net income:
the take-home earnings; the gross income minus deductions

garnisheed:
taken from a person's wages by court authority and paid directly toward a debt the person owes

- the total amount paid to you—the **gross income**
- the amount of money withheld—the **deductions**
- the amount of money you actually receive—the **net income**

Deductions that are taken off your paycheque may include the following:

- income tax
- Canada Pension Plan (CPP)
- Employment Insurance (EI)
- health insurance
- life insurance
- union dues
- professional dues
- employer pension plan
- charitable donations
- payroll savings plan payments
- savings bond contributions
- work plan investments

Some deductions, such as income tax and CPP, are usually taken off automatically. Court-ordered deductions, for example, for child support or income-tax evasion or other unpaid debts, may be **garnisheed** from wages. Other deductions require written authorization from the employee, for example, charitable and savings bond amounts.

Consider Ashley's case. She just received her first paycheque and is a little surprised. Examine her Statement of Earnings. Then read her conversation with her teacher.

Statement of Earnings and Withholdings								CHEQUE NUMBER 1268		
NON-NEGOTIABLE—RETAIN FOR YOUR RECORDS										
*REFER TO CODE DESCRIPTION ON REVERSE SIDE										
EMPLOYEE NO.		REGULAR RATE		RATE PER MONTH		TOTALS THIS PERIOD EARNINGS		WITHHOLDINGS		NET
304845		1188.00				\$1188.00		\$661.15		\$526.85
FROM	TO	PAY PERIOD	TRANSLATOR	TIME CER. NO.	DISTRIBUTION	TAX EXEMPTION	SOCIAL INSURANCE NO.			
01-OCT-XX	31-OCT-XX	10	C547802		13523107	3960	716 XXX XXX			
EARNINGS DETAILS THIS PERIOD				WITHHOLDINGS THIS PERIOD				EMPLOYER SHARE		TAXABLE BENEFIT
*CODE	RATE	UNITS	AMOUNT	*CODE	AMOUNT	*CODE	AMOUNT			
SAL	1188.00	1.00	1188.00	TAX	178.20	GBIRI	1.65	2.85		✓
				UD	11.88	EI	35.64	39.20		
				MID O	350.00	CPP	20.20	20.20		
						PNS11	41.58	41.58		
						AHC	22.00	22.00		✓

The following will explain the code abbreviations on Ashley's Statement of Earnings.

- | | |
|-------------------------------------|---|
| AHC: Alberta Health Care | PNS: Regular Employer Pension Plan |
| CPP: Canada Pension Plan | SAL: Salary |
| EI: Employment Insurance | TAX: Income Tax |
| GBIRI: Group Life Insurance | UD: Union Dues |
| MID O: Mid-month Pay Advance | |



Ashley: There must be some mistake! I thought I'd get more than \$800. I'm earning almost \$1200 a month and I got a \$350 advance in the middle of the month, but this is much less than I thought it would be!

Mr. Romanchuk: This cheque is not for your gross income—the total amount you earn. It's for your net income, the amount you take home after your deductions.

Ashley: Look at all the deductions! What is this amount under PNS?

Mr. Romanchuk: That's the pension plan your company has for its workers. Also, the government has set up a pension fund for all Canadian workers. It's listed under CPP on your pay slip—Canada Pension Plan.

Ashley: Pension? But I just started working. It's not like I'm planning to retire! Why can't I have the money now and worry about retirement later?

Mr. Romanchuk: You don't have a choice about contributing to the Canada Pension Plan. And really, it's a good idea to start planning early.

Ashley: Why do I have to pay any tax now? Isn't income tax due in the spring?

Mr. Romanchuk: Monthly deductions are made automatically and submitted to the federal government. In the spring you calculate whether you have overpaid or underpaid income tax for the previous year and then balance your account.

Ashley: Okay, now I understand deductions. I'm paying Employment Insurance and Alberta Health Care, but my employer is paying part of the health care premium. I'm paying union dues and a small amount for life insurance. These deductions really add up! That's why my take-home pay is less than I thought it would be. It looks like I'll have to be careful with my money!

2. Look again at Ashley's Statement of Earnings on page 26 and then answer the following questions in your notebook.
- What was Ashley's gross pay for the month?
 - What income tax was deducted from Ashley's paycheque for the month?
 - How much did Ashley pay in union dues this month?
 - How much did Ashley pay to the Canada Pension Plan?
 - How much did Ashley pay into her regular pension plan?
 - How much was Ashley's Employment Insurance for the month?
 - How much did Ashley pay toward life insurance?
 - How much did Ashley pay toward her Alberta Health Care premium?
 - What benefits is Ashley's employer paying?
 - What is Ashley's net pay? **Hint:** Include her mid-month pay advance.

Compare your answers with the Suggested Responses at the end of the lesson.

More About Paycheque Deductions

As soon as you start earning money, you begin paying personal taxes. If you work for someone else, your employer will automatically take monthly deductions from your earnings and submit this tax to the federal government. If you are a contractor or are self-employed, you must submit these payments yourself. The money collected by the government through taxes goes toward many of the facilities and services that citizens enjoy, such as hospitals, schools, roads, policing, recreation centres, and museums.

Most people accept that they must pay taxes and they realize that there is value to doing this. However, some people question the need for some of the deductions, for instance, Employment Insurance deductions.



To find out more about Employment Insurance deductions, read "FAQ: Employment Insurance" on page 65 of *Venturing Out*. Then answer the following questions.

- What is Employment Insurance?
- Some people wonder about union and professional dues. Why are these deductions needed? You may have to do some research to answer this question. For example, you could ask some employees in your community why unions and professional organizations are important.

Compare your answers with the Suggested Responses at the end of the lesson.

Choosing a Financial Institution



Do you already have an account in a bank, credit union, or trust company? If you do, are you satisfied with the financial services you receive? If you don't, you will want to set up an account once you begin to receive regular paycheques.



To explore your options for choosing a financial institution, read the box called “Financial Institutions” on page 27 of *Venturing Out*. Then consider the following factors to help you select a place to keep your money:

- **Location.** From opening a new account to obtaining cash, there will be times you need to conduct your financial business in person. Choose an institution that is convenient, perhaps near your home or job. If you live in a rural area, you might have only one or two choices; if you live in a city, you may have more options, so look for an institution with outlets you can get to easily.
- **Comfort level.** Consider how you are treated when you approach a financial institution. Many places may encourage student accounts with discounts or other incentives. In a small community or an institution where family members are known, you may be especially welcome. A few places, unfortunately, may project an attitude of distrust of new young clients. Since you could be using the services of your financial institution for a number of years, pick one where you feel respected and valued.
- **Security.** Security is the reason you keep your money in a financial institution rather than a sock—your money is safe from loss, theft, and your own impulsive spending. For additional peace of mind, be sure any institutions you consider are insured to protect your money. They will be pleased to explain their association with the CDIC, the Canada Deposit Insurance Corporation.



debit card: a bank-issued card that is electronically linked to the cardholder's bank account; also called an access card, ABM card, ATM card, or bank card

automated teller machine (ATM): an unattended electronic device that performs basic teller functions; also called automated banking machine (ABM), banking machine, or cash machine

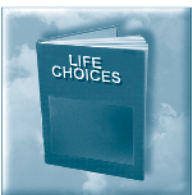
- **Services offered.** In addition to deposits and withdrawals, what other services will you want from your financial institution? Ask several people what services they use, and discuss what you will need, now as well as in future. Will you wish to write cheques? Pay bills? Make utility payments? Save for an education or other purpose? Contribute to an RRSP or other investment? Apply for a loan? Obtain a credit card or **debit card**? Conduct electronic banking?
- **Electronic banking services.** When you do not have time to go to a financial institution or you need to access your account outside of business hours, you may appreciate the convenience of electronic banking services. Some people rely on these services almost exclusively, rarely going to their financial institutions. If you choose a branch that offers these services, you will be able to pay bills, transfer funds, and make other transactions by phone, online, or through an **automated teller machine (ATM)**. ATMs also allow deposits and cash withdrawals.



- **Service charges.** The fees to conduct financial transactions can vary widely from one institution to another. Shop around and compare. Many places offer a fixed number of transactions per month at a low or no fee, providing your account stays above a certain dollar level. If you can afford to keep your balance from dropping below that level—perhaps \$1000 or \$1500—you can save considerably on service charges in a year and possibly also earn interest on the account. Inquire about specialized fees if they matter to you, for example, the cost of withdrawing cash from the ATMs of other financial institutions.

To discover more about financial and electronic banking services, read the following articles in *Venturing Out*:

- “FAQ: Banking” on page 30
- “Electronic Banking” on page 31
- “FAQ: Automated Banking and Direct Payment” on page 32



“Electronic Banking” emphasizes the importance of informing the bank immediately about a lost debit card. “FAQ: Automated Banking and Direct Payment” discusses ten security issues related to electronic banking.



Now view Segment 10: Automated Teller Machines on your Student Support CD to identify some key features about electronic banking.

Go to page 10 of Assignment Booklet 2A and respond to questions 5, 6, and 7 of Section 1.

Looking Back; Looking Ahead



In this lesson you considered the fundamentals of getting money. You identified the connection between sources of money and the life cycle, you examined the Statement of Earnings for a paycheque, and you compared financial institutions. In the next lesson you will explore consumer decisions.

Glossary

automated teller machine (ATM): an unattended electronic device that performs basic teller functions; also called *automated banking machine (ABM)*, *banking machine*, or *cash machine*

debit card: a bank-issued card that is electronically linked to the cardholder’s bank account; also called an *access card*, *ABM card*, *ATM card*, or *bank card*

deduction: an amount of money that is subtracted from the gross income

garnisheed: taken from a person’s wages by court authority and paid directly toward a debt the person owes

gross income: the total amount of money earned within a specific time period

net income: the take-home earnings; the gross income minus deductions

Suggested Responses

1. a. There are a number of different sources of income. They include the following:

- allowances
- wages and salaries
- employee benefits
- scholarships and grants
- awards and prizes
- dividends from investments
- court-ordered payments
- life and other insurance benefits
- private pension payments
- inheritances and gifts
- loans from financial institutions
- loans from family or friends
- other government payments
- long-term disability payments
- savings and investment interest
- short-term jobs such as babysitting
- garage sales or second-hand selling
- Employment Insurance payments
- provincial social assistance programs

b. The groupings of income sources you create in your chart will vary. Compare your responses with the following examples. You may have identified others.

Income Sources	Examples
money received as a result of personal effort, time, or other personal resources	<i>wages, self-employment income, seasonal income, contract income, awards and scholarships, gifts and inheritances, allowances, second-hand selling</i>
money received as a result of the previous use of one's own money	<i>investment income, life insurance or other insurance benefits, private pension or RRSP payments, interest from savings accounts, GST rebates, income tax refunds</i>
money provided by a government program	<i>Canadian Agricultural Income Stabilization (CAIS), Canada Pension Plan (CPP), Old Age Security (OAS), Guaranteed Income Supplement (GIS), Assured Income for the Severely Handicapped (AISH)</i>

2. The answers to the questions are as follows:

- a. Ashley's gross pay for the month was \$1188.00.
- b. The income tax deducted from Ashley's paycheque was \$178.20.
- c. Union dues were \$11.88.

- d. Her Canada Pension Plan premium was \$20.20.
 - e. Ashley paid \$41.58 into her regular employer pension plan.
 - f. Employment Insurance premium was \$35.64.
 - g. Life insurance premium was \$1.65.
 - h. Ashley paid \$22.00 toward her Alberta Health Care premium.
 - i. Ashley's employer is required to contribute to her pension, Canada Pension, and Employment Insurance premiums. As well, the employer in this case has agreed to pay toward life insurance and Alberta Health Care premiums. These two payments are called taxable benefits.
 - j. Ashley's net pay is her gross of \$1188.00 minus all deductions. Her net pay for this cheque is \$526.85, and for the whole month her net pay is this amount plus the \$350.00 already received mid-month, or \$876.85 in total.
3. Employment Insurance is a plan provided by the federal government that offers you basic income protection. While you are working, you must contribute a certain amount into the plan before you can qualify to receive payment. If you lose your job or must stop work temporarily, you can apply to receive payment so that while you are unemployed and searching for a new job, upgrading your skills, regaining your health, or caring for a family member, you'll be able to cover living expenses.
4. Union dues are deducted from the paycheques of unionized workers in order to fund union activities. The job of a union is to advocate on behalf of workers, to make sure that they work under appropriate conditions, and to ensure that they receive fair pay.

Professional dues are paid to associations that advocate on behalf of the people in a given profession, for example, the Alberta Association of Landscape Architects or the Petroleum Accountants Society of Canada. Professional associations recruit people into the field, educate the public about the work of the profession, and set standards and regulations for the profession.

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Lesson 3: Responsible Consumerism



As a consumer you make many decisions, not only about what to buy and how to pay but also about whether to buy at all.

Spending is a matter of personal choice as well as decision making.

As a consumer, do you consider yourself informed and responsible? Do you make purchases impulsively, or do you take time to research and compare products before you buy?

In this lesson you will assess your own spending habits, consider the influences on your personal consumer choices, and discuss marketplace skills.

Your Spending Habits



The self-inventory on page 5 of *Venturing Out* will help you become more aware of your own spending habits.

1. Turn to “The Habit of Spending” on page 5 of *Venturing Out*. Complete each sentence to provide as much information as possible.

Compare your answer with the Suggested Responses at the end of the lesson.



Influences on Personal Consumer Choices

What are some of the factors that influence your personal consumer choices? Do you think any of the following have an effect on your buying decisions?

- your family and friends
- changes in your life
- your personal values
- marketing and advertising
- your personal marketplace skills

Family and Friends

The people who matter to you—your family and friends—affect your buying decisions in ways you may not even notice.

Your family has provided a model of what and how to buy throughout your entire childhood. For example, as a small child, you may have gone grocery shopping with your parents. Without even being aware of it, you noticed the products and brands they bought week after week.



Now that you are older, your friends may influence the styles you follow and the items you buy. As you discovered in Module 1, this influence is called *peer pressure*. Again, you may not even be aware it is happening.

Lifestyle Changes

In the next few years you will undergo a number of changes as you move away from home, go away to school, or begin a full-time job. How will these lifestyle changes affect your spending?

Changes in lifestyle usually mean changes in what a person buys. For example, getting a new job may require a different type of wardrobe, which means new clothing purchases. Picture the clothes required for a job planting trees as compared to those necessary for a job as a lab technician.



Changes in lifestyle can also mean changes in personal resources, which will affect consumer decisions. Following are some examples:

- An increase or decrease in income affects the amount you have to spend.
- More or less leisure time can influence purchases. For instance, the time and energy you have might determine whether you prepare a meal from scratch or from a box, and this decision impacts spending.
- Major lifestyle changes often mean major purchasing changes. For example, becoming a parent means a huge shift in responsibilities and resources, requiring many new purchases and many new expenses.



2. With a partner or small group, brainstorm other major lifestyle changes that could affect a person's purchasing decisions.

Compare your answer with the Suggested Responses at the end of the lesson.

Personal Values

Do your personal values play a part in your consumer choices? Unlike unconscious choices that reflect family influence or peer pressure, people usually make conscious, deliberate choices when it comes to their personal values. Some people's consumer choices reflect their social or environmental values.

Socially Conscious Choices

Many consumers are well-informed about social issues, and they make socially conscious decisions about their spending. They choose to support ethical business practices, fair trade, and global social responsibility.



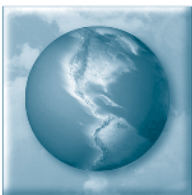
***sweatshop:**
a factory in
which workers
labour long
hours, often
under unsafe
conditions for
unfair wages*

For example, Sanhita is concerned that workers in **sweatshops** are paid poorly and are often subjected to long hours and unsafe conditions. She keeps informed about boycott campaigns and refuses to buy items she knows were made in sweatshops.

Josh is aware of the exploitation of farm workers that occurs in some nations. When buying food items such as chocolate, coffee, tea, sugar, and bananas, he looks for the Fair Trade Certified label, which guarantees that the workers employed in producing these products received a fair wage and worked under safe conditions.

To discover more about the Fair Trade movement, visit the following websites:

- <http://www.globalexchange.org/campaigns/fairtrade>
- <http://www.transfair.ca/>
- <http://www.transfairusa.org>
- <http://www.fairtradefederation.org/>

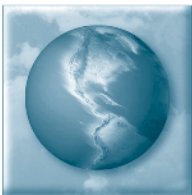


Environmentally Conscious Choices

sustainable development: economic development that ensures today's use of the environment does not damage prospects for use by future generations

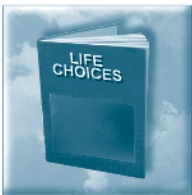
Many consumers today are protective of the planet and are concerned about **sustainable development**. They identify and value products and services that are better for the environment because they are recycled, recyclable, biodegradable, less toxic, or less heavily packaged.

Environmentally conscious consumers are sometimes called *green consumers*. They may purchase organic products and support companies that do not harm animals or the environment. For example, when buying canned tuna they may look for the Dolphin Safe label.



For more information on environmental labels, visit the following website:

www.greenerchoices.org/eco-labels/



To assess how you and your family face the challenge of environmentally responsible choices, read “Low-Impact Living” on page 70 of *Venturing Out*.

3. List three actions you are personally willing to take to improve the state of the world's environment.

Compare your answer with the Suggested Responses at the end of the lesson.



You can read a number of other articles in *Venturing Out* that focus on topics and issues related to sustainable development.



4. Select at least two of the following articles to read. Then answer the questions in your notebook.
 - a. “Energy-Saver Checklist” on page 33 provides a list of energy-saving tips for a household. Discuss these tips with members of your family. Agree on three energy-saving tips that are possible to use in your home.
 - b. “Your In-Home Water Audit” on page 37 is a checklist for conserving water in the home. List three water-saving actions you could take in your home.
 - c. “Power Shopping” on pages 40 and 41 tells how to read EnerGuide labels on new appliances and use this information to make consumer decisions. If you could replace three large electrical appliances in your home, identify the three appliances you would buy, using EnerGuide labels, that would save your family the most energy.
 - d. “Reboot Your Home Office” on page 59 outlines ten ways to reduce energy use in a computer-based home office. Even if you don’t have a separate home office, you may have a computer and printer in your home. If you do, pick three of the tips that you could implement to conserve electrical energy.
 - e. “Know Where Your Power Goes” on page 60 gives tips to conserve electrical energy and reduce your household power costs. Identify three energy-saving tips you could apply in your home.
 - f. “Does Buying Green Mean Paying More?” on page 71 explains that while buying green consumer items could mean paying more at first, it may end up meaning you pay less. List three green products you would buy.

Compare your answers with the Suggested Responses at the end of the lesson.

Marketing and Advertising



Have you ever bought a product because of an advertisement? Most people have whether they know it or not. The objective of advertising is to influence consumers to buy a particular product or service, and ads can be very powerful and persuasive.

Some forms of advertising—such as billboards, storefront displays, and ads on the sides of buses—are quite obvious. Other forms of advertising—such as product placement in movies—are more subtle.

Advertising is only one small part of marketing. Companies also promote products with attractive packaging and incentives like giveaways or sales. One of the goals of marketing is to establish brand loyalty with consumers.



5. Discuss the following questions about brands with a partner or small group.

- a. What does brand loyalty mean?
- b. What examples of brand loyalty do you notice in your community?
- c. What brands are you loyal to?
- d. How does brand loyalty affect your choices and decisions about spending?
- e. How can brand loyalty have negative effects?

Compare your answers with the Suggested Responses at the end of the lesson.

When you make buying decisions, it is important to be aware of ways in which advertisers try to influence you to buy their products. Your job, as a wise consumer, is to use your head and make decisions that are best for you.

Advertising Standards

To protect consumers, standards for advertisers are set by federal and provincial legislation. Examples include the Competition Act, the Canadian Radio-television and Telecommunications Commission (CRTC) Act, and the Food and Drugs Act. These regulations make it illegal for advertisers to provide untrue or misleading information, unproven claims about a product, and false statements about competitors' products.



6. With a partner or small group, discuss the following CRTC code for the advertising of alcoholic beverages on radio and TV. Consider why these regulations were put in place.

CRTC Code for Advertising of Alcoholic Beverages on Radio and TV

The CRTC's Code for Broadcast Advertising of Alcoholic Beverages contains 17 guidelines that outline what commercial messages for alcoholic beverages may and may not do. According to the code, ads for alcohol should not:

- attempt to influence non-drinkers of any age to drink or to purchase alcoholic beverages
- be directed at persons under the legal drinking age, associate any such product with youth or youth symbols, or portray persons under the legal drinking age or persons who could reasonably be mistaken for such persons in a context where any such product is being shown or promoted
- portray the product in the context of, or in relation to, an activity attractive primarily to people under the legal drinking age
- contain an endorsement of the product, personally or by implication, either directly or indirectly, by any person, character or group who is, or is likely to be, a role model for minors because of a past or present position of public trust, special achievement in any field of endeavour, association with charities and/or advocacy activities benefitting children, reputation or exposure in the mass media
- attempt to establish the product as a status symbol, a necessity for the enjoyment of life or an escape from life's problems, or attempt to establish that consumption of the product should take precedence over other activities
- imply directly or indirectly that social acceptance, social status, personal success or business or athletic achievement may be acquired, enhanced or reinforced through consumption of the product

- imply directly or indirectly that the presence or consumption of alcohol is, in any way, essential to the enjoyment of an activity or an event
- portray any such product, or its consumption, in an immoderate way
- exaggerate the importance or effect of any aspect of the product or its packaging
- show or use language that suggests, in any way, product misuse or product dependency, compulsive behaviour, urgency of need or urgency of use
- use imperative language to urge people to purchase or consume the product
- introduce the product in such a way or at such a time that it may be associated with the operation of any vehicle or conveyance requiring skill
- introduce the product in such a way or at such a time as may associate the product with any activity requiring a significant degree of skill, care or mental alertness or involving an obvious element of danger
- contain inducements to prefer an alcoholic beverage because of its higher alcohol content
- refer to the feeling and effect caused by alcohol consumption or show or convey the impression, by behaviour or comportment, that the people depicted in the message are under the influence of alcohol
- portray persons with any such product in situations in which the consumption of alcohol is prohibited, or
- contain scenes in which any such product is consumed or that give the impression, visually or in sound, that it is being or has been consumed



Did you know that your spending habits affect not only you but others as well? To gain an understanding of the impact of teenage spending, read the following:

- “Let the Good Times Roll” on page 73 of *Venturing Out*
- “You’ve Got Clout” on pages 56 and 57 of *Venturing Out*



7. With a partner or small group, discuss the following question: What are some positive ways that teens can use their financial clout?

Compare your answers with the Suggested Responses at the end of the lesson.

¹ CRTC Alcohol Code/Grades 9–10/Student Handout #2/© 2005 Media Awareness Network <http://www.media-awareness.ca>

Marketplace Skills

One of the first abilities you need for independent living is marketplace skills. How do you operate in buying and selling situations? Do you try to get the best price? Do you ask questions? Do you compare products?



When you are considering a purchase, ask yourself the following questions:

- Do I really need this product or service?
- Can I afford this product or service?
- Can it be rented? Borrowed? Purchased second-hand?
- If I purchase the product or service and then change my mind, can I return it?
- Does the product or service have a warranty?
- Is this the best price for the quality I have chosen?
- Will there be any other costs with this product or service?
- Have I gathered as much information as I can before deciding?
- How will this purchase affect others? the environment?



View Segment 11: Smart Shopping on your Student Support CD for information about using and applying marketplace skills.

8. List some of the tips for comparison shopping in “Smart Shopping.”

Compare your answer with the Suggested Responses at the end of the lesson.

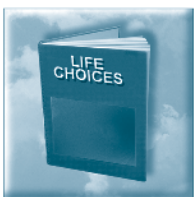
Shopping Online

Many people shop online. In some ways, this is similar to catalogue shopping, since you cannot actually touch a product before you buy it. Following are some tips:

- As a general guideline, research any online business before you buy from it.
- Ensure that you are buying from a reputable source.
- Consider the currency the store is using. Is it Canadian, US, Japanese?
- Be clear about shipping, duty, or other costs.
- Be certain you can return a product if it is not suitable.



Remember the warning *buyer beware*, and if an online offer sounds too good to be true, consider whether it could be a scam.



To learn more marketplace skills, read two of the following articles in *Venturing Out*:

- “How Not to Buy a Lemon” on pages 61 and 62 provides six guidelines for purchasing a used car.
- “Walking Down the Aisles” on pages 63 and 64 gives hints for smart grocery shopping.
- “Spotting Health Fraud” on page 78 outlines five questions for identifying health-care fraud.
- “Special Offers?” on page 91 depicts various ways you may be enticed to buy in the marketplace.

Consumer Complaints

Have you ever been dissatisfied with a product or service? What did you do? If your dissatisfaction involved a local business, did you speak to the manager? If it involved a business that was farther away, did you write a letter to the company?

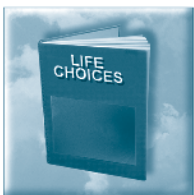


To learn how to write an effective consumer complaint letter, read “Complaining the Write Way” on page 87 of *Venturing Out*. Many of the tips in the article also apply to situations in which you voice your complaint face to face.

Most businesses, especially local ones, welcome suggestions and do what they can to fix problems. They want to keep you as a customer. They know that you may talk to others and affect their business in either a positive or a negative way. If there has been a mistake, do not just stay silent or complain to friends. Take your concern to a front-line employee, or if necessary you can go to the manager or write a letter to the company. Some places will remedy your problem and also offer something extra for your trouble—for example, a discount, free accessory, or bonus coupon. This practice increases their goodwill and ensures that you will come back to their business.



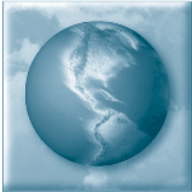
9. With a partner or small group, role-play situations in which you complain to a manager about a product or service. Take turns being the customer. How does it feel to complain or be complained to? Do some methods work better than others?
Hint: Get ideas from the article you read on page 87 of *Venturing Out*.



Compare your answer with the Suggested Responses at the end of the lesson.

Consumer Protection Agencies

If, despite your efforts, a business owner or manager does not address your concerns, you may wish to contact one of the following organizations:



- The Complaint Courier (Industry Canada's website)
<http://strategis.ic.gc.ca/engdoc/main.html>
Click on Consumers, Canadian Consumer Information Gateway, File a Complaint.
- The Canadian Council of Better Business Bureaus
<http://www.ccbbb.ca/complain.cfm>
- Consumers Council of Canada
<http://www.consumerscouncil.com>

Go to page 13 of Assignment Booklet 2A and respond to question 8 of Section 1.

Looking Back; Looking Ahead



In this lesson you examined your spending habits, considered various influences on your personal consumer choices, and discussed marketplace skills. In the next lesson you will explore ways to make your money grow.

Glossary

sustainable development: economic development that ensures today's use of the environment does not damage prospects for use by future generations

sweatshop: a factory in which workers labour long hours, often under unsafe conditions for unfair wages

Suggested Responses

1. What did you learn by completing this self-inventory? Understanding your own spending habits is an important first step in managing your resources and making effective consumer decisions.
2. Responses will vary. Possible responses include going to university, getting married, buying a house, losing a job, or moving.
3. Actions you might personally take include the following:
 - Buy less and recycle more.
 - Shop for locally produced products.
 - Walk or take public transit instead of driving.
 - Throw fewer things away; give them away or sell them instead.
 - Reduce energy consumption in your home by turning off unused electronics.
 - Consider where products are manufactured and what resources are used to make them.
4.
 - a. In “Energy-Saver Checklist,” look for the tips that directly affect your life. For example, if you are in charge of loading the dishwasher, you could make sure it is full before starting it.
 - b. For “Your In-Home Water Audit,” identify the tips that directly affect your life, such as turning off all taps completely, taking short showers, and not flushing the toilet unnecessarily.
 - c. For “Power Shopping,” your three answers will depend on the appliances you use most. For example, you may never use a freezer, but you may use a dishwasher, stove, and refrigerator; therefore, making sure those three are energy efficient would provide the most savings.
 - d. For “Reboot Your Home Office,” some of the tips that could help you be more energy efficient are to turn off unused computer equipment, use your computer’s energy-saving option, or plug electronic video equipment into a power bar with an on-off switch.
 - e. For “Know Where Your Power Goes,” look for tips that directly affect your life. For example, you may use cold water to rinse your clothes or you may check the temperatures on the fridge and freezer to make sure they are set properly.
 - f. “Does Buying Green Mean Paying More?” discusses why green products sometimes cost more. Possible products that you could buy include organic vegetables, fruits, and meat; manufactured products made from recycled plastics, paper, or glass; and cleaning products made of natural substances rather than hazardous chemicals.

5. The answers you came up with may vary, but following are some possibilities:
 - a. Brand loyalty means always buying the same kind of product—whether it’s soap or engine oil.
 - b. Brand loyalty in your community may be difficult to spot, but do most people shop at the same store? Do many students wear the same kind of clothes? Do farmers seem to use the same make of equipment? Do many drivers have the same type of vehicle?
 - c. Answers will vary. Do you always drink the same kind of pop? Use the same kind of toothpaste? Wear the same brand of jeans? You may be surprised to discover your own loyalties.
 - d. You may argue that brand loyalty makes spending decisions easier because you don’t have to waste time thinking about other brands, and you don’t have to risk buying an inferior brand.
 - e. Brand loyalty may cost more money if you happen to be loyal to a more expensive brand. It may also mean that you miss trying other great products.
6. Your small group may have varying ideas about why these regulations pertaining to advertising alcoholic beverages were put in place. For example, you may have stated reasons relating to the legal drinking age, to the potential for misuse of this product, or to health consequences.
7. You may have identified several positive ways that teenagers can use their financial clout. One way, for example, could be to boycott a store owner who is discriminatory toward teens.
8. Tips for comparison shopping include the following:
 - Look for certain criteria related to the item you are shopping for.
 - Compare price and quality at various types of stores.
 - Get the best buy for the best quality you can afford.
9. What kinds of complaints did you come up with in your role play? What methods did the consumer use to complain? How did the manager respond? Did you find it helpful to apply tips from the article in *Venturing Out*, for example, remain calm, be positive, or present relevant details?

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Lesson 4: Your Money Working for You

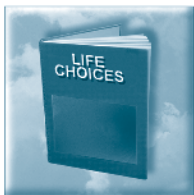
Are you a spender or a saver? Some people live from payday to payday; each month they spend their entire allowance or paycheque. Others are savers and put money aside to cover major purchases, unexpected bills, investments, and emergencies.

In this lesson you will compare ways to make your money work for you. You will discover that some methods are riskier than others. You will investigate saving and investment options, and you will examine gambling.



The Basics of Saving and Investing

Some people save money in a jar or an old sock, but most people agree it is better to keep their savings in a financial institution.



Read “The Basics of Banking” on page 27 of *Venturing Out*. This article provides reasons for choosing a financial institution.

1. “The Basics of Banking” mentions the Canada Deposit Insurance Corporation (CDIC). Why is the CDIC important to depositors?

Compare your answer with the Suggested Responses at the end of the lesson.

Saving

Suppose—like Judy in Lesson 1—you want save money for post-secondary education. You have several options, including the following:

- **Savings Account.** You can put your money into a savings account at a bank, credit union, trust company, or similar financial institution. If you choose a passbook account, you will receive a booklet in which deposits, withdrawals, and interest are recorded. If you choose a statement account, you will receive monthly statements in which transactions are recorded. If you choose an interest-earning chequing account, you will be able to write cheques, and you will receive interest on any unused money in the account. The website of any bank, credit union, or trust company will tell you more.
- **Guaranteed Investment Certificate (GIC).** You can buy a GIC from your financial institution, which guarantees that you will earn interest. Some GICs have **variable interest rates**; others have **fixed interest rates**. GICs require you to leave money in for a certain amount of time. Generally the term is one year to five years. The rates go up for every year you leave your money in. You can go to the website of any bank, credit union, or trust company to learn more.
- **Canada Savings Bond (CSB).** You buy CSBs from the government of Canada, which ensures that you will receive a minimum guaranteed interest rate that will increase should market conditions warrant but will never fall below the posted rates during the purchase period. CSBs are cashable at any time, but you must wait three months before you can make any income from them. You can go to the following website for more information on CSBs:

<http://www.csb.gc.ca/>

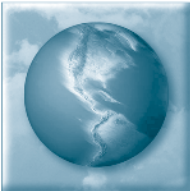
- **Canada Premium Bond (CPB).** You buy CPBs from the government of Canada; they are similar to Canada Savings Bonds, but they require you to leave money in for a certain length of time. After a year, you have 30 days to cash the bond. Otherwise, it's reinvested for you for another year. The rates for CPBs are higher than the rates for CSBs, and the rates go up for every year you leave your money in. You can go to the following website for more information on CPBs:

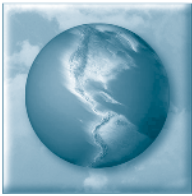
<http://www.csb.gc.ca/>

- **Registered Education Savings Plan (RESP).** You or your parents can deposit money into an RESP and earn money from the interest until you go to school and cash it out. One of the advantages is that the government of Canada offers a grant that adds money to the plan. The government will add 20 percent to the first \$2000 you put into an RESP.

variable interest rate: an interest rate that varies over time

fixed interest rate: an interest rate that remains the same over time





2. Use the Internet to research and compare interest rates for savings accounts, GICs, CSBs, and CPBs. If you had \$1000 to save and could leave it for two years, determine which of these options you would choose for your money.

Compare your answer with the Suggested Responses at the end of the lesson.

Investing

bond: an investment that pays the buyer interest in installments until a future date when the buyer may redeem the bond for full face value

stock: a share of an incorporated company; also known as equity or equity capital

mutual fund: a way of investing in which investor money is pooled and used to purchase a range of different stocks and bonds

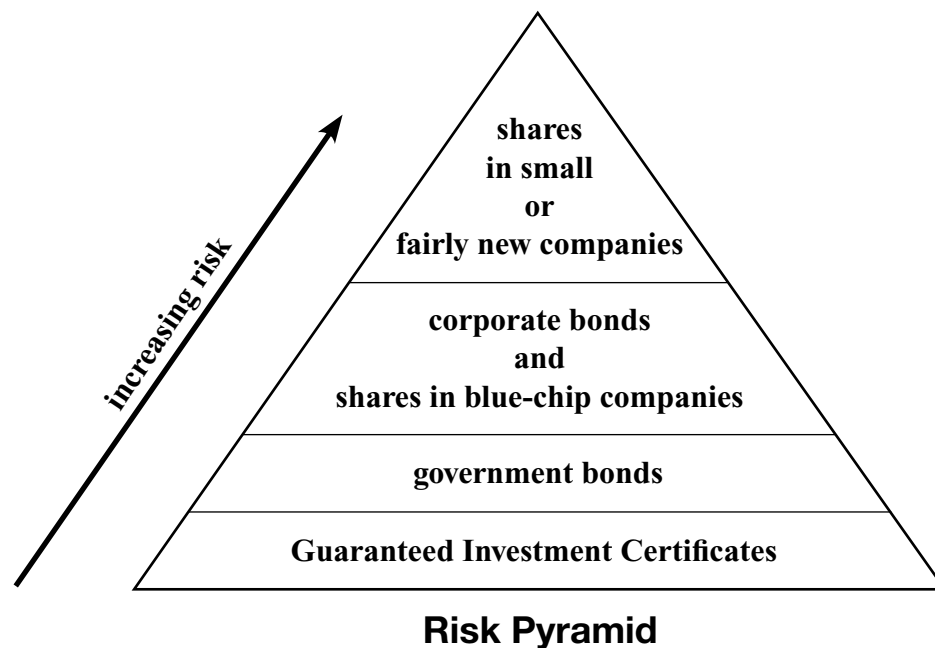
risk pyramid: a diagram that identifies a scale of risk and rate of return with the lowest at the bottom and the highest at the top

Saving is a secure way to make your money grow. But some people prefer to put their money in investments such as real estate, art, collectibles, government or corporate **bonds**, **stocks**, and **mutual funds**.

An investment—unlike savings—does not have a fixed worth. At any moment, an investment is only as valuable as people perceive it to be. That is why the prices of real estate, art, collectibles, stocks, and mutual funds go up and down. Because investments are more volatile than savings, they are riskier. However, they also have the potential to make more money than savings do.

When making investment decisions, you need to consider the risks and decide how much risk you can carry. The amount of risk varies for different types of investments.

The following diagram shows an example of a **risk pyramid**; the higher you go up the pyramid, the greater the risk and the higher the potential return.



Notice the following points about the risk pyramid:

- At the base (the widest part of the pyramid) are the safest investments, such as cash and Guaranteed Investment Certificates (GICs).
- In the second level are low-risk investments, such as government bonds.
- In the third level are more risky investments, such as corporate bonds and shares in **blue-chip companies**.
- At the top are the riskiest investments, such as shares in small, new companies.

blue-chip company: a credit-worthy company known for the quality and wide acceptance of its products or services and its ability to make money

Before making an investment, it's important to accurately evaluate the risk and the potential for gains and losses.

The potential payoffs and the possibilities for financial disaster increase as you take on more risk, so your risks should be age-appropriate. Young people have time on their side, so they can absorb more potential losses. In case of failure, they have time to start again. On the other hand, people over 40 should be involved in less-risky ventures because their ability to absorb losses diminishes as they near retirement.

3. Complete "What's Your Comfort Zone?" on page 92 of *Venturing Out*. This quiz will assess your willingness to take risks.

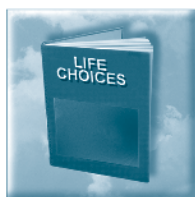
Compare your answers with the Suggested Responses at the end of the lesson.

For more information about making your money work for you, view Segment 12: Investment Options on your Student Support CD.





Learn more about saving and investing from the following articles in *Venturing Out*:



- “Tips on Saving Money” on page 10 provides some ideas for saving money by reducing spending in various situations.
 - “The Basics of Investing” on pages 52 and 53 reviews some investment concepts (reasons for saving, GICs, Canada Savings Bonds, risk pyramid) and introduces others: deposit accounts, face value, term deposits, redeemable, sleeping point, liquid assets, and tax-sheltered.
4. Think about your own options for making your money grow. Answer the following questions in your notebook.
- a. How much money do you think is a reasonable amount for you to save in one year? If you are having difficulty thinking of an amount, try to identify a purchase you want to make for which you have a year to save.
 - b. Using this number, how much money would you need to save each month to meet your savings goal? (Divide your yearly number by 12.)
 - c. How much money would you need to save each week? (Divide your yearly number by 52.)
 - d. Are you surprised by the amount of money you would have to save each month and each week? Do you need to make any adjustments to your savings goal after calculating the monthly and weekly savings requirements?

Compare your answers with the Suggested Responses at the end of the lesson.

Personal Values and Investing

*ethical investing:
investing to
reflect one's
concerns or
beliefs*

In Lesson 3 you thought about how values affect your consumer decisions. Personal values also affect people's investment choices. Some people choose investments that reflect their concerns or beliefs. This is referred to as **ethical investing**.

Ethical investing may reflect concerns about a variety of sensitive issues—the environment and ecological issues; labour relations and the treatment of workers; a commitment to equal opportunity for all people regardless of gender, ethnicity, or ability; the production of military arms; the production of tobacco; nuclear development; quality and safety of products; and types of business practices.

Ethical investing might mean that you avoid companies with harmful practices or policies and seek out companies with more positive records. The ethics of an issue, however, are not always clear. Investors may differ in opinion on what is acceptable and what is not.

For example, people might see a forestry company as an unethical investment because it clearcuts forests or as an ethical one because it practises reforestation and employs local workers. Individual investors must decide for themselves. Activist organizations often assess companies and publish their reports so investors can consult the ratings to make investment choices.

5. What corporate practices would you find acceptable to support through your investments? What corporate practices would you refuse to support by withholding your investments?

Compare your answers with the Suggested Responses at the end of the lesson.



Gambling

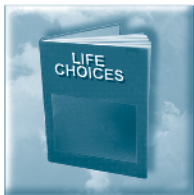
gambling:
taking a risk, usually involving the possible loss of money, based on chance

You might know of people in your community who participate in **gambling** activities such as bingo, 50/50 tickets, or a Grey Cup pool. You may be able to think of others who risk their money at the racetrack, at the casino, or buying lottery tickets.

Gambling is very prevalent in Canada today. Television shows featuring poker are common, and online gambling has increased dramatically.

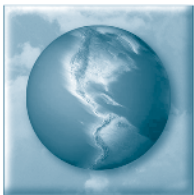


The number of people—including teens—with problems controlling gambling has also increased. Uncontrolled gambling can lead to serious financial trouble.



To become aware of the issue of gambling and the risks that come with it, read the following articles in *Venturing Out*:

- “Teen Gambling—Can You Bet On It?” on pages 23 and 24 focuses on teen gambling and provides guidelines for teens to make choices about gambling. The article also gives questions to help identify a problem gambler and suggestions on how to support a friend who has a problem.
- “FAQ: Problem Gamblers” on page 24 answers frequently asked questions about characteristics of problem gamblers.



You can find more information about gambling and teens by clicking on the Gambling link at the following website:

<http://www.zoot2.com/Default.asp>

If you live in Alberta and are concerned that you or someone you know may have a gambling problem, help is available by calling your local Alberta Alcohol and Drug Abuse Commission (AADAC) office or the AADAC Help Line at 1-866-33AADAC (1-866-332-2322).

Go to page 13 of Assignment Booklet 2A and respond to question 9 of Section 1.

Looking Back; Looking Ahead



In this lesson you compared ways to make your money grow. You discovered that some methods are riskier than others. You investigated saving and investment options, and you examined gambling. In the next lesson you will explore credit and debt.

Glossary

blue-chip company: a credit-worthy company known for the quality and wide acceptance of its products or services and its ability to make money

bond: an investment that pays the buyer interest in installments until a future date when the buyer may redeem the bond for full face value

ethical investing: investing to reflect one's concerns or beliefs

fixed interest rate: an interest rate that remains the same over time

gambling: taking a risk, usually involving the possible loss of money, based on chance

mutual fund: a way of investing in which investor money is pooled and used to purchase a range of different stocks and bonds

risk pyramid: a diagram that identifies a scale of risk and rate of return with the lowest at the bottom and the highest at the top

stock: a share of an incorporated company; also known as *equity* or *equity capital*

variable interest rate: an interest rate that varies over time

Suggested Responses

1. The CDIC is important to depositors because it protects their savings up to a certain dollar value. The article on page 27 indicates that this is \$60 000 per institution, but recent changes have increased this amount to \$100 000. Because of this protection, depositors do not need to worry about the institution burning down, being robbed, or going bankrupt; in any case, depositors will receive their money.
2. When you researched interest rates for savings accounts, GICs, CSBs, and CPBs, did you find that they were different or quite similar? You probably noticed that rates varied among savings options and banking institutions but that most awarded higher rates for larger deposits and longer terms. Did you find the rate tables challenging? Based on your findings, where did you determine was the best place for you to save your money?
3. A scale to rate your responses is provided in the article. Go back to “What’s Your Comfort Zone?” on page 92 of *Venturing Out* to check this scale and see how you rated. Do you think your choices about saving money reflect what the quiz tells you?
4. **a. to d.** Your answers will vary, depending on the amount you identify as your savings goal. Consider the following factors in setting your goal:
 - the items or goals you wish to save for
 - the amount of income you earn
 - your spending priorities
 - your spending habits
 - your ability to save
5. Issues you may avoid or support through your investment choices may include the following:
 - a company’s track record regarding labour practices and treatment of workers
 - a company’s track record regarding issues of ethnicity, gender, or ability
 - environmental concerns including, but not limited to, forestry and fishing
 - production or support of military weapons, for example, land mines
 - production or promotion of substances such as tobacco or alcohol
 - products or services related to gambling or pornography
 - quality and safety of products or services
 - nuclear development and power
 - support for local community
 - pollution concerns

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Lesson 5: Credit and Debt



In February 2006, the Vanier Institute for the Family released a report on the state of family finances in Canada. The report warned that Canadian families are accumulating financial **debt** at an alarming rate. The average family today owes 140 percent of its gross household income.

You may also have noticed media reports about Canadian students graduating from university with higher and higher levels of debt, often \$10 000 or more.

What is the reason for this high debt? Canadians are spending money they don't have. Instead, they are relying on **credit**.

In this lesson you will examine some issues surrounding credit and debt—specifically, **credit cards** and loans.

debt:
something owed to a person or an organization

credit: *the privilege granted to approved clients to receive goods or services and to pay for them in the future*

credit card: *a bank-issued card that allows the cardholder to purchase goods or services from a merchant on credit*



Credit Cards



Does anyone in your family use a credit card? In today's electronic society, a credit card is almost a necessity. It makes many financial transactions easier. You need a credit card to rent a car, make reservations at a hotel, and shop online or by phone.

Did You Know?

Credit cards are not new. They have been around for almost 100 years. Before 1970 they were rare, and the number of businesses accepting them was limited. Since then they have become easier and easier to get. Now their only rare feature is the number of businesses that *do not* accept them. The first credit cards were made of metal or cardboard. Why do you think today they are referred to as *plastic money*?

You might be offered student credit cards, but think twice before accepting one if you do not have a steady income. Card-issuing companies make sure their cards are very convenient. They know that the easier it is to use a card, the more likely you are to make a purchase—and on top of that, you will spend more than if you were using cash.

A credit card can save you money if used wisely, for example, if you take advantage of bulk purchases or sale items and pay off your balance each month. But the opposite is also true: a credit card used carelessly can cost you money and land you in debt. The reason lies in the card's convenience; you may be tempted to overuse it or buy what you really cannot afford. Purchases quickly add up to more than you can repay in a month, and then you owe steep **interest** charges on top of your unpaid balance. This interest is how the company makes a profit from your card.

interest:
payments made by a borrower for the use of a lender's money, often expressed as an annual percentage

There are three basic types of credit cards:

- **Bank cards.** These are cards issued by banks; the two major bank cards are Visa and MasterCard. Both are widely accepted.
- **Travel and entertainment cards.** These include cards such as Diners Club and American Express. These are not as widely accepted as bank cards, because they were designed for use in high-end establishments.
- **House cards.** Large consumer stores, such as Sears, The Bay, or Canadian Tire, offer these cards. House cards can only be used within a specific chain of stores. Cards from fuel companies such as Petro-Canada often work in a similar way.

Sometimes a card carries the logo of an organization or a business in addition to the lender's emblem. This type of card is known as an *affinity card*, a *value-added card*, or a *rewards card*. Its use provides either of two kinds of benefits:

- Cardholders receive some sort of benefit. For example, they may receive points toward merchandise, travel, or fuel.
- The designated organization, or *affinity partner*, receives a donation. Affinity partners include universities, sports teams, and charities.

credit limit:
the maximum amount of money that can be charged on a particular credit account

Most credit cards give cardholders a **credit limit** and offer them what is known as **revolving credit**. This means they let you carry a balance on which they charge interest (finance charges), and they require you to make minimum monthly payments.

A few credit cards, such as American Express, require you to pay off all of your charges each month. As a bonus, these cards usually have a very high credit limit.

revolving credit: a type of credit that does not have a fixed number of payments but requires a minimum monthly payment



annual percentage rate (APR): the interest rate reflected as a yearly rate

grace period: the interest-free time a lender allows between the transaction date and the billing date



transaction fee: a fee charged each time the cardholder makes a purchase with a credit card

annual fee: a fee charged every year by the credit card issuer for the cardholder's right to possess and use the card

late-payment fee: a fee charged for failing to submit the minimum monthly payment by its due date

Following are other points to consider when you compare credit cards:

- **annual percentage rate (APR)**
- **grace period**
- fees, such as **transaction fee**, **annual fee**, and **late-payment fee**

To gain a better understanding about the type of credit you get with credit cards, read the following articles in *Venturing Out*:

- “A Holiday Credit Saver” on pages 49 and 50 explains credit cards, interest rates, annual fees, grace periods, value-added cards, debit cards, getting out of credit-card trouble, and matching credit-card type with lifestyle.
- “Rating Our Plastic Pals” on pages 88 and 89 compares some ways you can use credit cards wisely.
- “An A+ or an F?” on page 90 provides a particular perspective on credit use. It examines the way people purchase on credit to gain instant gratification; the true cost of credit to the borrower; and some background on the use of credit cards and credit in general.
- “FAQ: 10 Ways to Protect Your Credit Cards” on page 94 outlines important steps you can take to protect yourself from credit-card fraud.

1. What are the advantages and disadvantages of credit cards?
2. What are the advantages and disadvantages of debit cards?
3. Kristof accepted several student credit cards and now has a difficult time with them. He rings up lots of charges on all the cards, has high balances on each one, and struggles to make the minimum payments required each month.
 - a. How would you advise Kristof about what he should do now?
 - b. List the problems teens can have if they don't understand what it means to create credit-card debt.
 - c. List some positive reasons for a teen to have and use a credit card.

Compare your answers with the Suggested Responses at the end of the lesson.

Your Credit Rating

credit history:
a record of an individual's debts and payment patterns

credit rating:
an assessment of a person's ability to handle the financial burden of credit at a particular time

Every time you apply for or receive credit, and every time you make or do not make a payment on time, you are building your personal **credit history**.

Credit agencies, such as Equifax Canada and TransUnion Canada, regularly collect credit information from all the companies that provide credit to you. Each of these companies assigns you a **credit rating** for each transaction it has with you.

You do not have one overall credit rating. Rather, you have a file of credit history with a rating from each company that has granted you credit. In total, these ratings make up your *credit file*. The ratings that creditors give may range from R0 to R9—the lower the number, the better the rating. Following is an explanation of the ratings.

Number	Credit Account Rating
R0	Too new to rate; approved but not used
R1	Pays (or paid) within 30 days of payment due date or not over one payment past due
R2	Pays (or paid) in more than 30 days from payment due date, but not more than 60 days, or not more than two payments past due
R3	Pays (or paid) in more than 60 days from payment due date, but not more than 90 days, or not more than three payments past due
R4	Pays (or paid) in more than 90 days from payment due date, but not more than 120 days, or four payments past due
R5	Account is at least 120 days past due but is not yet rated R9
R6	No rating exists
R7	Making regular payments through a special arrangement to settle debts
R8	Repossession (voluntary or involuntary return of merchandise)
R9	Bad debt; placed for collection; moved without giving a new address



Read “Take Some Credit” on pages 25 and 26 of *Venturing Out*. This article discusses personal credit ratings and ways in which they can be damaged.

4. Establishing and maintaining a good credit rating creates an important asset that you want to protect. What are some actions you can take to protect your overall credit rating?

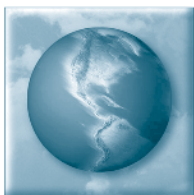
Compare your answer with the Suggested Responses at the end of the lesson.



Your good credit rating is an important asset.



For a comprehensive summary on what credit is, the forms it takes, and its advantages and disadvantages view Segment 13: Credit on your Student Support CD.



Did You Know?

Credit Counselling Services of Alberta is a non-profit, consumer debt counselling service. The counsellors educate Albertans in personal money management and the wise use of credit. They also provide alternatives for individuals and families facing financial crises. For more information call toll-free in Alberta 1-888-294-0076, or visit the following website:

<http://www.creditcounselling.com>

Loans



What are your goals for the future? Would you like to obtain a post-secondary education, buy a car, or purchase a home? Each of these items is very expensive, and you may need to borrow some of the money to make the goal a reality.

At one time or another, most people turn to a financial institution to obtain a loan. In this part of the lesson, you will examine the lending process.

Usually when you apply for a loan, the lender evaluates your credit application and looks at three points, commonly referred to as *the three Cs*:

- **Character.** A lender wants to know if you are responsible enough to repay the loan. To judge your character, the lender reviews your credit history, length of residency, and length of employment.
 - **Capacity.** A lender wants to know if you can afford to repay the loan. To evaluate your credit capacity, the lender reviews your earnings, current debts, and other financial commitments.
 - **Capital.** A lender wants to know if you have any capital—savings, investments, real estate, or valuable possessions, such as an automobile—that could be used to repay the debt if your income is unavailable.
5. Imagine that you are meeting with the loans manager at a bank and you are asked the following questions. Which of the three Cs is being judged in each?
- a. How long have you lived at your present address?
 - b. How long have you been at your current job?
 - c. What is your current salary?
 - d. How much money do you have in savings?
 - e. How much do you currently owe?

Compare your answers with the Suggested Responses at the end of the lesson.

net worth: the value of all assets, including cash, minus all liabilities

asset: anything with monetary value that a person owns

liability: debt; anything that is owed to someone else

When you apply for credit, lenders often consider your **net worth**—your **assets** minus your **liabilities**. Simply speaking, your net worth is the value of all you have minus all you owe. It is what you would have left if you cashed in everything you own and paid off all your debts. Assets and liabilities include the following:

Assets	Liabilities
<ul style="list-style-type: none">• vehicles• savings accounts• Canada Savings Bonds• other investments, such as RRSPs• items of value, such as a TV or computer	<ul style="list-style-type: none">• loans, such as student loans, bank loans, or money owed to family• any outstanding amounts, such as unpaid bills, taxes, or credit-card balances

Did You Know?

Do you know your personal net worth? If you figure it out about once a year, you will find it useful in a number of financial situations. It may track your progress as you pay off a debt or save for a large expense like tuition or a down payment. It can help you observe whether your net worth is developing a pattern of growth over time. This may help you decide when you can afford a certain purchase and perhaps speed up your dealings during a loan application.

If you do not immediately meet a lender's criteria for granting a loan, you may still qualify for a loan if you can do one of the following:

co-signer: the person who signs a loan agreement along with the borrower and assumes equal responsibility for repayment

collateral: an asset that a borrower pledges as a guarantee of loan repayment

- Find a creditworthy person to co-sign the loan. This involves a situation of great trust because the person is trusting you to follow through with your financial commitment. If you fail to make your loan payments, the **co-signer** then becomes responsible.
- Provide **collateral** to secure the loan. If you fail to make your loan payments, the lender can then seize the collateral.



Loan Terms and Conditions

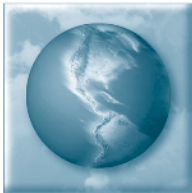
If you do meet a lender's criteria for granting a loan, you will want to negotiate the best financing deal possible. As you negotiate financing for a loan, the financial institution will set out certain terms and conditions, including the following:

principal: the total amount of money borrowed and left owing to the lender, decreasing over time as the loan is repaid

- repayment options for the **principal** (amount borrowed) plus interest
- the interest rate, which could vary
- when repayment begins
- when all the payments are due
- amounts of all payments
- how to make payments

You may want to shop around and compare the financing options of several lenders. Consider their interest rates, loan terms, down payments, and monthly payments. Be aware of the following facts about loans:

- The more you repay each month, the shorter the term, or length, of your loan.
- Interest rates could vary depending on where you get a loan, what you intend to use it for, and how well a lender knows you.
- Some loans involve penalty fees for repayment amounts bigger than in the original agreement.
- If you miss a payment, you will be *in default* and your ability to get further credit will be damaged.



For clear explanations of terms in the loan-application process, go to the following website. Click on *Loans*, and in the dropdown menu, click on *Loan Dictionary*.

<http://www.westoba.com/>

- a.** Explain why it would be to your advantage to shorten the term of your loan by agreeing to make repayments as large as you can afford each month.
 - b.** Why do you think some loan agreements include penalty fees for repaying faster than in the original agreement?
- 7.** Research the Canada Student Loan program. Then explain how the government of Canada has ensured that students in financial need can obtain a student loan.

Compare your answers with the Suggested Responses at the end of the lesson.

The Canada Student Loan program has another important advantage to students; they will not begin repaying the loan until after they complete their education.



View Segment 14: Handling Money Problems on your Student Support CD. You may wish to view this segment several times to identify the trouble signs of poor money management and the steps to take to get out of financial trouble.

Go to page 15 of Assignment Booklet 2A and respond to question 10 of Section 1.

Looking Back; Looking Ahead

In this lesson you explored the topics of credit cards and loans. In the next lesson you will examine buying insurance.



Glossary

annual fee: a fee charged every year by the credit card issuer for the cardholder's right to possess and use the card

annual percentage rate (APR): the interest rate reflected as a yearly rate

asset: anything with monetary value that a person owns

collateral: an asset that a borrower pledges as a guarantee of loan repayment

co-signer: the person who signs a loan agreement along with the borrower and assumes equal responsibility for repayment

credit: the privilege granted to approved clients to receive goods or services and to pay for them in the future

credit card: a bank-issued card that allows the cardholder to purchase goods or services from a merchant on credit

credit history: a record of an individual's debts and payment patterns

credit limit: the maximum amount of money that can be charged on a particular credit account

credit rating: an assessment of a person's ability to handle the financial burden of credit at a particular time

debt: something owed to a person or an organization

grace period: the interest-free time a lender allows between the transaction date and the billing date

interest: payments made by a borrower for the use of a lender's money, often expressed as an annual percentage

late-payment fee: a fee charged for failing to submit the minimum monthly payment by its due date

liability: debt; anything that is owed to someone else

net worth: the value of all assets, including cash, minus all liabilities

principal: the total amount of money borrowed and left owing to the lender, decreasing over time as the loan is repaid

transaction fee: a fee charged each time the cardholder makes a purchase with a credit card

revolving credit: a type of credit that does not have a fixed number of payments but requires a minimum monthly payment

Suggested Responses

1. Following are some of the advantages of credit cards:

- Credit cards can make it easier to buy goods and services. You don't have to carry large amounts of cash with you. Some companies do not accept cash purchases (for example, most airlines, hotels, and car-rental agencies).
- Having a credit card and using it wisely (making payments on time and in full each month) will help you build a good credit history.
- Credit cards can be useful in times of emergency. For example, if your car breaks down while you are travelling, you may need to rent a car or stay in a motel room for several nights.
- Some credit cards offer additional benefits, such as discounts from particular stores or companies, bonuses such as free airline miles or travel discounts, and special insurance such as travel or life insurance.
- Credit cards may offer protection if something you buy is lost, damaged, or stolen.

Following are some of the disadvantages of credit cards:

- Most credit cards offer generous credit limits and don't require you to pay off your balance each month, so you may be tempted to spend more than you can afford.
- Credit card companies charge high interest rates on any balance that you don't pay off at the end of each month. This is how people get into debt or even go into bankruptcy.
- If you have a credit card you may become the victim of credit-card fraud. If someone steals your credit card or obtains your credit-card number (from a receipt, over the phone, or from a website), the thief can use your card to rack up debts.

2. Following are some of the advantages of debit cards:

- Obtaining a debit card is often easier than getting a credit card. If you qualify to open a bank account, you can usually get a debit card.
- Having a debit card frees you from carrying a lot of cash or a chequebook.
- When you use a debit card—unlike writing a cheque—you don't have to show identification or give out personal information at the time of the transaction.

Following are some of the disadvantages of debit cards:

- The convenience can be costly, especially when using an ATM that is not affiliated with your financial institution.
- Using a debit card may mean you have less protection than you would with a credit card for goods that are never delivered or are defective.
- You may become the victim of debit-card fraud.

3. a. Your advice to Kristof could include the following:

- work out a budget to pay off his cards, and then destroy the cards
- stop the use of credit cards until they are all paid off
- borrow money at a lower interest rate to pay off the balances on his cards
- set up a monthly payment plan for the loan
- resolve to use one credit card only after all the balances have been paid off

b. Your response may include the following:

- getting a bad credit rating
- being in debt for a long time
- not being able to get additional credit
- personal bankruptcy
- a personal loss of confidence and independence

c. Your response may be similar to the following:

- building a positive credit rating
- being able to get things right away
- having the security to use the credit card in an emergency situation
- being able to travel independently, for example, on school trips
- gaining a sense of self-confidence and maturity
- learning personal money-management skills
- beginning to take on the responsibility of living on your own

4. You can protect your credit rating by paying bills on time and limiting the debt you acquire.

5. a. character

b. character

c. capacity

d. capital

e. capacity

6.
 - a. It is to your advantage to make loan repayments as large as you can afford each month so you can pay back your loan as fast as possible. The sooner you repay a loan, the less it will cost you in interest charges.
 - b. Some loan agreements include penalty fees if you repay faster than in your original agreement because the lending institution is losing some of the interest it was expecting to earn from your use of its money. Interest savings are a gain for you but a loss for the lender.
7. The government of Canada guarantees the Canada Student Loan program. This ensures that students in financial need are approved for student loans without providing collateral or a co-signer.

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Lesson 6: Insurance



risk: a chance of harm, loss, or damage

liability insurance: insurance for what the policyholder is legally obligated to pay because of bodily injury or property damage caused by the policyholder to another person

In the previous lesson you examined the process of borrowing money. When people borrow a large sum of money—perhaps to buy a house or car—they often include *life and health insurance* to lower their **risk** of not being able to repay the money.

You probably know other reasons that people buy insurance, for example, to protect their personal possessions against the risk of theft or damage. This kind is called *property and casualty insurance*, and it includes another type you may know about, **liability insurance**.

In this lesson you will focus on buying insurance. Insurance involves paying a fee to a company in return for its guarantee to compensate you by a specific amount if you suffer a loss or damage due to some risk in your life.

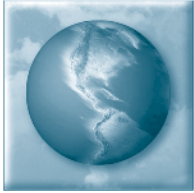
Insurance and Risk

Life is made up of risks. When you reflect on your insurance requirements, you need to consider the many potential risks in your life. Risks exist in the physical, emotional, and financial aspects of your life—in everyday situations and in choices you make. Most kinds of risk are covered under the two main insurance categories you just read about, *property and casualty insurance* or *life and health insurance*.



Types of Insurance

To discover the basics of the insurance industry in Canada and the types of insurance available, investigate the following websites. Use the information from these websites to answer the questions that come after the list of websites.



- Insurance Bureau of Canada

<http://www.abc.ca/>

- Insurance Canada

<http://www.insurance-canada.ca/index.php>

- AFN Insurance Brokers (First Nations Insurance Programs and Services)

<http://www.afnib.com/>

- Many Nations Financial Services Ltd.

<http://www.mannations.com/>

1. List at least ten types of insurance you discovered during your investigation of insurance websites.
2. With a partner or small group, brainstorm a list of potential risks in life. Create as extensive a list as possible. Then categorize your list according to *risks that can be insured against* (insurable risks) and *risks that are not insurable* (uninsurable risks). Based on the types of insurance you listed for question 1, decide what kind of insurance would be appropriate for each type of insurable risk on your list.
3. Insurance is available for circumstances that have a degree of risk. You can, however, take action to reduce the risk. Consider various forms of insurance. Identify some actions you can take to reduce risk with each of the following:
 - vehicle insurance
 - life insurance
 - motorcycle insurance
 - tenant/homeowner insurance



Compare your answers with the Suggested Responses at the end of the lesson.

Buying Insurance

When you purchase insurance, you have some decisions to make:

- how much insurance **coverage** to buy

Generally, the more assets you have, the more insurance you need to protect them. For example, you need additional tenant insurance as you acquire possessions.

- the amount of **deductible** you wish to have

The higher the deductible, the lower the insurance **premiums**, so you need to decide if the deductible is an amount you could pay if something should happen.

coverage: a synonym for insurance, indicating how much protection the insurance provides

deductible: the initial portion of a covered expense that must be paid by the insured person before the insurance policy pays its part of the expense

premiums: the monthly payments to the insurance company to keep the insurance in effect



Did You Know?

The cost of your insurance is determined by the amount of risk an insurance company is taking on by insuring you—the greater the risk, the higher the cost of your insurance. For example, if you have a serious health condition and want to purchase life insurance, you will have to pay a lot more than if you are in good health. Some insurance companies may even refuse to give you any coverage at all!



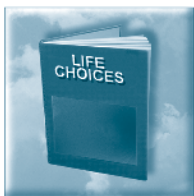
You may be thinking, “But I’m a student. Why should I bother about insurance right now?” Whether you live at home or away from home, talking with your family about what you are insured for is a good idea.

Do you own a laptop, camera, drum set, or bicycle? How about clothing, jewellery, or an antique dresser from your grandparents? You might not think you own much of value, but what would you do if someone broke into your home and destroyed or stole it all? You have acquired items over a period of years, but could you afford to replace them all at once? Most people could not, and that’s why they buy *contents insurance*.

As long as you live at home, the insurance policy that covers the rest of your house will cover your possessions too. If you move away for school, most home insurance policies still cover your things while you are there—but make sure this is true for your family’s policy. Get it out and read it, or call your insurance company to find out.

If you are not covered in your present living situation, and you own electronics or other valuables worth \$1000 or more, you can buy *basic tenant’s insurance* to cover what you have in your apartment, residence room, or rental unit. You will find the cost quite reasonable and well worth your peace of mind.

As you itemize your belongings for the insurance policy, you may be startled to discover that you own more of value than you realized!



To gain a better understanding of different kinds of insurance and the terminology that goes with them, read “FAQ: Insurance” on page 86 of *Venturing Out*. Take particular note of these terms: *peril*, *claim*, *adjuster*, *replacement value*, *appraisal*, and *rider*.

4. In your notebook, write definitions for the following important insurance terms. For help, refer to a dictionary and to the article “FAQ: Insurance.”
 - a. peril
 - b. claim
 - c. adjuster
 - d. replacement value
 - e. appraisal
 - f. rider

Compare your answers with the Suggested Responses at the end of the lesson.

Automobile Insurance

Alberta law requires that all vehicles have the following types of insurance:

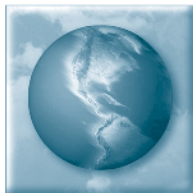
- **Third-Party Liability.** This kind of insurance—also called public liability—provides you with coverage if you are legally responsible for a collision that causes injury or death to another person or damages someone else’s property.
- **Accident Benefits.** This insurance provides compensation that you, certain family members, and passengers are entitled to receive if injured or killed in a collision. The benefits include income replacement and payment for medical treatment, rehabilitation, funeral expenses, or grief counselling.

Insurance companies also sell optional vehicle insurance, such as the following:

- **Collision.** This kind of insurance reimburses you for damages caused by a rollover or by a collision with another vehicle or object.
- **Comprehensive.** This kind reimburses you for damage to your vehicle caused by other hazards such as fire, theft, vandalism, or collision with an animal.

Did You Know?

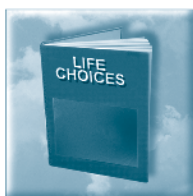
The type of vehicle you drive, where you live, and the level of insurance you desire will all affect your vehicle insurance cost. Before October 1, 2004, young drivers in Alberta were charged much higher insurance rates than older drivers. However, the laws have changed. Now new drivers begin paying insurance at a set premium, and your insurance will only increase if you have a poor driving record including speeding tickets or at-fault claims. If you maintain a clean driving record, your premiums will actually go down as you gain experience.



To learn more about automobile insurance in Alberta, visit the following website:

<http://www.autoinsurance.gov.ab.ca/>

Also read the following excerpts from *Venturing Out*:



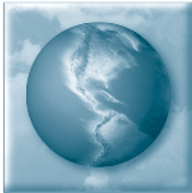
- “FAQ: Car Insurance” on page 4 provides information and advice regarding car insurance across Canada, as well as some definitions.
- “Car Collision Musts” on page 62 outlines step-by-step guidelines for what to do in the event of a car collision.

Insurance Fraud

insurance fraud: obtaining insurance benefits illegally

Many people complain about insurance rates, but few consider that part of the cost has nothing to do with them personally; instead, it is related to **insurance fraud**, for which all consumers pay. Some estimates state that each year Canadians pay more than ten percent of their premiums to cover over a billion dollars of insurance fraud.

The insurance industry bases policy premiums on the costs of doing business, and one of those costs is paying out claims. If your insurance company pays out more in fraudulent claims, then you will pay increased premiums—just as customers in a retail store pay higher prices to cover shoplifting. People who commit insurance fraud are costing honest policy holders money. Be aware that fraud exists, and report it if you see it. You can report insurance fraud anonymously by contacting Crime Stoppers at 1-800-222-TIPS (8477) or online:



<http://www.cenabcs.ca/>

Types of insurance fraud include the following:

- “padding” claims (claiming more than you are actually entitled to)
- writing false statements on insurance application forms
- making up completely false claims

Did You Know?

Staged collisions and other extreme measures taken to commit insurance fraud can seem humorous, but insurance fraud is no laughing matter. To read about some real cases, use the search term *insurance fraud* to investigate cases on the Internet.

5. Insurance fraud has been called a “victimless crime” because it does not affect individual people, only wealthy insurance companies that can afford the loss. Do you agree with this opinion? Explain why.

Compare your answer with the Suggested Responses at the end of the lesson.

Go to page 16 of Assignment Booklet 2A and respond to question 11 of Section 1.

Looking Back; Looking Ahead

In this lesson your focused on buying insurance.

Glossary

coverage: a synonym for insurance, indicating how much protection the insurance provides

deductible: the initial portion of a covered expense that must be paid by the insured person before the insurance policy pays its part of the expense

insurance fraud: obtaining insurance benefits illegally

liability insurance: insurance for what the policyholder is legally obligated to pay because of bodily injury or property damage caused by the policyholder to another person

premiums: the monthly payments to the insurance company to keep the insurance in effect

risk: a chance of harm, loss, or damage

Suggested Responses

1. The kinds of insurance you discovered in your website search could include the following:

- accident insurance
- business insurance
- contents insurance
- dental insurance
- dependent life insurance
- disability insurance
- employment insurance
- health insurance
- home insurance
- homeowner's insurance
- liability insurance
- life insurance
- mortgage insurance
- property insurance
- tenant insurance
- travel insurance
- vehicle insurance

In addition to these basic types of insurance, you may have noted special kinds like sports accident insurance, pet insurance, boat insurance, or environmental impairment liability.

2. Your list of insurable and uninsurable risks will vary, as people perceive risks differently. Insurance companies insure for fairly standard risks, such as the following:

- illness/injury
- liability
- theft
- job loss
- vandalism
- accidental death
- disaster such as flood or fire
- vehicle collisions
- wind, hail, or lightning damage
- smoke or water damage

As you categorize your list, consider risks that may be associated with each type of insurance in question 1. For example, theft, vandalism, and liability could be associated with homeowner's and vehicle insurance. Risk of illness could be associated with employment and travel insurance.

3. You can take the following actions to reduce risk in these situations:
- vehicle insurance—wear seat belts; maintain your vehicle; drive safely
 - life insurance—look after your physical health; avoid risky behaviours such as smoking
 - motorcycle insurance—wear a helmet and protective clothing; do not speed
 - tenant/homeowner insurance—install smoke alarms, a security system, and secure locks
4. Your definitions should be similar to the following:
- a. peril: the losses or damages that are covered by your insurance policy
 - b. claim: the contact you make and papers you file with your insurance company if something happens that is covered by your policy
 - c. adjuster: the person from the insurance company who examines the damage or injury you have suffered and decides what the company will pay you
 - d. replacement value: insurance coverage that gives you enough money to replace an older lost or damaged item at today's prices and not at its depreciated value
 - e. appraisal: an expert's judgment of the value of an item for insurance purposes
 - f. rider: an addition to an insurance policy that covers a particular item (perhaps something very valuable or rare) that is not covered in a general policy
5. It is possible that you disagreed with the opinion that insurance fraud has no victims. It hurts insurance companies, of course, but they pass the extra expense down to their individual clients by way of higher insurance premiums. In that way, all consumers are victims. If you own a policy, you too may be a victim of the crime of insurance fraud.

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Section 1 Conclusion



In this section you reflected on your personal goals and the resources you can access to achieve your goals. You expanded your understanding of resources—especially financial resources. You examined your consumer decisions and marketplace skills, you discussed making your money grow, and you investigated credit and insurance.

Regardless of your lifestyle or your economic circumstances, it is important that you be aware of your resources and of how to use them wisely.

In the next section you will consider how to use your resources wisely as you make the transition from living at home to living independently.

Section 2

Independent Choices

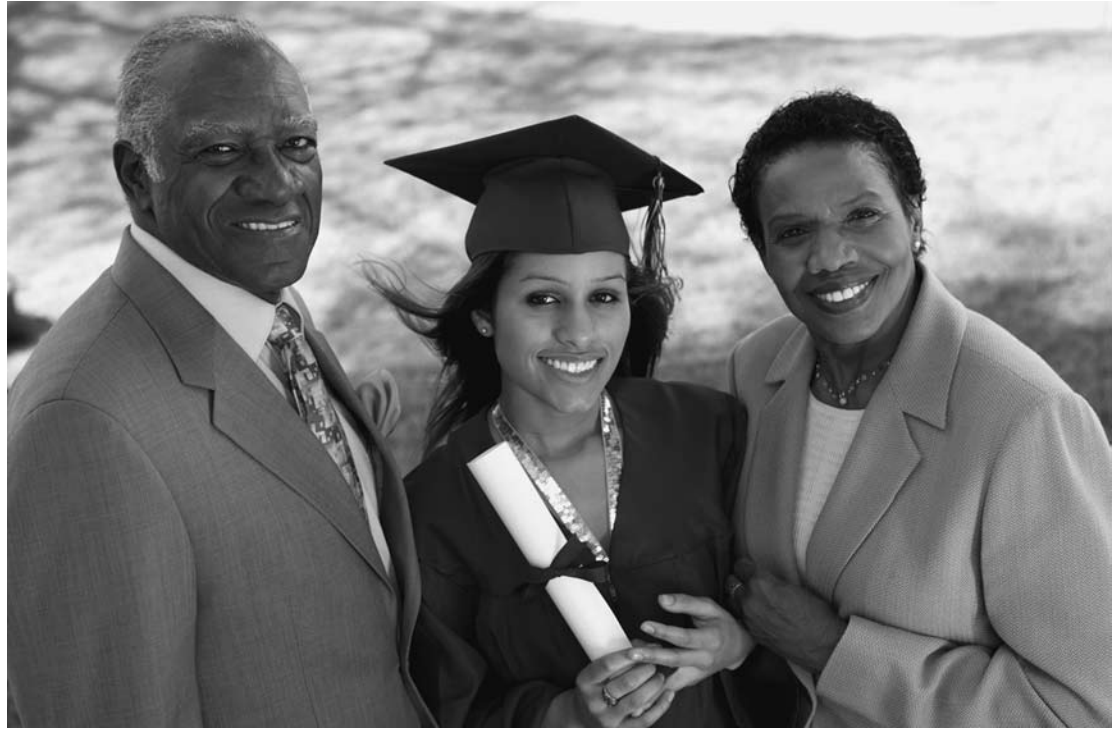


When Sofia turned eighteen she decided to move into an apartment with two friends. Though she enjoyed the freedom of living on her own, she soon came to realize the challenges of independent living. The money she made from her part-time job was not enough to pay the bills. After a few months, she ended up moving back home.

Many teens look forward to becoming independent and moving out of their family homes. However, as Sofia discovered, living independently can be challenging at first. Sofia may have been more successful living on her own if she had planned ahead and made better use of her resources.

In this section you will examine some challenges you may face when you move out on your own, and you will discover how to create a financial plan for independent living.

Lesson 1: Living Independently



When you graduate from high school, you may be faced with deciding whether to continue living at home or to move out on your own.

In this lesson you will examine why some young adults decide to live at home. You will compare the costs and responsibilities of living in a student residence with the costs and responsibilities of living in rental accommodations.

Why Some Young Adults Live at Home

Like many young people, you may dream about getting your own place and being independent. It's exciting to dream; however, it's also important to be realistic about the accommodations you will be able to afford, especially if you are a student.

When you think about moving away from home, do you picture a loft apartment near a movie theatre and your favourite coffee shop? Or maybe a condo with a great view, skylights, hot tub, swimming pool, and exercise room?

Many people who move away from home for the first time to work or study have to set their sights much lower. Student housing is more likely to be a basement apartment with a messy roommate or a student residence with a roommate who parties all night.

Instead of lounging in a hot tub, you may have to get used to the hot water running out. Instead of a great view, you could look out on a parking lot or a busy street. You may have to adjust to noise, institutional food, and people taking your laundry out of the dryer while it is still wet. No wonder some people say their first years away from home are their most memorable.



Student housing may offer you independence—but as you see, not the privacy and comfort you may be used to at home. In addition, the switch to this kind of living is expensive. With post-secondary costs rising each year, many students who attend school in their home communities are choosing to remain at home as long as possible. They find that living at home reduces stress and saves them money.

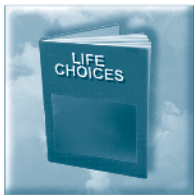
If your family can afford to help you this way—and even if you contribute financially—you could save on living expenses like rent, utilities, laundry, groceries, and transportation.

Did You Know?

Where you choose to live can save you time as well as money. When you are searching for an apartment, you will notice that those closer to post-secondary locations often cost more. In order to rent something affordable, you might end up quite far from campus. That could mean spending more time getting to your classes than attending them. If your home is close to your school, you may save both time and money by living there while you complete your education.

A 2006 report on social trends stated that more adult children in Canada are choosing to live at home with their parents. The report concluded that living at home longer is a practical lifestyle choice for many adult children; it allows them to save money, even when they contribute to home expenses. The downside of adult children living at home was identified as an increase in disagreements between parents and children about money, chores, and responsibilities.

According to this Statistics Canada study, many adult children simply continue to live at home after high school. Others—called *boomerang kids*—leave home for a time but then move back in with their families. This is what happened in the case of Sofia, who you read about at the beginning of this section.



To discover more about why some young adults move back home, read the following articles in *Venturing Out*:

- “Leaving Home” on pages 14 and 15
- “Home Again” on pages 42 and 43



1. Discuss the article “Leaving Home” with a partner or small group. List some of the problems the young people in the article experienced after leaving home.
2. Discuss the article “Home Again” with a partner or small group. How can young adults with very little income live at home and be financially considerate and fair to all involved in the household?

Compare your answers with the Suggested Responses at the end of the lesson.



For many students, continuing to live at home is not an option. They must move away to pursue post-secondary education or to obtain a job. In the remainder of this lesson, you will explore how the choice to move away from home affects financial and lifestyle choices.

Living in a Student Residence

Some students pursuing post-secondary studies choose to use on-campus food services and to live in “rez,” a furnished student residence—also referred to as a *dormitory*, or *dorm*.

Typically, residences offer double or single rooms furnished with a bed, dresser, desk, chair, and bookshelf. High-speed Internet and telephone are often available at additional cost. Students on each floor of the residence usually share washrooms and lounge areas.



3. Research the cost of living in a student residence and using on-campus food services for an eight-month academic year.
4. With a partner or small group, brainstorm some of the other expenses of students living in a furnished dormitory-style residence and eating on campus.
5. Most universities have *community standards*—rules and regulations for students living in their student residence. Research some typical rules and regulations that students living in these residences must follow.



Compare your answers with the Suggested Responses at the end of the lesson.

Living in a Rental Accommodation

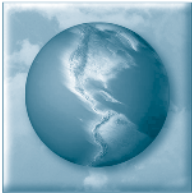
Now that you have researched the expectations for living in a student residence, you will consider another option—renting an apartment, condo, townhouse, or house.

If you decide to rent accommodations in Alberta, be aware of the following:

- In Alberta, residential tenancy agreements—often referred to as *leases*—are covered by the Residential Tenancies Act (RTA).
- The Alberta Government publishes the Voluntary Code of Practice to explain the rights and responsibilities of **tenants**, **landlords**, and agents involved in renting residential properties.

tenant: a person who pays rent to live in or on someone else's property

landlord: a person who rents property to another person



The following websites have helpful information about renting in Alberta:

- <http://www.servicealberta.ca/>
- <http://www.landlordandtenant.org/home/default.aspx>

6. Use information from these websites to answer the following questions.
- a. What is a residential tenancy agreement—also referred to as a *lease*?
 - b. What is a fixed-term tenancy? What is periodic tenancy?
 - c. What is a security deposit—also referred to as a *damage deposit*? What are some of the regulations on security deposits?
 - d. Why are move-in and move-out inspection reports mandatory?

Compare your answers with the Suggested Responses at the end of the lesson.



discretionary expense: an expense for goods and services that are either non-essential or more expensive than necessary

non-discretionary expense: an expense for goods and services that are essential

Most young adults who have been living at home or in a student residence are surprised to discover that renting an apartment or house involves a long list of expenses. When considering these expenses, you will want to distinguish between a **discretionary expense** and a **non-discretionary expense**.

Non-discretionary expenses are connected to your needs. Food and heat are examples of non-discretionary expenses. Discretionary expenses are connected to your wants. Entertainment and restaurant meals are examples of discretionary expenses.

fixed expense:
an expense
that generally
remains the
same from one
billing period
to the next



**flexible
expense:**
an expense
that changes
from one
billing period
to the next;
also called
a variable
expense

You will also want to distinguish between a **fixed expense** and a **flexible expense**. Fixed expenses generally remain the same for each billing period; rent and car payments are examples. Flexible expenses fluctuate from one billing period to another—sometimes by a lot, sometimes by a little. Telephone and fuel costs are examples of flexible expenses, sometimes referred to as *variable expenses*.

7. With a partner or small group, brainstorm some of the costs of living in a rental accommodation. Then discuss whether each expense is non-discretionary or discretionary, fixed or flexible.

Compare your answer with the Suggested Responses at the end of the lesson.

The Issue of Roommates

To cut costs, many young adults share rental accommodations with roommates.



To see what can happen when students decide to share rental accommodations, view Segment 15: Moving Out on your Student Support CD.

8. With a partner or small group come up with a list of questions you can ask potential roommates to assess your compatibility with them.

Compare your answer with the Suggested Responses at the end of the lesson.





Several articles in *Venturing Out* provide other helpful tips on how to make a successful transition to independent living. Read the following articles:

- “Leaving the Nest” on pages 34 and 35
- “Rules of the Road When Setting Up” on page 38
- “How to Choose, Keep, or Lose a Roommate” on pages 68 and 69
- “Ten Tips for Living on Your Own” on page 69

Note: “Rules of the Road” on page 38 comes from a 1995 newspaper, so the costs quoted are no longer current. The basic information in the article is still sound, but most prices have probably increased—with the exception of the federal GST, which has decreased since this article was written.



9. With a partner or small group, brainstorm a list of factors to consider when choosing a rental accommodation.

Compare your answer with the Suggested Responses at the end of the lesson.

Go to page 1 of Assignment Booklet 2B and respond to questions 1, 2, and 3 of Section 2.

Looking Back; Looking Ahead



In this lesson you considered some of the lifestyle and financial choices that you must make when you venture out on your own. In the next lesson you will examine how to create a financial plan for independent living.

Glossary

discretionary expense: an expense for goods and services that are either non-essential or more expensive than necessary

fixed expense: an expense that generally remains the same from one billing period to the next

flexible expense: an expense that changes from one billing period to the next; also called a *variable expense*

landlord: a person who rents property to another person

non-discretionary expense: an expense for goods and services that are essential

tenant: a person who pays rent to live in or on someone else's property

Suggested Responses

1. Some of the problems the young people interviewed in the article experienced after leaving home include the following:
 - an untrustworthy roommate who steals
 - acute anxiety leading to insomnia
 - partying too much
 - finding dependable roommates
 - making enough money to cover expenses
 - endless requests for rides if you have a car
 - disagreements about cleanliness
 - disagreements about food
 - separating needs from wants
2. Young adults who live at home and have very little income can do several things to be financially considerate and fair to all involved in the household. They can contribute their personal resources to the family in lieu of, or in addition to, financial resources. For example, they can share in family responsibilities, such as household chores. They can be considerate about the way they interact with family members. For example, they can ensure that others know if they are not coming home for a meal, or they can take turns making meals.
3. Responses will vary depending on when the data is collected. Most colleges and universities provide information about student housing and meal plans on their websites. In addition, the following website gives information on many Canadian Universities:

http://www.aucc.ca/can_uni/our_universities/index_e.html

4. Following are some other expenses of living in a furnished residence and eating on campus:

- tuition and other fees
- books and educational supplies
- telephone and Internet
- hygiene and grooming products
- transportation
- entertainment
- gifts
- clothing

5. Responses will vary. Generally, community standards are meant to encourage order and co-operation. Following are examples of community standards:

- Residents shall not make noise loud enough to disturb roommates or neighbours.
- Residents shall not enter other residents' units or rooms without consent of the legal tenants.
- Residents shall not smoke in the residence.
- Residents shall not have open alcohol in public areas, except where authorized by alcohol permit.
- Residents shall not damage, remove, or destroy property not belonging to them.
- Residents shall not tamper with fire and security equipment.

6. a. A residential tenancy agreement is a written contract between a landlord and tenant that states how much the rent is, what the landlord's rules are, and how long the rental agreement will be in effect. If the landlord has promised to make any repairs or changes, these promises should also be written in the residential tenancy agreement.
- b. A fixed-term tenancy is an agreement that begins on a specific day and ends on a specific day. A periodic tenancy is an agreement that ends automatically at the end of each week, month, or year and then starts again automatically at the beginning of the next week, month, or year.
- c. A security deposit, sometimes called a damage deposit, is something of value, usually a sum of money, that a tenant pays a landlord before moving in. It must not be more than the amount of the first full month's rent. The landlord keeps the money in case you, as tenant, damage the property, do not pay the rent, or leave without cleaning properly. If you do no damage, pay the rent, and clean the house or apartment when you leave, the landlord must return the money with interest after you move out.
- d. Move-in and move-out inspection reports are mandatory to protect the interests of both tenants and landlords. These reports record the condition of residential premises before tenants move in and after they move out. If damage other than normal wear and tear has occurred, the landlord can deduct the costs from the security deposit.

Following are two examples of normal wear-and-tear situations for which deductions from the security deposit are not allowable:

- professional shampooing of rugs or drapes when there is no obvious dirt or staining
- slightly scratched kitchen counters

7. The expenses you identified will vary. Following is a sample response:

When you move into a new rental accommodation, you will have start-up costs. For example, you may need to furnish the rental accommodation and possibly pay moving expenses. In addition, you will most likely have to pay a security deposit and connection fees for electricity and phone. **Note:** If you do not pay your utility bills promptly, these services may be disconnected and you will be charged an additional fee for connecting them again.

As well as start-up costs, you will have expenses that occur on both a regular and an irregular basis. These could include telephone, Internet, cable TV, groceries, insurance, school supplies, transportation (public or private), laundry, eating out, entertainment, gifts, clothing, and grooming products. **Note:** Some rental accommodations include the cost of utilities (such as electricity, heat, and water) and garbage collection in the monthly rent; others do not include these.

The following list places these recurring expenses into categories:

- cable TV: discretionary, fixed
- clothing: non-discretionary, flexible (Basic clothing is non-discretionary; expensive clothing is discretionary.)
- eating out: discretionary, flexible
- entertainment: discretionary, flexible
- garbage collection: non-discretionary, fixed
- gifts: discretionary, flexible
- groceries: non-discretionary, flexible
- grooming products: non-discretionary, flexible (Basic products are non-discretionary; expensive products are discretionary.)
- insurance: discretionary, fixed (Some types of automobile insurance are non-discretionary.)
- Internet: discretionary, fixed
- laundry: non-discretionary, flexible
- long-distance telephone calls: discretionary, flexible
- rent: non-discretionary, fixed (Accommodation is non-discretionary; luxury accommodation is discretionary.)
- school supplies: non-discretionary, flexible

- telephone (not including long distance): non-discretionary, fixed
- transportation (public or private): non-discretionary, flexible (Basic transportation is non-discretionary; owning a vehicle or a luxury vehicle may be discretionary.)
- utilities (electricity, heat, water): non-discretionary, flexible

8. Following are some possible questions to ask potential roommates:

- Have you ever had a roommate before?
- What if anything bothered you about past roommates?
- Have you had any credit problems?
- Do you smoke, drink, or do drugs? If yes to any, how often?
- Do you stay out late on weekdays?
- Do you have friends or family who will be staying here frequently?
- Do you have any pets?
- What do you like to watch on television?
- What music do you listen to? How loud do you like your music?
- Do you know how to cook? What kind of food do you like?

9. Following are some of the factors to consider when choosing rental accommodation:

- location (closeness to place of study or work; closeness to shopping and recreation)
- transportation (parking availability or closeness to public transportation)
- safety and security (door locks, windows, alarm systems, buzzer entry)
- amenities (size, appliances, plumbing, lighting, heating, closets, storage, decorating)
- condition and maintenance of the rental unit
- financial aspects (amount of rent, length of lease, security deposit, utility costs)
- landlord (friendly, respectful, approachable, helpful)

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Lesson 2: Creating a Budget



In the previous lesson you thought about living independently, and you began thinking about what living on your own might cost you. In this lesson you will examine how to create a financial plan for independent living and you will discuss why a **budget** is important. You will also consider issues surrounding budgets.

budget: an itemized summary of probable income and expenses for a given period of time

Why a Financial Plan Is Important



Many people think that financial planning is all about retirement. However, budgets are important at all stages of your life. The following article answers these questions: What is a budget? Why budget? Who should budget?

Budget, Budget

What Is a Budget?

Don't be intimidated by the "B" word. It's simply an organized way of managing your money. It can be as simple or as complicated as you wish. Basically, it gives you an overall picture of where your money is coming from, when it's coming in, and how it's being spent. Above all, a budget should be flexible, changing according to your situation.

Why Budget?

You work hard for your money, so you want to get the most from it. Budgeting helps you afford short-term goals like buying clothes, going to the movies, or taking a friend to that trendy new restaurant. It's also useful for long-term financial goals like buying a home, a car, paying for an education, a wedding, or a holiday. When you take control of your financial affairs, you're more confident about the future.


Who Should Budget?

Everyone. A budget is key to financial control. It gives you a snapshot of where you stand financially and where you're headed. Don't rely on anyone else to do your budgeting—take control of your own finances. A budget makes you realize the importance of saving and how challenging it can be sometimes to achieve your own personal goals. You have to start somewhere, so budget to buy that new mountain bike or pair of roller blades.



¹ Canadian Bankers Association, 2001. *Budget, Budget* (Ottawa: Canadian Bankers Association, 2001), <<http://www.yourmoney.cba.ca/eng/tsamprogram/budget/index.htm>> (19 April 2002). Reproduced by permission.

Issues Surrounding Budgets



When it comes to finances, some people find it difficult to budget. Following are some of the issues surrounding budgets.

Getting Started

Some people hesitate to start a budget because they think it will be time-consuming, difficult, or boring. What do you think? In fact, you will find that budgeting is easy and it takes only minutes. As for boring, budgeting is simply planning what to do with your money, and that can even be fun!

Your budget is personal, so make it fun; include some of your favourite themes and activities. Are you interested in music, sports, fashion, or animals? What is your favourite colour? Do you like reading? Apply your personal touch by choosing some activities from the following list:

- Computer activities
 - Buy budgeting software, or search the Internet for free material.
 - Design your own electronic budgeting system.
 - Enter your budget information electronically.
- Art and craft activities
 - Customize a budget binder, notebook, folder, or file for your receipts.
 - Write each category of your budget in a different colour ink.
 - Illustrate pages and section dividers for your budget book.
- Learning activities
 - Explore the money section of a library, bookstore, or newsstand.
 - Monitor financial news in the media—TV, radio, and newspapers.
 - Read financial articles on the Internet and in magazines.
 - Gather free brochures from financial institutions.

*template:
a model
or pattern
to copy; a
computer file
that stores a
document's
format and
styles*

- Organizing activities
 - Go to a stationery store and select a ledger book with columns and lines.
 - Create your own budget **template** based on samples from books or websites.
 - Sort your receipts in a system of file folders, boxes, bins, or envelopes.

Getting the Facts

You need your monthly income and expenses to write your budget. If you are just starting out you can use your first month to collect that information.

For your first month, carry a notepad and record all the money you receive or spend. Do normal activities, but keep track of every financial transaction. If you receive a pay stub, write down the figures for salary and deductions. If you get a student loan and pay tuition and residence fees, record those. If you live at home, list your allowance and how you spend it.

Just watch where your money goes; do not judge whether it should go there or not.

Following is Jamal's record-keeping month as an example.

<i>October</i>	<i>1</i>	<i>advance on allowance</i>	<i>+\$20.00</i>
	<i>6</i>	<i>gym fee (cheque # 12)</i>	<i>-\$15.00</i>
	<i>14</i>	<i>chips, drinks (vending machine)</i>	<i>-\$5.50</i>
	<i>15</i>	<i>October allowance (remainder)</i>	<i>+\$80.00</i>
	<i>16</i>	<i>hockey game, burger</i>	<i>-\$13.25</i>
	<i>17</i>	<i>birthday gifts received (cash)</i>	<i>+60.00</i>
	<i>18</i>	<i>new CD (credit card)</i>	<i>-\$17.67</i>
	<i>30</i>	<i>gas up and wash Mom's car</i>	<i>-\$31.71</i>

Understanding Your Financial Situation

At the end of your first month, list your income on one side of a page and your expenses on the other. Total both columns and subtract your expense total from your income total to see how they balance. Following are Jamal's calculations.

Income		Expenses	
advance on allowance	\$20.00	gym fee	\$15.00
monthly allowance	\$80.00	snacks	\$5.50
birthday gifts	\$60.00	hockey game	\$13.25
		CD	\$17.67
		gas, car wash	\$31.71
Total	+ \$160.00	Total	- \$83.13



Balance	
Income	\$160.00
Expenses	- \$83.13
Difference	+ \$76.87

Do you see how Jamal had \$76.87 left at the end of October? That is his picture for one month. It will not be accurate for every month, but it is a tool to start his budget. Do the same calculation with your numbers. Then compare your sample month to your “big picture.” Think back and ahead to the rest of your year:

- Review your cheque book and monthly bank or credit-card statements.
- Look for hidden amounts like bank fees and interest payments.
- Write down your payment schedule for regular bills like Internet or cell phone.

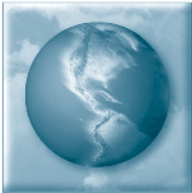
Ask yourself: Is every month the same? Do I have large expenses like tuition or annual costs like car insurance that I pay monthly? Do I buy gifts in certain months? Do I have a schedule for saving? Do I have a lot left over? Did I get any surprises?

Some people are shocked to notice bills piling up, or small amounts trickling away, or huge amounts accumulating in bank accounts. What did you learn about your financial situation? If you learned that you had “too much month left at the end of your money,” you will discover practical help as you continue this lesson.

Finding a System That Works for You

Once you have your numbers, you can create your budget. Whether you choose computer spreadsheets or paper charts, you need a *template*—a basic page to copy for each month. When each page looks alike, you know what to expect, your budget is easy, and you can quickly total monthly amounts.

You will find sample budget templates online, in software, or in books, or you could design your own. As your needs change (for example, if you go to university, change jobs, or get married), you can adapt your template to suit.



To view a basic budget template, click the *Make a Budget* tab on this website:

<http://moneyproblems.ca/>

Create your budget template on the computer, in a notebook, or on loose-leaf paper. To use the basic one shown below, make a short top section for Income and a longer bottom section for Expenses. Draw four columns titled Items, Budget, Actual Amount, and Difference. Customize your system as follows:

Items	Budget	Actual	Difference
Income			
Total Monthly Income			
Expenses			
Total Monthly Expenses			

- **The Items column.** Estimate your income and expense items for the next year. If you are a student living at home, you might list allowance income and hobby expenses. If you are working, you might list employment income, rental expenses, and taxes. Leave some empty lines below both Income and Expenses to add unexpected items during the year.
- **Monthly pages.** Once your Items column is complete, make 12 copies of your template page. Label one page for each month.
- **The Budget column.** Use what you have learned about your personal financial situation to forecast your income and expenses, month by month, for the next year.

After a few months you will notice a pattern emerging. Projecting your spending then gets easier and easier—but remember, your budget is not “set in stone.” You may need to make adjustments, such as rent increases, as the year goes on.

Paying Yourself First

An important budget concept is planning for savings, or “paying yourself first.” Spending every dollar you get could feel like paying yourself, but how will you cover unplanned costs like car repairs or rent increases? What will you do when you need money for an education, a trip, a vehicle, or a house? As you consider your expenses for each month, paying yourself first should be at the top of your list.



Working with Your Budget

You will encounter the following as you work on your budget:

- **Items paid once a month.** Enter expenses such as rent or utilities in the Actual Amount column beside your corresponding Budget column entry.
- **Items purchased several times a month.** Save receipts such as food or gasoline in files, envelopes, or boxes, and total them once a month. Transfer the monthly total to your Actual Amount column.
- **Receipts and bills.** Match these with credit-card or bank statements, and pay your bills monthly.
- **Your Difference column.** Complete this monthly if you are not using a software program that calculates automatically.
- **Lines where you have no expenses.** Enter zero when this happens. For example, if your budget shows student fees and transit pass during the university year, enter “0” for those items during the summer months.

Staying on Budget

Staying on budget means spending close to the amount you budget in each category. If you find yourself struggling to do that every month, you could be trying to control your spending with a budget that is too “tight.”

Did You Know?

A tight budget does not leave room for flexible or unexpected expenses. Don't be discouraged if your budget is that way at first. Budgeting is a new skill and you need time to get it right. You did not learn to read or swim or drive in a day, did you? Part of staying on a budget is re-assessing when it is not working.

The following budget questions can help you determine what you need to change:

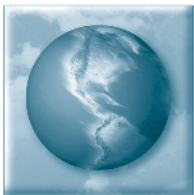
- Did you set realistic figures for categories that rise and fall, such as food or personal-care items? It is possible you budgeted too little. Perhaps the month you kept records was not a typical month. For example, maybe you did not spend much on groceries because your mom gave you food from home. Set a higher budget amount, now that you know your real expenses.
- Did you set your savings goal too high? Saving is good to a point, but if you are running short in other areas, maybe you should lower your savings plan until your income rises or your expenses go down.
- Are you being too hard on yourself? If you did not budget for fun as well as bills, you will feel guilty when you go out with friends, and your money is not meant to cause that. You do need to socialize. If your money is restricted, try some low-cost entertainment ideas from the websites that follow.
- Are all your expenses reasonable? For example, perhaps you took on rent or car payments that are too high for your income. If so and you are willing to live with it, be sure the rest of your budget reflects that with realistic numbers.
- Do you constantly borrow money, spend your savings, charge interest on credit cards, or otherwise fall behind each month? Then you may have to face hard choices: Where can you cut back—clothing, cell phone, gas, meals out? Could you carpool, ride public transit, carry a bag lunch, or find a roommate to share expenses? Have you items you could sell? The websites that follow offer many more practical suggestions to help you stay on budget.

Reviewing Your Budget

Staying on budget includes reviewing your financial plan periodically. Many students say the best use of their budget is allowing them to re-examine their expenses and separate the essentials from the non-essentials.

For example, if your parents were supporting you but now you are independent and on a limited income, you might reconsider expenses you took for granted at home. You may willingly give up ski weekends, cable TV, pets, or weekend shopping in order to buy groceries or pay your heating bill!

About twice a year, check that you are keeping up your savings and not overspending. If you spend more than your income on a regular basis, you need to increase your income or trim your expenses. What are the chances of increasing your income? For most people, trimming expenses is a more realistic option. Fortunately, there are many books and websites to help you do this.



Explore the following websites for links, personal-profile quizzes, and cost-cutting ideas designed especially for young people:

- There's Something About Money (Canadian Bankers Association)
<http://www.yourmoney.cba.ca/>
- Red Deer College
<http://www.rdc.ab.ca/>

Click on Current Students, then Budgeting Information, then scroll down and click on Budget Worksheet.

You do not have to wait for January to start your budget. It can begin any month; it might also end any month. Budget changes could happen when you adapt your budget template to fit life changes. For example, you may need a student budget from September to June and then a work budget that starts in July with a full-time job.



View Segment 16: Meeting Financial Goals on your Student Support CD. This segment reviews budgeting strategies such as keeping track of expenses, setting up a spending plan, and paying yourself first.

Before you create your own budget, get some practice with someone else's money. Read the following case study and answer the questions that come after it.

Gabrielle works part-time at a greeting card company and part-time at a deli. The net monthly income from her first job is \$600. The net monthly income from her second job is \$800.

Her planned fixed monthly expenses include:

- \$200 for rent (she shares an apartment with two friends)
- \$220 for car payment
- \$175 for car insurance

Her planned flexible expenses include:

- \$100 (to save for going to trade school)
- \$150 for food
- \$40 for gas and oil
- \$50 for clothes
- \$60 for entertainment
- \$30 for personal items

How her month actually went

What she actually made in income:

- Gabrielle's net monthly income from her first job was \$600. The net monthly income from her second job was \$800. In addition, Gabrielle made \$45 in overtime pay this month.

What her fixed expenses actually were:

- Rent went up to \$225, starting this month.
- Her monthly car payment was \$220.
- Her monthly car insurance premium was \$175.

What her flexible expenses actually were:

- \$190 for food (she had a dinner party for which she hadn't budgeted)
- \$60 for gas and oil (her car needed an oil change)
- \$34 for parking
- \$220 for car repairs
- \$80 for a new pair of running shoes
- \$70 for entertainment
- \$60 for personal items
- \$36 for a birthday present for her mother

Unforeseen events:

Gabrielle got two speeding tickets in one week. The total cost of both tickets is \$230.

¹“Rework a Budget” in The Art of Budgeting, *Practical Money Skills for Life*. VISA U.S.A. 2000-2007, <http://www.practicalmoneyskills.com/english/pdf/teachers/lev_3/lesson_03/3_5.pdf> (15 May 2007). This material has been reproduced with the permission of Visa Canada Association (“Visa”). Any other use of this material is expressly prohibited without permission from Visa. Visa® is a registered trademark of Visa International Visa. Visa Canada is a licenced user.

1. Recreate the following chart in your notebook. Then use Gabrielle's information to complete her budget.

Items	Budget	Actual	Difference
Income			
Job 1			
Job 2			
Other			
Total Monthly Income			
Expenses			
Fixed Expenses			
Rent			
Car Insurance			
Car Payment			
Flexible Expenses			
Savings			
Food			
Transportation			
Gas and Oil			
Parking			
Repairs			
Personal			
Clothing			
Entertainment			
Personal Items			
Gifts			
Other			
Total Monthly Expenses			

2.
 - a. What is the difference between Gabrielle's planned and actual expenses?
 - b. In what areas did Gabrielle overspend?
 - c. In what areas did she spend less than she planned?
 - d. How much did she spend for her car? How much did she budget for that?
 - e. How much money did she have at the end of the month to put into savings?

Compare your answers with the Suggested Responses at the end of the lesson.

Gabrielle planned to save \$100 for her goal of trade school, but she had a dinner party for which she did not budget. This may indicate a lack of commitment to her goal. Financial experts agree that the most important element of financial planning is personal commitment. It takes time, attention, and effort to follow through on financial choices. Once you move out on your own, this commitment is twice as important. If you miss a bill or forget to pay rent, that could have disastrous consequences, including a poor credit rating or eviction from rental accommodation.

If you say that financial planning is important, but there is always something more demanding, the commitment is not there. If you always put your plan aside, it does not matter how good your intentions are, your financial plan will not succeed.



Another budgeting error of Gabrielle's was failing to plan for unexpected expenses. In her case, it was speeding tickets, an oil change, and a rent increase. Financial experts advise that you have a cash reserve—an emergency fund—set aside for unexpected expenses. Your emergency fund may not cover a whole *budget buster*—an unexpected expense that wrecks your plan; it depends on how much you have saved. If you have at least some money on hand, that is better than having none at all.

3. Gabrielle budgeted for car payments, but she failed to budget for an oil change or parking. Brainstorm a list of expenses that you need to budget for when you maintain and operate a vehicle.
4. Suggest some actions that Gabrielle could take in the next two or three months to cut back her expenses, balance her budget, and help make up for the debt she incurred this month.

Compare your answers with the Suggested Responses at the end of the lesson.



One final issue in financial planning is debt. For more specific information on debt and setting up budgets, read the following articles in *Venturing Out*:

- “What Are You Waiting For?” on pages 11 and 12
 - “Building a Budget” on pages 80 and 81
 - “A Budget Fails Because . . .” on page 82
5. The article “What Are You Waiting For?” compares the cases of Joe and Sally. Each lives at home and works at Wal-Mart. What do these two cases illustrate about the effect of debt on a budget?
 6. A working budget provides a person with the information to control and even alter spending. Give some tips for making budgets more helpful.
 7. What are four reasons why a budget could fail?

Compare your answers with the Suggested Responses at the end of the lesson.

Go to page 10 of Assignment Booklet 2B and respond to question 4 of Section 2.

Looking Back; Looking Ahead



In this lesson you were introduced to budgeting. In the Assignment Booklet you will create a personal budget.

Glossary

budget: an itemized summary of probable income and expenses for a given period of time

template: a model or pattern to copy; a computer file that stores a document's format and styles

Suggested Responses

1.

Items	Budget	Actual	Difference
Income			
Job 1	\$600	\$600	
Job 2	\$800	\$800	
Other		\$45	
Total Monthly Income	\$1400	\$1445	+ \$45
Expenses			
Fixed Expenses			
Rent	\$200	\$225	\$25
Car Insurance	\$175	\$175	\$0
Car Payment	\$220	\$220	\$0
Flexible Expenses			
Savings	\$100	\$0	– \$100
Food	\$150	\$190	\$40
Transportation			
Gas and Oil	\$40	\$60	\$20
Parking		\$34	\$34
Repairs		\$220	\$220
Personal			
Clothing	\$50	\$80	\$30
Entertainment	\$60	\$70	\$10
Personal Items	\$30	\$60	\$30
Gifts		\$36	\$36
Other		\$230	\$230
Total Monthly Expenses	\$1025	\$1600	\$675

2.
 - a. Gabrielle budgeted for expenses totalling \$1025. Her actual expenses added up to \$1600 for a difference of \$675, and that is without putting anything away in her savings.
 - b. Gabrielle overspent in the areas of rent, food, transportation, clothing, entertainment, gifts, and personal items. She also spent for unexpected speeding tickets.
 - c. She spent less than she planned to on savings.
 - d. In total this month for the use of her car—including speeding tickets—she spent \$939. She had budgeted \$435.
 - e. She had no money at the end of the month to place in savings. In fact she appears to be in debt.
3. Budget expenses related to owning a vehicle can include the following:
 - purchasing or leasing a vehicle
 - insurance and registration
 - operation and maintenance (fuel, oil changes, tires, repairs)
 - driver’s licence
 - parking and toll charges
4. The actions you suggested to help Gabrielle will vary. Did you suggest any of the following?
 - try to work more overtime hours
 - host a pot-luck meal instead of a dinner party
 - take public transit instead of using her car
 - find free or low-cost entertainment activities
 - make gifts instead of buying them

If Gabrielle takes these actions for a few months, she should be able to get out of debt and meet her savings goals.

5. “What Are You Waiting For?” shows that having a large debt load will drive your budget. Because he is saddled with debt, Joe is unable to make any plans to save for the future. Without any debt, Sally can easily budget to save, and her future is more secure as a result.
6. Following are some tips to make budgets more helpful:
 - Record expenses regularly in order to track what you spend.
 - Be clear and accessible so that the budget can be referred to easily.
 - Review the budget regularly to see if it is on target with your plans.
 - If necessary, make changes to the budget so that it is more realistic.

7. You may have identified some of the following reasons. A budget can fail if it

- is too complicated
- has confusing categories
- is not taken seriously
- is too tight
- includes inaccurate expense estimates
- does not present a realistic picture of an individual's spending
- is not recognized as being important
- has never been tried before it is needed
- is used by a person with a negative attitude toward budgeting
- contains inaccurate spending records

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Section 2 Conclusion



In this section you examined some of the challenges you may face when you move out on your own. You also discovered how to create a personal financial plan for independent living.

You have many choices to make when you begin living and working on your own. Supporting yourself requires paying close attention to your financial affairs. Whether you live at home, in a student residence, or in a rented apartment—and whether you decide to work, travel, or go to college, vocational school, or university—financial planning will help ensure your future success.

Module Summary



Are you ready to live independently with the resources you have? Now that you have completed this module you should realize what it costs financially to live, whether on your own or with your family.

In this module you explored important issues surrounding management of your personal resources. In Section 1 you examined your goals and resources—especially financial resources. In Section 2 you focused on independent choices and the skills to live well on your own. You discovered that realistic and intelligent management of personal resources allows you to fill your needs and have money left over for wants, savings, and investments. There is no secret formula for managing personal resources, but it helps to know basic principles of financial planning, consumerism, and independent living. With effective resource management, you can make your lifestyle what you want it to be.

Your personal resources are important. Responsible resource decisions reflect your personal values and goals and show commitment to your own well-being and that of others. Financial planning, wise consumerism, and independent living skills enhance your well-being and help you do what you want to do, go where you want to go, and live in the most satisfying way possible.

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