UnScary Money

Financial Education Series

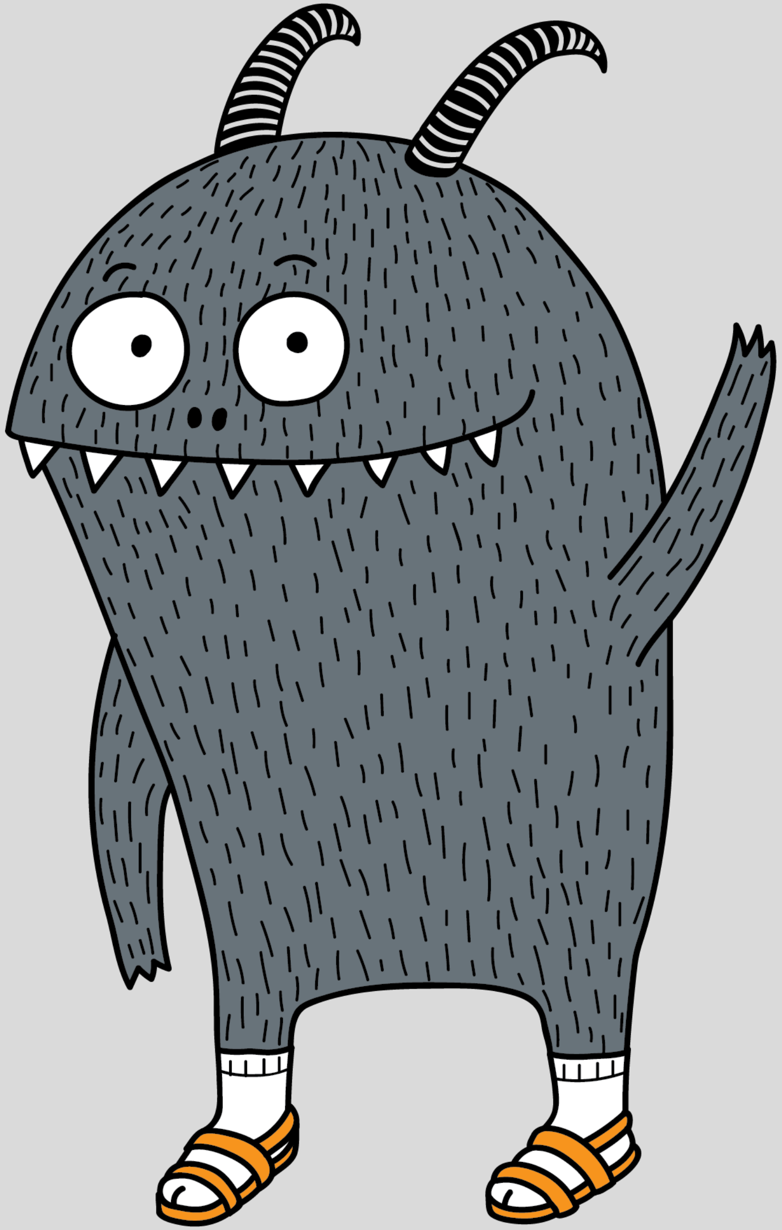
Welcome to the world of **Financial Literacy**

Money and banking can seem overwhelming.

The goal of this workshop is to get you excited about your financial future, and to make money a little less scary.

Sit back and relax

Let's talk about UnScary money!



Financial Literacy

What does “financial literacy” mean to you?

- Skills
- Knowledge
- Education
- Confidence
- Autonomy
- Independence
- **EMPOWERMENT**

Financial Institutions

Credit Unions and Banks are examples of financial institutions.

Financial Institutions

It's important to choose the financial institution that is right for you.

Bank

- Banks are for-profit businesses that are owned by shareholders.
  - Banks make profit through service fees, interest on lending products, and investing the money their customers deposit.

Credit Union

- Credit Unions are not-for-profit co-operative businesses that are owned by their customers (members).
  - Credit Unions make profit through service fees, interest on lending products, and investing the money their customers deposit.
  - Profits earned at a credit union are used to:
    - Improve products, services, and technology for members.
    - Support community programs and initiatives.
    - Members could receive money back for being owners.
- Credit Union members are owners!

Products & Services

Always think about the products and services at your financial institution that matter to you and the goals you have for your money.

In-Branch Services

- Chequing accounts
- Savings accounts
- Investments (short-term/long-term)
- Loans
- Mortgages
- Lines of credit
- Overdraft protection

Remote Services

- Debit card
- Credit card
- ATMs
- Mobile banking
- Online banking
- Telephone banking

Alterna Savings makes banking easy, with fantastic in-branch and remote services available to members.

Consider…

Always compare products, services and fees before opening an account.

Make sure your financial institution works for you and makes you happy.

- What are your financial institution's hours and locations?
- What banking packages are available and what are the fees associated with accounts?
- Do they offer the products, services, and technology that you need?
- Do your accounts pay you interest?

Interest

The key to making your savings grow!

Interest

Interest is very interesting. It has different meanings depending on the kind of financial product you are referring to.

Investments

- When we are speaking about investment products:
  - You could EARN interest on an investment or with certain savings accounts.
  - The interest that you earn could be simple or compound.

Loans

- When we are speaking about lending products:
  - You PAY interest on a loan, mortgage, credit card, or any additional lending products.

Remember: You can always have an UnScary money conversation with Alterna Savings!

Interest

As you build your financial future, you always want to take into consideration the kind of interest that you are earning on investments.

Simple Interest

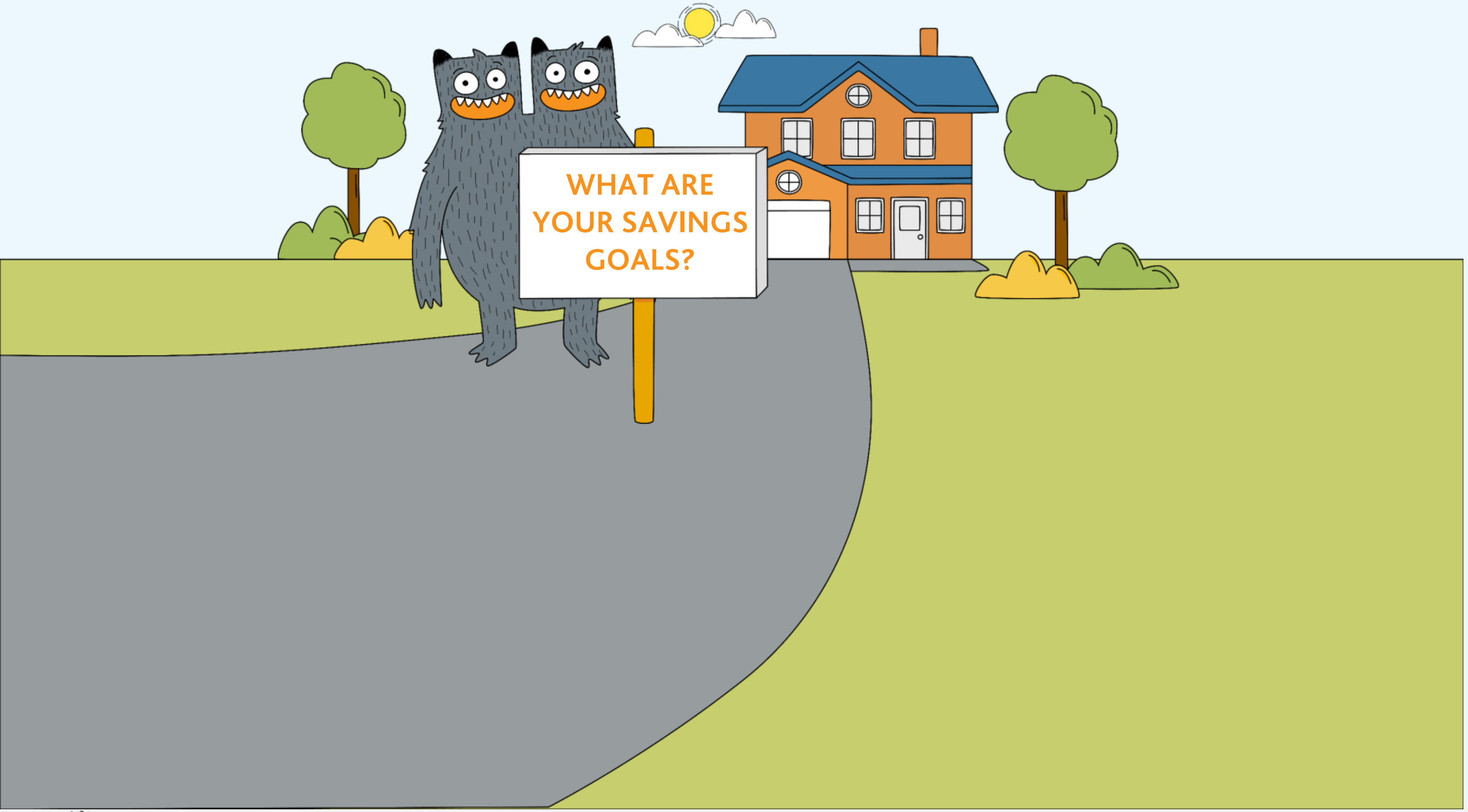
- Your credit union or bank will pay you money based on your investment principal (what you have deposited).
- Basically, you only earn interest on the amount of money that you have contributed to your investment.

Interest

As you build your financial future, you always want to take into consideration the kind of interest that you are earning on investments.

Compound Interest

- Rather than just earning interest on the amount of money that you have deposited (simple interest), compound interest accumulates faster over a long period of time.
- With compound interest, you earn interest on the interest that you earn. Basically, compound interest is like earning interest on your interest!

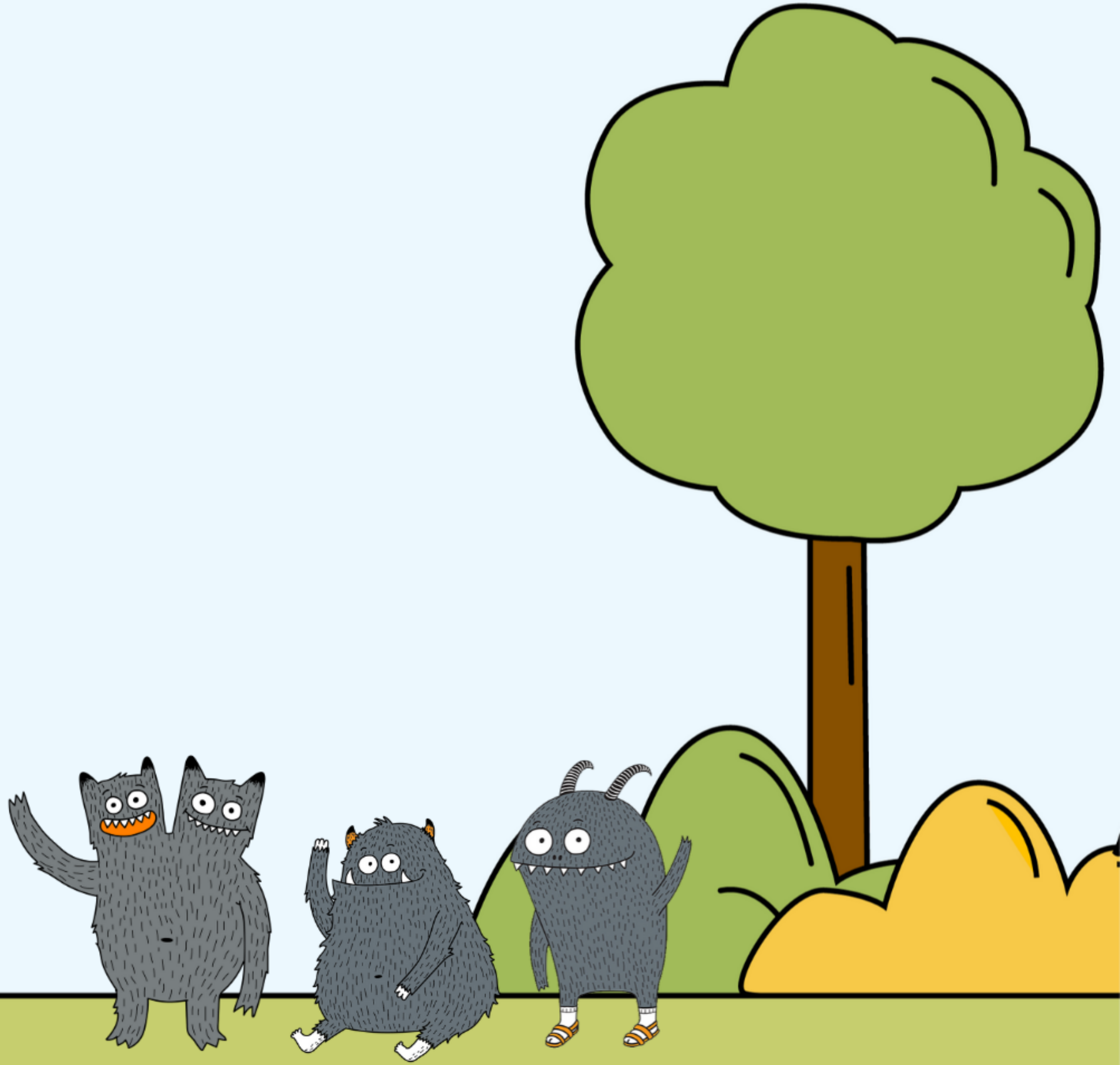


Deposit Amount: $500.00	Simple Interest	Compound Interest
Year 1	$525.00	$525.00
Year 2	$550.00	$551.25
Year 3	$575.00	$578.81
Year 4	$600.00	$607.75
Year 5	$625.00	$638.14
Year 10	$750.00	$814.45
Year 20	$1,000.00	$1,326.65
Year 30	$1,250.00	$2,160.97
Year 40	$1,500.00	$3,519.99
Year 50	**$1,750.00**	**$5,733.70**

Simple vs. Compound Interest

Investing & Saving

Money doesn't grow on trees. So, how does it grow? By making great financial decisions!



Set your goals!

Whether it's saving for post-secondary expenses, buying a car, purchasing a home, or going on a vacation, your financial goals keep you on track with your spending.

Once you know what your goals are, create a plan and timeline to achieve your goals.

- Remember: there are no goals too large that you can't achieve if you stick to your savings plan.
- It doesn't have to always be large amounts that you are able to save. Every bit helps. Rather than impulse buying, think about your goals and stick to your plan to achieve them.

Started working a part-time job? Now what?

It's important to start saving as early as possible. Always do your best to save a percentage of your pay cheque. Still tempted to spend? Restrict the access to your savings account on your debit card and online banking.

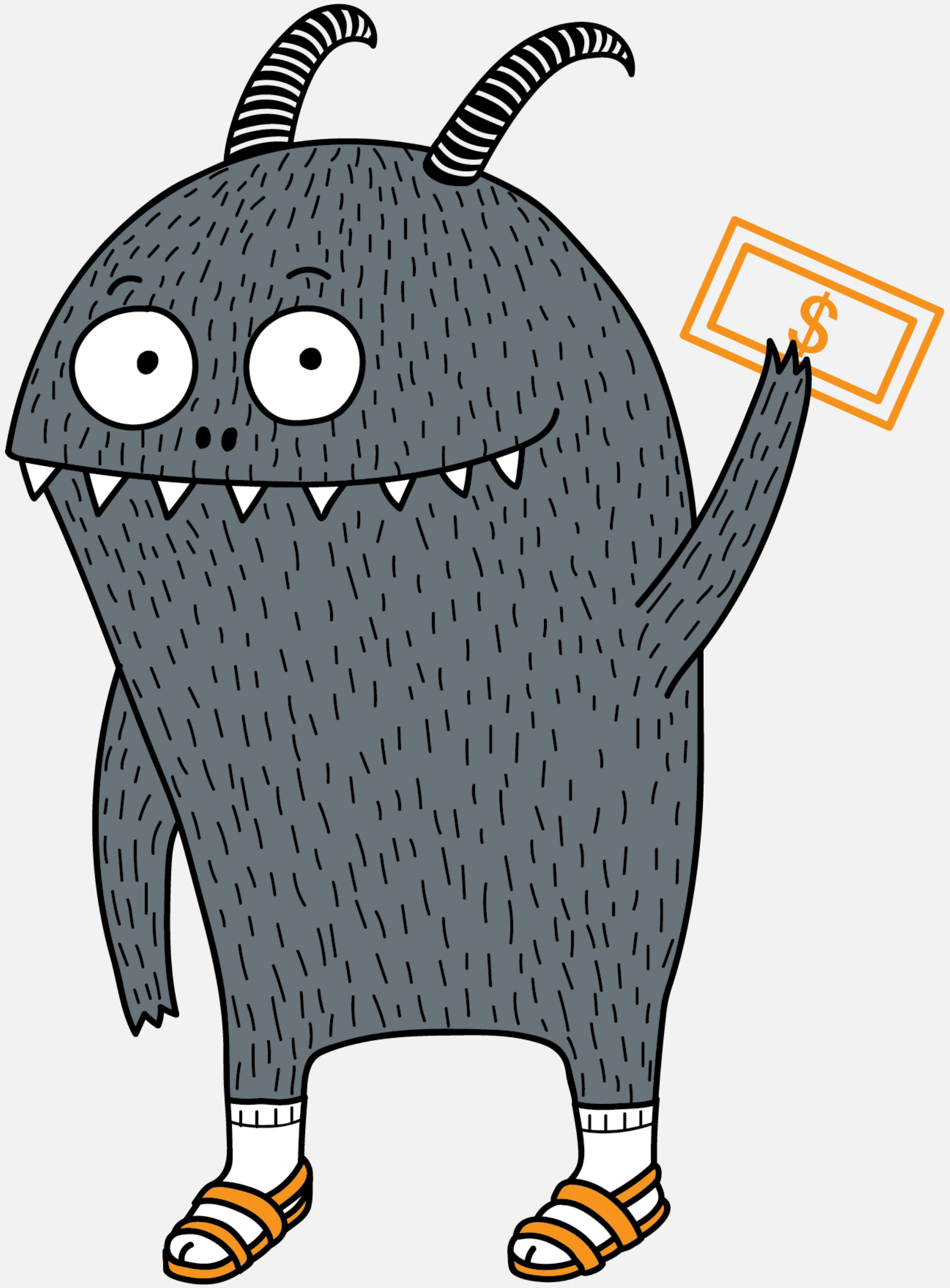
Life is busy

You're juggling so much, from your personal life to work life and everything in between. It's hard to remember to save too! Ask your financial institution about setting up an auto-transfer so your savings continue to grow and you don't have to remember to transfer into your savings account.

Saving & Investing Basics

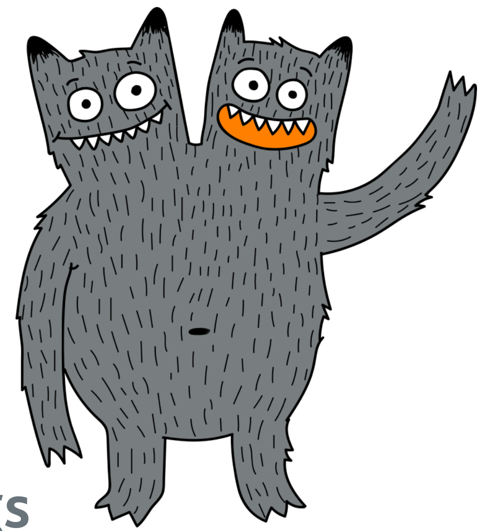
What should you do with your money?

How can you make your savings grow?



Goals

It's important to determine whether your savings goals are short-term or medium/long-term.



Let's simplify...

Short-Term Savings

- Short-term savings goals are typically for your smaller goals that are achieved within a shorter period of time.

Medium/Long-Term Savings

- Medium/Long-term savings goals are typically for your larger goals that are achieved within a longer period of time.

Investments

Low-risk vs. high-risk investment options.

Let's simplify…

Low-Risk Investments

- An investment is considered "low-risk" when there is a smaller chance of losing some or all of your principal.
  - Some examples of low-risk investments include: savings accounts, GICs/Term deposits, Tax-Free Savings Account (TFSA).
  - Usually lower risk can mean lower return.

High-Risk Investments

- An investment is considered "high-risk" when there is a greater chance of losing some or all of your principal.
  - Some examples of high-risk investments include: mutual funds, stocks.
  - Investing can help make your money grow over time.
  - You may lose some or all of the money that you invested, and there is always risk associated with investing.
  - Usually higher risk can mean higher return.

Consider this…

When in doubt, call your branch! Wealth Advisors are here to help.

You are in charge of your investments and savings.

- Decide if your goal(s) are short-term or long-term.
- Consider how risk-tolerant you are.
- Should you speak with a financial planner or Wealth Advisor?

Short-Term Savings

You have options! We are here to help you make sense of them.

Savings Account

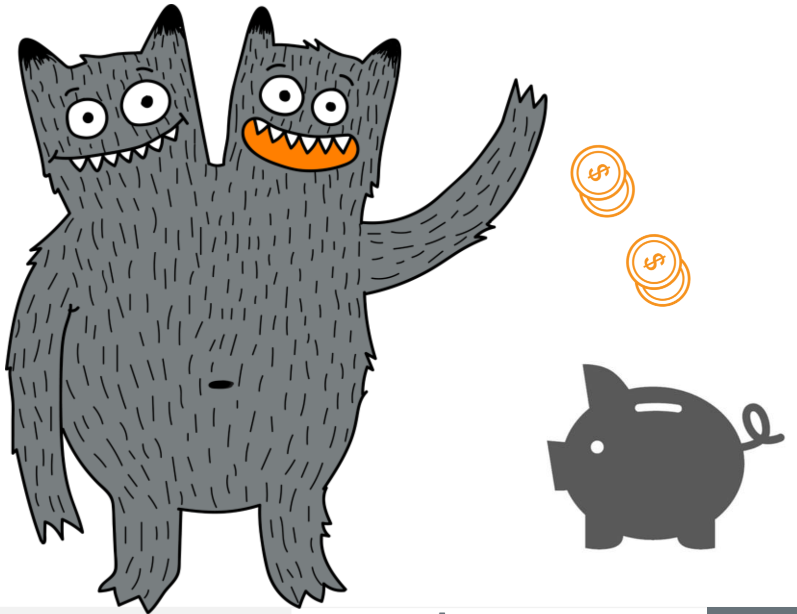
- Available at most (if not all) financial institutions.
- Keep the money that you deposit safe.
- Grants you quick and easy access to your cash when you need it.
- No risk involved.
- Ability to have multiple savings accounts for various financial goals.
  - For example: Post-Secondary Savings, Car Savings, Holiday Savings.

GIC/Term Deposit

- Available at most (if not all) financial institutions.
- Guaranteed to earn a certain interest rate over a period of time (typically between 1-5 years).
- Principal amount that you deposited is not at risk.
  - For example: You have $1,000.00 that you would like to “lock away” for 5 years and allow this money to grow. You decide on a 5-Year GIC at 2.50% interest. This means that each year, you earn 2.50% compound interest on your investment.
  - Consult with your financial institution for rates and products.

Tax-Free Savings Account

- Available at most (if not all) financial institutions.
- Excellent tax-shelter for many investments.
- Stay tuned for further details.



Registered Products

TFSA, RESP, RRSP, RRIF, RDSP.

What's best for you? Let's find out.

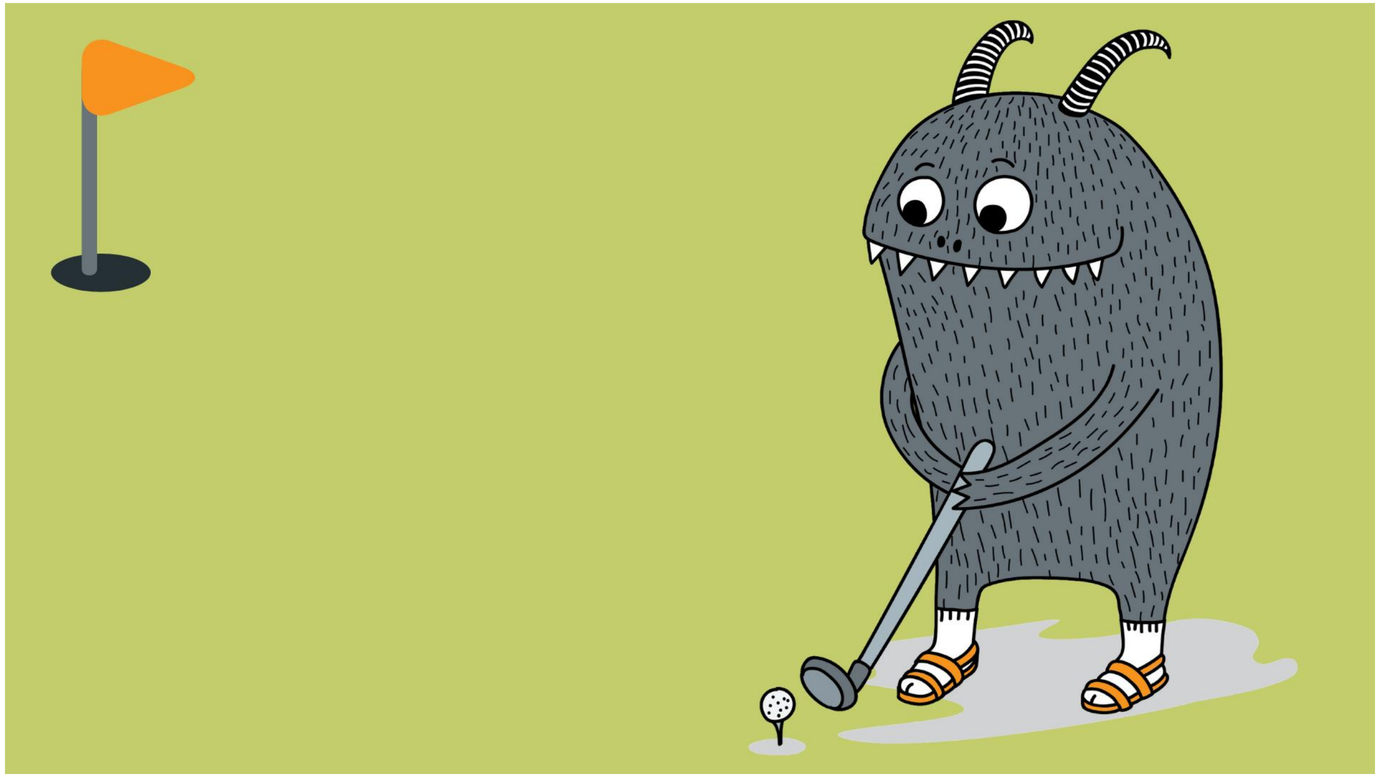
Tax-Free Savings Account (TFSA)

- In order to open a TFSA:
  - 18+, Canadian resident, Social Insurance Number
- Money earned or withdrawn from your TFSA is non-taxable.
  - All interest, dividends, or capital gains earned are tax-free.
- Contribution amounts: yearly and lifetime limits.
  - On average, you can contribute up to $5,500.00 yearly to your TFSA starting in the year you turn 18.
- Withdraw your money anytime without penalties. You can recontribute the amount you withdrew the following year.
- Carry forward your contribution room.
- Collect federal benefits without deductions.
  - Old Age Security, Guaranteed Income Supplement, Employment Insurance, and Canada Child Tax Benefits will not be impacted by TFSA withdrawals.
- Tax-shelter for many other investments.
  - For example: TFSA GIC

Registered Education Savings Plan (RESP)

- Ideal for post-secondary savings.
- Children with RESPs are eligible for government grants and bonds, and the government will match up to 20.00% of contribution yearly.
- Money grows tax-free in the plan until it is withdrawn.
- Individual or Family plans available.
- Anyone can contribute.
- If the child does not attend post-secondary school, the contributed money is not lost (only the grants and bonds).

Registered Retirement Savings Plan (RRSP) & Registered Retirement Income Fund (RRIF)



- Ideal for saving money for your retirement.
- Contribution limit is based on your income.
  - You can carry forward any unused contribution room as well.
- All contributions are tax-deductible, which means immediate tax savings when filing income taxes for RRSP contributions.
- Individual or Spousal plans available.
- The interest earned on contributions stays within the RRSP, and you don't pay tax until you withdraw from the plan (withholding tax).

- In the year you turn 71, your RRSP gets converted into a RRIF (ability to convert to RRIF before 71).
- Basically, your RRIF becomes your income throughout your retirement and you choose how you want to invest your RRIF funds.
- You must withdraw a minimum yearly amount.
  - All amounts withdrawn are considered income and are taxable.

Registered Disability Savings Plan (RDSP)

- Savings plan intended to assist individuals with disabilities and their families save for long-term financial needs.
  - Such as: future medical costs and/or living costs.
- Individuals may be eligible for government grants and bonds.
- Contributions are not eligible for immediate tax-deductions like with an RRSP.
- The income earned on contributions is not taxable until the funds are withdrawn from the plan.
  - When funds are withdrawn, the amount withdrawn is taxed as income.

Understanding the world of Credit

It's essential to understand the ways to build great credit, and how much of an impact this can have on your financial future from an early age.

Loans

Allow you to borrow money to make a purchase or purchases.

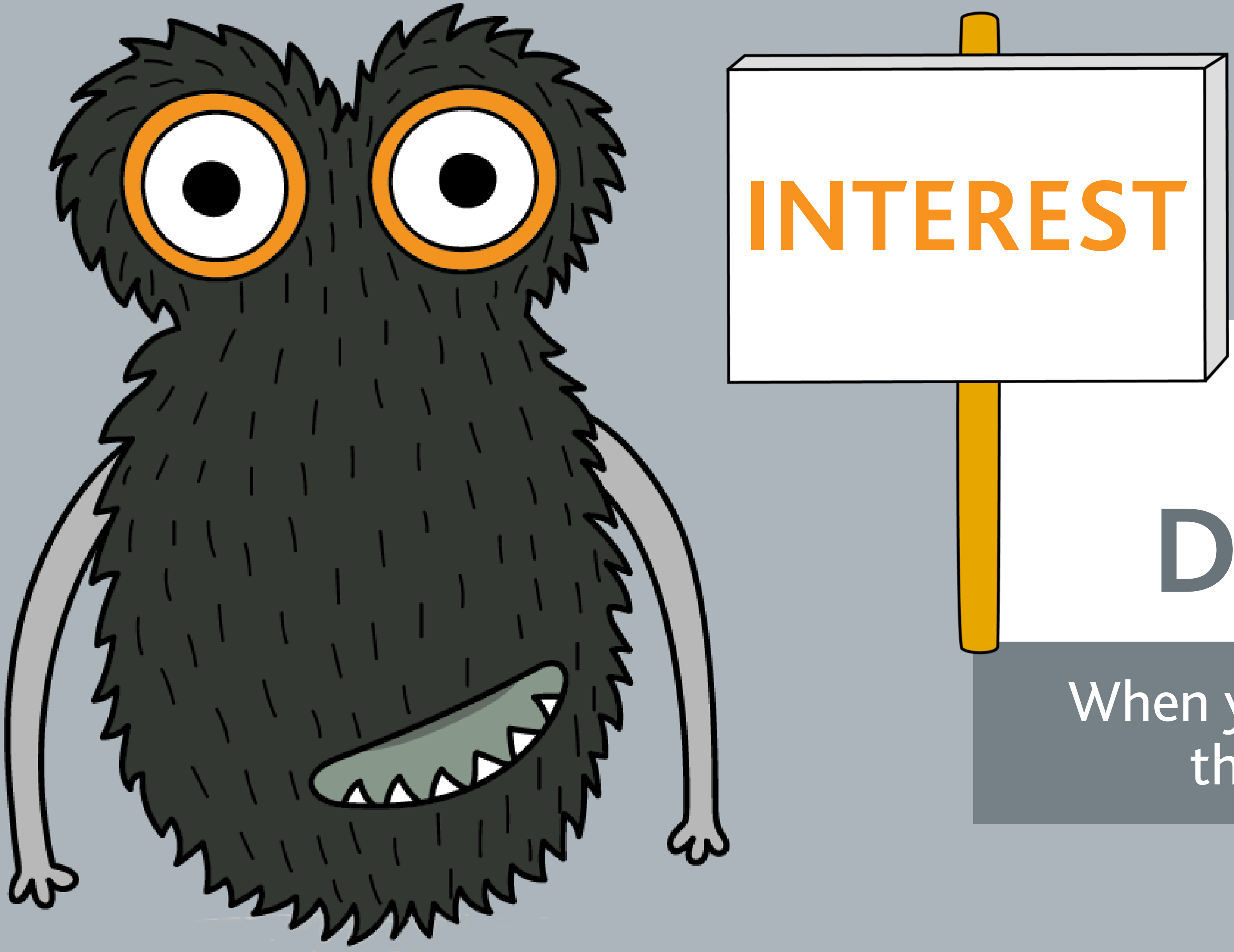
You always have to pay back the money that you have borrowed as a loan, as well as additional interest added.

Applying for a Loan

There are many steps to applying for a loan. This can appear to be an overwhelming process. Loans Officers make it easy and UnScary.

First things first, set up a meeting with a Loans Officer at your financial institution.

- Loans Officers are the lending experts. They will speak to you about income, expenses, assets, and liabilities.
- Required: proof of income (paystub, T4, CRA Notice of Assessment), photo identification (driver's license, passport), SIN, proof of collateral, CREDIT HISTORY.



Did you know…

When you get a loan, you pay more than the purchase price. Why?

Cost of Borrowing

The cost of borrowing on a lending product is the amount of money overall that you will pay for taking out a loan.

Principal

- The amount of money you are borrowing to make a purchase.
- If you are buying a $10,000 car, your loan principal is $10,000.
- If you are buying a $250,000 home, your mortgage principal is $250,000.

Interest

- Financial institutions offer different interest rates. It's important to get an interest rate that you are comfortable and happy with.
- Your interest rate can also be affected by your credit history. **Good credit = access to better interest rates.**

Fees

- One-time loan processing fee. In Canada, this fee varies between approximately $75 to $300.
- **Always read the fine print when borrowing money!**

Principal *Amount borrowed*	Interest Rate	Length of Loan	Total Paid	COST OF BORROWING
$20,000.00	5.00%	3 Year Term	$21,579.02	$1,579.02
$20,000.00	5.00%	5 Year Term	$22,645.52	$2,645.52
$250,000.00	3.00%	15 Year Amortization (1-5 Year Term)	$310,761.94	$60,761.94
$250,000.00	3.00%	25 Year Amortization (1-5 Year Term)	$355,658.33	$105,658.33

Cost of Borrowing

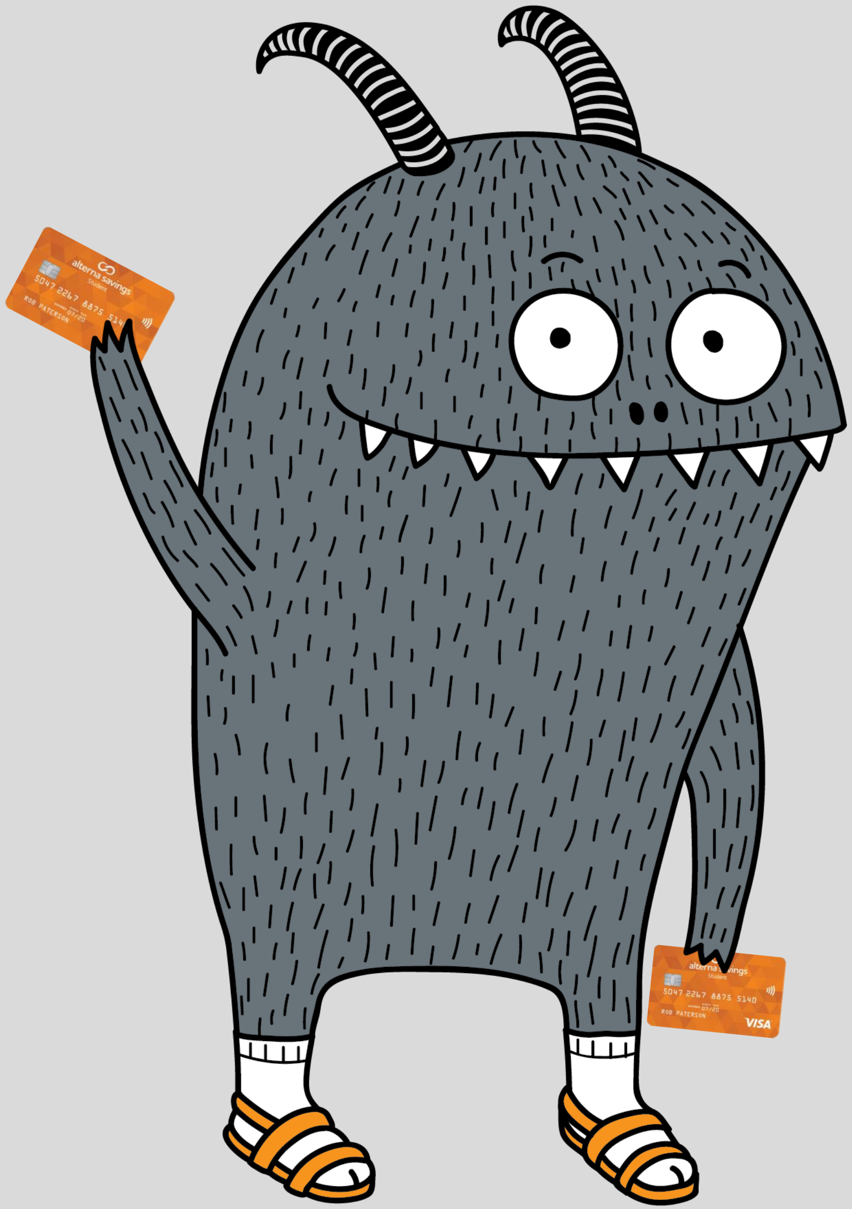
How much does that loan really cost?

Loan Payments

All payments you make towards a loan are split between principal and interest.

Loans are approved based on lots of different criteria, but mainly:

- Your credit history and credit score.
- Proof of income.
- Security or collateral.



Credit Cards

Credit cards are just like smaller loans.

Credit Cards

Credit cards are great tools that allow you to borrow money in order to make purchases.

You always have to pay back the money that you have borrowed on a credit card.

- Plus, you will have to pay additional interest if you carry a balance past the due date each month.

How do credit cards work?

Credit cards allow you to buy now, and pay later.

What happens if you carry a balance?

If you carry a balance past the monthly due date on your credit card, you will have to pay additional interest for borrowing this money.

Only making the minimum payment?

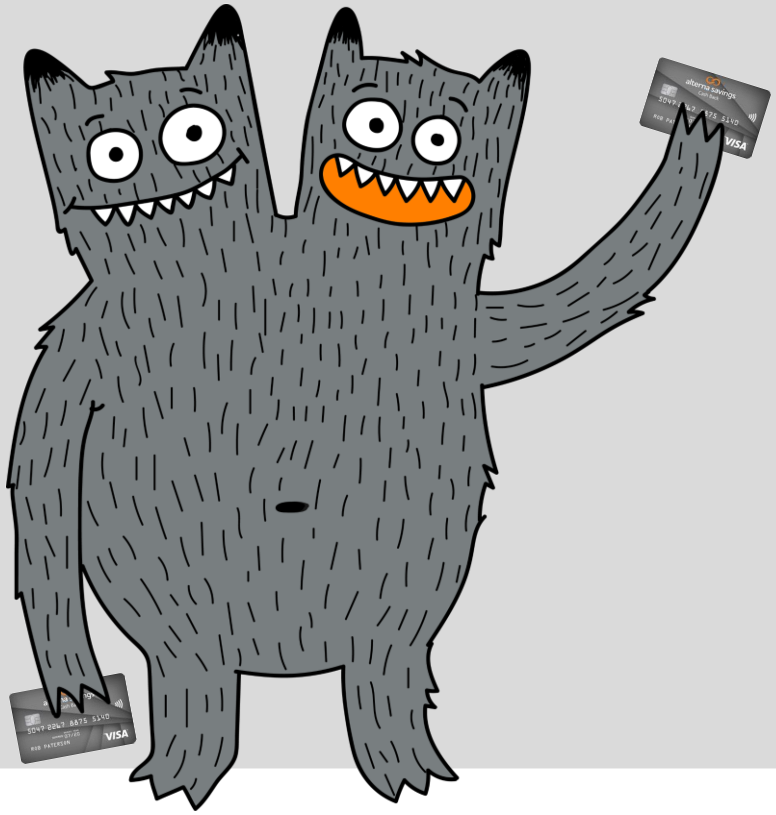
- By only making your minimum payment, you are basically only paying interest and hardly reducing your principal amount owing.
- This hurts your credit score and your bank account. Interest payments add up FAST.

Scenario 1:

- $10,000.00 debt
- 19.00% interest
    - **How long would it take to payoff this debt?**
        - **21.5 years**
        - **$20,834.16 paid in total to borrow $10,000.00 ($10,834.16 paid to interest).**

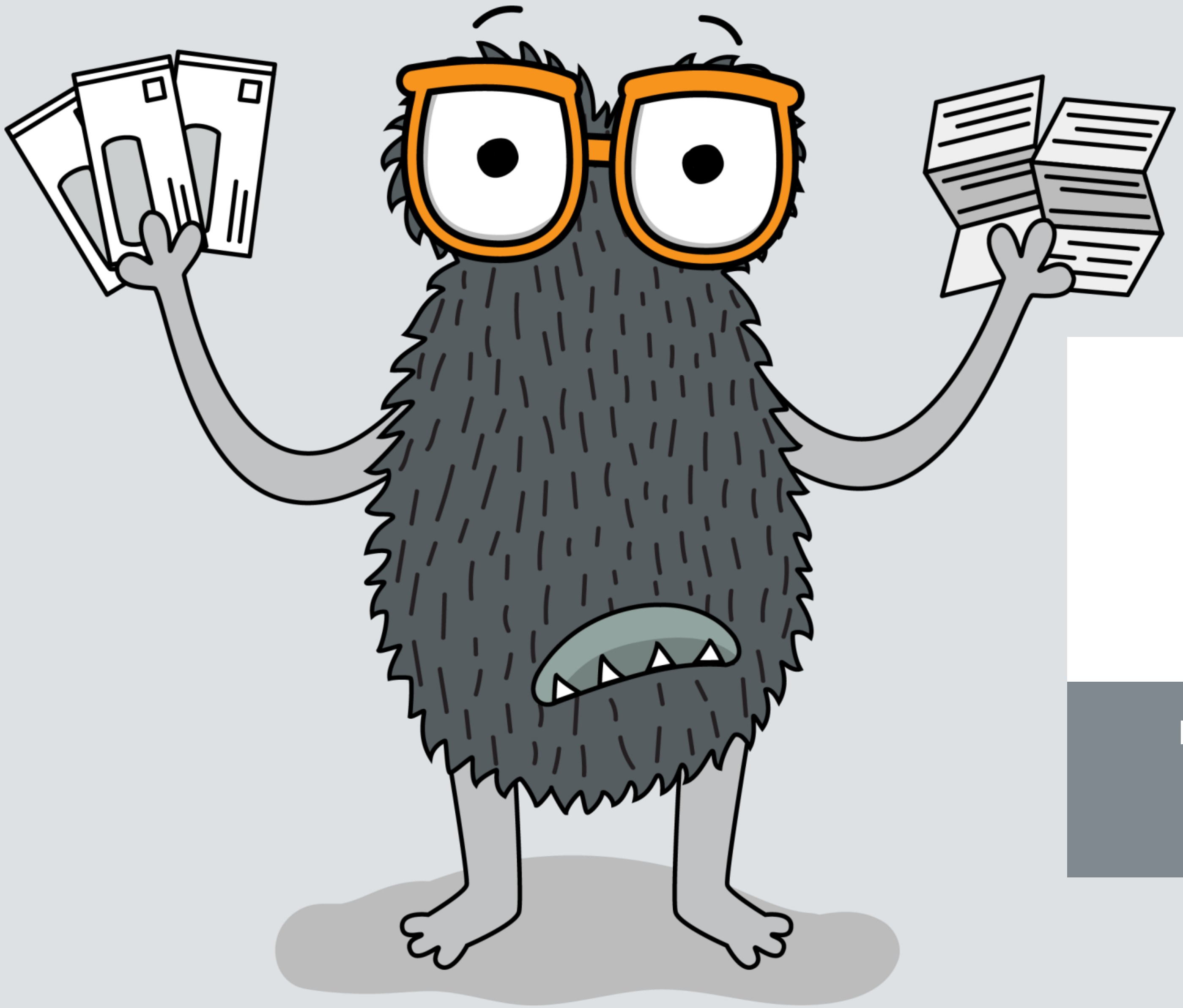
Scenario 2:

- $10,000.00 debt
- 29.00% interest
    - **How long would it take to payoff this debt?**
        - **48.4 years**
        - **$49,886.46 paid in total to borrow $10,000.00 ($39,886.46 paid to interest).**



Minimum Payment

The minimum payment is a percentage of debt owing on your credit card (typically between 1.00-3.00%).



Monster Debt

Not using your credit card responsibly? This can easily lead to MONSTER DEBT!

Stop before you shop

Any overdue debt on your credit card will be charged interest, which increases the cost of your purchases.

Good Features

If you use a credit card responsibly, then you will be positively impacting your credit history and credit score.

Good features of credit cards:

- Build credit history and increase your credit score.
- Emergencies.
- Quick and convenient to use.
- Track your monthly spending.
- Assist with creating a budget.
- Cash back, points and/or rewards.
- Potential to have insurance, purchase protection, etc.

Bad Features

If you do not use a credit card responsibly, then you will be negatively impacting your credit history and credit score.

Bad features of credit cards:

- Overdue debt can negatively impact your credit history and credit score, making it more difficult to be approved for credit products.
- Interest payments.
- Increases the cost of purchases.
- Very easy to overspend!

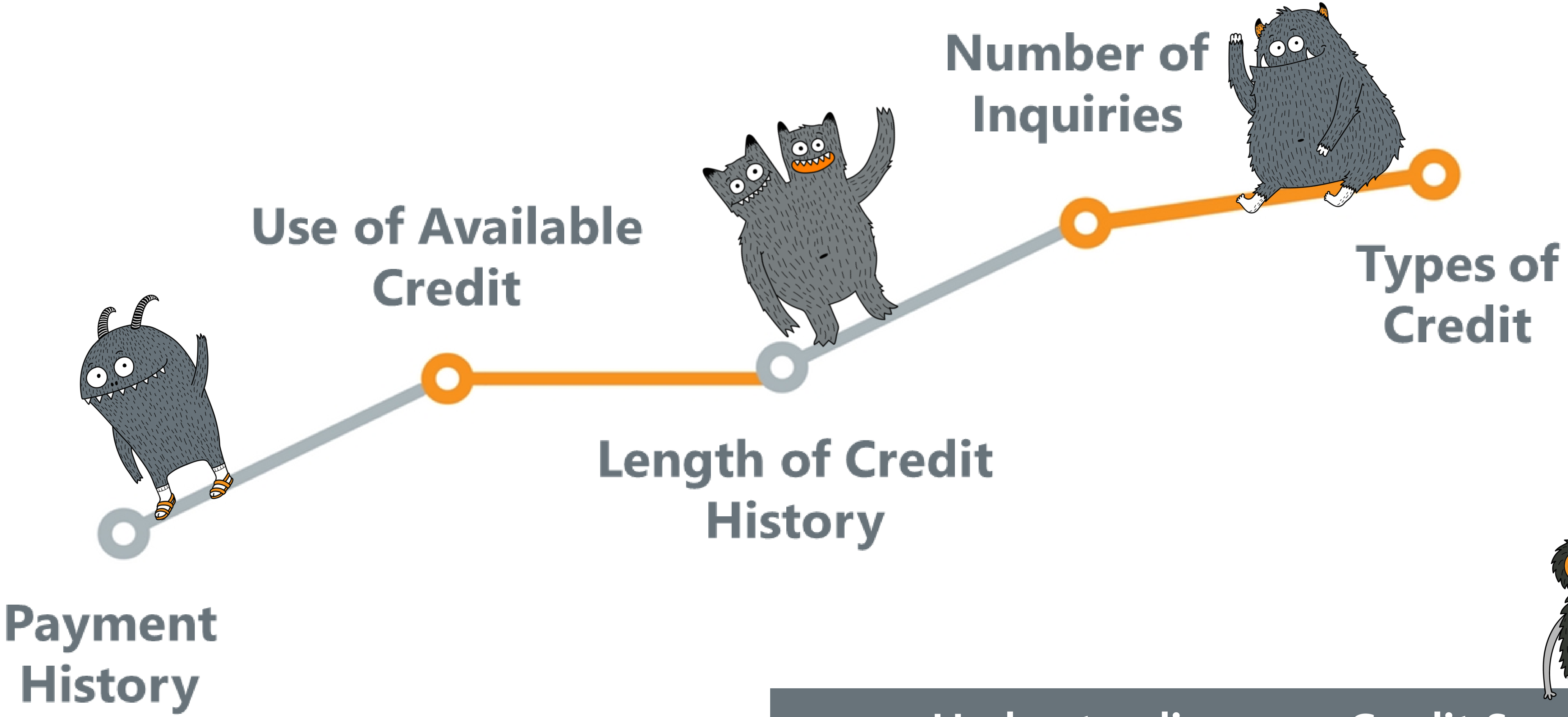
Responsible credit card ownership

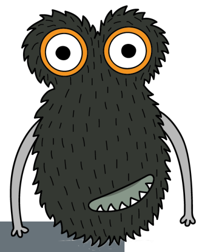
Always do your best to follow these steps to become a responsible credit card owner.

- Pay off your full balance each month.
- Never skip or miss a payment.
- Always pay your bills on time (ideally before the due date).
- Ask for a smaller credit limit.
- Make a plan and stick to it to pay off your credit card.
- Research different credit cards with no annual fees, better interest rates, etc., so you choose the right card for you.
- Always understand your interest rate and credit card contract.

Credit History & Credit Score

Your credit history is like a "screenshot" of your finances. Based on your credit history, your credit score is a number that determines how responsible you are with your credit.





Understanding your Credit Score

The report includes the following information:

1) Personal identifying information.

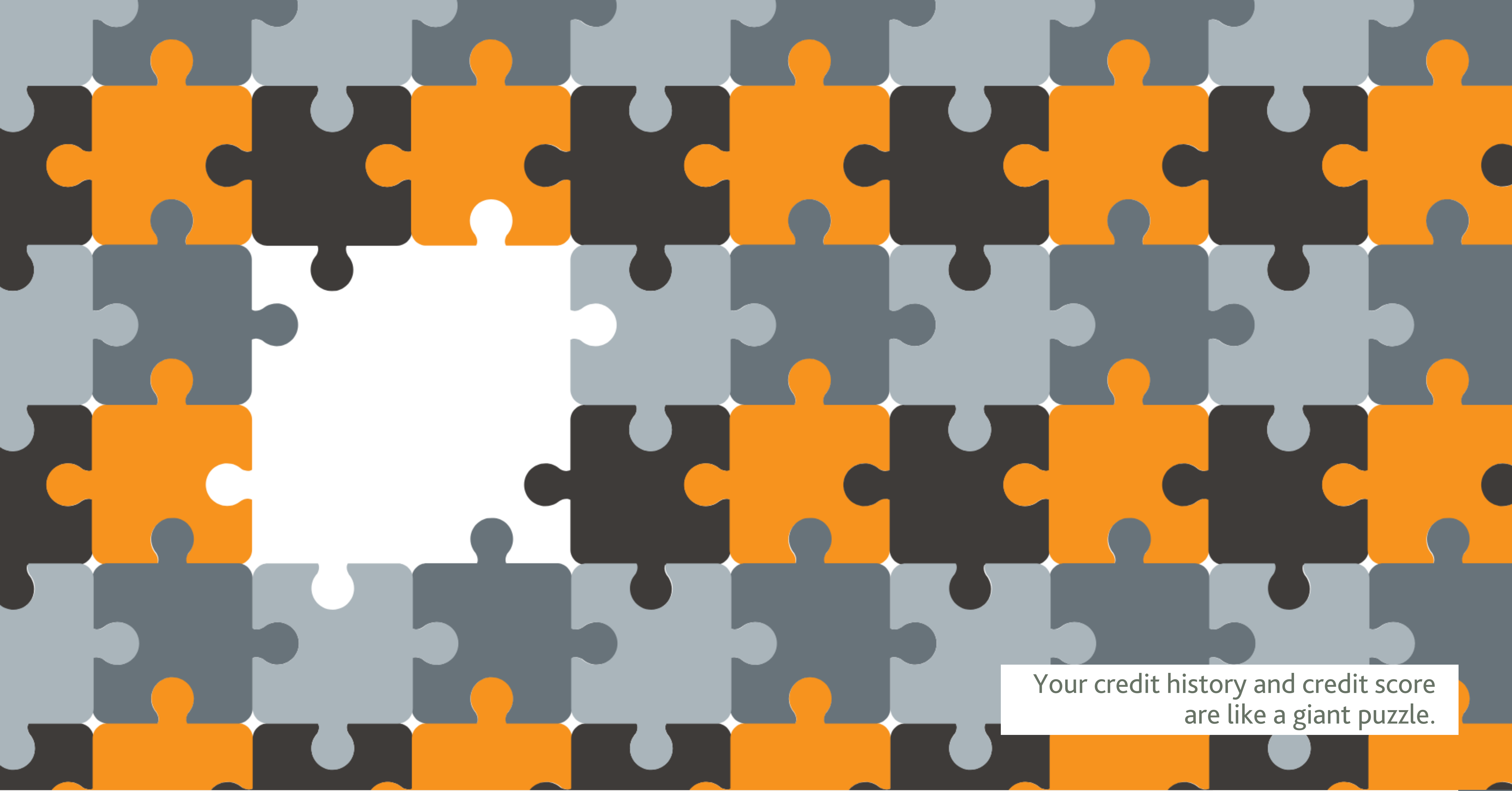
2) Credit history.

3) Public records.

4) Report inquiries.

5) Dispute statements.

What's in your credit report?



Your credit history and credit score are like a giant puzzle.

You need all of the pieces to build great credit.

Credit

Always remember how important using your credit responsibly is.

- Your credit history and credit score affect:
  - Ability to apply for lending products such as loans, mortgages and credit cards.
  - Interest rates.
  - Employment.
  - Property rentals.
  - Insurance.
- Your credit history tells a Lending Officer:
  - How you pay your debt, how much money you owe, how many different debts you have and how you use your credit.

Moving out?

Remember that your credit history plays a major role in your ability to apply for loans, mortgages, credit cards, and any other credit products.

Bills adding up?

Credit can be tempting. Before you spend, think about your savings as shopping for your future self. The money you save now could instead be used in the future to achieve your savings goals.

Borrowing money using credit

Always consider if you have the funds available to pay for your transactions each month on your credit card or line of credit. If you don't, it's best to save now and vacation later.

Needs vs. Wants

Ensure that you always put your essential expenses first. Before you shop, determine your needs. Start saving now for your financial future.

Life is BUSY.
Trust us. We get it.

Whether it's speaking about savings tips, banking options for you and your family, or credit advice, never be afraid to reach out to your financial institution for help.

Next steps

Now that your money is UnScary, what should you do next?

Consider this:

- Set your savings goal(s). Write them down, keep track of them in the Notes in your phone, or create a spread sheet. Ensure that you are continually reminded of your goals.
- Open up a savings account to start saving today and set up an auto-transfer to your savings account.
- Create a plan to make your savings grow. Always stick to your plan and timeline to achieve your goals.
- **Set up an UnScary conversation with your local branch!**

Financial Literacy

- Financial institutions (credit unions & banks)
- Interest (simple & compound)
- Savings goals
- Short-term & long-term savings
- Registered products (TFSAs, RESPs, RRSPs, RRIFs, RDSPs)
- Loans
- Credit cards
- Credit history & credit score
- Next steps
- How to positively impact your financial future

Summary

We spoke about a ton of important topics.
Let's review and summarize the main points.

We are here for you!

Money and banking should be easy, not scary.

alterna savings

Thank You

Name

@alternasavings

community@alterna.ca

https://www.alterna.ca/

UnScary
Money

Financial Education Series