FINANCIAL LITERACY BASICS

FOR ADULTS

Métis Nation of Ontario

Financial Literacy Program

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INTRODUCTION

WELCOME to Financial Literacy Basics, the financial literacy manual created by the Métis Nation of Ontario to help Métis Citizens better develop their understanding of financial basics and promote independence in their financial futures.

This manual will cover basic financial literacy topics such as budgeting, managing expenses, credit and debt, saving and investing, setting financial goals, protecting your financial future, and programs and resources available to Métis Nation of Ontario (MNO) citizens. By the end of this manual, you'll have a better understanding of:

- The importance of developing your financial literacy
- How to create a budget
- How to successfully manage your expenses
- What credit is and how to use it responsibly
- Saving and investing strategies
- How to set S.M.A.R.T financial goals
- How to protect your financial future

What is Financial Literacy?

Financial literacy is having the knowledge, skills and confidence to make responsible financial decisions independently.

Having a strong understanding of your personal finances empowers you to navigate the ever-changing financial world we live in. It allows you to make informed decisions about what financial solutions are available and which options are best-suited to your needs. Developing your financial literacy positions you to plan ahead and use your hard-earned dollars in the best way possible to meet your goals.

The MNO Financial Literacy Program will work with citizens in a one-on-one manner to address financial literacy questions and help to improve your overall financial situation. The goal is to:

1. **Increase awareness** of basic financial literacy topics
2. **Provide support** to MNO citizens seeking assistance developing their financial well-being
3. Ensure the MNO citizenship understands and has access to programs, supports, and services that **promote overall financial well-being**.

BUDGETING

What is a budget?

BUDGET: a **spending plan** of how your income will be spent over a set period of time

BUDGETING: the **process** of creating this spending plan

A personal budget can be created for daily, weekly, monthly, or annual timelines.
In most cases, it's beneficial to have budgets for each of those time periods so you can track unexpected expenses and plan your future budgets accordingly.

Components of a Budget

INCOME: This is the most basic element of a budget. Income represents how much money you make, and can come from a variety of sources. There are two income terms to know: *gross income* and *net income.*

- **Gross income** is the amount of money you receive *before* deductions.
- **Net income** is the amount of money you receive *after* deductions.

****Net Income is the amount to be used in your budget****

FIXED EXPENSES: These are the expenses that don't change readily and you have little control over, such as your rent, mortgage, or insurance payments.

EMERGENCY FUND: This part of your budget is for the unexpected. Plan for a portion of your income to be put into an "emergency fund" to cover unexpected costs, like a broken-down car or a replacement refrigerator.

SAVINGS: Every successful budget includes part of your income being put towards savings that remain untouched and grow over time. **Note:** savings are <u>different</u> and <u>separate</u> from your emergency fund.

FLEXIBLE EXPENSES: These expenses change each month and you are mostly in control over how much you spend on them. They often represent the things that you *want*, but don't necessarily *need*, such as take-out meals or entertainment costs.

> "A budget is telling your money where to go
> instead of wondering where it went"
> – John Maxwell

In this section, we'll learn how to create a budget based on monthly net income and expenses. Work your way through Steps 1 to 5, and use the My Budget template provided on PAGES 7 and 8 to create your own personal budget. You can print off copies to make changes if needed.

STEP 1: DETERMINE INCOME

To create a successful budget, you first have to know how much income you have to allocate. Remember, net income is the income *after* deductions (such as pension, benefits, or employment insurance).

To determine your monthly **net income**, identify **how much** and **how often** you get paid. Consider income you receive from all sources to determine your total monthly net income.

For payments you receive weekly, bi-weekly, quarterly, or annually, use the chart below to convert various payment frequencies into monthly amounts. Monthly income can be used exactly as received. Enter your net monthly income into the My Budget sheet on PAGE 7.

FREQUENCY	CALCULATION TO CONVERT TO MONTHLY AMOUNT
Weekly	Payment amount x 52 ÷ 12 = monthly amount
Bi-Weekly	Payment amount x 26 ÷ 12 = monthly amount
Quarterly	Payment amount x 4 ÷ 12 = monthly amount
Semi-Annually	Payment amount x 2 ÷ 12 = monthly amount
Annually	Payment amount ÷ 12 = monthly amount

STEP 2: TOTAL FIXED EXPENSES

Once you have determined your *monthly net income*, the next step is to identify your fixed expenses. Fixed expenses are the things you *need* to pay for. They change infrequently, you have little control over them, and they are your priority expenses.

Fill out your FIXED EXPENSES on the My Budget sheet on PAGE 7. Fixed expense ideas are included on this sheet for your reference.

STEP 3: SAVINGS CONTRIBUTIONS

Determining and prioritizing how much you want to save towards your financial goals is the key to meeting those goals. In this step, determine:

1. What it is you're saving for
2. How much it will cost
3. How long you have to save for it

You can have more than one savings goal. In fact, it's a good idea to have both short- and long-term savings goals. For example, you could be saving up for a down payment on a home (short-term) but also saving for retirement (long-term). Fill out the top green portion of the SAVINGS AND EMERGENCY FUND section on the *My Budget* sheet on PAGE 7 to record your monthly savings contributions required.

STEP 4: EMERGENCY FUND

Building and maintaining an EMERGENCY FUND is a necessity to feeling financially secure. Your emergency fund differs from savings in that it's used only when unexpected costs are incurred or you experience changes in your income. Most experts suggest having **3-months' salary** in your emergency fund. If you don't have an emergency fund yet, determine how much you need and include this in your budget.

Fill out the bottom yellow portion of the SAVINGS AND EMERGENCY FUND section on the *My Budget* sheet on PAGE 7 to record your monthly emergency fund contributions required.

STEP 5: FLEXIBLE EXPENSES

Now it's time to consider your FLEXIBLE EXPENSES. *Reminder*: these are the expenses that change month to month. They often represent the things that you *want*, but don't necessarily *need.* We must budget for some of these *wants* to ensure that we have a quality of life that will keep us happy and motivated. Some of these expenses, like grocery and clothing costs, can be things we need, while other times are considered things we want.

Fill out your FLEXIBLE EXPENSES on the *My Budget* sheet on PAGE 8. Flexible expense ideas are included on this sheet for your reference. This list isn't completely inclusive, so make sure to think of other expenses you have and include them in your personal budget.

STEP 6: CALCULATE AND ADJUST

Transfer your total income and expenses to the final chart on the *My Budget* sheet on PAGE 8. Subtract each expense from your monthly net income to determine if you have a monthly SURPLUS (positive number) or a DEFICIT (negative number). A surplus means you have additional money to allocate to where you may need it, whereas a deficit means you must adjust your budget to make it work for you.

My Budget

Income

NET MONTHLY INCOME:	$
OTHER MONTHLY INCOME: (i.e. income from Canada Child Benefit, investment income, gifts)	$
TOTAL NET INCOME (A) = (add all monthly income amounts)	**$**

Fixed Expenses

HOUSING	Rent or Mortgage	$
	Property Tax	$
	Strata/Condominium Fees	$
	Other:	$
UTILITIES (use average monthly amounts)	Heating	$
	Electricity	$
	Water	$
	Other:	$
LOANS	Vehicle Payment	$
	Student Loan	$
	Other:	$
INSURANCE	Auto	$
	Home/Property	$
	Life/Disability	$
	Other:	$
FAMILY RESPONSIBILITIES	Childcare	$
	Child/Spousal Support	$
	Other:	$
TELECOMMUNICATIONS Note: some telecommunications may be negotiable, and a source of budget flexibility	TV/Cable/Satellite	$
	Phone (mobile and/or landline)	$
	Internet	$
	Other:	$
	TOTAL FIXED EXPENSES (B) = (add all monthly fixed expense amounts)	**$**

Savings and Emergency Fund

SAVINGS GOAL	TOTAL SAVINGS NEEDED ÷ TIME FRAME =	CONTRIBUTION REQ'D
Example: Retirement	*$100,000 ÷ 240 months =*	*$416/mo.*
		$
		$
EMERGENCY FUND (suggested 3-mo. salary)		$
	TOTAL SAVINGS CONTRIBUTIONS (C) =	**$**

Flexible Expenses

FOOD	Groceries	$
	Takeout Food/Beverages	$
	Other:	$
PERSONAL CARE	Items (toiletries, laundry, etc.)	$
	Services (haircuts, nail care, etc.)	$
	Clothing/Footwear	$
	Other:	$
HOUSEHOLD EXPENSES	Cleaning	$
	Maintenance (indoor and outdoor)	$
	Other:	$
TRANSPORTATION	Transit	$
	Fuel	$
	Vehicle Maintenance	$
	Other:	$
RECREATION	Sports/Lessons	$
	Clubs/Memberships	$
	Entertainment (concerts, movies, etc.)	$
	Vacation/Travel	$
	Gifts and/or Charitable Donations	$
	Other:	$
	Other:	$
EDUCATION	Tuition	$
	Books	$
	Professional Development	$
	Other:	$
	TOTAL FLEXIBLE EXPENSES (D) = (add all monthly flexible expense amounts)	**$**

Calculate and Adjust

TOTAL NET INCOME **(A)**	$
TOTAL FIXED EXPENSES **(B)**	- $
TOTAL SAVINGS/EMERGENCY FUND CONTRIBUTIONS **(C)**	- $
TOTAL FLEXIBLE EXPENSES **(D)**	- $
MONTHLY SURPLUS (+) OR DEFICIT (-)	**= $**

If you have a deficit in your budget, you need to either increase your income or decrease your expenses. Look at what expenses you have and consider if there are ways you can reduce them. We explore tips for negotiating existing bills and cutting expenses a little later in this manual.

Staying on Budget

Making a budget is easy; sticking to that budget is where the real challenge lies. Here are a few things to consider that will help you be successful with your budget:

1. **Be realistic when creating your budget.** Track every dollar you spend for a month (whether that's with paper and pen, by looking at bank records, or by using a spending track app on your smartphone). The number one reason that budgets fail is because they are unrealistic.

2. **Adjust your budget to meet your current needs.** If you know that you will need to increase your spending in certain areas at certain times of the year, plan for it. Adjust your budget and reallocate funds from other categories to make up for this need. Reevaluate your budget every 3-6 months, or as the need arises.

3. **Surround yourself with people who respect your budget.** Let your family and close friends know that you are on a budget, and ask them to respect your decisions if you have to opt out of plans or events.

4. **Remember the big picture.** There will be times when you spend more and times when you spend less. There will be times that you have to spend your entire emergency fund and times when you receive unexpected lump sums of money. Life is ever-changing, so remember to be flexible with your budget. As long as you're moving towards your goals in the big picture, you're doing well!

MANAGING EXPENSES

We've learned what fixed and flexible expenses are, but we're going to go one step further now and explore how to manage these expenses. From reducing your everyday costs to negotiating payment terms, this section will explore strategies to help you manage your expenses and hopefully spend less of your hard-earned dollars where they don't need to be spent!

Negotiating Existing Bills

Each month, you likely have a relatively set amount of money that goes out towards the usual bills, like your cell phone, insurance, and utilities. What many people don't realize is that these bill amounts are often NEGOTIABLE. Simply contact each provider and ask the following questions:

1. How can I cut back my monthly bill?
2. Am I currently on any promotions or plans?
3. Do you have a better plan or deal for me?
4. Can I bundle services to save money?

Negotiating takes practice. It may come naturally for some, but for many it's a challenging task. Here are a few pointers for those just starting out:

1. Use a *friendly,* yet **assertive** voice
2. **Ask for more** than what you want, then *slowly* back down
3. Only negotiate with someone who has the **power** to do so

   TIP! Ask the person you're speaking to if they are able to negotiate your costs. If not, request to speak with someone who can. Asking to cancel your service, although you're not actually cancelling, often leads you to someone who can negotiate with you
4. Have a **back-up plan**. If you can't get your bill amount lowered, maybe you can get more services for the same price
5. **Know when to stop**. Decide before you call what the least amount of change you'll be satisfied with. You'll know quickly if you're too far off of your goal

It's recommended to make these calls every 6 months to 1 year. There are typically new promotions that become available, changes in the structure of the company's billing, or possibly changes to the way that you use the service provided.

It never hurts to ask!

Saving on Housing Expenses

For the most part, your basic housing costs are fixed. Your rent or mortgage, property taxes, and utility bills don't change much month to month. They are necessary expenses that you can't live comfortably without. With that said, there are ways that you can make sure you have the lowest payment possible for the service being provided.

MORTGAGE

Your mortgage has a term, which is a period of time that you are committed to the mortgage agreement you signed. Mortgage terms usually range from 1 to 5 years, with 5-year terms being the most commonly used. Throughout your term, you pay the interest rate you agreed upon when you signed your mortgage commitment. Once this is signed, this is the interest rate and payment amount that you're locked into for the remainder of the term.

As you approach the **end of your term**, you can **start shopping around** and looking for lower interest rates or mortgage products with cashback. As early as 4-months before your current term is up, research with various financial institutions or mortgage brokerages to see what rates and mortgage products are being offered.

RENT

Rent costs are generally fixed, and don't fluctuate month to month, or even year to year in some cases. If you want to try and save on rent costs, you could ask your landlord if there are any **options to lower your monthly payment**. For example, you could offer to take care of your lawn and snow maintenance in exchange for a reduction in your rent payment. Alternately, if your current rent arrangement is all-inclusive, you could suggest paying for your bills yourself and being mindful of your utility usage.

UTILITY BILLS

There are plenty of opportunities to save when it comes to utility bills. Here's a few ideas:

1. Switching out fixtures and appliances for **high-efficiency and low-energy options** not only saves you money on utility bills, but also helps to reduce the carbon footprint you leave as a consumer. Weigh the upfront cost of new fixtures or appliances against the long-term utility savings to see if it's an option that will work for you.
2. Increase your home's efficiency by **checking for leaks and cracks**. Garden hoses, toilets tanks, and leaky faucets are all spots that can be fixed easily and save you money on your water bills. Same goes for cracks in doorways or window wells. Reseal these areas to prevent air drafts and cut back on your monthly heating or cooling costs. Something as simple as closing curtains can help to keep your home warmer in the winter months.

3. **Reduce your usage** where you can. Adjust your home's thermostat to be a few degrees cooler during colder months when you're not there or overnight. Allow natural light to be a primary source of lighting through the day, and turn off lights in unused spaces. Turn off and/or unplug appliances when they're not in use.

4. Contact your utility providers to see if there are **different billing styles** (i.e. flat rate vs. tiered usage) that would save you money based on your home usage.

Saving on Food Expenses

We all have to eat, and of course, that costs money. Food expenses fall into the flexible category because there are **endless ways to reduce your costs.** Here are a few strategies to consider.

1. **Reduce the numbers of times you dine out in a month.** Eating out is costly, and limiting how often you choose to order take-out or dine-in at restaurants can save you significantly over the course of the year. Planning ahead and designating certain days in the month to eat out gives you something to look forward to and reduces the chances of making the split decision to grab take-out for dinner on the way home.

2. **Make a grocery list and stick to it**. Grocery stores tempt their consumers with new items, sale items, and strategic placement. Make a list of items you need before you go, and stick to that list once you're there. It's okay to have a treat or two on your list, and to leave some wiggle room for the occasional impulse purchase.

3. **Buy in bulk where it makes sense.** Items that store well and you have the space in your house to store them are the perfect items to save money on. Buying in bulk usually means lower cost per item, and may also help you take advantage of sale opportunities.

4. **Pack emergency snacks and shop on a full stomach.** When you're hungry, it's much easier to justify impulse food purchases. Have emergency snacks available where you might need them, like in your vehicle, at work, or in your daily bag. When you go grocery shopping, do it *after* you've eaten a full meal to avoid buying more than you need.

5. **Use coupons and price-matching options when available.** Many stores have weekly flyers and sales that you can maximize on. Some stores even offer the convenience of price-matching sales at competing stores. Use these opportunities to cut costs on your regular grocery bills.

Cutting Travel Costs

Between the maintenance costs of vehicles and daily commutes, travel is expensive before vacations are even considered. Here's a few ideas for **keeping your travel expenses down**:

1. **Evaluate your need for one or more vehicles.** Some families have a true need for two or more vehicles, some can manage well with one, and other families can rely solely on public transportation options. Evaluate your family's need for vehicles, and consider cutting back if it's possible.

2. **Commute with colleagues or work from home.** Driving to and from work usually makes up the bulk of monthly travel expenses. Cut your commute costs in half by commuting with a colleague who lives nearby. If it's possible, work from home a day or two each week. Encourage your kids and other family members to rideshare to sports, clubs, and events, if possible.

3. **Vacation on a budget**. Whether you stay local or travel across the world, go for a day or a month, budget a little or lot, vacations are wonderful. When you plan a vacation, make sure you've budgeted savings towards that vacation. Once you have the savings, create a specific vacation budget and stay within it.

Saving on Entertainment Expenses

1. **Entertain at home.** Instead of going to restaurants or bars to visit with friends, take turns hosting at your homes. Instead of watching movies at the cinema, enjoy them at home with your own popcorn.

2. **Cancel or share memberships or subscriptions.** Evaluate how often you're using the services of your memberships and subscriptions. Consider cancelling them if your usage is low. If you still enjoy them regularly, see if a family or shared membership is an option to cut your costs in half or more.

3. **Reduce your overall gift budget.** Shaving a few dollars off of your current budget per gift can add up over the course of the year. Evaluate who you currently buy gifts for and how much you normally spend, then determine if you can cut that back. Add those amounts to your budget so you can plan ahead with each pay check.

4. **Prioritize the entertainment you value most.** We all need to spend money on entertainment at one point or another. Prioritize which sources of entertainment are necessary for you and plan for those in your budget. Reduce or eliminate your spending on the opportunities that aren't as valuable to you.

The Power of "Shopping Around"

In all cases, exploring your options **before you commit** to a purchase is going to save you money. It's pretty rare that you find the most cost-effective option in the first place you look.

Whether it's checking flyers, using coupon applications on your smart phone, or calling various providers for quotes, taking the time to shop around before you buy will save you money.

Why pay more for something than you have to?

Needs vs. Wants

Through most of this section, we've talked about reducing or eliminating costs from your everyday expenses to save money. You have to decide what things in your life you consider "needs" and what you consider "wants". This decision is going to be unique to you and your situation. **There is no right or wrong!** Everyone will have a different perspective on this, and it has to be based on your own values.

> Tip for Success!
> Make small changes to start. Allow yourself some time to adjust to each change before making more changes.

CREDIT AND DEBT

What is Credit?

Credit is the ability to borrow money or access goods and services with the understanding that you'll pay it back later. Having "good credit" means that you've proven your ability to pay your sources of credit (i.e. credit cards, lines of credit, loans) in an agreed upon or timely manner. There are many different types of credit, each with their own benefits and downfalls. Determining what's right for you largely depends on your situation, personality, spending habits, and ability to get approved.

Types of Credit

	PROS	CONS
Credit Card Ideal for every day and online purchases that you intend to pay back quickly	* Convenient to use * Excellent for pre-authorized bill payments * Possibly includes rewards * Can be paid off at any time * Simple approval process * Reusable source of credit	* High interest rates, with potential for large sums paid in interest alone * Potential annual fees * Easy to overspend
Loan (auto, student, personal, business, etc.) Ideal for large purchases that you intend to pay back on a schedule	* Can fund a wide variety of expenses * Straight-forward repayment structure * Lower interest rates * Simple approval process	* Increases debt load for a set period of time * Repayment is less flexible * Penalties and/or fees for missed or late payments * Not a reusable source of credit
Line of Credit Ideal for large purchases that you may carry a balance on for a while	* Larger credit limit than credit cards * Reusable source of credit * Lower interest rates	* Interest rates can fluctuate * No pre-determined repayment plan can lead to more paid in interest over time
Mortgage A loan used to purchase a home where the home is used as collateral for the loan	* Helps you own a home * Lower interest rates * Pre-determined payment plan * Possibility for cashback or other incentives	* Significant interest paid over life of the loan * Penalties/fees for missed payments * Penalties/fees for paying the mortgage in full early * Complex approval process

Choosing the "Right" Credit

Different situations call for different credit needs. Overall, you want to choose the credit option that has the lowest interest rate, the lowest fees, the greatest rewards, and/or the most flexible repayment options. There are many different credit options available to you, and it's beneficial to have at least **TWO** open at all times. Try to have a combination of different types of credit open, such as a credit card and an auto loan, or a line of a credit and a mortgage.

Credit cards are the most commonly used types of credit. They're convenient, and designed for every day use. When applying for a credit card, consider the following points before submitting any credit applications:

1. What is the **interest rate** charged on carried balances?
2. What **fees** are associated with the credit card (i.e. annual fees, transactional fees, etc.)?
3. What **rewards or incentives** are offered by the credit card issuer?
4. Do the **terms and conditions change** after a certain period of time?

Compare these answers with your credit needs. If you're planning on carrying a balance on your credit card from month to month, perhaps a credit card that has an annual fee but has low interest rate is more beneficial. If you believe you'll pay off your credit card in full on a monthly basis, then maybe a card with greater rewards is best, even though its interest rate is higher. **Compare your options** and determine which credit card features makes the most sense for you.

Principal and Interest

Principal is the money that you originally borrowed and agreed to pay back. **Interest** is the cost of borrowing that money. The higher the interest rate, the more money you're spending each month to carry that debt, and less of each payment actually goes towards paying that debt off.

With credit cards, there is a minimum monthly payment due each month. Paying just the minimum monthly payment means that you'll avoid being charged a late fee, but you'll continue to get charged interest on the remaining amount owing, causing the amount paid in interest charges to continue to climb. In many cases, you will not pay off a credit card by just making the minimum monthly payment.

Interest if often **compounded** on a monthly basis. This means that each month, the interest that gets charged is added to the principal amount owed. The next month, interest gets charged on the total amount from the month previous, meaning you're now paying interest on interest. This is why it is important to carry as little debt as possible on your credit cards and lines of credit from month to month.

Credit Scores and Responsible Credit Use

Using your credit responsibly has many benefits, with the most obvious being that you'll pay less in interest and/or late fees over time. One of the less obvious reasons is **how you use your credit directly impacts your credit score**. Your credit score is used by creditors to determine if they are willing to award you credit and what rate of interest they will charge.

Credit scores range from 300 to 900, where a higher score is preferred. Each creditor reports your monthly credit activity to credit bureaus (Equifax and TransUnion in Canada), who calculate your credit score using a complex equation.

Your credit bureau is created the first time you apply for credit, whether that is a student loan, a mobile phone plan, or your first credit card. Your credit history stays on your credit bureau through your lifetime, with a few exceptions to that rule.

Your credit score is calculated primarily based on the factors in the chart below, with each factor having a varying degree of impact on your overall score, displayed here as a percentage:

Payment History	*Are payments consistently made in full and on time?*	**YES: POSITIVE IMPACT** **NO: NEGATIVE IMPACT**	**35%**
Amount Owed	*Are balances kept low or non-existent from month to month?*	**YES: POSITIVE IMPACT** **NO: NEGATIVE IMPACT**	**30%**
Credit History	*How long has the credit been active?*	**LONG HISTORY: POSITIVE IMPACT** **SHORT HISTORY: NEGATIVE IMPACT**	**15%**
Inquiries	*Have many credit checks been done over a short time period?*	**FEW: POSITIVE IMPACT** **MANY: NEGATIVE IMPACT**	**10%**
Credit Mix	*Are multiple types of credit being used?*	**YES: POSITIVE IMPACT** **NO: NEGATIVE IMPACT**	**10%**

Managing Debt

Carrying some form of debt throughout your lifetime is almost inevitable. Student loans, mortgages, and auto loans are all examples of debts that you'll likely carry in some capacity over your lifetime because saving enough money to make such large purchases is unrealistic for most. These types of debts are not usually problematic on their own.

Mismanagement of debt occurs when a person is consistently spending more than they are making. This could be the result of unexpected life events, poor budgeting practices, or emergency costs. If you're not able to pay these costs off, the amount owed in interest can become significant and difficult to maintain. Eventually, this may lead to **default**. Default is the inability to repay your loans, either by missing payments or not making payments in full.

When a person defaults on a debt payment, additional fees are often charged, making it increasingly more difficult to recover. There are strategies that can help you to end this cycle of debt, and allow you to manage your debts more effectively. Each strategy has benefits and downfalls, and it's vital that you weigh each as it relates to your situation. If you're considering exercising any of these strategies, seek independent professional financial advice before you act.

NEGOTIATING PAYMENTS: Contacting creditors directly and expressing your struggle or inability to continue making payments can be an excellent starting point. Creditors may be willing to waive fees, reduce monthly payments by extending the length of time you take to pay the debt, or forgive past charges to assist you. This has no negative impact on your credit score and should be attempted before any of the next three options are considered.

CREDIT COUNSELING: A credit counsellor will negotiate your debts and/or repayment terms on your behalf and provide you with a repayment plan to follow. This will help break the debt cycle and get you on track with minor negative impact on your credit score.

CONSUMER PROPOSAL: A Licensed Insolvency Trustee (LIT) creates a legal and formally binding process to form a "proposal" – an offer to either pay creditors a percentage of what is owed to them, extend the time allowed to pay it back, or both. A consumer proposal has a major negative long-term impact on your credit score.

BANKRUPTCY: A LIT will file your completed bankruptcy paperwork with the Office of the Superintendent of Bankruptcy Canada (OSB). Once you have been declared bankrupt, all payments to creditors stop and any lawsuits against you by creditors are ended. Your assets will be sold by your LIT and any proceeds will be given to the creditors. You may also be required to make income surplus payments to creditors if your monthly income post-bankruptcy is more than required to support your household. A bankruptcy has a major negative long-term impact on your credit score.

SAVING AND INVESTING

Having the ability to save money is a skill that will provide you with financial comfort, both in the present and in the future. You can save your money in a variety of ways, with the most common being a bank account designed for saving specifically.

Savings accounts are secure and have a rate of return, where your savings will actually increase over time, even if you don't contribute regularly. While you can save physical cash in your home, it's far less secure from being stolen or misplaced, and won't grow this way.

Steps to Successful Saving

There are many different reasons to save, and your reason needs to be specific to you. In general, however, some benefits of saving money include:

* **Provides you with financial comfort.** As your savings start to grow, you feel comfortable that you can afford whatever life throws at you.
* **Helps you to reach your life goals.** Many of life's goals have a cost associated with them, and being able to save for those before you take them on gives you the some of the support you need to achieve those goals.
* **Allows you to live with less debt.** Once your debts are paid to a manageable amount and you've started to accumulate savings, you may not have to incur more debt for future purchases. You can plan ahead and save for your future needs.

There are <u>THREE SIMPLE STEPS</u> to help you start saving:

1) **ESTABLISH AND EMERGENCY FUND.** In doing so, you're protecting your soon-to-be savings from being tapped into if an emergency or unexpected cost should arise. Your savings are meant to stay untouched until you're ready to use them for their intended purpose.
2) **PAY YOURSELF FIRST.** Each time you get paid, you have to pay your essential bills, like your rent or electricity bill. Once those essentials are paid, put your pre-determined savings contribution into your savings account. The remaining money is what you have to spend on your flexible expenses, like entertainment or clothing.
3) **GROW YOUR SAVINGS.** Research different types of saving and/or investing accounts. Each one has different rates of return, and as a result have a different rate of risk associated with them. Choose which best suits your needs and risk tolerance, and watch your savings grow!

Barriers to Saving

BARRIER	HOW TO OVERCOME IT
NO DEFINED BUDGET Without a well thought through budget, saving will be difficult unless you have a significant surplus of income.	Create a realistic budget (see **2.0 BUDGETING**). For most, saving has to be an active process, and a budget helps to determine how much you can realistically put towards savings, and how long it will take you to reach your saving goals.
SPENDING TOO MUCH ON FIXED EXPENSES When your fixed expenses cost too much, you don't have enough disposable income to realistically put money into savings.	Negotiate existing payments (see **3.0 MANAGING EXPENSES**) to help reduce those fixed expenses. If those reductions don't provide enough savings, consider making changes to your current accommodation or lifestyle to allow saving to happen.
LACK OF A MEASURABLE SAVING GOAL Without having a saving goal, you won't be motivated to save any amount in particular. You're less likely to notice that you're overspending on flexible expenses, and more time will pass without you growing your savings.	Avoid the mindset of only saving "what's left over" once your bills are paid. Determine what your savings goal is, and actively put the appropriate amount of money towards that each pay. If you're not able to meet your goal that month, review where the issue was and adjust if needed.
MISMANAGED DEBT The more debt you carry, the more money you have to spend each month to cover the cost of carrying those debts. It's important to make payments towards your debt, leaving less money available to put towards savings.	Focus on paying down any high-interest debt as much as possible, and only putting a small portion towards savings in the beginning. As your debt load shrinks, shift your focus to savings. For low-interest debts, such as your mortgage or student loan, evaluate if it's more important to you at this time to pay those debts down or build your savings. If saving is more important for you, consider negotiating those payments to lower monthly amounts by stretching out the amount of time it'll take the pay them. This will leave you with more available funds to put towards savings.

Investing Basics

Investing is a form of saving, but in a different manner than just a piggy bank or bank account. Investments are designed to grow your contributions over time. Each type of investment has a risk associated with it, and it's up to you how much risk you are comfortable with.

Risk in investments is the **degree of uncertainty or potential loss** of all or part of your investment amount. In general, the greater the perceived risk of an investment, the higher the rate of return on the investment. Rate of return is dependent on how fast the money will grow, how protected the money is from loss, and how readily available the money is to the investor,

Investments can be designed to be **long-term investments** that will likely grow slowly but steadily over years, they can be **short-term investments** where both the risk and the return of the investment are high, or they can be somewhere in the middle.

Here are a few of the more common investment routes to consider:

TAX FREE SAVINGS ACCOUNT (TFSA)

- Earn income from investments without paying tax on that income, even when it's withdrawn
- Investments can be in cash, mutual funds, GICs, stocks, and/or bonds
- Contributions are not tax-deductible for income tax purposes
- Contributions are limited to an annual pre-determined amount (visit Canada Revenue Agency (CRA) website for more details)
- Must be 18+ years old and have a Social Insurance Number (SIN)

REGISTERED RETIREMENT SAVINGS PLAN (RRSP)

- Contributions and earnings are generally tax-free until they are withdrawn
- Investments can be in cash, mutual funds, GICs, stocks, and/or bonds
- Your contribution limit is calculated annually (visit CRA website for more details)
- You can withdraw certain amounts interest-free for particular purposes, such as a down payment on a home as a first-time home buyer or for an education plan, but this money has to be returned in a set period of time

REGISTERED EDUCATION SAVINGS PLAN (RESP)

* You put money into a RESP for the purpose of a child using it to pay for post-secondary schooling when the time comes
* Government of Canada pays up to $600 to the plan annually (if eligible)
* The plan pays the contributions, grants, and earned income to the student
* The student pays taxes (if any) on the grants and interest earned, but not the contributions when withdrawn

REGISTERED DISABILITY SAVINGS PLAN (RDSP)

* You put money into an RDSP for an eligible person with a disability
* Government of Canada pays matching contributions to the plan (if eligible)
* The plan pays the contributions, grants, and earned income to the eligible individual with a long-term disability
* The recipient pays taxes (if any) on the grants and interest earned, but not the contributions when withdrawn

PENSION PLAN

* Some employers provide pension plans to their employees.
* The employee contributes a portion of their income to the pension plan, and the employer may match all, some, or none of the employee's contribution.
* The pension plan is intended to be withdrawn upon retirement from the employer
* Pension plans are taxable income

STOCK MARKET

* You can invest in the stock market independently, or seek professional help through a Financial Advisor or investment company
* There are many different risk and reward levels in the stock market that need to be thoroughly examined prior to investing

REAL PROPERTY/PRIVATE EQUITY

* Purchasing second homes, rental properties, or cottages are considered investments in real property
* Ideally, the value of the real property increases over time and you are able to sell the home for more than you bought it for
* Additional tax in the form of capital gains must be paid on profit made from the sale of any real property that is not owner-occupied
* Private equity lending is the act of an individual investor loaning their own money as a mortgage for another individual, secured by real property

TANGIBLE ASSETS

* Purchasing items such as collectibles, antiques, or artwork is considered investing in tangible assets
* Ideally, as time passes, you will be able to sell these assets for more than you bought them for

Getting Financial Advice

For simple investments such as savings accounts or GICs, you can consult with your local bank, credit union, or trust company that offers banking services.

TIP! Compare the rates of return between institutions. Understand what limitations exist to accessing your money or making additional contributions before choosing where to invest.

For more complex investments, seek professional help from a Financial Advisor. You will likely be trusting this Financial Advisor with a large portion of your savings, so it's beneficial to ask questions before you choose to invest.

Here are a few sample questions to ask your prospective Financial Advisor:

1. What is your background? Experience? What are your proven results?
2. Is your firm registered? What governing bodies regulate it?
3. What services can you provide to me? Provide advice only, sell products, or build a financial plan?
4. How do you get paid? What fees are associated with your services?
5. How do you work with your clients?

Setting Financial Goals

A financial goal is a goal or objective for what you want to do with your money. Examples of financial goals would be:

- Reduce my debt
- Improve my credit score
- Save money for a vacation

WHY SET A FINANCIAL GOAL?

Setting a clear financial goal gives you both **motivation** and **confidence** to achieve it. It helps you to stay focused on the objective and on track to meeting your goal. A clear goal lets you track your progress, and share your aspirations with loved ones and financial professionals who can help you along the way.

S.M.A.R.T. Goals

The acronym S.M.A.R.T is used in many different goal setting practices. When your goals are S.M.A.R.T goals, you are more likely to be successful. So, what does S.M.A.R.T stand for?

S	is for **SPECIFIC**	The goal is clearly defined and focused
M	is for **MEASURABLE**	Progress can be easily tracked to measure goal achievement
A	is for **ATTAINABLE**	The goal is within your current or near-future abilities
R	is for **REALISTIC**	The goal is within reach, given your current or expected situation
T	is for **TIMELY**	The goal follows a timeline for achievement

Now that we know what a goal SHOULD look like, let's look at an example of a basic goal versus a S.M.A.R.T goal:

EXAMPLE OF A BASIC GOAL:

I want to reduce my debt and save some money.

EXAMPLE OF A S.M.A.R.T GOAL:

I want to pay off my credit card debt of $2,500 and save $3,000 so I can take a vacation to visit my family in 12 months. I'll need to save about $460 each month to reach this goal.

Notice that the S.M.A.R.T goal above is…

1. **Specific** – it's defined and focused on what needs to be accomplished and by when
2. **Measurable** – both the dollar amounts and timeframes are measurable
3. **Attainable** – based on this person's income and expenses, this savings goal is possible
4. **Realistic** – over the set time period, this savings goal is possible
5. **Timely** – a timeline of 12 months is given to reach this goal

Breaking your goals down into actionable steps makes them **SMARTer goals**. Have a look:

1. I will cut buying my lunch out to once per week to save $20 per week, or **$1,040/year**.
2. I will work a few extra shifts each month to save $300 per month, or **$3,600/year**.
3. I will cut restaurant meals to two per month to save $100/month, or **$1,200/year**.

Together, these adjustments total **$5,840 in savings over a 12-month period**, just over the original goal of $5,500.

CHECK YOUR PROGRESS

Once your goals are set, check in on your progress at regular intervals. It's important to check in regularly to make sure that you're on track to meet your goals. As circumstances change, it might be necessary to change your approach as well, and that's okay! Adjust and **KEEP MOVING FORWARD!**

PROTECT YOURSELF

In our technological world, there are many opportunities for scammers to take advantage of unsuspecting victims. Even the most careful individuals fall victim to clever scams. Knowing how to detect and report fraudulent activity, and understanding what information scammers are trying to get from you will help your financial information stay protected.

The World of Scammers

Fraudulent financial activity is usually done in the form of *scams* undertaken by *scammers*. A scam is deceptive scheme or trick used to cheat someone out of something, most commonly money. A scammer will communicate in a variety of ways to try and get information from you that jeopardizes your financial security.

PHONE SCAMS

A scammer will contact you by phone directly, and often use your first and last name. They will make claims to be from a reputable company. They will often ask you to provide further details about yourself, such as your address, account number(s), or Social Insurance Number as a way for them to confirm your identity.

How do I handle a phone scam?

- **Don't give any further information.**
- **Ask for their name and contact information**, in case you need to report this person as a scammer. Confirm what company they claim to be calling from.
- Find the legitimate contact information for the company they claimed to be calling from, and contact them directly.
- State that you received a call that you believed might be a scam, and confirm with the legitimate company if it was them calling you.
- **Report the scam if necessary**.

EMAIL SCAMS

A scammer will send an email to your email address. It will appear as though it's from a reputable company. There will often be a link to click on to receive a refund or repayment. It may claim to have charged your account, and provide a link to view the charge information. It may demand that a payment be made in a short time frame, with a link provided to submit your payment. Common signs of an email scam may include the following:

* **The email has some, but not all** of your information listed. For example, it will state your address, but not have your first and/or last name, and address you in a vague manner such as "Dear Client"
* **Grammatical, spelling, or formatting errors** are often present
* There may be a **sense of urgency** with a defined time limit to respond or act.
* The **sender's email address may not match the company** or organization they claim to be from.
* There may be a **button or link to click to access a refund or repayment**.

REMEMBER!

Neither the Canadian Government nor financial institutions will send you money via email money transfer. They will use email to communicate that money has been directly deposited into your bank account (with no further action required on your part) or that money is being sent by cheque through the mail.

How do I handle an email scam?

- **Do not respond to the email or click on any links**.
- If you are unsure about the message, **check out your online account** or **phone the institution directly** without clicking on anything further in the email.
- **Report the scam if necessary**.

JOB POSTING SCAMS

Fake job postings often intend to either steal your identity, have you perform illegal work for no pay, or charge you bogus employment fees with no return. A fake job posting can be recognized by the following signs:

* **Offers considerable pay for little to no effort**
* Promises payment in **cash only**
* Fails to provide a real physical address or contact information
* Phone calls are from foreign phone numbers and/or emails are from unidentified email addresses

How do I handle a job posting scam?

- **Research the company** you are considering applying to prior to entering any information into an application form.
- **Trust your instincts**. If it seems too good to be true, it probably is!
- **Report the scam if necessary**.

SOCIAL MEDIA SCAMS

While scrolling through social media feeds, you may come across fake polls/links/apps geared towards downloading malware on your device, fake messaging or friend requests geared towards identity theft or obtaining personal information for future scams, or fake crowd funding requests geared towards stealing money for fake initiatives. Social media platforms encourage users to share personal information with their contacts, creating a perfect opportunity for scammers.

How do I protect myself from social media scams?

- Use the **security and privacy settings** on your social media accounts to control who can see what information.
- **Don't accept "Friend Requests" or "Follow Requests" from people you don't know.**
- **Report** or block suspicious activity.
- **Minimize the personal information you share**, such as phone numbers, addresses, work details, children's school, etc.
- **Use a separate email address** for social media accounts.
- Do not share your login information with others.
- Avoid participating in games or activities found through social media that require you to click on additional links or share additional personal details.
- **Report the scam if necessary**.

STEP 1: DETECT FRAUDULENT ACTIVITY

Recognizing what various scams look like and understanding what type of information they might be trying access is an important part of protecting yourself against fraud. If you're unsure, ask a trusted family member or friend for help, and don't proceed until you're confident that it's safe to do so.

STEP 2: MONITOR YOUR BANK STATEMENTS AND CREDIT SCORE

Many scams try to either steal your money or your identity. If this has happened to you, it will be reflected on either your bank statements, credit card statements, or credit score. Monitor these each month and look for unusual charges or unexpected changes.

STEP 3: REPORT FRAUDULENT ACTIVITY

If you believe you have been scammed, follow the 4 steps outlined below.

1. Contact your financial institution immediately. It may be possible to have charges reversed.
2. Notify Canada's credit bureaus
   - Equifax (www.equifax.ca)
   - Transunion (www.transunion.ca)
3. Contact the Canadian Anti-Fraud Centre (www.antifraudcentre.ca)
4. Contact your local police department to report the fraudulent activity

MNO PROGRAMS AND SERVICES

For information about current programs and services provided through the MNO, please visit the Métis Nation of Ontario website at:

www.metisnation.org

For additional Financial Literacy assistance, please contact the Financial Literacy Coordinator:

Tony Davis
Email: tonyd@metisnation.org
Phone: (705) 527-4962

For more information about programs and services offered through the Housing and Infrastructure Branch, please contact:

Housing Programs
Email: housingprograms@metisnation.org
Phone: (705) 722-5022 ext. 302