choices & decisions Canadian revision team

Thanks to the members of the Canadian Revision Team who expanded and updated this resource for the Canadian consumer and educational community. Team members are educators with a background in business education.

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choices & decisions financial support

Thank you to the following Visa Members who provided funding for this project:

Bank One International
Canadian Imperial Bank of Commerce
Citibank (Canada)
Citizens Bank of Canada
Laurentian Bank of Canada
Royal Bank of Canada
TD Bank Financial Group
The Bank of Nova Scotia
Vancouver City Savings Credit Union
Visa Desjardins

choices & decisions curriculum update

This instructional unit was expanded and updated by Dr. Les Dlabay, Associate Professor of Business, Lake Forest College, Lake Forest, Illinois. Dr. Dlabay has taught more than 30 different business courses in high school, college, university, adult education, and teacher preparation programs. He has conducted workshops and seminars for teachers in more than 20 states. Dr. Dlabay is co-author of Personal Finance, Fifth Edition, published by Irwin/McGraw-Hill. Previous editions of this book have been used at more than 600 colleges and universities. He is also author of Business in a Global Economy, published by ITP/South-Western Educational Publishing. Dr. Dlabay may be contacted via email at dlabay@LFC.edu. Judith Cohart, as Director of Education/Training for the National Foundation for Consumer Credit, reviewed the materials and provided guidance for the revisions. She has extensive expertise in program development for adult education and has taught at both the high school and college level.
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lesson one
making decisions

overheads
The Decision-Making Process

• Identify the problem

• Gather information and list possible alternatives

• Consider consequences of each alternative

• Select the best course of action

• Evaluate the results
factors that can influence a decision

A. Values
   ■ What is important to your family, others in your culture?

B. Peers
   ■ People you know
   ■ Pressure for positive or negative behaviours

C. Habits
   ■ You are accustomed to doing it this way

D. Feelings (love, anger, frustration, ambivalence, rejection)
   ■ If you do make a certain decision
   ■ If you don’t make a certain decision

E. Family
   ■ Your family’s preference
   ■ Decisions other family members have made

F. Risks and consequences
   ■ What (or how much) you stand to win
   ■ What (or how much) you stand to lose

G. Age
   ■ Minor
   ■ Adult
common decision-making strategies

agonizing
Accumulating so much information that analyzing the options becomes overwhelming.

avoidance
Choosing the option that is most likely to avoid the worst possible result.

compliance
Going along with family, school, work, or peer expectations.

desire
Choosing the option that might achieve the best result, regardless of the risk involved.

destiny
Letting outside forces decide; leaving the decision up to fate.

inspiration
Doing something because “it feels right” or because “it just seems like the right thing to do.”

intention
Choosing an option that will be both intellectually and emotionally satisfying.

procrastination
Postponing thought and action until options are limited.

security
Choosing the option that will bring some success, offend the fewest people, and pose the least risk.

spontaneity
Choosing the first option that comes to mind; giving little or no consideration to the consequences of the choice.

synthesis
Choosing the option that has a good chance to succeed and which you like the best.
economic influences on decision making

These economic factors may influence personal and financial decisions:

**consumer prices**
changes in the buying power of the dollar, inflation

**consumer spending**
demand for goods and services

**gross domestic product (GDP)**
total value of goods and services produced within the country

**housing starts**
the number of new homes being built

**interest rates**
the cost of borrowing money

**money supply**
funds available for spending in the economy

**stock market index**
(such as the Dow Jones Averages, NASDAQ, TSE 300)
indicate general trends in the value of stocks

**unemployment**
the number of people without employment who are willing to work
Risks are associated with every decision. The following are common risks related to personal and financial decision making:

**income risk**
changing jobs or reduced spending by consumers can result in a lower income or loss of one’s employment. Career changes or job loss can result in a lower income and reduced buying power.

**inflation risk**
rising prices cause lower buying power. Buying an item later may mean a higher price.

**interest-rate risk**
changing interest rates affect your costs (when borrowing) and your benefits (when saving or investing).

**liquidity risk**
certain types of savings, guaranteed investment certificates (GICs) and investments (real estate) may be difficult to convert to cash quickly.

**personal risks**
factors that may create a less than desirable situation. Personal risk may be in the form of inconvenience, embarrassment, safety, or health concerns.
opportunity costs and the time value of money

**opportunity cost** refers to what a person gives up when a decision is made. This cost, also called a trade-off, may involve one or more of your resources (time, money, and effort).

**personal opportunity costs** may involve time, health, or energy. For example, time spent on studying usually means lost time for leisure or working. However, this trade-off may be appropriate since your learning and grades will likely improve.

**financial opportunity costs** involve monetary values of decisions made. For example, the purchase of an item with money from your savings means you will no longer obtain interest on those funds.

**time value of money** can be used to measure financial opportunity costs using interest calculations.

---

**e.g.** For example: spending $1,000 from a savings account paying 4 percent a year means an opportunity cost of $40 in lost interest.

**Calculation:** $1,000 \times 0.04 \times 1 \text{ year} = $40

Over 10 years, that $40 a year (saved at 4 percent) would have a value of over $480 when taking into account compound interest.
Lesson One
Making Decisions

Student Activities
the decision-making process

Identify the problem

Gather information and list possible alternatives

Consider the consequences of each alternative

Select the best course of action

Evaluate the results
what decision-making strategies have you used?

directions
As a class, identify and role-play the various decision-making strategies you’ve used. Then, be prepared to answer the questions below.

1. Have the strategies you’ve used worked? Please explain.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. What factors do you think might have influenced your choice of strategies?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
researching current economic conditions

Changing economic factors affect the decisions we make. Using newspaper business pages, Internet, or other sources of economic news, obtain information about current economic trends that influence various saving, investing, spending, and borrowing decisions. For example, higher interest rates make borrowing more expensive; however, higher interest rates make saving more attractive.

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<th>recent trends</th>
<th>possible influences on personal and financial decisions</th>
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<tr>
<td>Consumer prices</td>
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<tr>
<td>Other</td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
analyzing a decision

Identify the problem

Gather information and list possible alternatives

Consider the consequences of each alternative

Select the best course of action

Evaluate the results
true-false
1. _____ The decision-making process starts with gathering information.
2. _____ Procrastination is an example of an economic influence on decision making.
3. _____ Higher interest rates result in higher costs of borrowing money.
4. _____ Rising prices causing lower buying power is referred to as an inflation risk.
5. _____ Interest earned on savings may be referred to as the “time value of money.”

multiple choice
6. _____ The final step of the decision-making process is:
   A. evaluating the results.
   B. gathering information.
   C. identifying the problem.
   D. selecting the best course of action.
7. _____ Changes in the buying power of the dollar are measured by:
   A. the unemployment rate.
   B. the money supply.
   C. the consumer price index.
   D. interest rates.
8. _____ Consumer spending is likely to rise when:
   A. unemployment is high.
   B. interest rates are low.
   C. taxes rise.
   D. people are putting more money into savings accounts.
9. _____ Investments that may be difficult to convert to cash quickly have a high __________ risk.
   A. inflation
   B. economic
   C. income
   D. liquidity
10. _____ What a person gives up when making a decision is commonly called:
    A. the time value of money.
    B. a personal risk.
    C. an opportunity cost.
    D. spontaneity.

case application
In recent weeks, Richard and Fran Jones have considered moving to another city with additional job opportunities. Discuss the personal and economic factors they might consider in this situation. What risks are associated with this decision?
true-false

1. **f** The decision-making process starts with gathering information.

2. **f** Procrastination is an example of an economic influence on decision making.

3. **t** Higher interest rates result in higher costs of borrowing money.

4. **t** Rising prices causing lower buying power is referred to as an inflation risk.

5. **t** Interest earned on savings may be referred to as the “time value of money.”

multiple choice

6. **A** The final step of the decision-making process is:
   A. evaluating the results.
   B. gathering information.
   C. identifying the problem.
   D. selecting the best course of action.

7. **C** Changes in the buying power of the dollar are measured by:
   A. the unemployment rate.
   B. the money supply.
   C. the consumer price index.
   D. interest rates.

8. **B** Consumer spending is likely to rise when:
   A. unemployment is high.
   B. interest rates are low.
   C. taxes rise.
   D. people are putting more money into savings accounts.

9. **D** Investments that may be difficult to convert to cash quickly have a high __________ risk.
   A. inflation
   B. economic
   C. income
   D. liquidity

10. **C** What a person gives up when making a decision is commonly called:
    A. the time value of money.
    B. a personal risk.
    C. an opportunity cost.
    D. spontaneity.

case application

In recent weeks, Richard and Fran Jones have considered moving to another city with additional job opportunities. Discuss the personal and economic factors they might consider in this situation. What risks are associated with this decision?

Personal factors that the Jones may consider include their job skills, willingness to move with regard to family and friends, and personal long-term goals. Economic factors might include the employment opportunities in the new city, and the cost of living compared to the salary level. Risks that might be associated with this situation include current and new job satisfaction, and the effect of economic conditions on current and future employment opportunities in the new city.
lesson two
making money
overheads
Whether you are seeking your first job, or considering changing to a different field, various actions must be taken to obtain a job.

**phase 1:** Assess your personal interest, abilities, and career goals.

**phase 2:** Evaluate the current employment market.

**phase 3:** Identify specific job opportunities.

**phase 4:** Apply for employment positions with the use of a résumé or application letter.

**phase 5:** Interview for available positions.

**phase 6:** Obtain additional career training.
preparing for a job interview

before the interview
1. Research the organization.
2. Practice your interviewing skills.
3. Prepare questions that you plan to ask.
4. Prepare proper dress and grooming.
5. Plan to arrive early at the interview.

during the interview
1. Relax. Be yourself.
2. Answer questions completely and calmly.
3. Ask questions to help you better know the organization.
4. Ask when you might hear from the organization.

after the interview
1. Write down notes on how you can improve for your next interview.
2. Promptly send a thank-you letter to the person with whom you interviewed expressing your appreciation for the opportunity to meet with them.
the following are some questions commonly asked at a job interview:

1. What activities have helped you expand your interests, abilities, and knowledge?

2. In what types of situations have you done your best work?

3. Describe the supervisors who motivated you the most.

4. Describe someone who was difficult to work with.

5. What are your major strengths?

6. In what areas do you need to improve?

7. What do you know about our organization?

8. Who is someone you admire? Why do you admire that person?

9. Why do you want to work for this business?
benefits cost your employer between 33% and 50% of your pay. This may include:

- Paid vacation days
- Paid sick days
- Health, dental, and eye care insurance
- Life insurance
- Disability insurance
- Pension plan
- Registered retirement savings plan
- Parental leave
- Stock purchase plan
- Employee assistance plans
- Employee fitness programs
- Employee discounts
**Want not!**

**PAYROLL ACCOUNT**

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<th>Description</th>
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<th>Current</th>
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**EMPLOYEE** G. Raymond Martin
**SIN** 123-456-789
**PAY PERIOD** 3/1/___ TO 3/15/___
**NET PAY** $524.28
**CHEQUE NO.** 060432

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**choices & decisions** making money

**overhead 2-E**
lesson two

making money

student activities
based on your personal situation, answer the following questions:

1. What topics of study do or did you enjoy most in school?

2. What skills do you do well? What do you feel to be your most distinguishing skill or area of specialty?

3. What are your interests away from school or work?

4. Describe a situation in which you helped organize the work of others.

5. Describe a situation in which you worked with a team to achieve a goal.

6. Describe the kind of job you might like.

based on your answers to the above items, describe two or three jobs that meet your criteria:

A.

B.

C.
Select two career areas that interest you. Using library information, the Internet, and interviews with others, obtain answers to the following questions:

<table>
<thead>
<tr>
<th></th>
<th>career 1</th>
<th>career 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>What are the general activities and duties of this job?</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>What are the physical surroundings, work hours, and mental and physical demands of this type of work?</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>What training and educational background is needed for this area of employment?</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Will these career areas be in demand in the future?</td>
<td></td>
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<tr>
<td>5.</td>
<td>What are the starting and advanced salaries for this industry?</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>What makes these careers attractive to you?</td>
<td></td>
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</table>
A resumé is a personal data sheet commonly used to apply for a job. It lists your skills and experience so that future employers can see what you have already done and whether your experience meets the job’s requirements. Fill out the following categories to assist you in preparing your resumé.

**education**
degree/programs completed, school, location, areas of study, dates

**work experience**
title, organization, dates, responsibilities

**other experience** *(volunteer work, school, and community activities)*
title, organization, dates, responsibilities

**recognition/awards**
title, organization, dates
read and interpret pay stubs

directions
Answer the following questions using the attached pay stubs:

1. What is the name of Zina Picard’s employer?

2. How much did Zina earn before deductions?

3. What is Zina's hourly wage?

4. List Zina’s deductions.

5. What pay period does Peter deBoer’s cheque cover?

6. How much Income Tax has been taken out of Peter’s cheque so far during 20___?

7. How much did Peter contribute to a retirement plan from this paycheque?

8. How much is Peter’s take-home pay?

9. Where does Mary Stone work?

10. What is Mary’s hourly wage?

11. How much money was deducted from Mary’s paycheque?

12. How much has Mary been paid in total during 20___?
### Hamburger Palace Enterprises, Inc.

**NAME**: Zina Picard  
**PAYROLL ENDING**: 3/14/____  
**CHEQUE NO.**: 9343

**EMPLOYEE NO.**: L4325  
**AMOUNT**: $229.33

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### The Banana Breadbox

**EMPLOYEE**: PETER H. deBOER  
**SIN**: 999-999-999  
**PAY PERIOD**: 8/6/____ TO 8/12/____  
**PAY DATE**: 8/15/____  
**CHEQUE NO.**: 3259  
**NET PAY**: $186.26

**PAYROLL**

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### choices & decisions making money

**activity 2-4b**
### Read and Interpret Pay Stubs (continued)

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<th>GROSS EARNINGS</th>
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read and interpret pay stubs answer key

directions
Answer the following questions using the attached pay stubs:

1. What is the name of Zina Picard’s employer?
   Hamburger Palace Enterprises, Inc.

2. How much did Zina earn before deductions?
   $294.00

3. What is Zina’s hourly wage?
   $6.00/hour

4. List Zina’s deductions.
   Income Tax, E.I., CPP, meals

5. What pay period does Peter deBoer’s cheque cover?
   8/6/___ to 8/12/___

6. How much Income Tax has been taken out of Peter’s cheque so far during 20____?
   $372.01

7. How much did Peter contribute to a retirement plan from this paycheque?
   $30.00

8. How much is Peter’s take-home pay?
   $186.26

9. Where does Mary Stone work?
   Dance-o-Rama

10. What is Mary’s hourly wage?
    $8.00/hour

11. How much money was deducted from Mary’s paycheque?
    $98.23

12. How much has Mary been paid in total during 20____?
    $3,460.00
true-false

1. _____ The career planning process starts with assessing your personal interests, abilities, and goals.

2. _____ Interviewing is the final phase of the career planning process.

3. _____ Travel costs to work are considered to be “hidden” job costs.

4. _____ Worker’s compensation is a common employee benefit received by most workers.

5. _____ Gross pay results from deducting various deductions from your earnings.

multiple choice

6. _____ The first phase of the career planning process is to:
   A. identify specific job opportunities.
   B. interview for available positions.
   C. assess personal interests and abilities.
   D. apply for employment positions.

7. _____ After applying for an available position, the next step usually involves:
   A. interviewing.
   B. obtaining training for necessary skills.
   C. comparing employee benefits.
   D. preparing a personal data sheet (résumé).

8. _____ A hidden cost of a job might involve:
   A. gross pay.
   B. uniform fees.
   C. employee discounts.
   D. retirement benefits.

9. _____ Which of the following employee benefits would a working parent find most useful?
   A. stock options
   B. retirement savings plan
   C. employment insurance benefits
   D. life insurance

10. _____ A common deduction on a person’s pay stub would be:
    A. gross pay.
    B. union dues.
    C. charitable donations.
    D. income tax.

case application

Navine Nesrallah has worked for nine years in retail sales. She is considering going back to school to change career fields. What factors should be considered before making this decision?
true-false

1. __ t __ The career planning process starts with assessing your personal interests, abilities, and goals.
2. __ f __ Interviewing is the final phase of the career planning process.
3. __ t __ Travel costs to work are considered to be “hidden” job costs.
4. __ f __ Worker’s compensation is a common employee benefit received by most workers.
5. __ f __ Gross pay results from deducting various deductions from your earnings.

multiple choice

6. __ C __ The first phase of the career planning process is to:
   A. identify specific job opportunities.
   B. interview for available positions.
   C. assess personal interests and abilities.
   D. apply for employment positions.

7. __ A __ After applying for an available position, the next step usually involves:
   A. interviewing.
   B. obtaining training for necessary skills.
   C. comparing employee benefits.
   D. preparing a personal data sheet (résumé).

8. __ B __ A hidden cost of a job might involve:
   A. gross pay.
   B. uniform fees.
   C. employee discounts.
   D. retirement benefits.

9. __ C __ Which of the following employee benefits would a working parent find most useful?
   A. stock options
   B. retirement savings plan
   C. employment insurance benefits
   D. life insurance

10. __ D __ A common deduction on a person’s pay stub would be:
    A. gross pay.
    B. union dues.
    C. charitable donations.
    D. income tax.

case application

Navine Nesrallah has worked for nine years in retail sales. She is considering going back to school to change career fields. What factors should be considered before making this decision?

Navine should consider her personal interests and abilities as well as potential demand in the new career field. Next, she should assess if she can afford the time and money that may be required when making this career change. In addition, Navine should consider the impact of this decision on her personal well-being and that of family members.
lesson three
the art of budgeting

overheads
the budgeting process

phase 1: Assess your personal and financial situation (needs, values, life situation).

phase 2: Set personal and financial goals.

phase 3: Create a budget for fixed and variable expenses based on projected income.

phase 4: Monitor current spending (saving, investing) patterns.

phase 5: Compare your budget to what you have actually spent.

phase 6: Review financial progress and revise budgeted amounts.
well-written personal and financial goals SHOULD:

■ be realistic
   A student working part-time is not likely to be able to afford a new car every couple of years.

■ be stated in specific, (I plan/want to...) measurable terms
   “To save $5,000 for a down payment to buy a house.”

■ have a time frame
   “To pay off my credit card within the next 18 months.”

■ state the action to be taken
   “To start an automatic deposit savings account with monthly withdrawals from my chequing account.”
setting up and maintaining a budget

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<th>income</th>
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lesson three

the art of budgeting

student activities
what are your goals?

directions
List some of your educational, social, financial, family, health/physical, and recreational goals. In some categories you may have more than six goals; in others you may have fewer.

my educational goals include:
1. ________________________________________________________________________________
2. ________________________________________________________________________________
3. ________________________________________________________________________________
4. ________________________________________________________________________________
5. ________________________________________________________________________________
6. ________________________________________________________________________________

my social goals include:
1. ________________________________________________________________________________
2. ________________________________________________________________________________
3. ________________________________________________________________________________
4. ________________________________________________________________________________
5. ________________________________________________________________________________
6. ________________________________________________________________________________

my financial goals include:
1. ________________________________________________________________________________
2. ________________________________________________________________________________
3. ________________________________________________________________________________
4. ________________________________________________________________________________
5. ________________________________________________________________________________
6. ________________________________________________________________________________
what are your goals? (continued)

my family goals include:
1. ________________________________________________________________________________
2. ________________________________________________________________________________
3. ________________________________________________________________________________
4. ________________________________________________________________________________
5. ________________________________________________________________________________
6. ________________________________________________________________________________

my health/physical goals include:
1. ________________________________________________________________________________
2. ________________________________________________________________________________
3. ________________________________________________________________________________
4. ________________________________________________________________________________
5. ________________________________________________________________________________
6. ________________________________________________________________________________

my recreational goals include:
1. ________________________________________________________________________________
2. ________________________________________________________________________________
3. ________________________________________________________________________________
4. ________________________________________________________________________________
5. ________________________________________________________________________________
6. ________________________________________________________________________________
working with your goals

what goals are the most important to you?
Choose the two goals from each category that are the most important to you. Identify each goal as short-term (1–4 weeks), medium-term (2–12 months), or long-term (1 year or longer).

1. ________________________________________________________________________________
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11. ________________________________________________________________________________
12. ________________________________________________________________________________

prioritize your goals
List and prioritize six of your most important goals. After each goal, identify what you could be doing now to work toward the goal, and what resources (if any) you need to achieve each goal.

goal #1 ________________________________________________________________________________

What I can be doing now to work toward this goal:
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________

The resources I need to achieve this goal are:
______________________________________________________________________________
______________________________________________________________________________
______________________________________________________________________________
working with your goals (continued)

**goal #2**

What I can be doing now to work toward this goal:

________________________________________________________________

________________________________________________________________

The resources I need to achieve this goal are:

________________________________________________________________

________________________________________________________________

**goal #3**

What I can be doing now to work toward this goal:

________________________________________________________________

________________________________________________________________

The resources I need to achieve this goal are:

________________________________________________________________

________________________________________________________________

**goal #4**

What I can be doing now to work toward this goal:

________________________________________________________________

________________________________________________________________

The resources I need to achieve this goal are:

________________________________________________________________

________________________________________________________________

activity 3-1d choices & decisions the art of budgeting
working with your goals (continued)

goal #5

What I can be doing now to work toward this goal:

________________________________________________________________
________________________________________________________________
________________________________________________________________

The resources I need to achieve this goal are:

________________________________________________________________
________________________________________________________________
________________________________________________________________

goal #6

What I can be doing now to work toward this goal:

________________________________________________________________
________________________________________________________________
________________________________________________________________

The resources I need to achieve this goal are:

________________________________________________________________
________________________________________________________________
________________________________________________________________
**where does your money come from?**

**directions**

Answer these questions. Be prepared to discuss your answers in class.

1. List your current source(s) of income.
   
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
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   __________________________________________________________

2. What do you expect to be your source(s) of income in the near future?
   
   __________________________________________________________
   __________________________________________________________
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3. What are your feelings about being financially dependent vs. financially independent?
   
   __________________________________________________________
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where does your money go?

directions
Keep a record of everything you spend during a specific period. Then, answer the questions below.

1. What patterns can you see in your spending habits?
   ______________________________________________________
   ______________________________________________________
   ______________________________________________________
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   ______________________________________________________

2. How do you decide what to purchase?
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   ______________________________________________________
   ______________________________________________________
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3. What factors do you think influence your purchasing decisions?
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   ______________________________________________________
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setting up a personal budget

directions
Use this form to set up a personal budget. After you’ve completed your planning, try to stick to your budget for one month. At the end of the month, record your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

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setting up a personal budget (continued)

flexible expenses (continued)

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rework a budget

**directions**

Use one of the attached budget sheets to set up and maintain Gabrielle's budget. Then, use the other sheet to rework Gabrielle's budget into one that fits your personal lifestyle.

**her planned income and expenses**

Gabrielle works part-time at a greeting card company and part-time at a record store. 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)
- $175 for car payment
- $220 for car insurance

Her planned flexible expenses include:

- $100 (to save for post-secondary education)
- $150 for food
- $40 for gas and oil
- $50 for clothes
- $60 for entertainment
- $30 for personal and household items

**how her month actually went**

1. What she made:
   - Gabrielle made $45 in overtime pay this month

2. What her fixed expenses actually were:
   - Rent went up to $225, starting this month
   - Her monthly car payment was $175
   - Her monthly car insurance premium, as of this month, went up to $295

3. 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 and bridge tolls
   - $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

4. Unforeseen events:
   - Gabrielle got two speeding tickets in one week. The total cost of both tickets is $230.
how does her budget look now?

1. What is the difference between Gabrielle’s planned expenses and her actual expenses?

2. In what areas did she overspend?

3. In what areas did she spend less than she planned?

4. How much did she spend for the use of her car this month?

5. How much money did she have at the end of the month to put into savings?

if it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle’s income as a starting point. Keep in mind your personal financial goals.

2. What did you change about the budget?

________________________________________________________________________
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3. How much would you save each month to put toward your personal and financial goals?

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## Gabrielle's Budget

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<th>Income</th>
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### Expenses

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### rework a budget (continued)

**if it were your budget**

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**expenses**

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</tr>
<tr>
<td>Repairs</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>other</th>
<th>budget</th>
<th>actual</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Personal items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Medical (e.g., Rx)</td>
<td>$</td>
<td>$</td>
<td>4</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Tuition/School expenses</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

| **total monthly expenses** | $      | $      | $          |
how does her budget look now?

1. What is the difference between Gabrielle’s planned expenses and her actual expenses?
   
   Actual was $1675, planned was $1025. Difference is $650.

2. In what areas did she overspend?
   
   Food, transportation, clothing, entertainment, personal, other (ticket, birthday present)

3. In what areas did she spend less than she planned?
   
   Savings

4. How much did she spend for the use of her car this month?
   
   $784 not including tickets

5. How much money did she have at the end of the month to put into savings?
   
   None

if it were your budget...

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle’s income as a starting point. Keep in mind your personal financial goals.

2. What did you change about the budget?
   
   ________________________________________________
   ________________________________________________
   ________________________________________________
   ________________________________________________

3. How much would you save each month to put toward your personal and financial goals?
   
   ________________________________________________
   ________________________________________________
   ________________________________________________
   ________________________________________________
### Gabrielle’s Budget

<table>
<thead>
<tr>
<th>Income</th>
<th>Budget</th>
<th>Actual</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$600</td>
<td>$600</td>
<td>$0</td>
</tr>
<tr>
<td>Job #2</td>
<td>$800</td>
<td>$800</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$45</td>
<td>$+45</td>
</tr>
<tr>
<td><strong>Total Monthly Income</strong></td>
<td>$1400</td>
<td>$1445</td>
<td>$+45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Budget</th>
<th>Actual</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td>$100</td>
<td>$0</td>
<td>$-100</td>
</tr>
<tr>
<td>Rent</td>
<td>$200</td>
<td>$225</td>
<td>$+25</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$220</td>
<td>$295</td>
<td>$+75</td>
</tr>
<tr>
<td>Car payment</td>
<td>$175</td>
<td>$175</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Monthly Expenses</strong></td>
<td>$1025</td>
<td>$1675</td>
<td>$+650</td>
</tr>
<tr>
<td><strong>Flexible Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food/Eating out</td>
<td>$150</td>
<td>$190</td>
<td>$+40</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bus fare</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>$40</td>
<td>$60</td>
<td>$+20</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$0</td>
<td>$34</td>
<td>$+34</td>
</tr>
<tr>
<td>Repairs</td>
<td>$0</td>
<td>$220</td>
<td>$+220</td>
</tr>
<tr>
<td>Other (ticket)</td>
<td>$0</td>
<td>$230</td>
<td>$+230</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>$50</td>
<td>$80</td>
<td>$+30</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$60</td>
<td>$70</td>
<td>$+10</td>
</tr>
<tr>
<td>Personal items</td>
<td>$15</td>
<td>$60</td>
<td>$+45</td>
</tr>
<tr>
<td>Medical (e.g., Rx)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Household items</td>
<td>$15</td>
<td>$0</td>
<td>$-15</td>
</tr>
<tr>
<td>Tuition/School expenses</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other (birthday gift)</td>
<td>$0</td>
<td>$36</td>
<td>$+36</td>
</tr>
<tr>
<td><strong>Total Monthly Expenses</strong></td>
<td>$1675</td>
<td>$1675</td>
<td>$0</td>
</tr>
</tbody>
</table>
true-false
1. _____ The budgeting process starts with monitoring current spending.
2. _____ Most short-term goals are based on activities over the next two or three years.
3. _____ A common long-term goal may involve saving for college for parents of a new-born child.
4. _____ Rent is considered a fixed expense.
5. _____ Flexible expenses stay about the same each month.

multiple choice
6. _____ The final phase of the budgeting process is to:
   A. set personal and financial goals.
   B. compare your budget to what you have actually spent.
   C. review financial progress.
   D. monitor current spending patterns.

7. _____ An example of a long-term goal would be:
   A. an annual vacation.
   B. saving for retirement.
   C. buying a used car.
   D. completing college within the next six months.

8. _____ A clearly written financial goal would be:
   A. “To save money for college for the next five years”
   B. “To pay off credit card bills by 2001”
   C. “To invest in an international mutual fund for retirement”
   D. “To establish an emergency fund of $4,000 in 18 months”

9. _____ An example of a fixed expense is:
   A. clothing.
   B. car insurance.
   C. an electric bill.
   D. educational expenses.

10. _____ is commonly considered a flexible expense.
    A. Rent
    B. A mortgage payment
    C. Home insurance
    D. Entertainment

case application
Each month Niko and Albert Cheung have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?
true-false
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2. □ Most short-term goals are based on activities over the next two or three years.
3. □ A common long-term goal may involve saving for college for parents of a new-born child.
4. □ Rent is considered a fixed expense.
5. □ Flexible expenses stay about the same each month.

multiple choice
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    B. A mortgage payment
    C. Home insurance
    D. Entertainment

case application
Each month Niko and Albert Cheung have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?

The Cheungs should create a specific spending plan based on their income, needs, and wants. They should decide on various financial goals for their current and future needs. They should regularly revise their budget based on changing situations in their lives.
lesson four
living on your own

overheads
moving-in costs can include:

- Rent for first month
- Rent for last month
- Security deposit
- Utilities deposit
- Telephone deposit

moving costs can include:

- Renting a truck
- Hiring movers
- Others?
when preparing your budget, keep in mind:

- Your personal and financial goals
- Your income
- Your lifestyle
- Your fixed expenses
- Your flexible expenses
- Moving costs
- Moving-in costs
- The cost of setting up house or apartment

rule of thumb:
- You should spend no more than 32% of your gross income on rent or mortgage payments.
## Budgeting to Move

**Income**

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

**Expenses**

### Fixed Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$</td>
</tr>
<tr>
<td>Rent/Board</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
</tr>
<tr>
<td>Car payment</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
</tbody>
</table>

### Flexible Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food/ Eating out</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td></td>
</tr>
<tr>
<td>Bus fare</td>
<td>$</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>$</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$</td>
</tr>
<tr>
<td>Repairs</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
</tr>
<tr>
<td>Personal items</td>
<td>$</td>
</tr>
<tr>
<td>Medical (e.g., Rx)</td>
<td>$</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
</tr>
<tr>
<td>Tuition/School expenses</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total monthly expenses</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>
# budgeting to move  (continued)

## moving-in costs

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent for first month</td>
<td>$</td>
</tr>
<tr>
<td>Rent for last month</td>
<td>$</td>
</tr>
<tr>
<td>Security deposit</td>
<td>$</td>
</tr>
<tr>
<td>Utilities deposit</td>
<td>$</td>
</tr>
<tr>
<td>Telephone deposit</td>
<td>$</td>
</tr>
<tr>
<td>Moving costs</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
</tbody>
</table>

**total cost to move in²** $

## cost of furnishing and equipping an apartment

<table>
<thead>
<tr>
<th>Room</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedroom #1</td>
<td>$</td>
</tr>
<tr>
<td>Bedroom #2</td>
<td>$</td>
</tr>
<tr>
<td>Living room</td>
<td>$</td>
</tr>
<tr>
<td>Dining room</td>
<td>$</td>
</tr>
<tr>
<td>Kitchen</td>
<td>$</td>
</tr>
<tr>
<td>Bathroom</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
</tbody>
</table>

**total cost³** $

## summary

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost for first month</td>
<td>$</td>
</tr>
</tbody>
</table>

**Total cost for first month (1+2+3)** $
This Indenture

made in duplicate the day of 19

in pursuance of the Short Forms of Leases Act, the Landlord and Tenant Act and amendments.

Witness

hereinafter called the “Lessor”

OF THE FIRST PART

and

hereinafter called the “Lessee”

OF THE SECOND PART

and

hereinafter called the “Spouse of the Lessor”

OF THE THIRD PART

Whereas, that in consideration of the rents, covenants and agreements hereinafter provided and contained on the part of the said Lessor to be paid, observed and performed, the said Lessor hath demised and leased and by these presents DOTh demise and LEASE unto the said Lessee ALL, THAT messuage and tenement, namely,

and being composed of

(heresinafter called the “premises”), upon the following terms and conditions:
a lease agreement (continued)

To have and to hold the premises for and during the term of

to be computed from the day of one thousand
eight hundred and

and ending on the day of one thousand nine hundred and

YIELDING AND PAYING thereby yearly and every year during the said term unto the said Lessner the sum of $ of lawful money of Canada, without any deduction whatsoever to be payable on the following days and times, that is to say:

The first of such payments to become due and to be made on the day of next.

THE Lessee agrees to pay to the Lessner the sum of $24.00 per month, to be paid at the lessner's bank in the form of a check or by direct deposit. Subject to Section 5 of the Landlord and Tenant Act, if the Lessee breaches any terms of the lease, the Lessee shall be required to vacate the premises within 7 days of written notice.

The Lessee agrees to the following terms:

1. To pay rent, except for legal improvements.
2. To maintain the premises in a state of cleanliness, and to repair any damage caused to the premises by the Lessee or his agents, or as a result of the lessor's negligence.
3. To keep up surtaxes.
4. Not to assign or sublet without the consent of the Lessner, and to ensure that all electrical and mechanical systems are maintained.
5. Not to permit any tenant or subtenant to arrange the premises for any purpose that may be deemed a nuisance to any person, or by which the lessne may be injured.
6. To keep the premises in good repair and in a safe condition, and to pay the reasonable cost of any repairs not caused by the Lessee.
7. To promptly notify the Lessner of any repairs that are required to be made by the Lessner, and upon giving notice of the repairs required, the Lessee shall be permitted to enter and view the state of the repair and to make any repairs necessary.

Provided that the Lessee may remove his fixtures, if such removal is to be done without injury to the premises.

Provided that in the event of damage to the premises by fire, lightning, or other peril, the premises shall become the property of the Lessner.

Provided that the Lessee agrees to pay the Lessner $250.00 for any damage to the premises by the Lessee or his agents, or as a result of the Lessner's negligence.

Provided that if the Lessner is required to pay any amount of rent or other expense, the Lessee shall be responsible for paying such amount, and the same shall be paid by the Lessee within 7 days of written notice.

Provided for the sitting of the Lessee, a special condition shall be added to state that the siting shall cease at all times, as in accordance with the provisions of the Landlord and Tenant Act.
a lease agreement (continued)

The lessor shall maintain the premises in a good state of repair and fit for habitation during the lease term in order that the premises comply with health and safety standards required by law.

The lessor covenants with the said lessee for quiet enjoyment.

The lessee covenants with the lessor to permit the said lessee during the last month of the term of the lease, to put up upon the said premises, notice of intention to lease the same, and also to vacate the same in such a manner as the said lessor may require, at the end of the term, and that the lessee shall comply with all regulations and covenants of the lease and premises at the termination of this lease and visit and inspect the same at any time during the hour of, and before the time of, which shall be during daylight hours and specified in the notice.

It is hereby agreed between the parties hereof that, upon the determination of the lease by expiration of time, the lessee surrenders the premises to the lessor in perfect condition, as to the premises and all appurtenances in respect thereof, a tenancy from year to year shall not be implied by implication or law, but the lessee shall be deemed to hold on a month-to-month tenancy only.

AND the said premises of the said lessee hereby covenants to the said lessor, and to the transaction entered into this article.

It is hereby declared and agreed that the express provisions of the lease, and the covenants, conditions, and agreements as to the premises and appurtenances in respect thereof, a tenancy from year to year, shall not be implied by implication or law, but shall be deemed to be a month-to-month tenancy only.

IN WITNESS WHEREOF the said parties hereto have hereunto set their hands and seals.

[Signature]

R E C E I P T  O F  T E N A N C Y  A G R E E M E N T:

The hereby acknowledges receiving a true copy of the lease on or before the day of

[Signature]

Lessee (Tenant)

Lessee (Tenant)
a lease agreement (continued)

overhead 4-D (iv)  choices & decisions  living on your own

affidavit of subscribing witnesses

I

of the

in the


signature of subscribing witnesses

owe

day of

[Signature]

(please type your full name)

[This space is for the official who is to register the instrument.]

we

of the

in the

(severely) male, female, or indifferent

When I/we executed the attached instrument,

I was / we were each at least eighteen years old

and that the signature is that of the party or parties

I was a spouse / I was not a spouse

was my signature

we made promises to one another

were a marriage

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

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rights and responsibilities of tenants

**tenant’s rights:**
- Withholding rent if the landlord doesn’t make repairs in a reasonable amount of time.
- Safe and sanitary premises.
- No changes in terms and conditions for the length of the lease.
- Landlord cannot enter premises without the tenant’s consent, or unless an emergency exists.

**tenant’s responsibilities:**
- Paying rent on time.
- Using the rental for the purpose stated in the lease.
- Taking reasonable care of the property.
- Notifying the landlord if any major repairs are needed.
- Giving notice if leaving at the end of the lease.
- Giving notice if leaving before lease is up and paying rent for balance of lease if landlord can’t find new tenants.
- Paying for any damage to the walls, floors, and furniture.
- Not making alterations that the landlord must fix later.
- Giving landlord a new set of keys if you change the locks.
- Paying all of rent if roommates move out and you stay.
rights and responsibilities of landlords

landlord’s rights:

■ Charging extra if rent is late (amount specified in lease agreement).

■ Keeping part or all of the security deposit if you leave before the lease is up (as specified in the lease).

■ Charging rent through the length of the lease even if you aren’t living on the premises.

■ Keeping all or part of security deposit if you damage walls, floors, or fixtures, or if you make alterations that have to be fixed after you move out.

landlord’s responsibilities:

■ Making repairs in a reasonable amount of time.

■ Keeping premises safe and sanitary.

■ Entering premises only at agreed-upon time to make repairs (unless there is an emergency), or to show the apartment to potential renters if you are moving out.

■ Paying interest on deposit money.

■ Collecting rent.

■ Maintaining exterior grounds of building.
lesson four
living on your own

student activities
estimate the cost of your bedroom furnishings

directions

On a sheet of paper, prepare an itemized list of every major object in your bedroom, including furniture, linens, and other items. Then, estimate the cost of each item and answer the questions below.

1. What items did you include?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. How did the total compare to what you expected?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3. For what items did you underestimate the cost?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

4. For what items did you overestimate the cost?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
calculate the cost of setting up an apartment or redecorating a home

**directions**
Each team member should pick one room (choices include kitchen, dining room, bedroom, living room, and bathroom). Research how much it would cost to furnish and equip the room. Consider various alternatives, including secondhand stores, garage sales, donations from family and relatives, etc.

1. What items did you include?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. What was your source for each item?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3. What was the total cost?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

4. How did the total compare to what you expected?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Use this form to set up a budget that would allow you and your teammates to rent and furnish an apartment.

<table>
<thead>
<tr>
<th>income</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>total income</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>fixed expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$</td>
</tr>
<tr>
<td>Rent/mortgage</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
</tr>
<tr>
<td>Car payment</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>flexible expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food/Eating out</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td></td>
</tr>
<tr>
<td>Bus fare</td>
<td>$</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>$</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$</td>
</tr>
<tr>
<td>Repairs</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
</tr>
<tr>
<td>Personal items</td>
<td>$</td>
</tr>
<tr>
<td>Medical (e.g., Rx)</td>
<td>$</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
</tr>
<tr>
<td>Tuition/School expenses</td>
<td>$</td>
</tr>
<tr>
<td><strong>total monthly expenses</strong></td>
<td>$</td>
</tr>
</tbody>
</table>
Continue to calculate what you and your teammates would pay to rent and furnish an apartment.

### moving-in costs

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent for first month</td>
<td>$</td>
</tr>
<tr>
<td>Rent for last month</td>
<td>$</td>
</tr>
<tr>
<td>Security deposit</td>
<td>$</td>
</tr>
<tr>
<td>Utilities deposit</td>
<td>$</td>
</tr>
<tr>
<td>Telephone deposit</td>
<td>$</td>
</tr>
<tr>
<td>Moving costs</td>
<td>$</td>
</tr>
</tbody>
</table>

### total cost to move in²

| Total Cost to Move In² | $      |

### cost of furnishing and equipping an apartment

<table>
<thead>
<tr>
<th>Room</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedroom #1</td>
<td>$</td>
</tr>
<tr>
<td>Bedroom #2</td>
<td>$</td>
</tr>
<tr>
<td>Living room</td>
<td>$</td>
</tr>
<tr>
<td>Dining room</td>
<td>$</td>
</tr>
<tr>
<td>Kitchen</td>
<td>$</td>
</tr>
<tr>
<td>Bathroom</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
</tbody>
</table>

### total cost³

| Total Cost 3     | $      |

### summary

<table>
<thead>
<tr>
<th>Summary</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost for first month (1+2+3)</td>
<td>$</td>
</tr>
</tbody>
</table>
would you sign this lease?

**directions**

Use the attached lease form to answer the following questions.

1. For which utilities, if any, does the landlord pay?

2. If you were to fall down a wet flight of stairs and break your leg while in the apartment building, could you hold the landlord legally responsible for your medical bills?

3. If you break any provision of the lease, what recourse does the landlord have?

4. What terms and conditions apply if you choose to stay after the lease has expired?

5. If the landlord changes (or waives) any provision in the lease, how are the other provisions affected?

6. If you want to let the landlord know you are moving out, what must you do?

7. Is there anything in this lease you would change?

8. Would you add any provisions to this lease?
lease agreement

lease

1. **Parties/Premises:**
   This Lease is made this 27th of August, 2000, by and between Alice Chan (herein referred to as “Landlord”) and Tim Baker (herein referred to as “Tenant”). Landlord hereby leases to Tenant certain real property situated in the City of Toronto, Province of Ontario, commonly known as 123 Main Street and described as Two Bedroom Apartment (hereinafter called the “Premises”).

2. **Term:**
   The term of this Lease shall be for one year commencing on September 1, 2000, and ending on September 1, 2001.

3. **Rent:**
   Tenant shall pay to Landlord as rent for the Premises the sum of $850.00 dollars per month, on the first day of each month. Rent shall be payable without notice or demand at the address as the Landlord may designate to Tenant in writing.

4. **Utilities:**
   Tenant shall make all arrangements and pay for all gas, heat, light, power, telephone, and other utility services supplied to the Premises and for all connection charges.

5. **Hold Harmless:**
   Tenant shall hold Landlord harmless from any and all claims arising from Tenant’s use of the Premises. Except for Landlord’s wilful or grossly negligent conduct, Tenant assumes all risk of damage to property or injury to persons in or about the Premises.

6. **Default:**
   If Tenant shall default and breach any covenant or provision of the Lease, then the Landlord, after giving the proper notice required by law, may re-enter the Premises and remove any property and any and all persons therefrom. The undersigned Resident(s) whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.

7. **Holding Over:**
   If Tenant, with the Landlord’s consent, remains in possession of the Premises after expiration of this Lease, such possession shall be a tenancy from month-to-month at a rental in the amount of the last month’s rent. Tenant must notify Landlord in writing at least sixty days prior to evacuating the Premises, unless otherwise stated in the lease agreement. All other provisions remain the same.

8. **Waivers:**
   No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof.

   **Landlord By:** Alice Chan  
   **Tenant By:** Tim Baker

signature  

signature
choices & decisions  living on your own          activity 4-4c

would you sign this rental agreement?

directions
Use the attached rental agreement form to answer the following questions.

1. Except in an emergency, how much notice must the landlord give you before entering your apartment?

2. What must you do if you want to alter the apartment in any way?

3. Under what circumstances may the landlord withhold your security deposit?

4. After you move out of the apartment, how long does the landlord have to return your security deposit (assuming you leave the apartment clean and in good condition)?

5. What recourse, if any, does the landlord have if you sublease the apartment without prior consent?

6. You rent the apartment with a friend, and you both sign the rental agreement. Then, you decide to move out but do not notify the landlord. At a later date, your former roommate defaults on the rent. Can the landlord hold you legally responsible?

7. Is there anything in this rental agreement you would change?

8. Is there anything you would want to add to this rental agreement?
rental agreement (month-to-month)

This agreement is entered into this 23rd day of December, 2001, by and between Anna Numekevor “Owner” (Landlord) and Faheem Singh “Resident” (Tenant), hereafter referred to as “the parties.”

IN CONSIDERATION OF THEIR MUTUAL PROMISES THE PARTIES AGREE AS FOLLOWS:

1. Owner rents to Residents(s) and Resident(s) rents from Owner, for residential use only, the following “premises” known as: 325 Shady Lane, Canmore, Alberta.

2. Rent is due in advance of the first day of each and every month, at $600.00 per month, beginning on the first day of January, 2002. If any rent shall be due and unpaid five (5) or more days after the due date, or if default shall be made by Resident(s) in any of the other covenants herein contained, then Owner, at his option, may terminate the tenancy by law.

3. Owner is given the right to enter and/or inspect the apartment for the following purposes:
   (a) In case of emergency.
   (b) To make necessary repairs or improvements, supply necessary services, or exhibit the dwelling unit to prospective or actual purchasers, tenants, or contractors.
   (c) When Resident(s) has abandoned or surrendered the premises. Except in cases of emergency, or if it is impractical to do so, Owner shall give Resident(s) reasonable notice of his intent to enter. Twenty-four hours shall be presumed to be reasonable notice.

4. No pets, barbecues, or dangerous items shall be kept or allowed in or about the premises without Owner's written permission.

5. No alterations or decorations shall be made by Resident(s) without Owner's prior written consent. Any improvements to the premises shall become property of Owner at the end of the tenancy.

6. Resident(s) shall pay for any damage or injury to any portion of the premises, common areas, furnishings, fixtures, or appliances, or for personal injury caused by Resident(s).

7. Resident(s) shall pay for all utilities, services, and charges, if any, made payable by or predicated upon occupancy of Resident(s), except monthly water and garbage bills.

8. Resident(s) shall deposit with Owner, as a security deposit, the sum of $600.00. Owner may claim and withhold of the security deposit, only such amounts as are reasonably necessary to remedy Resident(s) defaults as follows:
   (a) in the payment of rent, or
   (b) to repair damages to the premises, if necessary, upon termination of the tenancy. No later than two weeks after Resident(s) has vacated the premises, Owner shall furnish Resident(s) with an itemized written statement of the basis and the amount of any security and shall return any remaining portion of such security to Resident(s).

9. Resident(s) shall neither assign nor sublet these premises or any part thereof or otherwise permit others to occupy the apartment without written consent of Owner. This clause is a special consideration for this contract and its violation shall result in termination of this contract.

10. The undersigned Resident(s) whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.

The undersigned Resident(s) acknowledges having read and understood the foregoing.

Owner:  
Anne Numekevor

Resident:  
Faheem Singh

signature  
signature

activity 4-4d  choices & decisions  living on your own
would you sign this lease? answer key

**directions**

Use the attached lease form to answer the following questions.

1. What utilities, if any, does the landlord pay for?

   *According to the lease, the landlord doesn’t pay for any of the utilities.*

2. If you were to fall down a wet flight of stairs and break your leg while in the apartment building, could you hold the landlord legally responsible for your medical bills?

   *Only if you could prove the landlord was “wilfully and grossly” negligent.*

3. If you break any provision of the lease, what recourse does the landlord have?

   *The landlord, after giving proper notice required by law, may enter the Premises and remove any property and any persons therefrom in the manner allowed by law.*

4. What terms and conditions apply if you choose to stay after the lease has expired?

   *Tenancy becomes month-to-month at a rental in the amount of the last month’s rent. All other terms and conditions remain the same.*

5. If the landlord changes (or waives) any provision in the lease, how are the other provisions affected?

   *All other provisions of the lease stay the same.*

6. If you want to let the landlord know you are moving out, what must you do?

   *Notify the landlord, in writing, at least 60 days before you plan to move out.*

7. Is there anything in this lease you would change?

8. Would you add any provisions to this lease?
**directions**

Use the attached rental agreement form to answer the following questions.

1. Except in an emergency, how much notice must the landlord give you before entering your apartment?
   
   24 hours.

2. What must you do if you want to alter the apartment in any way?

   *Obtain written consent from the Owner.*

3. Under what circumstances may the landlord withhold your security deposit?

   *A landlord can withhold a “reasonable and necessary” amount to remedy the following defaults: payment of rent, to repair damages to the premises caused by Residents, exclusive of ordinary wear and tear, or to clean the premises, if necessary, upon termination of tenancy.*

4. After you move out of the apartment, how long does the landlord have to return your security deposit (assuming you leave the apartment clean and in good condition)?

   *No more than two weeks.*

5. What recourse, if any, does the landlord have if you sublease the apartment without prior consent?

   *The landlord can terminate your lease.*

6. You rent the apartment with a friend, and you both sign the rental agreement. Then, you decide to move out but do not notify the landlord. At a later date, your former roommate defaults on the rent. Can the landlord hold you legally responsible?

   *Yes. There is a clause that states: “The undersigned Resident(s) whether or not in actual possession of the premises, are jointly and severally liable for all obligations under this rental agreement.”*

7. Is there anything in this rental agreement you would change?

8. Would you add any provisions to this rental agreement?
create an apartment handbook

directions

1. Interview your family and friends about:
   ■ How much it costs to rent an apartment.
   ■ How costs are divided up among roommates.
   ■ The pros and cons of having roommates.
   ■ How to read and interpret a lease.
   ■ What it costs to furnish an apartment.
   ■ Setting up and sticking to a budget.

2. Write up your findings. As a class, collate your findings and create a handbook.

_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
selecting an apartment

**TO DO**  
Compare two or three different rental units based on the following factors:

**location**
Place of employment, schools, churches, synagogues, shopping, public transportation, recreation, parks

**building exterior**
Condition of building, grounds, parking availability, recreation facilities

**building interior**
Exits, security, hall maintenance, condition of elevators, access to mailboxes

**apartment layout and facilities**
Condition, size, closets, carpeting, appliances, type of heat, air conditioning, plumbing, water pressure, storage area, room size, doors, locks, windows

**financial aspects**
Rent amount, length of lease, security deposit, utilities, other costs
true-false

1. ___ An electric bill is commonly considered a fixed living expense.
2. ___ A security deposit covers the rent for the first month when moving into an apartment.
3. ___ A roommate may reduce the financial burden of renting an apartment.
4. ___ Saving money for a down payment to buy a house is usually considered a short-term goal.
5. ___ A lease is designed to protect the rights of both a tenant and a landlord.

multiple choice

6. ___ A common flexible expense associated with apartment renting is:
   A. a security deposit.
   B. apartment insurance.
   C. electricity.
   D. rent.

7. ___ A ____________ deposit refers to money held to cover possible damage in an apartment.
   A. cleaning
   B. security
   C. telephone
   D. utilities

8. ___ A common moving-in cost for an apartment would be:
   A. a down payment.
   B. building insurance.
   C. real estate taxes.
   D. a security deposit.

9. ___ A long-term goal would be to:
   A. rent an apartment.
   B. own an apartment building.
   C. move to a larger apartment.
   D. buy additional furniture.

10. ___ The agreement between a renter and a landlord is a:
    A. security deposit.
    B. mortgage.
    C. lease.
    D. deed.

case application

Helga recently completed high school. She is working full time and taking courses in the evening and on weekends at a local community college. Since she is making a good income, Helga wants to get an apartment. She believes this would give her more privacy to study, resulting in higher grades and a better chance to transfer to a top college or university. What would you recommend in this situation?
true-false
1. An electric bill is commonly considered a fixed living expense.  
   f
2. A security deposit covers the rent for the first month when moving into an apartment.  
   f
3. A roommate may reduce the financial burden of renting an apartment.  
   t
4. Saving money for a down payment to buy a house is usually considered a short-term goal.  
   f
5. A lease is designed to protect the rights of both a tenant and a landlord.  
   t

multiple choice
6. A common flexible expense associated with apartment renting is:  
   A. a security deposit.  
   B. apartment insurance.  
   C. electricity.  
   D. rent.   
   C

8. A common moving-in cost for an apartment would be:  
   A. a down payment.  
   B. building insurance.  
   C. real estate taxes.  
   D. a security deposit.  
   D

10. The agreement between a renter and a landlord is a:  
    A. security deposit.  
    B. mortgage.  
    C. lease.  
    D. deed.  
    C

Case application
Helga recently completed high school. She is working full time and taking courses in the evening and on weekends at a local community college. Since she is making a good income, Helga wants to get an apartment. She believes this would give her more privacy to study, resulting in higher grades and a better chance to transfer to a top college or university. What would you recommend in this situation?

While an apartment may be an appropriate decision, Helga must also consider other factors. Since she works and goes to school, the apartment may not be used much. Also, by living at home, she would be able to save more money for future educational costs.
lesson five
buying a home

overheads
phase 1: determine home ownership needs
  ■ What type of housing should I (we) buy?
  ■ How much can I (we) afford to spend?

phase 2: locate and evaluate a home
  ■ Where do I (we) want to live?
  ■ What aspects of the home need improvement?

phase 3: price the property
  ■ What is an appropriate market price?
  ■ How much negotiation movement exists?

phase 4: obtain financing
  ■ How much down payment is available?
  ■ What are current mortgage rates?
  ■ Can I (we) qualify for a mortgage?
  ■ What type of mortgage should be selected?

phase 5: close the purchase transaction
  ■ What is the closing date?
  ■ What funds and documents will be needed for the closing?
  ■ Is everything understood before the final signing?
qualifying for a mortgage

■ Determine an estimated value of the home you would like to purchase.
■ Obtain funds for a down payment from savings or through gifts or loans from family members.
■ Reduce other debts or improve your credit record, if necessary.
■ Compare fees, services, and mortgage rates for different lenders.
■ Prepare the mortgage application.

Your mortgage acceptance will be based on your credit record.

The amount of the mortgage for which you qualify will be influenced by:
■ Your income
■ The amount available for a down payment
■ Current mortgage rates
types of mortgages

open mortgages:
- Interest rate fluctuates with the market
- Flexible to pay without penalty at any time
- More popular when interest rates are falling
- Sometimes called a “variable rate” mortgage

closed mortgages
- A set term eg., 5 years, 10 years
- A fixed rate of interest
- Provides security
- Less flexibility for making payments

convertible mortgages
- Provides a low rate for a short period of time
- Must “lock in” before the time period expires

split-term mortgages
- Combines features of different mortgage types
reverse mortgages
- Provides income to the homeowner
- A loan that is a paid back with interest

refinancing
- Obtaining a new mortgage on your current home
- Usually a penalty for breaking the existing mortgage agreement
at the real estate transaction settlement, commonly referred to as the “closing,” the following costs are commonly incurred by a person buying a home:

- Title search fee ($50-$150)
- Title insurance ($100-$200)
- Lawyer’s fee (amount varies)
- Appraisal fee ($100-$300)
- Credit report ($25-$75)
- Home inspection ($200-$400)
- Reserves for home insurance and property taxes (amount varies)
- Interest paid in advance (if applicable)
- Land transfer tax (amount varies)
- CMHC Insurance (depends on the amount of the loan)
- Mortgage Registration Fee ($50)
- GST on new home purchase (“new home” means you are the original owner of the home and you are entitled to a rebate of a portion of the GST)
selling your home

prepare your home for selling to increase appeal and market value
- Make necessary repairs
- Paint exterior and interior areas
- Update various features (such as new carpeting or plumbing fixtures)

determine the selling price, based on:
- An appraisal to estimate current market value
- The location, features, and age of the home
- Current mortgage rates and market demand in your area

decide if you will do a "sale by owner"
- Advertise your home in various media (newspapers, Internet, flyers)
- Be ready to meet and show your home to prospective buyers
- Make use of the services of a lawyer or title company for the legal aspects

consider using the services of a real estate agent
- Interview two or more agents to compare their service and experience
- Expect the agent to provide a marketing plan and to handle the financial and legal aspects of the sale
- Communicate with the agent on a regular basis regarding the selling price and prospective buyers
- Consider holding an open house for potential purchasers
should they rent or buy?

directions
For each of the following situations, circle *RENT*, *BUY*, or *DEPENDS* to indicate your opinion related to this person’s housing decision. Also, give reasons for your response.

*Answers may vary.*

1. Jasmine, age 22, plans to work full time while completing her college degree in a nearby city.

   RENT          BUY          DEPENDS

2. Harry, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.

   RENT          BUY          DEPENDS

3. Gino, age 32, recently completed his master’s degree in business while working at the same company for the past six years. He has also been able to save nearly $8,000 over this time period.

   RENT          BUY          DEPENDS

4. Chelsea, age 19, has just taken her first job as a sales representative trainee for a computer software company.

   RENT          BUY          DEPENDS

5. Karen and Vincent, ages 54 and 57, are planning to retire within the next few years.

   RENT          BUY          DEPENDS
should they rent or buy?  answer key

directions
For each of the following situations, circle RENT, BUY, or DEPENDS to indicate your opinion related to this person’s housing decision. Also, give reasons for your response. Answers may vary.

1. Jasmine, age 22, plans to work full time while completing her college degree in a nearby city.
   
   RENT  BUY  DEPENDS

2. Harry, age 44, travels out of town frequently for his sales job. His company may transfer him to another sales territory within a year or two.
   
   RENT  BUY  DEPENDS

3. Gino, age 32, recently completed his master’s degree in business while working at the same company for the past six years. He has also been able to save nearly $8,000 over this time period.
   
   RENT  BUY  DEPENDS

4. Chelsea, age 19, has just taken her first job as a sales representative trainee for a computer software company.
   
   RENT  BUY  DEPENDS

5. Karen and Vincent, ages 54 and 57, are planning to retire within the next few years.
   
   RENT  BUY  DEPENDS

activity answers 5-1 key  choices & decisions  buying a home
Based on personal observations of homes, interviews with homeowners and real estate agents, and using the Internet, list several items to consider when doing an inspection before deciding to buy a home.

**exterior facilities:**

1. 
2. 
3. 

**exterior construction:**

1. 
2. 
3. 

**interior construction:**

1. 
2. 
3. 

**interior design:**

1. 
2. 
3.
shopping for a mortgage

Use the following form to compare two or more sources of home mortgages:

<table>
<thead>
<tr>
<th>List the source</th>
<th>#1</th>
<th>#2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of mortgage:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(closed, open, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Length:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(# years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mortgage amount:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial Institution:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(address, phone)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contact person:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Web site:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credit report:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Appraisal fee:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monthly payment:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other fees, charges</strong> (prepaid interest):</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other information:</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Using the following mortgage payment factors, calculate the monthly mortgage payment for the following situations.

mortgage payment factors  
(principal and interest factors per $1,000 of loan amount)

<table>
<thead>
<tr>
<th>Amortization Period</th>
<th>Term Rate</th>
<th>25 Years</th>
<th>20 Years</th>
<th>15 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.0%</td>
<td>6.398</td>
<td>7.122</td>
<td>8.399</td>
<td>11.065</td>
</tr>
<tr>
<td></td>
<td>6.5</td>
<td>6.698</td>
<td>7.405</td>
<td>8.664</td>
<td>11.311</td>
</tr>
<tr>
<td></td>
<td>7.0</td>
<td>7.004</td>
<td>7.693</td>
<td>8.932</td>
<td>11.559</td>
</tr>
<tr>
<td></td>
<td>7.5</td>
<td>7.316</td>
<td>7.986</td>
<td>9.205</td>
<td>11.810</td>
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<td>12.064</td>
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<td>8.586</td>
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<td>12.320</td>
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<td>9.625</td>
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<td>11.213</td>
<td>13.637</td>
</tr>
</tbody>
</table>

Example: A 25-year mortgage at 6.5 percent for $100,000.  
Calculations:  ($100,000 ÷ 1,000) x 6.698 = $669.80

1. A 15-year mortgage at 8.5 percent for $75,000.  
2. A 20-year mortgage at 8 percent for $95,000.  
3. A 15-year mortgage at 7 percent for $155,000.  
4. A 10-year mortgage at 7.5 percent for $60,000.
Using the following mortgage payment factors, calculate the monthly mortgage payment for the following situations.

**Mortgage Payment Factors**
(principal and interest factors per $1,000 of loan amount)

<table>
<thead>
<tr>
<th>Amortization Period</th>
<th>25 Years</th>
<th>20 Years</th>
<th>15 Years</th>
<th>10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0%</td>
<td>6.398</td>
<td>7.122</td>
<td>8.399</td>
<td>11.065</td>
</tr>
<tr>
<td>6.5</td>
<td>6.698</td>
<td>7.405</td>
<td>8.664</td>
<td>11.311</td>
</tr>
<tr>
<td>7.0</td>
<td>7.004</td>
<td>7.693</td>
<td>8.932</td>
<td>11.559</td>
</tr>
<tr>
<td>7.5</td>
<td>7.316</td>
<td>7.986</td>
<td>9.205</td>
<td>11.810</td>
</tr>
<tr>
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**Example:** A 25-year mortgage at 6.5 percent for $100,000.
Calculations: \((\$100,000 ÷ 1,000) \times 6.698 = \$669.80\)

1. A 15-year mortgage at 8.5 percent for $75,000 \((\$75,000 ÷ 1,000) \times 9.762 = \$732.15\)
2. A 20-year mortgage at 8 percent for $95,000 \((\$95,000 ÷ 1,000) \times 8.284 = \$786.98\)
3. A 15-year mortgage at 7 percent for $155,000 \((\$155,000 ÷ 1,000) \times 8.932 = \$1,384.46\)
4. A 10-year mortgage at 7.5 percent for $60,000 \((\$60,000 ÷ 1,000) \times 11.559 = \$693.54\)
true-false
1. ___ A main advantage of renting is pride of ownership.
2. ___ Buying a home will usually have fewer costs than renting.
3. ___ The home buying process ends with closing the purchase transaction.
4. ___ A larger down payment will reduce the amount of the mortgage needed.
5. ___ Conventional or “closed” mortgages usually have a rate that changes as market interest rates change.

multiple choice
6. ___ A common disadvantage of buying a home is:
   A. few financial benefits.
   B. limited mobility.
   C. restrictions on decorating and having pets.
   D. conditions in the lease.

7. ___ The home buying process starts with:
   A. locating and evaluating a home.
   B. pricing the property.
   C. determining homeownership needs.
   D. obtaining an appraisal of the property.

8. ___ The amount of a mortgage a person can afford is affected by:
   A. the location of the house.
   B. her or his income.
   C. the cost of insurance.
   D. his or her age.

9. ___ A _______ mortgage has a very large final payment.
   A. conventional
   B. graduated-payment
   C. shared-appreciation
   D. balloon

10. ___ The charges for settling a real estate transaction are also called _______ costs.
    A. mortgage
    B. closing
    C. possession
    D. selling

case application
Roberto and Shelly have been able to save $7,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home?
true-false

1. __t__ A main advantage of renting is pride of ownership.
2. __f__ Buying a home will usually have fewer costs than renting.
3. __t__ The home buying process ends with closing the purchase transaction.
4. __t__ A larger down payment will reduce the amount of the mortgage needed.
5. __f__ Conventional or “closed” mortgages usually have a rate that changes as market interest rates change.

multiple choice

6. __B__ A common disadvantage of buying a home is:
   A. few financial benefits.
   B. limited mobility.
   C. restrictions on decorating and having pets.
   D. conditions in the lease.
7. __C__ The home buying process starts with:
   A. locating and evaluating a home.
   B. pricing the property.
   C. determining homeownership needs.
   D. obtaining an appraisal of the property.
8. __B__ The amount of a mortgage a person can afford is affected by:
   A. the location of the house.
   B. her or his income.
   C. the cost of insurance.
   D. his or her age.
9. __D__ A ______ mortgage has a very large final payment.
   A. conventional
   B. graduated-payment
   C. shared-appreciation
   D. balloon
10. __B__ The charges for settling a real estate transaction are also called ______ costs.
    A. mortgage
    B. closing
    C. possession
    D. selling

case application

Roberto and Shelly have been able to save $7,000 for a down payment on a house. Roberto would like to buy a large home that is a long drive from their jobs. Shelly would like a small townhouse near their work. What factors should they consider when buying a home?

They should start with how much they are able to afford. Next, they should consider the location where they would like to live. In addition, they should investigate various sources and types of mortgages.
lesson six
banking services
overheads
pawn shops charge very high interest for loans based on the value of tangible assets (such as jewellery or other valuable items).

rent-to-own programs offer an opportunity to obtain home entertainment systems or appliances for a small weekly fee. However, the amount paid for the item usually far exceeds the cost if the item were bought on credit.

cheque-cashing outlets charge high fees (sometimes 2 or 3 percent) just to have a paycheque or government cheque cashed.

rapid-refund tax services provide “instant refunds” when you pay to have your federal tax return prepared. However, this “instant refund” is a loan with interest rates as high as 120 percent.

cheque-deferral services allow consumers to get a cash advance on their next paycheque. However, these short-term loans are very expensive. A $200, two-week advance may cost over $30 (with annual costs exceeding $900).
comparing chequing accounts

location
branch offices; hours of operation; availability of ATMs

fees
monthly fees; per cheque fees; printing of cheques; balance inquiry fees; ATM fees

other charges
overdraft charge; stop-payment fees; certified cheque fees

interest
rate earned; minimum deposit to earn interest; compounding method; fee charged for falling below necessary balance

restrictions
minimum balance; deposit insurance; holding period for deposited cheques

special features
direct deposit; automatic payments; overdraft protection; online banking; discounts or free chequing for students, seniors, or employees of certain companies
# APPLICATION FOR DEPOSIT SERVICES

## Information About You

<table>
<thead>
<tr>
<th>First Customer Name</th>
<th>Product(s) Service(s) at bank?</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Address</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City &amp; Province</td>
<td>Postal Code</td>
</tr>
<tr>
<td>Birthdate</td>
<td>SIN</td>
</tr>
<tr>
<td>Language</td>
<td>Home Phone</td>
</tr>
<tr>
<td>I.D.</td>
<td>I.D.</td>
</tr>
<tr>
<td>Employer</td>
<td>Occupation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Joint Customer Name</th>
<th>Product(s) Service(s) at bank?</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Address</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City &amp; Province</td>
<td>Postal Code</td>
</tr>
<tr>
<td>Birthdate</td>
<td>SIN</td>
</tr>
<tr>
<td>Language</td>
<td>Home Phone</td>
</tr>
<tr>
<td>I.D.</td>
<td>I.D.</td>
</tr>
<tr>
<td>Employer</td>
<td>Occupation</td>
</tr>
</tbody>
</table>

Mailing Address (if different from above)

## Deposit Services Set-up as Requested By You Today

<table>
<thead>
<tr>
<th>Packages</th>
<th>Other Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Service</td>
<td>Setup</td>
</tr>
</tbody>
</table>

## Deposit Accounts

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Account #</th>
<th>Signing Arrangement</th>
<th>Recordkeeping</th>
<th>Personalized Cheques?</th>
<th>Cheque Return Option?</th>
<th>Initial Deposit</th>
<th>Source of Funds</th>
</tr>
</thead>
</table>

## Particulars of Deposit

You apply for the services indicated on this application and agree to be bound by the agreements governing these services. You agree to pay the service charges which may be levied in connection with the services you have applied for.

First Customer Signature: ____________________________  Joint Customer Signature: ____________________________

Date: ____________________________  Prepared by: ____________________________

Date: ____________________________  Prepared by: ____________________________
making a deposit

1. Write the date you are making the deposit in this field.

2. If you are depositing currency (paper bills), write the total amount here.

3. If you are depositing coins, write the total amount here.

4. If you are depositing a cheque, write the name of the person/company who wrote the cheque here.

5. Write the amount of the cheque here.

6. If you are depositing more cheques than can be listed on the front, continue to list them on the back, and write the total amount of the cheques on back here.

7. Write the total amount you are depositing here.

8. If you are making a deposit inside a bank with a teller and you want to receive cash back from your deposit, write the amount you want in this field.

9. Write the total amount (less cash back) of your deposit in this field.
Endorsing a cheque

**Blank endorsement**
Anyone can cash cheque

**Restrictive endorsement**
More secure than blank endorsement

**Special (or full) endorsement**
Transfer cheque to another party
writing a cheque

1. **Date** Enter the date you are writing the cheque.

2. **Payee** Enter the name of the person or the company to whom you are going to give the cheque.

3. **Amount of cheque in numerals** Enter the amount of the cheque, in numbers. Don’t leave any space between the pre-printed dollar symbol ($) and the numbers indicating the amount of the cheque; there should be no room for someone to add in extra numbers.

4. **Amount of cheque in words** Enter the amount of the cheque in words. Start writing at the far left side of the line. Follow the dollar amount by the word “and,” then write the amount of cents over the number 100. Draw a line from the end of the 100 to the end of the line.

5. **Name** Your personal information is printed here.

6. **Signature** Sign your cheque exactly the way you signed your name on the signature card you filled out when you opened your account.

7. **Memo** Use this space to note why you wrote the cheque. If you are paying a bill, this is a good place to put information requested by the company.

8. **Identification numbers** These numbers are used to identify the bank, your account number, and the check number. They are printed in a special magnetic ink that machines can read.
(a) Keeping a Running Balance: Cheque Transaction

<table>
<thead>
<tr>
<th>CHECK NO.</th>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>TRANSACTION AMOUNT</th>
<th>DEPOSIT AMOUNT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>6/4</td>
<td>Sound Out</td>
<td>210.30</td>
<td>150.67</td>
<td>366.97</td>
</tr>
</tbody>
</table>

(b) Keeping a Running Balance: ATM Cards

<table>
<thead>
<tr>
<th>CHECK NO.</th>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>TRANSACTION AMOUNT</th>
<th>DEPOSIT AMOUNT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>6/4</td>
<td>Sound Out</td>
<td>210.30</td>
<td>150.67</td>
<td>366.97</td>
</tr>
<tr>
<td>ATM</td>
<td>6/13</td>
<td>withdrawal</td>
<td>35.00</td>
<td>115.67</td>
<td></td>
</tr>
</tbody>
</table>

(c) Keeping a Running Balance: Debit Cards

<table>
<thead>
<tr>
<th>CHECK NO.</th>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>TRANSACTION AMOUNT</th>
<th>DEPOSIT AMOUNT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>101</td>
<td>6/4</td>
<td>Sound Out</td>
<td>210.30</td>
<td>150.67</td>
<td>366.97</td>
</tr>
<tr>
<td>ATM</td>
<td>6/13</td>
<td>withdrawal</td>
<td>35.00</td>
<td>115.67</td>
<td></td>
</tr>
<tr>
<td>Debit</td>
<td>6/13</td>
<td>debit card</td>
<td>55.00</td>
<td>60.67</td>
<td></td>
</tr>
</tbody>
</table>
# Reading a Bank Statement

**Your First Bank**

**Statement for**
Jane Doe  
4 Primrose Lane  
Anytown, Canada

**This Statement Covers**
12/20 through 1/18

<table>
<thead>
<tr>
<th>Cheque</th>
<th>Date Paid</th>
<th>Amount</th>
<th>Cheque</th>
<th>Date Paid</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>181</td>
<td>12/24</td>
<td>15.00</td>
<td>184</td>
<td>12/17</td>
<td>1232.27</td>
</tr>
<tr>
<td>182</td>
<td>11/04</td>
<td>17.00</td>
<td>186</td>
<td>12/31</td>
<td>54.47</td>
</tr>
<tr>
<td>183</td>
<td>12/26</td>
<td>217.54</td>
<td>187</td>
<td>1/03</td>
<td>53.97</td>
</tr>
</tbody>
</table>

**Monthly Maintenance Charge**
1/18  3.50

**Deposits and Other Credits**
- Transfer from 4039-557 at ATM #423C  
  Date Posted: 12/27  Amount: 1200.00
- Customer Deposit at ATM #423A on 1/12  
  Date Posted: 1/14  Amount: 521.78
- Direct Deposit from #05323 on 1/17  
  Date Posted: 1/18  Amount: 258.90

**ATM Locations Used**
- 423A: 2500 Centre Plaza, Anytown, Canada
- 423C: 2500 Centre Plaza, Anytown, Canada
- 430E: 945 Hamilton Ave., Big City, Canada

Thank you for banking with Your First Bank.
**reconciling a chequing account**

**step 1:** Obtain the current balance from your bank statement.

**step 2:** Add any deposits that you have recorded in your cheque register but that are not on this statement.

**step 3:** Subtract any outstanding cheques (cheques you have written but that have not yet cleared the banking system).

**step 4:** Compare the result with the current balance in your cheque register.

**Note:**
The balance in your cheque register should be adjusted to include:
(a) deductions for service fees or other charges; (b) additions for direct deposits and interest earned.

<table>
<thead>
<tr>
<th>ITEMS OUTSTANDING</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NUMBER</td>
<td>AMOUNT</td>
</tr>
</tbody>
</table>

**enter**
The New Balance shown on your statement $ ________

**add**
Any deposits or transfers listed in your register that are not shown on your statement
$ ________
$ ________
$ ________

**calculate the subtotal**
$ ________

**subtract**
Your total outstanding cheques and withdrawals - $ ________

**calculate the ending balance**
This amount should be the same as the current balance in your cheque register $ ________
**direct deposit**... earnings (or government payments) automatically deposited into bank accounts, saving time, effort, and money.

**automatic payments**... utility companies, loan payments, and other businesses use an automatic payment system with bills paid through direct withdrawal from a bank account.

**automatic teller machines**... allow customers to obtain cash and conduct banking transactions.

**point-of-sale transactions**... acceptance of ATM/debit cards at retail stores and restaurants for payment of goods and services.

**stored-value cards**... prepaid cards for telephone service, transit fares, laundry service, library fees, and school lunches.

**electronic cash**... companies are developing electronic replicas of all existing payment systems—cash, cheques, debit cards, and coins.

**internet/cyberbanking**... banking through online services. Banks with Web site “cyber” branches allow customers to check balances, pay bills, transfer funds, compare savings plans, and apply for loans on the Internet.
smart cards, sometimes called “electronic wallets,” look like ATM cards; however, they also include a microchip.

- This minicomputer stores prepaid amounts for buying goods and services, keeps track of the transactions, and maintains an electronic balance of the value of the card.

- A smart card may also store data about a person’s account balances, transaction records, insurance information, and medical history.

- Smart cards may be issued by a variety of sources including banks, merchants and telephone or utility companies.

- Some smart cards may be reloaded at a bank or at an ATM. Others may be disposed of after their prepaid value has been used.

- Uses for smart cards will expand in the future.
lesson six
banking services

student activities
### Choosing a Chequing Account

**Name of Bank:**

<table>
<thead>
<tr>
<th>Branch Information:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branch nearest your home:</td>
</tr>
<tr>
<td>Branch nearest your work:</td>
</tr>
<tr>
<td>Number of branches:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of ATMs:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Bank Hours:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Are Your Funds Insured?</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Types of Accounts:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Fees:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Must maintain a minimum daily balance of:</td>
</tr>
<tr>
<td>Must maintain an average daily balance of:</td>
</tr>
<tr>
<td>Monthly maintenance charge:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest:</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much interest do you earn on your account?</td>
</tr>
<tr>
<td>How is it calculated?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Charges:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Cheques:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing cheques</td>
</tr>
<tr>
<td>NSF cheques</td>
</tr>
<tr>
<td>Stopping cheques</td>
</tr>
<tr>
<td>Certifying cheques</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance Inquiries:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At teller window</td>
</tr>
<tr>
<td>At ATMs</td>
</tr>
<tr>
<td>By phone</td>
</tr>
<tr>
<td>By computer</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Withdrawals At:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teller window</td>
</tr>
<tr>
<td>Bank-owned ATMs</td>
</tr>
<tr>
<td>Interac ATMs</td>
</tr>
<tr>
<td>National network ATMs</td>
</tr>
<tr>
<td>International network ATMs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Special Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund transfer by phone</td>
</tr>
<tr>
<td>Pre-authorized bill payment</td>
</tr>
<tr>
<td>Signature guarantee</td>
</tr>
<tr>
<td>Bill payment by phone</td>
</tr>
<tr>
<td>Cheque card</td>
</tr>
</tbody>
</table>

**Name:** ____________________________________________  **Date:** __________________________
keeping a running balance

record deposits and keep a running balance in the cheque register below.

1. On May 26, your balance is $527.96.
2. On May 27, you write cheque #107 to your landlord, Mrs. Wilson, for $226.00.
3. On May 28, you use your debit card at Food Mart for $22.52.
4. On June 1, you write a cheque for $156.32 to Gateway Motors for your car payment.
5. On June 1, you realize your cheque to Gateway Motors should have been for $165.23, so you void the first cheque and write a new cheque for $165.23.
6. On June 2, you write a cheque to your phone company for $62.77.
7. On June 2, you use your ATM card to withdraw $20.00.
8. On June 15, your paycheque for $425.00 is automatically deposited.
10. On June 15, you write a cheque for $246.45 to XYZ Insurance Co. to cover your insurance premium.
11. On June 22, you transfer $100.00 online from your chequing account to your savings account.
12. On June 24, you use your debit card at Gas Up to fill up your car. You spend $12.88.
13. On June 28, you use your ATM card to withdraw $30.00 from your chequing account.
use the cheque register you just completed to answer the following questions:

1. What was your account balance on May 30?

2. Could you have paid your car insurance payment on June 1 instead of June 15? If not, why?

3. The love of your life has been in a bad mood lately, and you think an expensive present might help. You've found a leather jacket on sale for $189.00. Can you afford to buy the jacket on June 8? What will your account balance be if you do?

4. The hottest new band in town has just released a CD. It costs $21.99. Can you afford to buy the CD on June 2? What will your account balance be if you do?

5. What was your account balance after you withdrew $30.00 on June 28?

6. What was the amount of cheque #111, to whom did you write it, and for what?
**record deposits and keep a running balance in the cheque register below.**

1. On May 26, your balance is $527.96.
2. On May 27, you write cheque #107 to your landlord, Mrs. Wilson, for $226.00.
3. On May 28, you use your debit card at Food Mart for $22.52.
4. On June 1, you write a cheque for $156.32 to Gateway Motors for your car payment.
5. On June 1, you realize your cheque to Gateway Motors should have been for $165.23, so you void the first cheque and write a new cheque for $165.23.
6. On June 2, you write a cheque to your phone company for $62.77.
7. On June 2, you use your ATM card to withdraw $20.00.
8. On June 15, your paycheque for $425.00 is automatically deposited.
10. On June 15, you write a cheque for $246.45 to XYZ Insurance Co. to cover your insurance premium.
11. On June 22, you transfer $100.00 online from your chequing account to your savings account.
12. On June 24, you use your debit card at Gas Up to fill up your car. You spend $12.88.
13. On June 28, you use your ATM card to withdraw $30.00 from your chequing account.

<table>
<thead>
<tr>
<th>CHK ID</th>
<th>DATE</th>
<th>DESCRIPTION</th>
<th>TRANSACTION AMOUNT</th>
<th>DEPOSIT AMOUNT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>107</td>
<td>5/27</td>
<td>Mrs. Wilson</td>
<td>226.00</td>
<td></td>
<td>301.96</td>
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<tr>
<td>Debit</td>
<td>5/28</td>
<td>Debit-card Food Mart</td>
<td>22.52</td>
<td></td>
<td>279.44</td>
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<tr>
<td>108</td>
<td>6/1</td>
<td>Gateway Motors</td>
<td>166.32</td>
<td></td>
<td>125.12</td>
</tr>
<tr>
<td>6/1</td>
<td>Void</td>
<td>Cheque #108</td>
<td></td>
<td>166.32</td>
<td>279.44</td>
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<tr>
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<td>6/1</td>
<td>Gateway Motors</td>
<td>166.23</td>
<td></td>
<td>114.21</td>
</tr>
<tr>
<td>110</td>
<td>6/2</td>
<td>Phone Company</td>
<td>62.77</td>
<td></td>
<td>51.44</td>
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<tr>
<td>ATM</td>
<td>6/2</td>
<td>Cash withdrawal</td>
<td>20.00</td>
<td></td>
<td>31.44</td>
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</table>
use the cheque register you just completed to answer the following questions:

1. What was your account balance on May 30?
   $279.44

2. Could you have paid your car insurance payment on June 1 instead of June 15? If not, why?
   No — the payment was $246.45 but the account balance on June 1 was only $114.21

3. The love of your life has been in a bad mood lately, and you think an expensive present might help. You’ve found a leather jacket on sale for $189.00. Can you afford to buy the jacket on June 8? What will your account balance be if you do?
   No — the account will be overdrawn by $157.56

4. The hottest new band in town has just released a CD. It costs $21.99. Can you afford to buy the CD on June 2? What will your account balance be if you do?
   Yes — $9.45

5. What was your account balance after you withdrew $30.00 on June 28?
   $48.12

6. What was the amount of check #111, to whom did you write it, and for what?
   $246.45 to XYZ insurance for a car insurance payment
reading a bank statement

using the bank statement on the next page, answer the following questions:

1. What period does this statement cover?

2. What is the account number of this statement?

3. How many deposits were made and what were the amounts?

4. How many cheques cleared and what was the total dollar amount of the cheques that cleared?

5. Was there any ATM activity? If so, how many transactions were there, and what was the total amount?

6. Was there any debit card activity? If so, how many transactions were there, and what was the total amount?

7. Were there any service charges? If so, what was the total amount?

8. What is the total of all withdrawals (cheques, ATM transactions, debit card transactions, service charges)?

9. What is the new balance of the account?

10. Did cheque #182 clear?

11. What was the amount of cheque #183?

12. Did cheque #185 clear?

13. What was the amount of cheque #187?
# Your First Bank

## Statement for

Jane Doe  
4 Primrose Lane  
Anytown, Canada  

### This Statement Covers

12/20\(\text{th}\) through 1/18\(\text{th}\)

<table>
<thead>
<tr>
<th>Cheque</th>
<th>Date Paid</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>181</td>
<td>12/24</td>
<td>15.00</td>
</tr>
<tr>
<td>182</td>
<td>1/04</td>
<td>17.00</td>
</tr>
<tr>
<td>183</td>
<td>12/26</td>
<td>217.54</td>
</tr>
<tr>
<td>184</td>
<td>12/17</td>
<td>1232.27</td>
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<tr>
<td>186</td>
<td>12/31</td>
<td>54.47</td>
</tr>
<tr>
<td>187</td>
<td>1/03</td>
<td>53.97</td>
</tr>
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</table>

**New Balance**: 883.97 +

### Deposits and Other Credits

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<thead>
<tr>
<th>Description</th>
<th>Date Posted</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer from 4039-557 at ATM #423C</td>
<td>12/27</td>
<td>1200.00</td>
</tr>
<tr>
<td>Customer Deposit at ATM #423A on 1/12</td>
<td>1/14</td>
<td>521.78</td>
</tr>
<tr>
<td>Direct Deposit from #05323 on 1/17</td>
<td>1/18</td>
<td>258.90</td>
</tr>
</tbody>
</table>

### ATM Locations Used

<table>
<thead>
<tr>
<th>Location</th>
<th>Address</th>
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</thead>
<tbody>
<tr>
<td>423A</td>
<td>2500 Centre Plaza, Anytown, Canada</td>
</tr>
<tr>
<td>423C</td>
<td>2500 Centre Plaza, Anytown, Canada</td>
</tr>
<tr>
<td>430E</td>
<td>945 Hamilton Ave., Big City, Canada</td>
</tr>
</tbody>
</table>

**Thank You for Banking With Your First Bank**
using the bank statement on the next page, answer the following questions:

1. What period does this statement cover?
   12/20/__ - 1/18/__

2. What is the account number of this statement?
   0471-678

3. How many deposits were made and what were the amounts?
   Three, for the amounts of $1200, $521.78, and $258.90

4. How many cheques cleared and what was the total dollar amount of the cheques that cleared?
   Six, for a total amount of $1590.25

5. Was there any ATM activity? If so, how many transactions were there, and what was the total amount?
   Yes — three for a total amount of $80.00

6. Was there any debit card activity? If so, how many transactions were there, and what was the total amount?
   Yes — one for a total amount of $35.00

7. Were there any service charges? If so, what was the total amount?
   Yes — $3.50

8. What is the total of all withdrawals (cheques, ATM transactions, debit card transactions, service charges)?
   $1708.75

9. What is the new balance of the account?
   $883.97

10. Did cheque #182 clear?
    Yes

11. What was the amount of cheque #183?
    $217.54

12. Did cheque #185 clear?
    No, as it is not showing as paid on the statement.

13. What was the amount of cheque #187?
    $53.97
reconciling an account

use the bank statement, the cheque register, and the reconciliation worksheet on the following page to balance this chequebook.

### THIS STATEMENT COVERS

<table>
<thead>
<tr>
<th>Account</th>
<th>Previous Statement Balance On 6/19</th>
<th>150.67</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total of 1 Deposits For</td>
<td>1280.00 +</td>
</tr>
<tr>
<td></td>
<td>Total of 6 Withdrawals For</td>
<td>1246.98 -</td>
</tr>
<tr>
<td></td>
<td>Total Service Charges</td>
<td>0.00 -</td>
</tr>
<tr>
<td></td>
<td>New Balance</td>
<td>103.69 +</td>
</tr>
</tbody>
</table>

### CHEQUES AND OTHER DEBITs

<table>
<thead>
<tr>
<th>Cheque</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>161</td>
<td>6/21</td>
<td>216.30</td>
</tr>
<tr>
<td>162</td>
<td>6/26</td>
<td>82.87</td>
</tr>
<tr>
<td>163</td>
<td>6/29</td>
<td>1000.00</td>
</tr>
</tbody>
</table>

- ATM Withdrawal #40281 at ATM #423A
- ATM Withdrawal #40476 at ATM #423B

### DEBIT CARDs

- Debit Card #00586 Woodland EFT
- Debit Card #01275 EZ-Shoppe

### DEPOSITS AND OTHER CREDITS

- Transfer from 4039557 at ATM #423C

### Cheque Register

<table>
<thead>
<tr>
<th>Cheque No.</th>
<th>Date</th>
<th>Description</th>
<th>Transaction Amount</th>
<th>Deposit Amount</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>161</td>
<td>6/21</td>
<td>Sound Out</td>
<td>216.30</td>
<td>150.67</td>
<td>160.67</td>
</tr>
<tr>
<td>ATM</td>
<td>6/18</td>
<td>Withdrawal</td>
<td>15.00</td>
<td>160.67</td>
<td>175.67</td>
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<tr>
<td>Debit Card</td>
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<td>Debit Card</td>
<td>65.00</td>
<td>175.67</td>
<td>240.67</td>
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<tr>
<td>ATM</td>
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<td>Deposit</td>
<td>1200.00</td>
<td>240.67</td>
<td>1240.00</td>
</tr>
<tr>
<td>162</td>
<td>6/24</td>
<td>Return</td>
<td>62.00</td>
<td>1240.00</td>
<td>1247.80</td>
</tr>
<tr>
<td>ATM</td>
<td>6/25</td>
<td>Withdrawal</td>
<td>20.00</td>
<td>1247.80</td>
<td>1247.80</td>
</tr>
<tr>
<td>163</td>
<td>6/28</td>
<td>Woodland Apple</td>
<td>1000.00</td>
<td>1247.80</td>
<td>2247.80</td>
</tr>
<tr>
<td>Debit Card</td>
<td>6/29</td>
<td>E-Z Shoppe</td>
<td>54.11</td>
<td>2247.80</td>
<td>2203.91</td>
</tr>
<tr>
<td>164</td>
<td>7/5</td>
<td>CD Face</td>
<td>25.51</td>
<td>2203.91</td>
<td>2229.42</td>
</tr>
<tr>
<td>165</td>
<td>7/10</td>
<td>Lucas Film, Ltd.</td>
<td>10.00</td>
<td>2229.42</td>
<td>2239.42</td>
</tr>
<tr>
<td>ATM</td>
<td>7/19</td>
<td>Deposit</td>
<td>200.00</td>
<td>2239.42</td>
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</tbody>
</table>

**choices & decisions banking services activity 6-4a**
reconciling an account (continued)

use the reconciliation worksheet above to answer the following questions:

1. What is the new balance shown on the statement?

2. What is the total amount of deposits listed in the cheque register but not shown on the statement?

3. What is the sum of the new balance and the deposits not shown on the statement?

4. What is the total amount of outstanding cheques and withdrawals?

5. What is the ending balance?
use the reconciliation worksheet above to answer the following questions:

1. What is the new balance shown on the statement?
   $103.69

2. What is the total amount of deposits listed in the cheque register but not shown on the statement?
   $253.17

3. What is the sum of the new balance and the deposits not shown on the statement?
   $356.86

4. What is the total amount of outstanding cheques and withdrawals?
   $36.31

5. What is the ending balance?
   $320.55
true-false

1. _____ A pawnshop offers loans to people starting their own business.
2. _____ Opening a chequing account requires completing a signature card.
3. _____ A blank endorsement allows anyone to cash a cheque.
4. _____ A “smart card” may store a person’s bank balance right on the plastic card.
5. _____ An outstanding cheque refers to one written on an account with a very low balance.

multiple choice

6. _____ The highest loan rates usually occur when borrowing from a:
   A. bank.
   B. credit-card company.
   C. pawnshop.
   D. credit union.

7. _____ A__________ is used to add funds to a bank account.
   A. cheque
   B. deposit slip
   C. signature card
   D. withdrawal slip

8. _____ A__________ endorsement includes the words “FOR DEPOSIT ONLY.”
   A. full
   B. special
   C. blank
   D. restrictive

9. _____ Obtaining cash from an ATM is similar to:
   A. writing a cheque.
   B. making a deposit.
   C. opening a new account.
   D. earning interest on your account.

10. _____ A service charge on your bank statement will result in:
    A. a higher balance.
    B. a lower balance.
    C. earning more interest.
    D. more outstanding cheques.

case application

A recent bank statement for Istvan Zubov revealed various service charges and fees of over $10. How might Istvan reduce his costs for banking fees?
true-false
1. ☑ A pawnshop offers loans to people starting their own business.
2. ☑ Opening a chequing account requires completing a signature card.
3. ☑ A blank endorsement allows anyone to cash a cheque.
4. ☑ A “smart card” may store a person’s bank balance right on the plastic card.
5. ☐ An outstanding cheque refers to one written on an account with a very low balance.

multiple choice
6. ☑ The highest loan rates usually occur when borrowing from a:
   A. bank.
   B. credit-card company.
   C. pawnshop.
   D. credit union.

7. ☑ A ______ is used to add funds to a bank account.
   A. cheque
   B. deposit slip
   C. signature card
   D. withdrawal slip

8. ☑ A ____________ endorsement includes the words “FOR DEPOSIT ONLY.”
   A. full
   B. special
   C. blank
   D. restrictive

9. ☑ Obtaining cash from an ATM is similar to:
   A. writing a cheque.
   B. making a deposit.
   C. opening a new account.
   D. earning interest on your account.

10. ☑ A service charge on your bank statement will result in:
    A. a higher balance.
    B. a lower balance.
    C. earning more interest.
    D. more outstanding cheques.

case application
A recent bank statement for Istvan Zubov revealed various service charges and fees of over $10. How might Istvan reduce his costs for banking fees?

Istvan should start by analyzing his financial services habits. For example, if he uses an ATM often, the fees could be high. Or, if his checking account goes low he may have to pay a monthly fee or other charges for overdrawn accounts. If his fees are still high after careful use of banking services, he should compare the costs at other banks or a credit union and consider moving his account.
lesson seven
about credit

overheads
advantages:

- Able to buy needed items now
- Don’t have to carry cash
- Creates a record of purchases
- More convenient than writing cheques
- Consolidates bills into one payment
- Emergencies

disadvantages:

- Interest (higher cost of items)
- May require additional fees
- Financial difficulties may arise if one loses track of how much has been spent each month
- Increased impulse buying may occur
the three C’s

character—will you repay the debt?
From your credit history, does it look like you possess the honesty and reliability to pay credit debts?

- Have you used credit before?
- Do you pay your bills on time?
- Do you have a good credit report?
- Can you provide character references?
- How long have you lived at your present address?
- How long have you been at your present job?

capital—what if you don’t repay the debt?
Do you have any valuable assets such as real estate, savings, or investments that could be used to repay credit debts if income is unavailable?

- What property do you own that can secure the loan?
- Do you have a savings account?
- Do you have investments to use as collateral?

capacity—can you repay the debt?
Have you been working regularly in an occupation that is likely to provide enough income to support your credit use?

- Do you have a steady job? What is your salary?
- How many other loan payments do you have?
- What are your current living expenses? What are your current debts?
- How many dependents do you have?
your responsibilities

- Borrow only what you can repay.
- Read and understand the credit contract.
- Pay debts promptly.
- Notify creditor if you cannot meet payments.
- Report lost or stolen credit cards immediately.
- Never give your card number over the phone unless you initiated the call or are certain of the caller’s identity.
- Never leave your credit cards unattended at work.
- Protect your Personal Identification Number (PIN).
- Don’t leave your credit cards in your vehicle.
- Always check your card when returned to you after a purchase.
- Carry your cards with you or make sure they are in a secure location.
- Sign the back of a new card as soon as you get it.
- Make a list of all your cards and their numbers.
- Always check your monthly statement.
your rights

**consumer protection act**
Ensures consumers are fully aware of their rights.

**human rights**
Prohibits discrimination in giving credit on the basis of sex, race, colour, religion, national origin, marital status, age, or receipt of public assistance.

**credit reporting act**
Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts.

**collection agencies act**
Prevents abuse by professional debts collectors, and applies to anyone employed to collect debts owed to others; does not apply to banks and other businesses collecting their own accounts.

**sale of goods act**
Contract of sale between buyer and seller. Encompasses type of contract, enforcement provisions, duties and remedies.

**fair trading act**
Applies to consumer transactions and unfair practices that occurred after September 1999.
building a credit history

■ Establish a steady work record.

■ Pay all bills promptly.

■ Open a chequing account and don’t bounce cheques.

■ Open a savings account and make regular deposits.

■ Apply for a local store credit card and make regular monthly payments.

■ Apply for a small loan using your savings account as collateral.

■ Get a co-signer on a loan and pay back the loan as agreed.

credit bureaus

■ Equifax (1-800-465-7166)

■ Trans Union

■ Local credit bureaus affiliated with these major companies
## Credit Report — A

**Overhead 7F(i)**

### Choices & Decisions about Credit

*Consumer Credit File - User Guide — Equifax Canada Inc.*

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 3</th>
<th>Column 4</th>
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*Note: Table content is not legible due to image quality.*
Trade Information Descriptions

Glossary

overhead 7-F (iii) choices & decisions about credit
<table>
<thead>
<tr>
<th>Subject</th>
<th>Given Name(s)</th>
<th>SSN</th>
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<tbody>
<tr>
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<td></td>
<td>11/05/51</td>
</tr>
<tr>
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<td>Jane</td>
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<tbody>
<tr>
<td>105 Miler Av</td>
<td>Scarborough</td>
<td>ON</td>
<td>ON</td>
<td>John</td>
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| MEASURES | **INPUT S.I.N. DOES NOT MATCH FILE S.I.N. CURRENT INPUT ADDRESS IS A MAIL DROP** |

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<thead>
<tr>
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<tr>
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<tr>
<td><strong>Nature</strong></td>
<td>Delinquency</td>
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<tr>
<td><strong>Amount</strong></td>
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<td><strong>Balance</strong></td>
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<table>
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<table>
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<th>Real</th>
<th>Agency/Creditor's Name</th>
<th>Amount</th>
<th>Balance</th>
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<tbody>
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<td>Jan05</td>
<td>ABC Collections</td>
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<table>
<thead>
<tr>
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<th>Grantor</th>
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<tbody>
<tr>
<td>Mar05</td>
<td>Jan05</td>
<td>Bank</td>
<td>still owing on Jan55</td>
</tr>
</tbody>
</table>

| EMBARGOS | Date | 
|----------|------|-------|
| Nov90    | OCR | OCR |

This completes the file for ROBERT CONSUMER.
CREDIT REPORT FIELDS

FILE AND DEMOGRAPHIC INFORMATION
- Date the credit report was issued
- Consumer's and spouse's name, plus any aliases
- Social Security Number for consumer and spouse
- Date of birth, telephone number, current and previous employment
- Date the file was created
- Last date of inquiry on file
- Current address and date received
- All previous addresses on file

FILE SUMMARY
Provides a snapshot of all entries on the consumer's credit report.
From left to right in the first row:
- Total number of legal items with date of most current
- Total number of inquiries with date of most current
- Total number of connections with date of most current
- Number of closures with date of most current
- Number of disputes in last six months
- Number of inquiries that are collection inquiries in the last 24 months

From left to right in the second row:
- Total high credit to the consumer
- Balance amount on the accounts
- Total past due
- Total payments
- Number of accounts
- Number of accounts that have a negative balance
- Number of accounts paid

From left to right in the third row:
- Date of the account opened and date of most current account opened
- Resolution of the prior credit balances - Installment, Revolving, Other, Mortgage
- Total number of Repossessed items

SPECIAL MESSAGES
highlights specific credit card conditions that may include:
- A "closed account" message appears if current account has closed.
- If past due, last payment was made on date prior to the current date.
- A "revolving account" message appears if account has been used for more than six months.
- A "closed account" message appears if account has been closed.

INCREASED RISK SCORE
(EMPIRICAL) (optional)
A measure used to predict a consumer's credit risk. It is displayed numerically with four replication factors. These factors are displayed under the score on the credit report.
An "insecure" message appears when a credit file contains an INSURANCE for a secured, non-preferred, non-revolving, or a breach of the security agreement.

TRADES
Provides an ongoing historical and current record of the consumer's buying and payment activities. The information includes the following:
- Industry Code
- Name and type of creditor
- Date the account information was reported to the Bureau of Canada, Inc.

TRADING LIMITS
- Date the account was opened
- Date of last activity on the account
- The credit limit on the account
- Balance owing at date reported
- Amount past due on date reported
- Terms of payment showing balances owing and payment frequency

Payment patterns give you a detailed history of payment made in a minimum of 36 months. Information is given on the credit limit that the credit grantor has been examining the account. There are broken for 30, 60 and 90 days. A """" is added to the 30-day bucket, a """" is added to the 60-day bucket, and a """" is added to the 90-day bucket. 80 in the total number of months reviewed.

- Type of account: R, I, O, M
- Status: Good, Fair, Poor, No account
- Payment: Revolving, Installment, Open, Mortgage

A notice is used if the account is subject to dispute or requires an explanation of the credit condition of the account

REGISTERED ITEMS
A listing of all items registered under the account used for filing.
- A - Consumer goods
- B - Inventory
- C - Equipment
- D - Assignment of contract and lease
- E - Other securities

BANKRUPTCY AND DEBT PROPOSAL
Will be maintained on consumer's file in compliance with provincial regulations. Includes data related to name, address of insolvency, creditors, liabilities, accounts, asset and discharge of debt.

LEGAL HISTORY
Will be maintained on consumer's file in compliance with provincial regulations. Includes data related to name, address of insolvency, creditors, liabilities, accounts, asset, discharge of debt, and discharge of debt.

COLLECTION INFORMATION
Includes agency name and collection name (if applicable) on account balances, comments, notes and discharge of debt.

INJURIES
Displays the items that have been viewed in consumer's credit file. Includes the date of the inquiry, the identity code of the inquiry, their name and telephone number.

REMARKS
Consumer Statement allows for comments from the consumer regarding information on their file.
## Credit Report Codes

### Types of Accounts

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Q</th>
<th>R</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Usual Manner of Payment

- **Cash on delivery**:
  - 0 0 0

- **Payment due within 30 days of billing date**
  - 1 1

- **Payment due at more than 30 days, but not more than 60 days**
  - 2 2

- **Payment due in more than 60 days, but not more than 90 days, or two payments overdue**
  - 3 3

- **Payment due in more than 90 days, but not more than 180 days, or three or more payments overdue**
  - 4 4

- **Amount due 120 days or more past due or delinquent**
  - 5 5

- **Making regular payments under court order (child support)**
  - 7 7

- **Repossession**
  - 8 8

- **Bad debt, placed for collection**
  - 9 9

---

**Trans Union of Canada, Inc.**
**single-payment credit**

Items and services are paid for in a single payment, within a given time period, after the purchase. Interest is usually not charged.

- Utility companies, medical services
- Some retail businesses

**instalment credit**

Merchandise and services are paid for in two or more regularly scheduled payments of a set amount. Interest is included. A repayment plan is drawn up in the form of a conditional sales contract based upon fulfilling a number of conditions of the contract.

- Some retail businesses, such as car and appliance dealers

**consumer loans**

Money may also be loaned for a special purpose, with the consumer agreeing to repay the debt in regularly scheduled payments.

- Chartered banks
- Consumer finance companies
- Credit unions
- Trust companies

**revolving credit**

Many items can be bought using this plan as long as the total amount does not go over the credit user’s assigned dollar limit.

Repayment is made at regular time intervals for any amount at or above the minimum required amount. Interest is charged on the remaining balance.

- Retail stores
- Financial institutions that issue credit cards
how much can you afford?
(the 20-10 guideline)

never borrow more than 20% of your yearly net income
■ If you earn $400 a month after taxes, then your net income in one year is:

\[ 12 \times 400 = 4,800 \]

■ Calculate 20% of your annual net income to find your safe debt load.

\[ 4,800 \times 20\% = 960 \]

■ So, you should never have more than $960 of debt outstanding.

■ Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 20%.

monthly payments shouldn’t exceed 10% of your monthly net income
■ If your take-home pay is $400 a month:

\[ 400 \times 10\% = 40 \]

Your total monthly debt payments shouldn’t total more than $40 per month.
Lesson Seven

About Credit

Student Activities
For each of the following situations, circle **YES**,** NO,** or **DEPENDS** to indicate your opinion related to this person using credit. Also, give reasons for your response.

*Answers may vary.*

1. Gina, age 18, plans to buy a car on credit so that she is able to drive to school.
   - YES
   - NO
   - DEPENDS

2. Fran and Simon recently took out a loan for a new roof.
   - YES
   - NO
   - DEPENDS

3. Pavel, age 20, recently used his credit card to pay for textbooks for his new semester of classes.
   - YES
   - NO
   - DEPENDS

4. Marcia, age 28, charges all her groceries on her credit card.
   - YES
   - NO
   - DEPENDS

5. Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.
   - YES
   - NO
   - DEPENDS
should they use credit? answer key

directions
For each of the following situations, circle YES, NO, or DEPENDS to indicate your opinion related to this person using credit. Also, give reasons for your response.

Answers may vary.

1. Gina, age 18, plans to buy a car on credit so that she is able to drive to school.
   YES  NO  DEPENDS

2. Fran and Simon recently took out a loan for a new roof.
   YES  NO  DEPENDS

3. Pavel, age 20, recently used his credit card to pay for textbooks for his new semester of classes.
   YES  NO  DEPENDS

4. Marcia, age 28, charges all her groceries on her credit card.
   YES  NO  DEPENDS

5. Sandy and Carla, age 24 and 27, are planning on buying a boat on credit for use during summers. Carla will be the main signer for the loan, with Sandy being the co-signer.
   YES  NO  DEPENDS
The following questions are designed to help you remember the credit information just covered in class.

**directions**
In the spaces provided, answer each of the following questions about credit.

List five things you can do to build a credit history.
1. _______________________________________________________________________________
2. _______________________________________________________________________________
3. _______________________________________________________________________________
4. _______________________________________________________________________________
5. _______________________________________________________________________________

When a prospective creditor evaluates a credit application, they look for the three C’s: Character, Capital, and Capacity. **For each of the following statements, write the letter that corresponds to each statement’s specific characteristic.**

a) Character       b) Capital       c) Capacity

6. _____ Do you have a savings account?
7. _____ Have you used credit before?
8. _____ How long have you lived at your present address?
9. _____ Do you have a steady job?
10. _____ Do you pay your bills on time?
11. _____ What are your current debts and your current living expenses?

List the four major categories of information that appear on a credit report.
12. _______________________________________________________________________________
13. _______________________________________________________________________________
14. _______________________________________________________________________________
15. _______________________________________________________________________________
test your credit knowledge (continued)

In the space provided, write the letter of the type of credit each statement represents.

a) Single payment credit  b) Instalment credit  c) Revolving credit

16. _____ Monthly payment on a car loan
17. _____ Monthly telephone bill
18. _____ Monthly heating bill
19. _____ Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
20. _____ Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

For each of the following statements, write a T in the space provided if the statement is true, and F in the space provided if the statement is false.

21. _____ It is legal for a creditor to deny an applicant credit based on marital status or age.
22. _____ If you are denied credit, the creditor is not legally obligated to explain why.
23. _____ When creditors evaluate your income, they can’t legally refuse to consider income from public assistance in the same manner as other income.
24. _____ If you are refused credit because of a credit report, upon request from you, the lender must give you the name and address of the credit bureau that issued the report.
25. _____ Your credit report is available to anyone, regardless of the reason.
26. _____ A debt collector has the right to contact you at any time of day or night.
27. _____ To be within a safe debt load, your total credit should not exceed 50% of your net pay after subtracting rent.

28. What should you do if you find there is inaccurate information on your credit report?
29. Generally, how long can a consumer reporting agency report unfavourable information?
30. How long can bankruptcy information be reported by a consumer reporting agency?
The following questions are designed to help you remember the credit information just covered in class.

**directions**
In the spaces provided, answer each of the following questions about credit.

**List five things you can do to build a credit history.**

- Establish a steady work record.
- Pay all bills promptly.
- Open a chequing account and don’t bounce cheques.
- Open a savings account and make regular monthly payments.
- Apply for a small loan using your savings account for collateral and then pay it back as agreed.
- Get a co-signer for a loan and pay back the loan as agreed.

When a prospective creditor evaluates a credit application, they look for the three C’s: Character, Capital, and Capacity. **For each of the following statements, write the letter that corresponds to each statement’s specific characteristic.**

<table>
<thead>
<tr>
<th></th>
<th>a) Character</th>
<th>b) Capital</th>
<th>c) Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>c</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>c</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**List the four major categories of information that appear on a credit report.**

12. Identification and employment data
13. Payment history
14. Inquiries
15. Public record information
test your credit knowledge answer key

In the space provided, write the letter of the type of credit each statement represents.

- a) Single-payment credit
- b) Instalment credit
- c) Revolving credit

16. b Monthly payment on a car loan
17. a Monthly telephone bill
18. a Monthly heating bill
19. c Using a credit card to buy a new jacket from a department store and then paying the charge off over several months
20. a Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month

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25. f Your credit report is available to anyone, regardless of the reason.
26. f A debt collector has the right to contact you at any time of day or night.
27. t To be within a safe debt load, your total credit should not exceed 50% of your net pay after subtracting rent.

28. What should you do if you find there is inaccurate information on your credit report?
   Contact the credit bureau. Under the Collections Practices Act, the credit bureau must investigate your report.

29. Generally, how long can a consumer reporting agency report unfavourable information?
   7 years

30. How long can bankruptcy information be reported by a consumer reporting agency?
   Up to 10 years
Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.

**directions**

Read each of the following scenarios and determine the largest amount of debt each person can safely carry. **Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.**

1. David has a monthly net income of $1,360. His fixed monthly expenses is a student loan payment of $116.

   David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford and still be within a safe debt load?

   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

2. Francine and Pierre have a combined monthly net income of $2,700. Their fixed monthly expenses include $220 for Francine’s student loan payment, and $82 for the stereo they bought last month.

   Francine and Pierre would like to buy a new car. How much can they currently afford for monthly car payments and still maintain a safe debt load?

   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________

3. Miyoshi has a monthly net income of $1,625. Her fixed monthly expenses include $68 for the furniture she bought last month and a car payment of $167. Are Miyoshi’s expenses within a safe debt load?

   __________________________________________
   __________________________________________
   __________________________________________
   __________________________________________
how much can they safely carry? answer key

Most people can afford a certain amount of credit and stay within a safe budget. This amount is called a “safe debt load.” The following exercises will give you practice determining safe debt loads based on various incomes and fixed expenses.

directions
Read each of the following scenarios and determine the largest amount of debt each person can safely carry. Write your answers in the blanks provided. Use the space below each question to show how you arrived at each answer.

1. David has a monthly net income of $1,360. His fixed monthly expenses is a student loan payment of $116.
   David would like to buy a new television set using a credit card. What is the largest monthly payment David can afford and still be within a safe debt load?
   $20.00
   $1,360 x 10% = $136
   $136 - $116 = $20

2. Francine and Pierre have a combined monthly net income of $2,700. Their fixed monthly expenses include $220 for Francine’s student loan payment, and $82 for the stereo they bought last month.
   Francine and Pierre would like to buy a new car. How much can they currently afford for monthly car payments and still maintain a safe debt load?
   Francine and Pierre are already above their safe debt load and need to reduce their debt load before being able to afford the car.
   $2,700 x 10% = $270
   $270 - $302  = - $32

3. Miyoshi has a monthly net income of $1,625. Her fixed monthly expenses include $68 for the furniture she bought last month, and a car payment of $167. Are Miyoshi’s expenses within a safe debt load?
   No.
   $1,625 x 10% = $162.50
   $162.50 - 235 = - $72.50
   Right now Miyoshi is over committed and is not within a safe debt load, and she should not commit to further debt.
true-false

1. ____ A disadvantage of using credit is impulse buying.
2. ____ Capital refers to a person’s assets.
3. ____ A steady employment record helps a person’s credit history.
4. ____ Instalment credit usually allows a person to make additional purchases on an account.
5. ____ Using the 20-10 guideline, a person making $40,000 a year should have no more than $8,000 of outstanding debt.

multiple choice

6. ____ A common advantage of using credit is:
   A. less impulse buying.
   B. lower cost for items purchased.
   C. ability to obtain needed items now.
   D. lower chance of overspending.

7. ____ A person’s regular income is referred to as:
   A. character.
   B. capital.
   C. collateral.
   D. capacity.

8. ____ To build a credit history, a person could:
   A. establish a steady employment record.
   B. file his or her federal income taxes on time.
   C. use an ATM several times a month.
   D. request to view her or his credit file.

9. ____ Utility companies and medical service organizations commonly offer ________ credit.
   A. revolving
   B. single-payment
   C. installment
   D. retail

10. ____ Using the 20-10 guideline, a person earning $1,500 a month should not have monthly credit payments that exceed:
    A. $300
    B. $150
    C. $20
    D. $30

case application

Makiko Nagata is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend?
true-false
1. t A disadvantage of using credit is impulse buying.
2. t Capital refers to a person's assets.
3. t A steady employment record helps a person's credit history.
4. f Instalment credit usually allows a person to make additional purchases on an account.
5. f Using the 20-10 guideline, a person making $40,000 a year should have no more than $8,000 of outstanding debt.

multiple choice
6. C A common advantage of using credit is:
   A. less impulse buying.
   B. lower cost for items purchased.
   C. ability to obtain needed items now.
   D. lower chance of overspending.

7. D A person's regular income is referred to as:
   A. character.
   B. capital.
   C. collateral.
   D. capacity.

8. A To build a credit history, a person could:
   A. establish a steady employment record.
   B. file his or her federal income taxes on time.
   C. use an ATM several times a month.
   D. request to view her or his credit file.

9. B Utility companies and medical service organizations commonly offer _________ credit.
   A. revolving
   B. single-payment
   C. installment
   D. retail

10. A Using the 20-10 guideline, a person earning $1,500 a month should not have monthly credit payments that exceed:
    A. $300
    B. $150
    C. $20
    D. $30

case application
Makiko Nagata is considering a loan to finance her college education. She currently owes money on several charge accounts and credit cards. What actions would you recommend?

While this is a valid reason for using credit, Mikiko might consider paying off some of her other debts before taking on this new loan. She might delay starting school full time until she has paid off her other accounts.
lesson eight
credit cards

overheads
shopping for a credit card

costs:

■ Annual Percentage Rate (APR) or Finance (Interest) Charges

■ Grace period

■ Annual fees

■ Transaction fees

■ Balancing computation method for the finance charge

features:

■ Credit limit

■ How widely the card is accepted

■ What services and features are available
calculating finance charges

cash advances:
You pay interest charges that accrue from the date of the cash advances.

average daily balance:
You pay interest on the average balance owed during the billing cycle. The creditor figures the balance in your account on each day of the billing cycle, then adds together these amounts and divides by the number of days in the billing cycle.

adjusted balance:
You pay interest on the opening balance after subtracting the payment or returns made during the month.

previous balance:
You pay interest on the opening balance, regardless of payments made during the month.

past-due balance:
No finance charge is added if the full payment is received within the grace period. If it is not received, a finance charge for the unpaid amount is added on to your next bill.
### Examples of Finance Charges

<table>
<thead>
<tr>
<th></th>
<th>Average Daily Balance</th>
<th>Adjusted Balance</th>
<th>Previous Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Rate</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Rate</td>
<td>18%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Previous Balance</td>
<td>$400</td>
<td>$400</td>
<td>$400</td>
</tr>
<tr>
<td>Payments</td>
<td>$300</td>
<td>$300</td>
<td>$300</td>
</tr>
</tbody>
</table>

On 15th day (new balance = $100)

<table>
<thead>
<tr>
<th>Average Daily Balance</th>
<th>Finance Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250*</td>
<td>$3.75</td>
</tr>
<tr>
<td>N/A</td>
<td>$1.50</td>
</tr>
<tr>
<td>N/A</td>
<td>$6.00</td>
</tr>
</tbody>
</table>

($1.5\% \times $250) \quad ($1.5\% \times $100) \quad ($1.5\% \times $400)

**Example:** To figure average daily balance:

\[ ($400 \times 15 \text{ days}) + ($100 \times 15 \text{ days}) = $250 \times 30 \text{ days} \]
# Comparing Credit Cards

<table>
<thead>
<tr>
<th>Feature</th>
<th>Card 1</th>
<th>Card 2</th>
<th>Card 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Fee</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grace Period</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>APR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credit Limit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance Charge</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Method of Calculating Finance Charges</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transaction Fees</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fees for Late Payment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Features</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
what to do if you are denied credit

if you think the reasons for the denial are valid:
■ Ask the creditor if you can provide additional information or arrange alternate credit terms.
■ Apply to another creditor whose standards may be different.
■ Do the things you need to do to improve your credit worthiness (pay bills on time, increase income, reduce spending, obtain a secured card, etc.) and then reapply.

if you are not sure whether the reason for the denial is valid:
■ Ask the creditor to explain why you were denied.
■ Review your credit history.
■ If you find your credit history contains errors, take steps to correct the errors.

if you believe the reason for the denial is invalid and that the creditor has discriminated against you:
■ Notify the Human Rights Commission or Consumer Affairs department in your province. They will investigate and report back to you.
■ If you can afford it, hire a lawyer to file suit against the creditor. If the court determines the creditor did discriminate, the creditor will be required to pay you actual damages plus punitive damages.
## Reading a Credit Card Statement

This document is a credit card statement from Your First Bank. Here are the key details:

### Account Information
- **Account Number**: 4125-239-412
- **Statement Date**: 2/13/__
- **Due Date**: 3/9/__
- **Minimum Payment**: 20.00
- **Credit Limit**: 1,200.00
- **Interest Rate/APR**: 17.5%
- **Past Due**: 00.00

### Transactions

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Debits/Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 25</td>
<td>PaymentThankYou Anytown, CANADA</td>
<td>-168.80</td>
</tr>
<tr>
<td>Jan 15</td>
<td>Record Recycler Anytown, CANADA</td>
<td>14.83</td>
</tr>
<tr>
<td>Jan 15</td>
<td>Beeforama Restaurant Anytown, CANADA</td>
<td>30.55</td>
</tr>
<tr>
<td>Jan 18</td>
<td>GreatExpectorations Big City, CANADA</td>
<td>27.50</td>
</tr>
<tr>
<td>Jan 21</td>
<td>Dino-Gel Petroleum Anytown, CANADA</td>
<td>12.26</td>
</tr>
<tr>
<td>Feb 09</td>
<td>Shirts 'N Such Tinyville, CANADA</td>
<td>40.10</td>
</tr>
</tbody>
</table>

### Summary
- **Balance On Last Statement**: 168.80
- **Total Credits**: 168.80
- **Total Debits**: 125.24
- **My New Balance**: 125.24

### Additional Information
- **Send Payments to**: Box 1234 Anytown, CANADA
- **John Doe**
  211 Elm Street
  Anytown, CANADA

Please make cheque or money order payable to Your First Bank. Include account number on front.

General Customer Inquiries: 1-800-555-1234
Report Lost or Stolen Cards: 1-800-555-5678
collection agencies act
Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts.

- You can challenge a billing statement for errors such as charges for unauthorized purchases, charges for items that were never delivered, failure to credit a payment, etc.

- You must notify the creditor of a disputed item within 60 days.

- Creditor must investigate and, within two billing periods, either correct the mistake or explain why the charge is not in error.

- You cannot be billed for or forced to pay the disputed amount until the creditor has finished the investigation.

- If it is determined that you are responsible for the bill, you must be given the usual amount of time to pay it.

- Your credit history is protected during the dispute process.

- Creditor must supply customers with a statement of their rights at the time the account is opened and at least twice a year thereafter.
other credit card protections

prompt credit for payment
■ A card issuer must credit your account on the day the issuer receives your payment, unless the payment is not made according to the creditor’s requirements.

refunds of credit balances
■ When you return merchandise or pay more than you owe, you have the option of keeping the credit balance on your account or receiving a refund.

Unauthorized charges
■ If you report your card lost before it is used, you cannot be held responsible for any unauthorized charges.
■ If your card is used before you report it lost, you are usually liable for no more than $50.00 in charges.

disputes about merchandise or services
■ In some circumstances, you have the right to withhold payment for unsatisfactory merchandise or services. Otherwise, disputes must be resolved directly with the merchant.
credit card do’s and don’ts

shop around
■ Look at various sources.

read and understand the contract
■ Read the contract carefully.
■ Don’t rush into signing anything.
■ Once a contract is signed, get a copy of it.
■ Know the penalties for missed payments.

know your cost
■ Figure out total price when paying with credit.
■ Make the largest payments possible.
■ Know the penalties for missed payments.
■ Buy on instalment credit only after you have evaluated all other possibilities.
■ Don’t be misled into thinking small payments will be easy.
never borrow more than 20% of your yearly net income

- If your net income (money after taxes) is $400 a month, then your net income in one year is:

  \[ 12 \times \$400 = \$4,800 \]

- Calculate 20% of your annual net income to find your safe debt load.

  \[ \$4,800 \times 20\% = \$960 \]

- So, you should never have more than $960 of debt outstanding.

- Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 20%.

monthly payments shouldn’t exceed 10% of your monthly net income:

- If your take-home pay is $400 a month:

  \[ \$400 \times 10\% = \$40 \]

  Your total monthly debt payments shouldn’t total more than $40 per month.
protecting your credit cards

■ When you first receive your credit card from the provider, take time to read the attached documentation. It will outline the procedure to follow if your card is lost or stolen.

■ Some card providers may provide a credit card registry as a convenient and safe way to keep track of all of your card numbers for quick reference. A small annual fee may apply for this service.

■ It’s a good idea to make a list of everything you carry in your wallet, including credit card numbers. Don’t forget to keep the list separate from your wallet or purse.

■ If your card is lost or stolen, report it promptly to your credit card provider.

■ Each card provider will have their own procedures to follow if your card is lost or stolen in Canada or while away out of the country.

**e.g.**

**lost or stolen Visa card**

First, call your issuing financial institution. If you can’t remember which one issued your card, call the Visa International Global Customer Assistance Service toll free, 24 hours a day at (800) 847-2911. If you are out of the country, call (410) 581-9994 collect.
lesson eight
credit cards

student activities
shopping for credit

Credit card costs and features can vary greatly. This exercise will give you a chance to shop for and compare the costs and features of three credit cards.

**directions**

Using the attached form, research the costs and features of:

- Two major credit cards
- One credit card from a department store

When you’re done, answer the following questions.

**what did you find?**

1. Which credit card has the highest annual percentage rate and how much is it?

2. What method is used to calculate the monthly finance charges for the first major credit card?

3. When does the finance charge begin to accrue on the credit card from the local department store?

4. Do any of the cards have annual fees? If so, which one(s) and how much is the fee?

5. Is there a transaction fee on any card? If so, how much is it?

6. Is there a minimum finance charge on either of the major credit cards? If so, how much is it?

7. Does the first major credit card charge a fee for late payments? If so, how much is it?

8. What is the grace period on the credit card from the local department store?

9. Jamel wants to buy a new CD player that costs $450. According to his budget, he can afford payments up to $62.00 per month. Which of the three credit cards you’ve found would you recommend Jamel use to purchase the CD player? Why?
use the following form to compare two or more credit cards:

<table>
<thead>
<tr>
<th></th>
<th>card one</th>
<th>card two</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of account:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit card</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge card</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Company name, address, phone</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Web site</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Locations where card is accepted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annual fee (if any)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grace period</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Percentage Rate (APR)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Finance charge calculation method</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credit limit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Minimum payment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other fees:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Late payment</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other features</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A credit card statement provides information such as how and when you’ve used your credit card, how much you owe, how much interest you’re paying to use the card, how much your minimum payment is, and how much credit you have left.

Knowing how to read your credit card statement can also help you catch unauthorized charges and/or billing errors.

So, it can pay to know how to read the statement!

directions

Use the credit card statement on the following page to answer these questions:

1. What is the date of the statement?

2. What is the Annual Percentage Rate (APR)?

3. What is the new balance?

4. What was the previous balance?

5. How many charges were made during the billing cycle?

6. How many credits and payments were made during the billing cycle?

7. Were there any charges for late payments?
   If so, how much were the charges?

8. What is the total amount of the credit line?

9. What is the total amount of available credit?

10. What is the total amount of charges made during the current billing period?

11. What is the account number on the statement?

12. Where should the payment be sent?
<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Debits/Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 25</td>
<td>Payment Thank You</td>
<td>-168.80</td>
</tr>
<tr>
<td>Jan 15</td>
<td>Record Recycler</td>
<td>14.83</td>
</tr>
<tr>
<td>Jan 15</td>
<td>Beeforama Restaurant</td>
<td>30.55</td>
</tr>
<tr>
<td>Jan 18</td>
<td>Great Expectorations</td>
<td>27.50</td>
</tr>
<tr>
<td>Jan 21</td>
<td>Dino-Gel Petroleum</td>
<td>12.26</td>
</tr>
<tr>
<td>Feb 09</td>
<td>Shirts 'N Such</td>
<td>40.10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Balance On Last Statement</th>
<th>Total Credits</th>
<th>Total Debits</th>
<th>My New Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4125-239-412</td>
<td>168.80</td>
<td>-168.80</td>
<td>+125.24</td>
<td>125.24</td>
</tr>
</tbody>
</table>

**Interest Rate/APR**  
17.5%

**Credit Limit**  
1,200.00

**Statement Date**  
2/13/___

**Due Date**  
3/9/___

**Minimum Payment**  
20.00

**Amount Paid**  
0.00

Please make cheque or money order payable to Your First Bank. Include account number on front.

General Customer Inquiries: 1-800-555-1234  
Report Lost or Stolen Cards: 1-800-555-5678
A credit card statement provides information such as how and when you’ve used your credit card, how much you owe, how much interest you’re paying to use the card, how much your minimum payment is, and how much credit you have left.

Knowing how to read your credit card statement can also help you catch unauthorized charges and/or billing errors.

So, it can pay to know how to read the statement!

**directions**

Use the credit card statement on the following page to answer these questions:

1. What is the date of the statement? 2/13/01
2. What is the Annual Percentage Rate (APR)? 17.5%
3. What is the new balance? $125.24
4. What was the previous balance? $168.80
5. How many charges were made during the billing cycle? Five
6. How many credits and payments were made during the billing cycle? One
7. Were there any charges for late payments? No
   If so, how much were the charges? None
8. What is the total amount of the credit line? $1,200
9. What is the total amount of available credit? $1,074.76
10. What is the total amount of charges made during the current billing period? $125.24
11. What is the account number on the statement? 4125-239-412
12. Where should the payment be sent? Your First Bank, Box 1234, Anytown, Canada
how much does it really cost?

directions
Answer the following questions. You’ll see for yourself how much items bought with credit can actually cost.

questions
Dimitri wants to buy a stereo for $650 and pay for it using a credit card that has an Annual Percentage Rate of 19.8% and a periodic interest rate of 1.65%.

If Dimitri pays the minimum monthly payment of $21.45:
1. How long will it take him to pay for the stereo?
2. What is the total amount Dimitri will pay for the stereo?
3. What is Dimitri’s total cost of using credit?

If Dimitri makes monthly payments of $60:
4. How many months will it take for Dimitri to pay off the stereo?
5. What is the total amount Dimitri will pay for the stereo?
6. What is Dimitri’s total cost of using credit?

Karen took a cash advance on her credit card for $1,500. The credit card she used charges an Annual Percentage Rate of 21% and a periodic interest rate of 1.75%.

If Karen pays the cash advance back at a rate of $60 per month:
7. How long will it take Karen to pay for the cash advance?
8. What is the total amount Karen will end up paying for the cash advance?
9. How much interest will Karen pay?

If Karen pays the cash advance back at a rate of $120 per month:
10. How long will it take Karen to pay for the cash advance?
11. What is the total amount Karen will end up paying for the cash advance?
12. How much interest will Karen pay?
Marie just used her new credit card to buy a bike for $400. Her budget allows her to pay no more than $25 each month on her credit card. Marie has decided not to use the credit card again until the bike is paid off. The credit card she used has an Annual Percentage Rate of 21% and a periodic interest rate of 1.74%.

If Marie pays $25 each month on her credit card:

13. How long will it take Marie to pay for the bike?
14. What is the total amount Marie will end up paying for the bike?
15. How much interest will Marie pay for using her credit card to buy the bike?

If Marie pays the minimum payment of $20 each month:

16. How long will it take Marie to pay for the bike?
17. What is the total amount Marie will end up paying for the bike?
18. How much interest will Marie pay for using her credit card to buy the bike?

Gary has just used his credit card to buy a new watch. He got the watch on sale for $235. The regular price was $290. He used a credit card that has an Annual Percentage Rate of 20% and a periodic interest rate of 1.67%.

If Gary makes the minimum monthly payment each month of $20:

19. How much will Gary end up paying for his new watch?
20. How long will it take Gary to pay for his watch?
21. What is the total amount of interest Gary will end up paying?

If Gary pays $25 each month, instead of the minimum monthly payment of $10 each month:

22. How much will Gary end up paying for his new watch?
23. How long will it take Gary to pay for his watch?
24. What is the total amount of interest Gary will end up paying?
directions
Answer the following questions. You’ll see for yourself how much items bought with credit can actually cost.

questions
Dimitri wants to buy a stereo for $650 and pay for it using a credit card that has an Annual Percentage Rate of 19.8% and a periodic interest rate of 1.65%.

If Dimitri pays the minimum monthly payment of $21.45:
1. How long will it take him to pay for the stereo? 43 months
2. What is the total amount Dimitri will pay for the stereo? $908.50
3. What is Dimitri’s total cost of using credit? $258.50

If Dimitri makes monthly payments of $60:
4. How many months will it take for Dimitri to pay off the stereo? 13 months
5. What is the total amount Dimitri will pay for the stereo? $721.99
6. What is Dimitri’s total cost of using credit? $71.99

Karen took a cash advance on her credit card for $1,500. The credit card she used charges an Annual Percentage Rate of 21% and a periodic interest rate of 1.75%.

If Karen pays the cash advance back at a rate of $60 per month:
7. How long will it take Karen to pay for the cash advance? 34 months
8. What is the total amount Karen will end up paying for the cash advance? $1,989.88
9. How much interest will Karen pay? $489.88

If Karen pays the cash advance back at a rate of $120 per month:
10. How long will it take Karen to pay for the cash advance? 15 months
11. What is the total amount Karen will end up paying for the cash advance? $1,707.52
12. How much interest will Karen pay? $207.52
Marie just used her new credit card to buy a bike for $400. Her budget allows her to pay no more than $25 each month on her credit card. Marie has decided not to use the credit card again until the bike is paid off. The credit card she used has an Annual Percentage Rate of 21% and a periodic interest rate of 1.75%.

If Marie pays $25 each month on her credit card:

13. How long will it take Marie to pay for the bike? 19 months
14. What is the total amount Marie will end up paying for the bike? $473.38
15. How much interest will Marie pay for using her credit card to buy the bike? $73.38

If Marie pays the minimum payment of $20 each month:

16. How long will it take Marie to pay for the bike? 25 months
17. What is the total amount Marie will end up paying for the bike? $545.60
18. How much interest will Marie pay for using her credit card to buy the bike? $145.60

Gary has just used his credit card to buy a new watch. He got the watch on sale for $235. The regular price was $290. He used a credit card that has an Annual Percentage Rate of 20% and a periodic interest rate of 1.67%.

If Gary makes the minimum monthly payment each month of $20:

19. How much will Gary end up paying for his new watch? $257.71
20. How long will it take Gary to pay for his watch? 11 months
21. What is the total amount of interest Gary will end up paying? $28.71

If Gary pays $25 each month, instead of the minimum monthly payment of $20 each month:

22. How much will Gary end up paying for his new watch? $257.71
23. How long will it take Gary to pay for his watch? 11 months
24. What is the total amount of interest Gary will end up paying? $18.14
how deep can they go?

directions

Read each of the following scenarios and determine if the purchase can be made and how the decision will affect the credit load.

Write your answers in the blanks provided. Use the space below each problem to show how you arrived at your answer. (Use the other side of this paper if you need more room.)

1. After paying rent, Laura and Jamie have a combined monthly net income of $1,200. What is the most they can afford to pay for instalment and credit card debt?

2. Isaac has a monthly net income of $800. He shares an apartment with friends and pays $150 each month for rent. Isaac wants to buy a car. Currently, he has only one credit card payment each month for $80. Given his current income and current fixed expenses, what does Isaac have left in his budget for a car payment?

3. After paying rent, Indra has a monthly net income of $450. She wants to buy a new bike and pay for it using a credit card. What is the largest monthly payment she can commit to making?

4. Petr has a monthly net income of $640. He pays $120 per month for rent. He has a car payment of $125 per month. Petr wants to buy new tires for his car. The total cost of the new tires is $420. If he uses credit to pay for the tires, his minimum monthly payment will be $40. If Petr buys the tires, what percentage of his net income, after rent, will he have committed to debt payments?
how deep can they go? answer key

directions
Read each of the following scenarios and determine if the purchase can be made and how the decision will affect the credit load.

Write your answers in the blanks provided. Use the space below each problem to show how you arrived at your answer. (Use the other side of this paper if you need more room.)

1. After paying rent, Laura and Jamie have a combined monthly net income of $1,200. What is the most they can afford to pay for instalment and credit card debt?
   $240.00
   $1,200 x 20% = $240

2. Isaac has a monthly net income of $800. He shares an apartment with friends and pays $150 each month for rent. Isaac wants to buy a car. Currently, he has only one credit card payment each month for $80.
   Given his current income and current fixed expenses, what does Isaac have left in his budget for a car payment?
   $50.00
   $800 - $150 = $650
   $650 x 20% = $130
   $130 - $80 = $50

3. After paying rent, Indra has a monthly net income of $450. She wants to buy a new bike and pay for it using a credit card.
   What is the largest monthly payment she can commit to making?
   $90
   $450 x 20% = $90

4. Petr has a monthly net income of $640. He pays $120 per month for rent. He has a car payment of $125 per month.
   Petr wants to buy new tires for his car. The total cost of the new tires is $420. If he uses credit to pay for the tires, his minimum monthly payment will be $40.
   If Petr buys the tires, what percentage of his net income, after rent, will he have committed to debt payments?
   32%
   $640 - $120 = $520
   $125 + $40 = $165
   $520 x 20% = $104
   $520 / $165 = 32%
true-false

1. _____ A priority credit card is usually accepted by one type of store or company.

2. _____ The average daily balance method of calculating interest is based on the opening balance of the account for the previous month.

3. _____ The annual fee for a credit card is set by the government.

4. _____ APR measures the interest rate charged by a credit card.

5. _____ If someone uses your lost or stolen credit card and you report it immediately, you are usually liable for no more than $50.

multiple choice

6. _____ A credit card issued through a credit union would be an example of a __________ card.
   A. bank
   B. travel and entertainment
   C. store
   D. priority

7. _____ The grace period refers to the time:
   A. taken to process a credit card application.
   B. for paying an account without an interest charge.
   C. allowed to notify a creditor of a billing error.
   D. used for calculating interest.

8. _____ Comparing the APR among several credit cards allows you to obtain the:
   A. longest grace period.
   B. lowest annual fee.
   C. lowest interest rate.
   D. least expensive method of calculating interest.

9. _____ If a billing error occurs on a credit statement, a consumer has ____ days to notify the creditor.
   A. 30
   B. 60
   C. 90
   D. 120

case application

Jack uses his credit card for almost all purchases. He charges gas purchases, clothing, food, and other living expenses. What is your opinion of this money management habit?
true-false
1. **t**  A priority credit card is usually accepted by one type of store or company.
2. **f**  The average daily balance method of calculating interest is based on the opening balance of the account for the previous month.
3. **f**  The annual fee for a credit card is set by the government.
4. **t**  APR measures the interest rate charged by a credit card.
5. **t**  If someone uses your lost or stolen credit card and you report it immediately, you are usually liable for no more than $50.

multiple choice
6. **A**  A credit card issued through a credit union would be an example of a ______ card.
   A. bank
   B. travel and entertainment
   C. store
   D. priority

7. **B**  The grace period refers to the time:
   A. taken to process a credit card application.
   B. for paying an account without an interest charge.
   C. allowed to notify a creditor of a billing error.
   D. used for calculating interest.

8. **C**  Comparing the APR among several credit cards allows you to obtain the:
   A. longest grace period.
   B. lowest annual fee.
   C. lowest interest rate.
   D. least expensive method of calculating interest.

9. **B**  If a billing error occurs on a credit statement, a consumer has ____ days to notify the creditor.
   A. 30
   B. 60
   C. 90
   D. 120

case application
Jack uses his credit card for almost all purchases. He charges gas purchases, clothing, food, and other living expenses. What is your opinion of this money management habit?

If Jack pays off his balances each month, his use of credit cards may be a convenient money management technique that provides complete records of all of his spending. However, if this habit results in overspending and paying more, due to interest, Jack needs to assess his financial activities.
the cost of owning and operating a car

ownership (fixed) costs:
- Depreciation (based on purchase price)
- Interest on loan (if buying on credit)
- Insurance
- Registration fee, license, taxes, GST
- Service contract (if purchased)

operating (variable) costs:
- Gasoline
- Oil and other fluids
- Tires
- Maintenance and repairs
- Parking and tolls
- Tickets
ownership costs include insurance, finance charges, license, registration, taxes and depreciation

operating costs include gas, oil, tires & maintenance

<table>
<thead>
<tr>
<th>成本类型</th>
<th>sub-compact</th>
<th>compact</th>
<th>mid-size</th>
<th>mini-van</th>
<th>full-size</th>
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</thead>
<tbody>
<tr>
<td>每年</td>
<td>$7,000.48</td>
<td>$7,391.83</td>
<td>$8,733.98</td>
<td>$7,876.95</td>
<td>$10,923.90</td>
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<td>每天</td>
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<td>$20.25</td>
<td>$23.93</td>
<td>$21.58</td>
<td>$29.93</td>
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</tbody>
</table>

notes: (1) The above figures are based on a provincial average to account for the fact that it costs more to operate a vehicle in some areas of the country than in others. These include ownership and operating costs.

(2) The operating costs, based on 24,000 km driven annually, approximate 12.9¢/km or 24% of the total costs.

Source: Canadian Automobile Association (Driving Costs - 1999 Edition)
never borrow more than 20% of your yearly net income

If you earn $400 a month after taxes, then your net income in one year is:

\[
12 \times 400 = 4800
\]

Calculate 20% of your annual net income to find your safe debt load:

\[
4800 \times 20\% = 960
\]

So, you should never have more than $960 of debt outstanding.

Note: Housing debt (i.e., mortgage payments) should not be counted as part of the 20%.

monthly payments shouldn’t exceed 10% of your monthly net income

If your take-home pay is $400 a month

\[
400 \times 10\% = 40
\]

Your total monthly debt payments shouldn’t total more than $40 per month.
deciding to spend your money:
■ Do I really need this item?
■ Is it worth the time I spend making the money to buy it?
■ Is there a better use for my money right now?

deciding on the right purchase:
■ What level of quality do I want (low, medium, or high)?
■ What level of quality do I need?
■ What types of services and repairs does the dealer offer?
■ Should I wait until there is a sale on the type of car I want?
■ Should I buy a new or a used car?
■ If I buy a used car, should I buy it from a dealer or from a private party?
■ Should I choose a car with a well-known name even if it costs more?
■ Do I know anyone who owns the type of car I want?
■ Are the warranty and the service contracts on the car comparable with warranties and service contracts on similar cars?
■ What do consumer magazines say about the type of car I want?
shopping for a used car

**before you begin shopping:**
- Decide how much you can afford to spend.
- Decide which car models and options interest you.
- Research the reliability of the model of car you want.
- Find out where the nearest repair facility is that works on the type of car you want.
- Find out whether parts are readily available for the type of car you want. Find recent prices in used-car “blue books” in the library, on the Internet, in newspaper ads, consumer magazines, etc.
- Shop for financing.
- Factor in the costs of the loan and the cost of maintenance.
- Know how to read a “Buyer’s Guide” sticker.

**as you shop:**
- Find out the reputation of the dealer.
- Find out what type of warranty comes with the car.
- Find out what type of service contract comes with the car.
sources of used cars

new-car dealers provide quality used vehicles; service department available; higher prices than other sources

used-car dealers specialize in previously owned vehicles; limited warranty (if any); vehicles may be in poor condition

private parties may be a good buy if vehicle was well maintained; few consumer protection regulations apply to private party sales

other sources such as auctions or sales by government agencies, auto rental companies, and on the Internet; most of these vehicles have been driven many kilometres
before you begin shopping:

■ Decide which car model and specific options you want.

■ Find out the invoice price and the true cost to the dealer of the model and options you want.

■ Decide how much you are willing to pay the dealer above the invoice price.

■ Make your offer to as many dealers as possible.

■ Compare final sales prices with other dealers and buying services.

■ Compare financing costs from various sources.

■ If you already have a car, find out its value independent of the dealer’s trade-in offer.

■ Try to sell your old car yourself (dealers usually give better deals without a trade-in).

■ Decide whether you need an optional service contract or credit insurance.
warranties

as-is (no warranty):
- No expressed or implied warranty.
- If you buy a car and have problems with it, you must pay for any repairs yourself.
- Some provinces do not permit “as-is” sales on used cars.

implied warranties:
- Warranty of merchantability—a product will do what it is designed to do.
- Warranty of fitness for a particular purpose—a product will do what the seller promises it will do.
- Always in effect unless the product is sold as-is or the seller says in writing that there is no warranty.

dealer warranties:
- Offered and specifically written by the dealer.
- Terms and conditions can vary greatly.
- Useful to compare warranty terms on similar cars or negotiate warranty coverage.

unexpired manufacturer’s warranties:
- Manufacturer’s warranty can sometimes be transferred to the new owner. There may be a fee for the transfer process.
before deciding to buy a service contract, find out:

- The cost.
- Which repairs the contract covers.
- Whether the warranty already covers the same repairs.
- Whether the vehicle is likely to need repairs and, if so, the potential cost of repairs.
- Whether there is a deductible and, if so, what it is.
- Whether repairs and service can be performed at locations other than at the dealership.
- Whether the contract covers incidental expenses such as towing.
- Whether there is a cancellation or refund policy and, if so, the cost.
- Whether the dealer or company offering the service is reputable.
- Whether you can purchase the service contract later.
shopping for a car loan

variables include:

- Annual Percentage Rate (APR)
- Length of the loan
- Monthly payments
- Total finance charge
- Total to be repaid

example of how loans can vary:

- Borrowing $8,000 at different rates

<table>
<thead>
<tr>
<th>APR</th>
<th>Length of loan</th>
<th>Total monthly payment</th>
<th>Total finance charge</th>
<th>To be repaid</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.00%</td>
<td>36 months</td>
<td>$258.14</td>
<td>$1,292.94</td>
<td>$9,292.94</td>
</tr>
<tr>
<td></td>
<td>60 months</td>
<td>$169.98</td>
<td>$2,198.52</td>
<td>$10,198.52</td>
</tr>
<tr>
<td>12.25%</td>
<td>36 months</td>
<td>$266.67</td>
<td>$1,600.15</td>
<td>$9,600.15</td>
</tr>
<tr>
<td></td>
<td>60 months</td>
<td>$178.97</td>
<td>$2,738.03</td>
<td>$10,738.03</td>
</tr>
<tr>
<td>13.00%</td>
<td>36 months</td>
<td>$269.55</td>
<td>$1,703.87</td>
<td>$9,703.87</td>
</tr>
<tr>
<td></td>
<td>60 months</td>
<td>$182.02</td>
<td>$2,921.58</td>
<td>$10,921.58</td>
</tr>
</tbody>
</table>
how to calculate the total cost of a loan

to estimate the total cost of a loan:
■ Amount of the loan x APR x number of years*

e.g. ■ Example:

$10,000 \times 0.10 \times 5 \text{ years} = $5,000

to estimate the amount of monthly payments:
■ Total to be paid divided by number of months of the loan*

e.g. ■ Example:

$15,000 / 60 = $250 \text{ per month}$

*These formulas produce estimates that are slightly higher than your actual costs and payments, because they do not account for the reduction of interest payments as you repay the loan.
the consumer protection act

the consumer protection act requires lender to inform borrower of:

■ Amount financed

■ What charges are included in amount financed

■ Total finance charge, in dollars

■ Annual Percentage Rate (APR)

■ Payment schedule

■ Total amount of payments

■ Total sales price

■ Pre-payment penalty, if any

■ Late payment penalty, if any

■ Security interest

■ Insurance charges
Insurance coverage and costs are under Provincial jurisdiction and as such vary greatly from province to province. Car owners are advised to check with the appropriate Provincial government department to determine exactly what kind of coverage is required in their Province.

**liability (40–50% of premium)**
- Bodily-injury coverage
- Property-damage coverage (i.e., to another person’s car)

**collision (up to 30% of premium)**
- Pays for the physical damage to your car as a result of an accident
- Limited by deductible

**comprehensive (about 12% of premium)**
- Pays for damage caused by vandalism, hailstorms, floods, theft, etc.

**medical**
- Covers medical payments for driver and passengers injured in accident

**rental reimbursement**
- Pays a specific amount per day to rent a car while yours is being fixed

**towing and labour**
how insurance rates are set

personal characteristics
■ Age
■ Gender
■ Marital status
■ Personal habits (i.e., smoking)
■ Type and frequency of vehicle use (i.e., commuting)

geographic location (often classified by postal code)
■ “Rural” usually lowers rates, “urban” usually raises rates

driving record
■ Accident with death, bodily injury, or property damage may trigger a surcharge on premium for 3 years
■ Number and kind of moving violations (and total of associated points)
■ Number of years insured with the company

vehicle characteristics
■ Damage, repair, and theft record of type and model of car
■ Age of car
rights of creditor
■ Can seize car as soon as you default
■ Can't commit a breach of the peace, i.e.; use physical force or threats of force
■ Can keep car or resell it
■ May not keep or sell any personal property in car (not including improvements such as a stereo or luggage rack)

your rights
■ May buy back car by paying the full amount owed on it plus repossession expenses

your legal responsibilities
■ Must pay the “deficiency balance”—the amount of debt remaining even after your creditor has sold your car
leasing a car

advantages

■ Smaller initial outlay than down payment when buying on credit

■ Monthly lease payments may be less than monthly finance payments

■ Lease agreement provides detailed records for business purposes

■ Often times, all service charges related to maintenance are included in lease, so there is no additional outlay of money for regular maintenance

disadvantages

■ No ownership interest in the vehicle

■ Must meet requirements similar to applying for credit

■ Additional costs occur (such as for extra kilometres, certain repairs, ending lease early)
lesson nine

cars and loans

student activities
the operating costs of a car

model year __________________________________
make, size, model ______________________________

fixed costs
Depreciation: Purchase price $ __________
divided by estimated life ______ years $ __________
Annual interest on car loan (if applicable) $ __________
Annual insurance costs $ __________
License, registration, taxes $ __________

variable costs
Gasoline: estimated kilometres per year ________
divided by _____ km/litre times
the average price of $______ per litre $ __________
Oil changes for the year $ __________
Tires $ __________
Maintenance, repairs $ __________
Parking and tolls $ __________

total costs $ __________
divided by kilometres per year equals cost per kilometre $ __________

part 2...
Based on business visits, phone calls, advertisements, and the Internet, obtain information for the cost of (a) an oil change, (b) a tune-up, (c) new brakes, (d) tires.
Find an example of a car warranty and of a service contract. Then, answer the following questions.

1. What is the purpose of the warranty?
   _______________________________________
   _______________________________________
   _______________________________________
   _______________________________________

2. What type of warranty is it (as-is, implied, dealer, manufacturer’s)?
   _______________________________________
   _______________________________________
   _______________________________________
   _______________________________________

3. List the basic terms of the warranty.
   _______________________________________
   _______________________________________
   _______________________________________
   _______________________________________

4. What is the service contract for?
   _______________________________________
   _______________________________________
   _______________________________________
   _______________________________________

5. List the basic terms of the service contract.
   _______________________________________
   _______________________________________
   _______________________________________
   _______________________________________
shopping for a car loan

<table>
<thead>
<tr>
<th>Financial institution</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>APR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length of loan</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly payment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total finance charge</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total to be repaid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**directions**

Pretend that you have decided to purchase a new car. Select the model you would like and find out what it costs. Then, shop around for the best car loan terms. Try several different institutions, such as a bank, a credit union, and a private moneylender.

When you have finished, look at your chart. Which loan would you take? What features make it more appealing than the others? Which institutions offered the best rates, and why do you think they did so?
shopping for insurance

minimum coverage required by province

<table>
<thead>
<tr>
<th></th>
<th>Company 1</th>
<th>Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Address</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amount of Coverage</th>
<th>Premiums for Company 1</th>
<th>Premiums for Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodily injury liability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property damage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal injury protection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(no-fault insurance prov.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

coverage you desire

<table>
<thead>
<tr>
<th></th>
<th>Amount of Coverage</th>
<th>Premiums for Company 1</th>
<th>Premiums for Company 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bodily injury liability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property damage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal injury protection</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(no-fault insurance prov.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collision— $250 deductible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collision— $500 deductible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Towing and labour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

which company best suits your needs?

activity 9-4  choices & decisions  cars and loans
scenario 1
Manuel wants to buy a car. But before he goes shopping, he wants to know exactly how much he can afford to spend each month on owning, operating, and maintaining a car.

Manuel's net monthly income is $1,280. His fixed expenses are:
- $350 for rent

His flexible monthly expenses are:
- $75 for savings
- $25 for utilities
- $185 for food
- $35 for transportation (bus fare)
- $150 for tuition and books
- $40 for entertainment
- $20 for personal items
- $29 for household items

If Manuel gets a car, he expects to spend about $40 a month on gas and oil, and about $20 on parking and bridge tolls.

Manuel needs to have car insurance. He has shopped around and expects that a car insurance premium for the type and year of car he wants will cost about $225 a month.

directions
Use the attached budget sheet to complete the following chart and answer the following questions.
## how much would you spend? (continued)

### car for $6,000 (Amount of loan: $6,000)

| APR:  | 10% | | APR:  | 12% |
|-------|-----| |-------|-----|
| Length of Loan: | 60 months | | Length of Loan: | 60 months |
| Total Cost of Loan: | | | Total Cost of Loan: | |
| Monthly Payment: | | | Monthly Payment: | |
| Total Finance Charge: | | | Total Finance Charge: | |

| APR:  | 14% | | APR:  | 16% |
|-------|-----| |-------|-----|
| Length of Loan: | 60 months | | Length of Loan: | 60 months |
| Total Cost of Loan: | | | Total Cost of Loan: | |
| Monthly Payment: | | | Monthly Payment: | |
| Total Finance Charge: | | | Total Finance Charge: | |

### car for $8,000 (Amount of loan: $8,000)

| APR:  | 10% | | APR:  | 12% |
|-------|-----| |-------|-----|
| Length of Loan: | 60 months | | Length of Loan: | 60 months |
| Total Cost of Loan: | | | Total Cost of Loan: | |
| Monthly Payment: | | | Monthly Payment: | |
| Total Finance Charge: | | | Total Finance Charge: | |

| APR:  | 14% | | APR:  | 16% |
|-------|-----| |-------|-----|
| Length of Loan: | 60 months | | Length of Loan: | 60 months |
| Total Cost of Loan: | | | Total Cost of Loan: | |
| Monthly Payment: | | | Monthly Payment: | |
| Total Finance Charge: | | | Total Finance Charge: | |
### Car for $10,000 (Amount of Loan: $10,000)

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
<th>APR</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>60 months</td>
<td>Length of Loan:</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>14%</th>
<th>APR</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>60 months</td>
<td>Length of Loan:</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

1. Which car can Manuel afford?

_______________________________________________________________________
_______________________________________________________________________

2. What are the terms of the loan that would allow Manuel to buy a car and still stay within his budget?

_______________________________________________________________________
_______________________________________________________________________

3. Using the column “How You’d Do It” on Manuel’s budget worksheet, figure how you would set up a budget if you had Manuel’s income and expenses.

_______________________________________________________________________
_______________________________________________________________________

4. What were the main differences between the budget you set up using Manuel’s income and expenses and the budget that was provided?

_______________________________________________________________________
_______________________________________________________________________

_______________________________________________________________________
### Manuel's Budget

<table>
<thead>
<tr>
<th>Income</th>
<th>Scenario</th>
<th>How You'd Do It</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Income</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Fixed Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$</td>
</tr>
<tr>
<td>Rent</td>
<td>$</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>$</td>
</tr>
<tr>
<td>Instalment Payments</td>
<td></td>
</tr>
<tr>
<td>Car Loan Payment</td>
<td>$</td>
</tr>
<tr>
<td>Credit Card 1</td>
<td>$</td>
</tr>
<tr>
<td>Credit Card 2</td>
<td>$</td>
</tr>
<tr>
<td>Total Instalment Debt</td>
<td>$</td>
</tr>
<tr>
<td>Percentage of Net Income</td>
<td>$</td>
</tr>
</tbody>
</table>

#### Flexible Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food/Eating Out</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>$</td>
</tr>
<tr>
<td>Bus Fare</td>
<td>$</td>
</tr>
<tr>
<td>Gas and Oil</td>
<td>$</td>
</tr>
<tr>
<td>Parking and Tolls</td>
<td>$</td>
</tr>
<tr>
<td>Repairs</td>
<td>$</td>
</tr>
<tr>
<td>Tuition/School Expenses</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
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<tr>
<td>Household Items</td>
<td>$</td>
</tr>
<tr>
<td>Personal Items</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td>Total Monthly Expenses</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Income - Total Expenses</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

### Activity 9-5d

**Choices & Decisions**

**Cars and Loans**


**scenario 2**

Rose is thinking about buying a car. She has $1,000 saved for a down payment. Before she goes shopping, she wants to know how much she can afford to spend each month on a car.

Rose brings home $626 each month from her first job, and $674 from her second job. Her fixed expenses include:

- $250 for rent
- $74 for a credit payment on some furniture she bought several months ago

Her flexible monthly expenses are:

- $100 for savings
- $20 for telephone
- $175 for food
- $45 for transportation (bus fare)
- $70 for tuition
- $20 for school supplies
- $40 for clothing
- $40 for entertainment
- $20 for household supplies
- $29 for personal items

If Rose gets a car, she expects to spend about $60 a month on gas and oil, and about $30 on parking and bridge tolls.

If Rose gets a car, she will need car insurance. She has done some research, and she expects her car insurance premium to be about $175 a month.

**directions**

Using the attached budget sheet and the computer-based activity “Comparing the True Cost of Loans,” complete the following chart. Then, answer the questions that follow.
how much would you spend?  (continued)

**Car for $4,000 (Amount of loan: $3,000)**

<table>
<thead>
<tr>
<th>APR: 10%</th>
<th>APR: 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 36 months</td>
<td>Length of Loan: 36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td>Total Cost of Loan:</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>Monthly Payment:</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>Total Finance Charge:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR: 14%</th>
<th>APR: 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 36 months</td>
<td>Length of Loan: 36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td>Total Cost of Loan:</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>Monthly Payment:</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>Total Finance Charge:</td>
</tr>
</tbody>
</table>

**Car for $6,000 (Amount of loan: $5,000)**

<table>
<thead>
<tr>
<th>APR: 10%</th>
<th>APR: 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 36 months</td>
<td>Length of Loan: 36 months</td>
</tr>
<tr>
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<td>Monthly Payment:</td>
<td>Monthly Payment:</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>Total Finance Charge:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR: 14%</th>
<th>APR: 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 36 months</td>
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<tr>
<td>Total Cost of Loan:</td>
<td>Total Cost of Loan:</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>Monthly Payment:</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>Total Finance Charge:</td>
</tr>
</tbody>
</table>
how much would you spend? (continued)

car for $8,000 (Amount of loan: $7,000)

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
<th>APR</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
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<td>Total Finance Charge:</td>
<td></td>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>14%</th>
<th>APR</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
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<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td></td>
<td>Total Cost of Loan:</td>
<td></td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td></td>
<td>Monthly Payment:</td>
<td></td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td></td>
<td>Total Finance Charge:</td>
<td></td>
</tr>
</tbody>
</table>

5. Which car can Rose afford?
_______________________________________________________________________
_______________________________________________________________________

6. What are the terms of the loan that would allow Rose to buy a car and still stay within her budget?
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

7. Using the column “How You’d Do It” on Rose’s budget worksheet, figure how you would set up a budget if you had Rose’s income and expenses.
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

8. What were the main differences between the budget you set up using Rose’s income and expenses, and the budget that was provided?
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
# how much would you spend? (continued)

## rose's budget

<table>
<thead>
<tr>
<th>income</th>
<th>scenario</th>
<th>how you’d do it</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job #1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Job #2</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Income</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

## fixed expenses

<table>
<thead>
<tr>
<th></th>
<th>scenario</th>
<th>how you’d do it</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Rent</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Instalment payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car loan payment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Credit card 2</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total instalment debt</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Percentage of net income</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

## flexible expenses

<table>
<thead>
<tr>
<th></th>
<th>scenario</th>
<th>how you’d do it</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food/Eating out</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transportation</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bus fare</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Parking and tolls</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Repairs</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Tuition/School expenses</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Household items</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Personal items (toothpaste, etc.)</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Monthly Expenses</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

## total income – total expenses

<table>
<thead>
<tr>
<th></th>
<th>scenario</th>
<th>how you’d do it</th>
<th>difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
scenario 1
Manuel wants to buy a car. But before he goes shopping, he wants to know exactly how much he can afford to spend each month on owning, operating, and maintaining a car.

Manuel's net monthly income is $1,280. His fixed expenses are:
- $350 for rent
His flexible monthly expenses are:
- $75 for savings
- $25 for utilities
- $185 for food
- $35 for transportation (bus fare)
- $150 for tuition and books
- $40 for entertainment
- $20 for personal items
- $29 for household items

If Manuel gets a car, he expects to spend about $40 a month on gas and oil, and about $20 on parking and bridge tolls.

Manuel needs to have car insurance. He has shopped around and expects that a car insurance premium for the type and year of car he wants will cost about $225 a month.

directions
Use the attached budget sheet to complete the following chart and answer the questions that follow.
### How Much Would You Spend?

#### Car for $6,000 (Amount of Loan: $6,000)

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$7,648.98</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$127.48</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$1,648.98</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$8,007.93</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$133.47</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$2,007.93</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$8,376.56</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$139.61</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$2,376.56</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$8,754.45</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$145.91</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$2,754.45</td>
</tr>
</tbody>
</table>

#### Car for $8,000 (Amount of Loan: $8,000)

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$10,198.52</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$169.98</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$2,198.52</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$10,677.24</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$177.96</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$2,677.24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>14%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$11,168.66</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$186.15</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$3,168.66</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan</td>
<td>60 months</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$11,672.81</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$194.54</td>
</tr>
<tr>
<td>Total Finance Charge</td>
<td>$3,672.81</td>
</tr>
</tbody>
</table>
### Car for $10,000 (Amount of Loan: $10,000)

<table>
<thead>
<tr>
<th>APR: 10%</th>
<th>APR: 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 60 months</td>
<td>Length of Loan: 60 months</td>
</tr>
<tr>
<td>Total Cost of Loan: $12,748.23</td>
<td>Total Cost of Loan: $13,346.73</td>
</tr>
<tr>
<td>Monthly Payment: $212.47</td>
<td>Monthly Payment: $222.44</td>
</tr>
<tr>
<td>Total Finance Charge: $2,748.23</td>
<td>Total Finance Charge: $3,346.73</td>
</tr>
<tr>
<td>APR: 14%</td>
<td>APR: 16%</td>
</tr>
<tr>
<td>Length of Loan: 60 months</td>
<td>Length of Loan: 60 months</td>
</tr>
<tr>
<td>Total Cost of Loan: $13,961.02</td>
<td>Total Cost of Loan: $14,590.85</td>
</tr>
<tr>
<td>Monthly Payment: $232.68</td>
<td>Monthly Payment: $243.18</td>
</tr>
<tr>
<td>Total Finance Charge: $3,961.02</td>
<td>Total Finance Charge: $4,590.85</td>
</tr>
</tbody>
</table>

1. Which car can Manuel afford?
   - The car for $6,000

2. What are the terms of the loan that would allow Manuel to buy a car and still stay within his budget?
   - A 60-month loan with an APR of 10%

3. Using the column “How You’d Do It” on Manuel’s budget worksheet, figure how you would set up a budget if you had Manuel’s income and expenses.

4. What were the main differences between the budget you set up using Manuel’s income and expenses and the budget that was provided?
scenario 2

Rose is thinking about buying a car. She has $1,000 saved for a down payment. Before she goes shopping, she wants to know how much she can afford to spend each month on a car.

**Rose brings home $626 each month from her first job, and $674 from her second job. Her fixed expenses include:**

- $250 for rent
- $74 for a credit payment on some furniture she bought several months ago

**Her flexible monthly expenses are:**

- $100 for savings
- $20 for telephone
- $175 for food
- $45 for transportation (bus fare)
- $70 for tuition
- $20 for school supplies
- $40 for clothing
- $40 for entertainment
- $20 for household supplies
- $29 for personal items

If Rose gets a car, she expects to spend about $60 a month on gas and oil, and about $30 on parking and bridge tolls.

If Rose gets a car, she will need car insurance. She has done some research, and she expects her car insurance premium to be about $175 a month.

directions

Using the attached budget sheet and the computer-based activity “Comparing the True Cost of Loans,” complete the following chart. Then, answer the questions that follow.
# How Much Would You Spend?

**Car for $4,000 (Amount of Loan: $3,000)**

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
<th>APR</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td>$3,484.87</td>
<td>Total Cost of Loan:</td>
<td>$3,587.17</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>$96.08</td>
<td>Monthly Payment:</td>
<td>$99.64</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>$484.87</td>
<td>Total Finance Charge:</td>
<td>$587.17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>14%</th>
<th>APR</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td>$3,691.21</td>
<td>Total Cost of Loan:</td>
<td>$3,796.97</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>$102.53</td>
<td>Monthly Payment:</td>
<td>$105.47</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>$691.21</td>
<td>Total Finance Charge:</td>
<td>$796.97</td>
</tr>
</tbody>
</table>

**Car for $6,000 (Amount of Loan: $5,000)**

<table>
<thead>
<tr>
<th>APR</th>
<th>10%</th>
<th>APR</th>
<th>12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td>$5,808.07</td>
<td>Total Cost of Loan:</td>
<td>$5,978.59</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>$161.34</td>
<td>Monthly Payment:</td>
<td>$166.07</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>$808.07</td>
<td>Total Finance Charge:</td>
<td>$978.59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR</th>
<th>14%</th>
<th>APR</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan:</td>
<td>36 months</td>
<td>Length of Loan:</td>
<td>36 months</td>
</tr>
<tr>
<td>Total Cost of Loan:</td>
<td>$6,151.96</td>
<td>Total Cost of Loan:</td>
<td>$6,328.22</td>
</tr>
<tr>
<td>Monthly Payment:</td>
<td>$170.89</td>
<td>Monthly Payment:</td>
<td>$175.79</td>
</tr>
<tr>
<td>Total Finance Charge:</td>
<td>$1,151.96</td>
<td>Total Finance Charge:</td>
<td>$1,328.22</td>
</tr>
</tbody>
</table>
### How Much Would You Spend? Answer Key

**Car for $8,000 (Amount of Loan: $7,000)**

<table>
<thead>
<tr>
<th>APR: 10%</th>
<th>APR: 12%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 36 months</td>
<td>Length of Loan: 36 months</td>
</tr>
<tr>
<td>Total Cost of Loan: $8,131.33</td>
<td>Total Cost of Loan: $8,370.01</td>
</tr>
<tr>
<td>Monthly Payment: $225.87</td>
<td>Monthly Payment: $232.50</td>
</tr>
<tr>
<td>Total Finance Charge: $1,131.33</td>
<td>Total Finance Charge: $1,370.01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>APR: 14%</th>
<th>APR: 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of Loan: 36 months</td>
<td>Length of Loan: 36 months</td>
</tr>
<tr>
<td>Total Cost of Loan: $8,612.79</td>
<td>Total Cost of Loan: $8,859.56</td>
</tr>
<tr>
<td>Monthly Payment: $239.24</td>
<td>Monthly Payment: $246.10</td>
</tr>
<tr>
<td>Total Finance Charge: $1,612.79</td>
<td>Total Finance Charge: $1,859.56</td>
</tr>
</tbody>
</table>

5. Which car can Rose afford?
   *The car for $6,000*

6. What are the terms of the loan that would allow Rose to buy a car and still stay within her budget?
   *A 36-month loan with an APR up to 16%*

7. Using the column “How You’d Do It” on Rose’s budget worksheet, figure how you would set up a budget if you had Rose’s income and expenses.

8. What were the main differences between the budget you set up using Rose’s income and expenses, and the budget that was provided?
lesson nine quiz: cars and loans

true-false

1. _____ Most used cars sold by private parties have a one-year warranty.
2. _____ A service contract is designed to avoid costly repairs as a motor vehicle gets older.
3. _____ The consumer protection law requires that a borrower be informed of the total finance charge.
4. _____ Bodily-injury liability covers the damage to another person's car for which you were at fault.
5. _____ Collision insurance covers damage caused to a motor vehicle by vandalism or floods.

multiple choice

6. _____ The most reliable source for buying a used car is usually:
   A. a rental car company.
   B. a police auction.
   C. a car dealer.
   D. private party sales.

7. _____ Warranty refers to the fact that a product will do what it is designed to do.
   A. An extended
   B. An implied
   C. A dealer
   D. An unexpired manufacturer's

8. _____ The consumer protection law requires that borrowers be informed of the:
   A. amount financed.
   B. cost of auto insurance.
   C. features of an extended warranty.
   D. reasons a person has been denied credit.

9. _____ The auto insurance coverage for damage to your vehicle as a result of an accident is called:
   A. property damage.
   B. comprehensive.
   C. liability.
   D. collision.

10. _____ Doctor costs for injuries to others resulting from an accident are covered by ______ liability.
   A. medical
   B. collision
   C. bodily injury
   D. comprehensive

case application

Celine drives a seven-year-old car that recently needed $1,300 in repairs. Each day, she drives 46 kilometres to and from her job. What actions should she take to decide if she should (1) keep this car, (2) buy a newer used car, or (3) buy a new car?
true-false

1. f  Most used cars sold by private parties have a one-year warranty.
2. t  A service contract is designed to avoid costly repairs as a motor vehicle gets older.
3. t  The consumer protection law requires that a borrower be informed of the total finance charge.
4. f  Bodily-injury liability covers the damage to another person's car for which you were at fault.
5. f  Collision insurance covers damage caused to a motor vehicle by vandalism or floods.

multiple choice

6. C  The most reliable source for buying a used car is usually:
   A. a rental car company.
   B. a police auction.
   C. a car dealer.
   D. private party sales.

7. B  Warranty refers to the fact that a product will do what it is designed to do.
   A. An extended
   B. An implied
   C. A dealer
   D. An unexpired manufacturer's

8. A  The consumer protection law requires that borrowers be informed of the:
   A. amount financed.
   B. cost of auto insurance.
   C. features of an extended warranty.
   D. reasons a person has been denied credit.

9. D  The auto insurance coverage for damage to your vehicle as a result of an accident is called:
   A. property damage.
   B. comprehensive.
   C. liability.
   D. collision.

10. C  Doctor costs for injuries to others resulting from an accident are covered by liability.
    A. medical
    B. collision
    C. bodily injury
    D. comprehensive

case application

Celine drives a seven-year-old car that recently needed $1,300 in repairs. Each day, she drives 46 kilometres to and from her job. What actions should she take to decide if she should (1) keep this car, (2) buy a newer used car, or (3) buy a new car? Many factors go into this decision. First, Celine must consider her financial situation. Based on a realistic budget, what amount can she afford to spend for buying a different vehicle? Next, will her current car (after the recent repairs) give her reliable transportation? In addition, how do the expected operating costs of the various vehicles compare?
lesson ten
the influence of advertising

overheads
commonly used advertising techniques

information
■ Presentation of simple, direct information.

status
■ Associates product use with those who have status, who are successful, and who enjoy and understand the “finer things in life.”

peer approval
■ Associates product use with friendship/acceptance.

celebrity endorsement
■ Associates use of product with a well-known person.

sexual attraction
■ Associates use of product with increased sexual appeal.

entertainment
■ Associates product with entertainment and feelings of enjoyment.

intelligence
■ Associates product with smart people who can’t be fooled by gimmicks.

independence
■ Associates product with people who can think and act for themselves.

unfinished comparison
■ Use of phrases such as, “Works better in poor driving conditions!” Works better than what?
sales techniques

Some commonly used approaches:

**guarantees**
- Abundant use of statements such as “lifetime guarantee” and “satisfaction guaranteed, or your money back.” All promises should be given in writing.

**scarcity**
- Merchant creates a false sense of urgency by claiming that supply or time is limited.

**perceptual contrast**
- Merchant presents undesirable/inferior option first to make the second option look far superior.

**scientific or numerical claims**
- “Nine-out-of-ten” may sound good, but many such claims can prove impossible to substantiate.

**negative option**
- Merchandise arrives automatically unless the consumer takes steps to stop shipment and billing.
- Often used by book and record clubs.
Techniques considered deceptive and/or misleading:

**bait and switch**
- Advertisement entices consumers into the store with bargains that are too good to be true. Once consumers are in the store, they are told the item is unavailable and are shown a similar, but more expensive, item.
- Often high-pressure sales tactics are used.
- Illegal in Canada.

**exploitation of fears and misgivings**
- Ad feeds or plays on consumers’ fears.

**specials**
- Advertisement of products that are not in stock or that are not readily available to consumers at the advertised price.

**out-of-context quotations**
- Comments by a noted person or passages from a story taken out of context to imply an endorsement of a product or service.
Frequently seen misleading advertisements:

**“get rich quick” schemes**
- Ads that offer an opportunity to earn a lot of money in a short amount of time with very little effort.
- Preys on desire to achieve financial success.

**health fraud**
- Promises of overnight medical cures and treatments.
- Products developed after “years of research” and “proven to provide immediate positive results.”
- Testimonials from medical experts and satisfied customers.
- Preys on consumers’ vanity and fears.

**credit repair**
- Offers, for a fee, to fix a bad credit record. (Credit repair is impossible!)

**product misrepresentation**
- Uses names similar to nationally recognized brand.
- Merchandise offered at below-market value for a limited time only.
- Vague descriptions of product.

**travel fraud**
- Offers accompanied by certificates for free or very low-cost travel.
- Vague description of services and accommodations.
how to spot program-length commercials
■ “Commercials” similar to the program content.
■ Sponsor identified at beginning or end.
■ One product is proclaimed superior.

protect yourself if you want to order the item
■ Use a credit card.
■ The Collection Agencies Act will offer you some protection if you have problems with the bill or the quality of the product.

actions to avoid
■ Giving your bank account number over the phone.

remember
■ Product claims are made by the advertiser.
■ Such claims represent neither an objective nor an independent evaluation of the product.
rules for evaluating advertisements

ask yourself basic questions

■ Does the ad appeal to your emotions?

■ Look beyond the appeal to find out what the ad really says (or doesn’t say) about the product or service.

■ What are the special features of the product?

■ Are these features necessary?

as you read, listen to, or watch advertisements...

■ Search for fraud and deception in the ad.

■ Be alert to ads that are misleading (those that make unreasonable claims about the product or service).

■ Read the fine print, or listen carefully.
lesson ten
the influence of advertising

student activities
what appeals to you? what doesn’t?

directions
Collect examples of ads you like and dislike. Also pay attention to TV commercials. If your classroom has a VCR and you have a VCR, videotape commercials and bring the tapes to class. Pay particular attention to facts versus unsupported claims in ads.

When you’re done collecting ads, answer the questions below.

1. What do you like about the ads you’ve collected?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

2. What do you dislike about the ads you’ve collected?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

3. What do you like about the TV commercials you’ve seen?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________

4. What do you dislike about the TV commercials you’ve seen?
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________
   ________________________________________________________________
examples of fraudulent or misleading advertisements

directions

Bring to class print ads you think are fraudulent or misleading. Tape up the ads around the classroom.

1. Describe your example of a fraudulent or misleading ad.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. List the fraudulent or misleading techniques and appeals used in your favorite ad.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3. List the fraudulent or misleading techniques and appeals used in your least favorite ad.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

4. What actions could consumers take to avoid these deceptions?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
what makes you like an ad or commercial?

TO DO: After you've talked about various advertising appeals and techniques, answer the following questions for your favourite ad and your favourite TV commercial.

1. Describe your favourite ad.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

2. What advertising techniques and appeals are used in your favourite ad?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

3. Describe your favourite TV commercial.

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

4. What advertising techniques and appeals are used in your favourite TV commercial?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
After you’ve talked about various advertising appeals and techniques, answer the following questions for your least favourite ad and your least favourite TV commercial.

1. Describe your least favourite ad.
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

2. What advertising techniques and appeals are used in your least favourite ad?
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

3. Describe your least favourite TV commercial.
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________

4. What advertising techniques and appeals are used in your least favourite TV commercial?
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
   __________________________________________________________
try it—make a commercial

directions

Divide into groups. Each group is responsible for researching a product or a service. Prepare a commercial for the product or service your group has been assigned or has chosen. When preparing your commercial, be sure to use some of the techniques and appeals discussed in class.

Each group will present its commercial to the class. At the end of your presentation, be prepared to answer the following questions.

1. To whom are you trying to sell your product or service?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. What specific techniques and/or appeals did you use to try to sell your product?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3. Were any of the techniques or appeals you used fraudulent or misleading?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
test your advertising knowledge

In the space provided, write the letter of the advertising technique or appeal the statement represents.

a) Join the gang
b) Celebrity endorsement
c) Dangling comparatives
d) Independence
e) Get rich quick
f) Exploiting fears and misgivings
g) Sexual appeal
h) Negative option
i) Credit repair
j) Numerical claims
k) Guarantees
l) Bargain appeals
m) Scientific claims
n) Catch phrases and slogans

1. ____ Return this card today and begin receiving three CDs every month. If, at any time, you decide you don't want a CD, just return it within ten days.

2. ____ If you're the type of person who can think and act for herself, drive one of our cars and you'll be convinced you can't buy a smoother ride.

3. ____ We promise your new battery will last a lifetime, or your money back.

4. ____ This detergent works better on grease and stains.

5. ____ Three out of four dentists recommend this toothpaste.

6. ____ Everyone else is using this product. Why aren't you?

7. ____ At this price for a limited time only! So buy now, because you won't see a value like this again.

8. ____ After years of research by leading physicians, we've formulated a pill that, taken one hour before each meal, allows you to eat anything you want without gaining weight.

9. ____ You find yourself unconsciously singing the tune to the commercial.

10. ____ If Mr./Ms. Famous Athlete wears this type of underwear, shouldn't you?

11. ____ Just one spray of our cologne, and you'll never have to spend another Saturday alone!

12. ____ Work in your home, part-time, and earn up to $10,000 per week.

13. ____ No matter how bad your credit is, for one small fee, we can help you get that car or van you've always wanted.

14. ____ Our complete-at-home course, which comes with a supplemental videotape and a workbook, is designed to increase your chances of getting better grades regardless of the subject.
Answer each of the following questions in the space provided.

15. Explain and give an example of the “bait and switch” advertising technique.
   ______________________________________________________________________
   ______________________________________________________________________
   ______________________________________________________________________

16. Explain and give an example of the “supermarket special” advertising technique.
   ______________________________________________________________________
   ______________________________________________________________________
   ______________________________________________________________________

17. Explain and give an example of an advertisement that uses “scientific claims.”
   ______________________________________________________________________
   ______________________________________________________________________
   ______________________________________________________________________

18. Explain and give an example of an advertisement that uses “bargain appeals.”
   ______________________________________________________________________
   ______________________________________________________________________
   ______________________________________________________________________

19. List three ways to spot program-length commercials.
   ______________________________________________________________________
   ______________________________________________________________________
   ______________________________________________________________________

20. List two things you can do to protect yourself if you buy something from a program-length commercial.
   ______________________________________________________________________
   ______________________________________________________________________
test your advertising knowledge answer key

In the space provided, write the letter of the advertising technique or appeal the statement represents.

| a) | Join the gang |
| b) | Celebrity endorsement |
| c) | Dangling comparatives |
| d) | Independence |
| e) | Get rich quick |
| f) | Exploiting fears and misgivings |
| g) | Sexual appeal |
| h) | Negative option |
| i) | Credit repair |
| j) | Numerical claims |
| k) | Guarantees |
| l) | Bargain appeals |
| m) | Scientific claims |
| n) | Catch phrases and slogans |

1. __h__ Return this card today and begin receiving three CDs every month. If, at any time, you decide you don't want a CD, just return it within ten days.
2. ___d__ If you're the type of person who can think and act for herself, drive one of our cars and you'll be convinced you can't buy a smoother ride.
3. __k__ We promise your new battery will last a lifetime, or your money back.
4. ___c__ This detergent works better on grease and stains.
5. ___j__ Three out of four dentists recommend this toothpaste.
6. ___a__ Everyone else is using this product. Why aren't you?
7. ___l__ At this price for a limited time only! So buy now, because you won't see a value like this again.
8. ___m__ After years of research by leading physicians, we've formulated a pill that, taken one hour before each meal, allows you to eat anything you want without gaining weight.
9. ___n__ (You find yourself unconsciously singing the tune to the commercial.)
10. ___b__ If Mr./Ms. Famous Athlete wears this type of underwear, shouldn't you?
11. ___g__ Just one spray of our cologne, and you'll never have to spend another Saturday alone!
12. ___e__ Work in your home, part-time, and earn up to $10,000 per week.
13. ___i__ No matter how bad your credit is, for one small fee, we can help you get that car or van you've always wanted.
14. ___f__ Our complete-at-home course, which comes with a supplemental videotape and a workbook, is designed to increase your chances of getting better grades regardless of the subject.
Answer each of the following questions in the space provided.

15. Explain and give an example of the “bait and switch” advertising technique.
   Designed to get you into the store by advertising a bargain. Once you're in the store, you're told the item is unavailable. Then you're shown a similar item of higher quality that costs more.

16. Explain and give an example of the “supermarket special” advertising technique.
   Advertisement of products that aren't in stock, or aren't readily available to consumers at the advertised price.

17. Explain and give an example of an advertisement that uses “scientific claims.”
   Claims of “scientific proof” that are made without the substantiation required by law.

18. Explain and give an example of an advertisement that uses “bargain appeals.”
   Plays on human tendency to want a bargain. Lots of so-called “bargains” aren't really bargains at all.

19. List three ways to spot program-length commercials.
   Look for commercials that are similar to the program content.
   Check for sponsor identification.
   Be wary of programs where one product is represented as “better” than others.

20. List two things you can do to protect yourself if you buy something from a program-length commercial.
   Use a credit card to pay for the item.
   Order or pay by mail.
true-false

1. An “unfinished comparison” in an advertisement provides consumers with incomplete information.
2. Out-of-stock advertised specials are considered to be an unethical technique.
3. Credit repair service advertisements may be misleading due to the promises made to consumers in credit trouble.
4. An infomercial is a type of bait and switch.
5. Comments from buyers of a product in a commercial usually provide useful information.

multiple choice

6. Advertisements using a well-known person are examples of the ________ advertising technique.
   A. peer approval
   B. unfinished comparison
   C. status
   D. endorsement

7. Books, tapes, and music CDs are commonly sold using:
   A. a perceptual contrast.
   B. numerical claims.
   C. unfinished comparisons.
   D. a negative option.

8. ________ would be an example of an unethical action.
   A. An infomercial
   B. An out-of-context quote
   C. An offer to work at home
   D. Comparison pricing in an advertisement

9. A program-length commercial is commonly called:
   A. bait and switch.
   B. a perceptual contrast.
   C. an infomercial.
   D. an action guarantee.

10. The most useful information in an advertisement would be:
    A. the price.
    B. comments from product users.
    C. a list of product accessories.
    D. an endorsement from a well-known person.

case application

Recent television programs and commercials have provided information on a new method of cooking to save money, reduce fat, and improve the flavour. This cooking equipment seems to be quite good. What actions should a person take before spending money on this type of product?
true-false
1. ☑ An “unfinished comparison” in an advertisement provides consumers with incomplete information.
2. ☑ Out-of-stock advertised specials are considered to be an unethical technique.
3. ☑ Credit repair service advertisements may be misleading due to the promises made to consumers in credit trouble.
4. ☑ An infomercial is a type of bait and switch.
5. ☐ Comments from buyers of a product in a commercial usually provide useful information.

multiple choice
6. D Advertisements using a well-known person are examples of the __________ advertising technique.
   A. peer approval
   B. unfinished comparison
   C. status
   D. endorsement

7. D Books, tapes, and music CDs are commonly sold using:
   A. a perceptual contrast.
   B. numerical claims.
   C. unfinished comparisons.
   D. a negative option.

8. B __________ would be an example of an unethical action.
   A. An infomercial
   B. An out-of-context quote
   C. An offer to work at home
   D. Comparison pricing in an advertisement

9. C A program-length commercial is commonly called:
   A. bait and switch.
   B. a perceptual contrast.
   C. an infomercial.
   D. an action guarantee.

10. A The most useful information in an advertisement would be:
    A. the price.
    B. comments from product users.
    C. a list of product accessories.
    D. an endorsement from a well-known person.

case application
Recent television programs and commercials have provided information on a new method of cooking to save money, reduce fat, and improve the flavour. This cooking equipment seems to be quite good. What actions should a person take before spending money on this type of product?

Before making such a purchase, several types of research should be conducted. Contact local or provincial consumer agencies to determine if there are complaints against the company. Talk to others who have purchased this item or similar products. Conduct library research or an Internet search to gather additional information.
lesson eleven
consumer awareness

overheads
deciding to buy

deciding to spend your money
 ■ Do I really need this item?
 ■ Is it worth the time I spend making the money to pay for it?
 ■ Is there a better use for my money right now?

deciding on the type of item
 ■ What level of quality do I want (low, medium, or high)?
 ■ What level of quality do I need (low, medium, or high)?
 ■ How much can I afford?
 ■ Should I wait until there is a sale on the item I want?
 ■ Should I choose an item with a well-known name, even if it costs more?
 ■ Do I know anyone who already owns this type of item?
 ■ Is there a warranty and/or service contract on the item? If so, is it comparable to warranties and service contracts on similar items?
 ■ What do consumer magazines say about the type of item I am thinking about buying?
# comparative shopping chart 1

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Store</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Brand name</strong></td>
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<tr>
<td><strong>Price</strong></td>
<td></td>
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<tr>
<td><strong>Your budget limit</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Basic features</strong></td>
<td></td>
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<tr>
<td><strong>Special features</strong></td>
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<tr>
<td><strong>Warranty</strong></td>
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<tr>
<td><strong>Store return policy</strong></td>
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<tr>
<td><strong>Refund policy</strong></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Exchange policy</strong></td>
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<tr>
<td><strong>Other</strong></td>
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</table>
### Item of Clothing

<table>
<thead>
<tr>
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<th>1</th>
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<tbody>
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</tr>
<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Your budget limit</strong></td>
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<td></td>
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<tr>
<td><strong>Where to be worn</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Quality</strong></td>
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<tr>
<td><strong>Durability</strong></td>
<td></td>
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<tr>
<td><strong>Needs alterations?</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Comfortable?</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>Care requirements</strong></td>
<td></td>
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<tr>
<td><strong>Store return policy</strong></td>
<td></td>
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<tr>
<td><strong>Exchange policy</strong></td>
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</tbody>
</table>
## The Real Cost of a Garment

### An Example:

<table>
<thead>
<tr>
<th></th>
<th>Linen</th>
<th>Cotton/Poly</th>
<th>Silk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Initial Cost</strong></td>
<td>$110</td>
<td>$85</td>
<td>$170</td>
</tr>
<tr>
<td><strong>B. Care</strong></td>
<td>$5.00/cleaning</td>
<td>$.30/wash</td>
<td>$6.00/cleaning</td>
</tr>
<tr>
<td></td>
<td>x 7 times=$35</td>
<td>x 22 times =</td>
<td>x 6 times =</td>
</tr>
<tr>
<td></td>
<td>Iron each time</td>
<td>$6.60</td>
<td>$36.00</td>
</tr>
<tr>
<td><strong>C. Life Cycle Cost (A+B)</strong></td>
<td>$110</td>
<td>$85.00</td>
<td>$170</td>
</tr>
<tr>
<td></td>
<td>+$35</td>
<td>+6.60</td>
<td>+$36</td>
</tr>
<tr>
<td></td>
<td>$145</td>
<td>$91.60</td>
<td>$206</td>
</tr>
<tr>
<td><strong>D. When Worn</strong></td>
<td>Spring and Summer</td>
<td>All year</td>
<td>Dressy/Day/Evening</td>
</tr>
<tr>
<td><strong>E. Times Worn/Yr.</strong></td>
<td>36</td>
<td>108</td>
<td>18</td>
</tr>
<tr>
<td><strong>F. Cost/Wear</strong></td>
<td>$145/36=</td>
<td>$91.60/108=</td>
<td>$206/18=</td>
</tr>
<tr>
<td></td>
<td>$4.03</td>
<td>$.85</td>
<td>$11.44</td>
</tr>
</tbody>
</table>
clubs don’t always save you money

■ Sometimes require a large initiation fee.

**For example:** a $300 membership fee for a club that gives you a 10% discount on purchases would mean you would have to spend $3,000 to save enough to just cover the cost of your membership fee.

■ May need to make a large number of purchases before you begin to save money.

■ May have to make purchases in larger quantities than you really need.

■ Often can get goods for same price through discount stores and catalogue showrooms (which don’t require an initiation fee).

how to know whether you’re getting a deal

■ Comparison shop!

watch out for

■ Clubs that won’t let you see their prices, catalogue, or showroom until after you join.

■ Clubs that use high-pressure sales techniques.
shopping by phone, mail, or online

the consumer reporting act

- Sets up a procedure for the quick correction of mistakes that appear on consumer credit accounts.

- Applies to any item bought and paid for with a credit card (including items bought by phone or by mail).

precautions

- Investigate the reputation of the company.

- Ask about the company’s refund and return policy.

- Ask about the availability of the product.

- Know the total cost of your order.

- When ordering by phone, send the payment in by mail

- When shopping online, use a secure browser, shop with companies that you know, keep your password private, pay by credit card, and keep a record of your transactions.
before you buy on layaway, know

■ Terms of the layaway plan.

■ Store’s refund policy.

■ Location, availability, and identification of layaway merchandise.

■ Store’s reputation.

once you begin a layaway plan

■ Keep good records of your payments.
the cooling-off period

what it is

- If you buy an item in your home or at a location that is not the seller’s regular place of business, you have two to ten business days (varies from province to province) to cancel purchases of $50 or more.

- Seller must inform you of your cancellation rights at the time of sale.

- Only a letter is considered a legal request for cancellation. The letter must be personally delivered or sent by registered mail.

some exceptions include

- Sales under $50.

- Sales made entirely by mail or telephone.

- Sales made as a result of prior negotiation at seller’s permanent place of business.

- Emergency home repairs when you waive your right to cancel.

- Real estate, insurance, or securities.

- Automobiles, vans, trucks, or other motor vehicles sold at temporary locations, provided the seller has at least one permanent place of business.

- Arts or crafts sold at fairs or locations such as shopping malls, community centres, and schools.
telemarketing fraud

warning signs:

- High-pressure sales techniques.
- Insistence on an immediate action.
- Offers that sound too good to be true.
- A request for your credit card number for any purpose other than to make a purchase.
- An offer to get your money quickly (i.e., pay for overnight mail, send someone to your home or office to pick it up).
- A statement that a product or service is free, followed by a request that you pay for something.
- Claims of an investment that is “without risk.”
- Inability or refusal to provide written information or references about the company, product, service, or investment.
- Suggestions that you should make purchase or investment based on “trust.”
telemarketing fraud (continued)

how to avoid being a victim

■ Don’t be pushed into a decision.

■ Request written information about organization and product or investment.

■ Don’t buy anything on terms you don’t fully understand.

■ Request the name of the government agency by/with whom the firm is regulated or registered.

■ Investigate the company or organization.

■ Find out about refund, return, and cancellation policies.

■ Don’t believe testimonials you can’t verify.

■ Don’t provide any personal financial information.

■ If you must, hang up!
common (and not-so-common) frauds

**foreign scams** may involve a letter or phone call about a foreign investment that it is “too good to be true.”

**telemarketing scams** commonly include sweepstakes, prize offers, travel packages, investments, charities, work-at-home schemes, magazine sales, lotteries, and business opportunities.

**advance-fee loans** fraudulent loan brokers misrepresent the availability of credit with a guarantee to get you credit—but you must pay before you apply.

**credit repair** an appeal to clean up the credit report of consumers with poor credit histories.

**automatic debit scams** fraudulent telemarketers use this technique to improperly take money from a chequing account. DO NOT give out chequing account information over the phone unless you are familiar with the company.

**fraudulent diets** Canadians spend millions of dollars a year on fraudulent diet products such as “The Amazing Skin Patch Melts Away Body Fat” or “Lose Weight While You Sleep.”

**magazine subscriptions scams** beware of telephone sales pitches for “free,” “prepaid,” or “special” magazine subscription offers.

**toll-free scams** calls to 800, 888 and 877 numbers are almost always free. However, there are some exceptions. Be careful.

**international phone scams** scam artists confuse callers by promoting calls to “809” numbers; while these telephone numbers may look like domestic calls, international rates apply.

**pre-paid phone card scams** selling prepaid calling cards may involve a multi-level marketing scam with a large up-front fee.

**on-line and high tech scams** common Internet scams are pyramid schemes, Internet related services, equipment sales, business opportunities, and work-at-home offers.
"900" numbers

what they are
- A kind of telemarketing pitch, with a flat per-minute fee.

what to watch for
- Failure to disclose any cost upfront, or at later times.
- Enticements to call for bogus products or services.
- Product or service pitches aimed at children or teenagers.

how to protect yourself
- Deal only with reputable companies.
- Know precisely what the “900” call will cost before making the call.
- Think twice before calling a “900” number for a “free” gift.
- Don’t confuse “900” numbers with toll-free “800”, “888” and “877” numbers.
- Check your phone bill carefully for any “900” number charges.

if you’re caught in a scam
- Call or write your telephone company immediately.
- Dispute the charges with the “900”-number company.
- Contact the Better Business Bureau or the Consumer and Commercial Relations Department in your province.
what they are

- Promotions that use deceptively advertised prizes.

what to watch for

- Offers or notices announcing “fabulous” prizes (often used to attract customers to sales meetings for land, or for vacation “timesharing”).

- High-pressure sales techniques.

how to avoid being a victim

- Consider any purchase carefully before signing a contract.

- Don’t be deceived by letters that look official or urgent.

- Read the letter carefully.

- Think carefully before you attend a sales meeting.

- If you attend a sales meeting, don’t sign a contract or give a salesperson a deposit right away.

- Find out about the seller’s reputation.

- If a salesperson makes claims that aren’t in the contract, don’t sign the contract.
work-at-home schemes

common schemes

■ Envelope stuffing.

■ Assembly or craft work.

■ Reading books.

to avoid being a victim, find out

■ What task you will be required to perform.

■ If you will be paid on salary or commission.

■ Who will pay you.

■ When you will get your first paycheque.

■ The total cost of the work-at-home program (such as how much you will have to pay to get the materials).

■ The company’s reputation (check with a local, provincial, or federal consumer protection agency).
how to handle a consumer problem

**collect records**
- Start a file about your complaint.
- Keep copies of sales receipts, repair orders, warranties, cancelled cheques, and contracts.

**go back to where you made the purchase**
- Contact the person who sold you the item or performed the service.
- Calmly and accurately explain the problem and what action you would like taken.
- Talk with the supervisor or manager, if necessary.
- Allow each person you contact time to resolve the problem before contacting another person.
- Keep a record of your efforts.

**don’t give up**
- Call or write the person responsible for consumer complaints at the company’s headquarters.

**describe the problem**
- Describe why you’re unsatisfied.
- Detail what, if anything, you’ve done about it already.
- Describe what you think is a fair solution.
how to write a complaint letter

where to write
- To the head of the company or the person who handles consumer complaints.

what to write
- Your name, address, and account number, if appropriate
- Describe your purchase (name of product, serial numbers, date and location of purchase).
- State problem and give history.
- Ask for a specific action.
- Enclose copies of documents regarding your problem.
- Allow time for action or response.
- Include how you can be reached.

don’t
- Write an angry, sarcastic, or threatening letter.
- Send original documents.

do
- Key in your letter, if possible (or handwrite neatly).
- Keep copies of all letters to and from the company.
lesson eleven
consumer awareness

student activities
Purchasing decisions are made for many reasons. When deciding what to buy, you may be influenced by:

- Your personal interests
- Your activities
- Your values
- Advertising

You may also want to send a message to other people. Think about these things as you complete the following exercise.

**directions**

Cut out pictures of four outfits or other purchases that reflect different values, activities, or interests in your life. They should all be something you would enjoy owning. Label each picture: A, B, C, or D. In the spaces below, explain why you would choose each item, and the personal values each choice reflects. Staple the pictures to this page.

<table>
<thead>
<tr>
<th>Picture</th>
<th>I would choose this item because...</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td></td>
</tr>
</tbody>
</table>
comparative shopping chart 1

directions
Customize this chart and use it when you go comparative shopping for an electronic entertainment device or home appliance.

<table>
<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand name</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your budget limit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic features</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special features</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warranty</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store return policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refund policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**comparative shopping chart 2**

**directions**

Customize this chart and use it when you go comparative shopping for an item of clothing.

<table>
<thead>
<tr>
<th>Item ________________________________________________</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand name</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Your budget limit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Where to be worn</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Characteristics</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Needs alterations?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comfortable?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care requirements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store return policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store refund policy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store exchange policy</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ame:____________________________________________________________ date:______________________
Select an item that could be purchased in stores, by mail, and online. Obtain the information requested below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Brand</th>
<th>Store</th>
<th>Mail Order (or TV Home Shopping)</th>
<th>Online Shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Company
- Address
- Phone
- E-mail, Web site
- Price
- Shipping cost
- Delivery time
- Warranty
- Return policy
- Other information

**comparative shopping sources**

**activity 11-3**  choices & decisions  consumer awareness
solving consumer problems

directions

For each of the following situations, put an X next to the action you would suggest to resolve these consumer concerns, and give reasons for your responses.

1. Keno has taken in his new car for similar repairs several times in a row since buying his car ten months ago.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

2. Ariana was injured and needed medical assistance when using a fan she recently purchased.
   - Return to store
   - Contact consumer or government agency
   - Contact company
   - Take legal action

3. Ellis keeps getting phone calls offering him investment opportunities after telling the company to no longer call him.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

4. Olaf was charged the wrong price for several items at a local discount store.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

5. Tannis received a late payment notice for a credit account that she had paid off several months ago.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action
For each of the following situations, put an X next to the action you would suggest to resolve these consumer concerns, and give reasons for your responses.

1. Keno has taken in his new car for similar repairs several times in a row since buying his car ten months ago.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action
   
2. Ariana was injured and needed medical assistance when using a fan she recently purchased.
   - Return to store
   - Contact consumer or government agency
   - Contact company
   - Take legal action
   
3. Ellis keeps getting phone calls offering him investment opportunities after telling the company to no longer call him.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action
   
4. Olaf was charged the wrong price for several items at a local discount store.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action
   
5. Tannis received a late payment notice for a credit account that she had paid off several months ago.
   - Return to store
   - Contact company
   - Contact consumer or government agency
   - Take legal action

activity answer key 11-4  choices & decisions  consumer awareness
true-false
1. _____ Buying clubs are designed to help consumers compare prices at different stores.
2. _____ Comparison shopping helps you know if you’re getting a good deal when you make a purchase.
3. _____ Layaway purchase plans are designed to help consumers buy items at discount prices.
4. _____ The cooling-off period generally applies to purchases of $50 or more.
5. _____ Most consumer complaints require legal action to solve.

multiple choice
6. _____ The most reliable source of consumer information would be from:
   A. an advertisement.
   B. a salesperson.
   C. an executive of the company.
   D. a product label.
7. _____ A buying club commonly:
   A. requires a minimum purchase.
   B. has a large initiation fee.
   C. wants the member to encourage others to join.
   D. only allows a few people in an area to be members.
8. _____ A phone number beginning with a (n) _____ is not a toll-free number.
   A. 800
   B. 877
   C. 888
   D. 900
9. _____ The right to cancel certain purchases of $50 or more within 2-10 business days is known as the ________ period.
   A. layaway
   B. cooling-off
   C. mail order
   D. telemarketing
10. _____ The first step a person with a consumer complaint should take is to:
    A. obtain legal assistance.
    B. contact a consumer agency.
    C. write to the headquarters of the company.
    D. return to the place of purchase.

case application
Zhong recently purchased a sweater for his wife over the telephone. When the item was received, it was slightly damaged. When he returned it he received another sweater, but also received another bill. The company says he owes for two sweaters.
true-false

1. f  Buying clubs are designed to help consumers compare prices at different stores.
2. t  Comparison shopping helps you know if you’re getting a good deal when you make a purchase.
3. f  Layaway purchase plans are designed to help consumers buy items at discount prices.
4. t  The cooling-off period generally applies to purchases of $50 or more.
5. f  Most consumer complaints require legal action to solve.

multiple choice

6. D  The most reliable source of consumer information would be from:
   A. an advertisement.
   B. a salesperson.
   C. an executive of the company.
   D. a product label.
7. B  A buying club commonly:
   A. requires a minimum purchase.
   B. has a large initiation fee.
   C. wants the member to encourage others to join.
   D. only allows a few people in an area to be members.
8. D  A phone number beginning with a (n) _____ is not a toll-free number.
   A. 800
   B. 877
   C. 888
   D. 900
9. B  The right to cancel certain purchases of $50 or more within 2-10 business days is known as the _______ period.
   A. layaway
   B. cooling-off
   C. mail order
   D. telemarketing
10. D  The first step a person with a consumer complaint should take is to:
     A. obtain legal assistance.
     B. contact a consumer agency.
     C. write to the headquarters of the company.
     D. return to the place of purchase.

case application

Zhong recently purchased a sweater for his wife over the telephone. When the item was received, it was slightly damaged. When he returned it he received another sweater, but also received another bill. The company says he owes for two sweaters.

Zhong should start by calling the company to explain the situation. Next, he should put an explanation of the situation in writing. If this doesn’t work, he might contact a local, provincial or federal consumer agency to assist him.
lesson twelve
saving and investing
overheads
pay yourself first (a little can add up)

**example 1:**

<table>
<thead>
<tr>
<th>Save this each week</th>
<th>At % Interest</th>
<th>In 10 years you'll have</th>
</tr>
</thead>
<tbody>
<tr>
<td>$7.00</td>
<td>5%</td>
<td>$4,720</td>
</tr>
<tr>
<td>14.00</td>
<td>5%</td>
<td>9,440</td>
</tr>
<tr>
<td>21.00</td>
<td>5%</td>
<td>14,160</td>
</tr>
<tr>
<td>28.00</td>
<td>5%</td>
<td>18,880</td>
</tr>
<tr>
<td>35.00</td>
<td>5%</td>
<td>23,600</td>
</tr>
</tbody>
</table>

**example 2:**

If you invest $1,000 each year ($19.20 per week)

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>5 yrs.</th>
<th>10 yrs.</th>
<th>15 yrs.</th>
<th>20 yrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>$5,525</td>
<td>$12,578</td>
<td>$21,578</td>
<td>$33,065</td>
</tr>
<tr>
<td>6%</td>
<td>5,637</td>
<td>13,181</td>
<td>23,276</td>
<td>36,786</td>
</tr>
<tr>
<td>7%</td>
<td>5,751</td>
<td>13,816</td>
<td>25,129</td>
<td>40,995</td>
</tr>
<tr>
<td>8%</td>
<td>5,867</td>
<td>14,487</td>
<td>27,152</td>
<td>45,762</td>
</tr>
<tr>
<td>9%</td>
<td>5,985</td>
<td>15,193</td>
<td>29,361</td>
<td>51,160</td>
</tr>
<tr>
<td>10%</td>
<td>6,105</td>
<td>15,937</td>
<td>31,772</td>
<td>57,257</td>
</tr>
<tr>
<td>11%</td>
<td>6,228</td>
<td>16,722</td>
<td>34,405</td>
<td>64,203</td>
</tr>
<tr>
<td>12%</td>
<td>6,353</td>
<td>17,548</td>
<td>37,279</td>
<td>75,052</td>
</tr>
</tbody>
</table>
types of savings accounts

savings account

- Depositor receives a passbook in which deposits, withdrawals, and interest are recorded.
- Average interest rate is fairly low and may vary slightly from institution to institution.
- Funds are easily accessible, in person, at an ATM, or through Internet banking.
- Passbook can be updated at an ATM.

chequing/savings account

- Basically the same as a savings account, except depositor may receive monthly statements instead of a passbook.
- Funds are easily accessible in person, by writing a cheque, at an ATM, through Internet banking or by Interac Direct Payment.
- Interest rates vary, based on type of account and size of balance.
- Interest-earning chequing account.
- Combines benefits of chequing and savings.
- Depositor usually earns interest on amounts above a set level in his/her account.
**term deposits**

**what they are and how they work**
- Financial institution pays a fixed amount of interest for a fixed amount of money for a fixed amount of time, usually less than one year.

**benefits**
- No risk
- Simple
- No fees
- Offers higher interest rates than savings accounts and lower than a GIC

**trade-offs**
- Money “locked in” for fixed term, compared to savings account
- Withdrawal penalty if cashed before end of fixed term (penalty may be higher than interest earned)
guaranteed investment certificates (GICs)

what they are and how they work

- Financial institution pays a fixed amount of interest for a fixed amount of money for a fixed amount of time, usually for longer than a year
- Most institutions require a larger minimum deposit than for a term deposit

benefits

- No risk
- Simple
- No fees
- Offers higher interest rates than a savings account and term deposit

trade-offs

- Money “locked in” for fixed and longer term, compared to term deposit
- Withdrawal penalty if cashed before expiration date (penalty can be higher than the interest earned)

Note: GICs mature if the holder dies before the maturity date.
how simple and compound interest are calculated

simple interest calculation

- Dollar Amount x Interest rate x Length of Time (in years)
  = Amount Earned

example

- If you had $100 in a savings account that paid 6% simple interest, during the first year you would earn $6 in interest.
  
  \[
  \text{Amount Earned} = 100 \times 0.06 \times 1 = 6
  \]

- At the end of two years you would have earned $12.

- The account would continue to grow at a rate of $6 per year, despite the accumulated interest.

compound interest calculation

- Interest is paid on original amount of deposit, plus any interest earned.

  \[
  \text{(Original $ Amount + Earned Interest) x Interest Rate x Length of Time = Amount Earned}
  \]

example

- If you had $100 in a savings account that paid 6% interest compounded annually, the first year you would earn $6.00 in interest.

  \[
  \text{Amount Earned} = 100 \times 0.06 \times 1 = 6
  \]

  $100 + 6 = 106

- With compound interest, the second year you would earn $6.36 in interest.

  The calculation the second year would look like this:

  \[
  \text{Amount Earned} = 106 \times 0.06 \times 1 = 6.36
  \]

  $106 + 6.36 = 112.36
how simple and compound interest are calculated

a compound interest formula:

- Amount = Original $ Amount \times (1 + \text{Interest Rate})^N
  where N is the number of compounding periods

example

- If you had $100 in a savings account that paid 6% interest compounded annually over 2 years, your investment would grow to $112.36

  \[ 100 \times (1 + .06)^2 = 112.36 \]

- If compounded semi-annually N = 4

  \[ 100 \times (1 + .06)^4 = 126.25 \]
choosing a savings account

factors that determine the dollar yield on an account:
Interest rate (also called rate of return, or annual yield)
- All money earned comes from this factor.

the following factors reduce money earned and can even turn it into a loss:

Fees, charges, and penalties
- Usually based on minimum balance requirements, or transaction fees.

Balance requirements
- On term deposits, most banks will pay different interest rates for different size balances. (Higher balance usually earns a higher rate.)

Balance calculation method
- Most calculate daily. Some use average of all daily balances.
the rule of 72

to determine about how many years it will take to double your money:

\[
\frac{72 \text{ divided by } \text{Interest rate you can get}}{\text{Years to double investment}} = \text{Years to double investment}
\]

to determine the interest rate that will double your money in a set number of years:

\[
\frac{72 \text{ divided by } \text{Years to double investment}}{\text{Interest rate required}} = \text{Interest rate required}
\]
what they are

- A bond is an “IOU,” certifying that you loaned money to a government or corporation and outlining the terms of repayment.

how they work

- Buyer may purchase a bond at a discount. The bond has a fixed interest rate for a fixed period of time. When the time is up, the bond is said to have “matured” and the buyer may redeem the bond for the full face value.

types

Canada Savings Bonds

- The safest investment you can make, backed by the Government of Canada.

Government

- Issued by federal, provincial, or municipal governments to raise money for government projects.

Corporate

- Sold by private companies to raise money.
- If company goes bankrupt, bondholders have first claim to assets, before stockholders.
mutual funds

what they are

- Professionally managed portfolios made up of stocks, bonds, and other investments.

how they work

- Individuals buy shares, and fund uses money to purchase stocks, bonds, and other investments.
- Profits returned to shareholders monthly, quarterly, or semi-annually in the form of dividends.

advantages

- Allows small investors to take advantage of professional account management and diversification normally only available to large investors.

types of mutual funds

Balanced Fund includes a broad mix of stocks and bonds.

Global Bond Fund has corporate bonds of companies from around the world.

Global Stock Fund has stocks from companies in many parts of the world.

Growth Fund emphasizes companies that are expected to increase in value; also has higher risk. Portfolios can vary widely in stock selection.

Dividend Fund features stock and bonds with common or preferred shares that generate dividends.

Specialized Fund invests in stocks of companies in a specific industry (such as technology, health care, banking, energy, natural resources).
types of mutual funds (continued)

**Money Market Fund** features short term instruments (less than one year) and T-bills.

**Bond Fund** features government and corporate bonds.
stocks

what they are

- Stock represents ownership of a corporation. Stockholders own a share of the company and are entitled to a share of the profits as well as a vote in how the company is run.

how earnings are made

- Company profits may be divided among shareholders in the form of dividends. Dividends are usually paid quarterly.
- Larger profits can be made through an increase in the value of the stock on the open market.

advantages

- If the market value goes up, the gain can be considerable.
- Money is easily accessible.

disadvantages

- If market value goes down, the loss can be considerable.
- Selecting and managing stock often requires study and the help of a good brokerage firm.
real estate

ways to invest

- Buy a house, live in it, and sell it later at a profit.
- Buy income property (such as an apartment house or a commercial building) and rent it.
- Buy land and hold it until it rises in value.

advantages

- Excellent protection against inflation.

disadvantages

- Can be difficult to convert into cash.
- A specialized type of investment requiring study and knowledge of business.

capital gains: profits from the sale of a capital asset such as stocks, bonds, or real estate, are also tax deferred; you do not have to pay the tax on these profits until the asset is sold.
registered retirement savings plans (RRSPs)

what they are and how they work

- Plans that help individuals set aside money to be used after they retire.
- Income tax not immediately due on money put into a retirement account, or on the interest it makes.
- Income tax paid when money is withdrawn.
- Penalty charges apply if money is withdrawn before the maturity date, except under certain circumstances.
- Income after retirement is usually lower, so tax rate is lower.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>JANUARY 2 OF TAX YEAR</th>
<th>EVERY MONTH ($1,125/MO.)</th>
<th>MARCH 1 OF NEXT YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>$125,007.33</td>
<td>$121,259.06</td>
<td>$103,102.11</td>
</tr>
<tr>
<td>14</td>
<td>325,741.80</td>
<td>315,974.62</td>
<td>290,566.79</td>
</tr>
<tr>
<td>21</td>
<td>648,077.48</td>
<td>628,645.25</td>
<td>591,594.11</td>
</tr>
<tr>
<td>28</td>
<td>1,165,678.15</td>
<td>1,130,725.96</td>
<td>1,074,978.19</td>
</tr>
<tr>
<td>35</td>
<td>1,996,831.71</td>
<td>1,936,957.86</td>
<td>1,851,187.40</td>
</tr>
</tbody>
</table>

When to contribute  The best time to contribute to your RRSP is early in the tax year as opposed to waiting until the deadline the following year. You may also contribute on a monthly basis. The chart above indicates the differences in your investment values based on when you contribute. For example, if you contribute a total of $13,500 a year to your fund, the value after 7 years will be over $20,000 more if you make it in a lump sum contribution at the beginning of the year, instead of waiting until the deadline the following year, and almost $4,000 more than if you contribute monthly. After 35 years, the difference will be as much as $145,000!
registered education savings plans (RESPs)

What they are and how they work

- A tax-sheltered investment plan designed to help you finance your children's post-secondary education.
- Investment income earned on contributions grows tax-free until the child is ready for post-secondary education.
- The student usually pays no tax when the funds are withdrawn, for educational purposes, as he/she typically has little income.
- Parents, grandparents, aunts and uncles, or anyone else who wants to assist a child’s education can participate.
- The federal government will contribute a grant representing 20% on the first $2,000 in annual contributions made to an RESP for children under age 18. (Canada Education Savings Grant - CESG).
registered retirement income funds (RRIFs)

What they are and how they work

- A popular retirement income option, and natural extension of an RRSP. Basically a RRIF pays you back your RRSP investment as income.

- Required by law to convert RRSP’s into a qualified form of retirement income once you reach age 69.

- Allows you to withdraw regular amounts of income over several years. All withdrawals are added to your taxable income for that year and you pay income tax only on the amount you withdraw. There is a minimum amount which you must withdraw each year based on your age.

- Plans are flexible because you decide the amount (above the minimum) and how often you receive the payments. You can make changes to the amount and payment schedule at any time or you may close the RRIF entirely and pay the appropriate tax on the entire amount.
<table>
<thead>
<tr>
<th>instrument</th>
<th>maturity</th>
<th>risk</th>
<th>yield</th>
<th>minimum balance</th>
<th>taxable?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings Account</td>
<td>Immediate</td>
<td>CDIC insures up to $60,000</td>
<td>Low</td>
<td>$5</td>
<td>Yes</td>
</tr>
<tr>
<td>Time/term Deposits</td>
<td>90 days or more</td>
<td>CDIC insures up to $60,000</td>
<td>Moderate</td>
<td>Varies</td>
<td>Yes</td>
</tr>
<tr>
<td>Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate</td>
<td>5–30 years</td>
<td>Some</td>
<td>Moderate</td>
<td>$1,000</td>
<td>Yes</td>
</tr>
<tr>
<td>- Municipal</td>
<td>1–20 years</td>
<td>Some</td>
<td>Moderate</td>
<td>$5,000</td>
<td>Yes</td>
</tr>
<tr>
<td>- Stocks</td>
<td>Immediate</td>
<td>Low to high</td>
<td>Low to high</td>
<td>Varies</td>
<td>Yes</td>
</tr>
<tr>
<td>CAN Treasury</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Bills</td>
<td>1 year or less</td>
<td>None</td>
<td>Moderate</td>
<td>$10,000</td>
<td>Federal only</td>
</tr>
<tr>
<td>- Notes</td>
<td>1–10 years</td>
<td>None</td>
<td>Moderate</td>
<td>$1,000</td>
<td>Federal only</td>
</tr>
<tr>
<td>- Bonds</td>
<td>10–30 years</td>
<td>None</td>
<td>Moderate</td>
<td>$1,000</td>
<td>Federal only</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>Varies</td>
<td>Low to high</td>
<td>Moderate</td>
<td>Varies</td>
<td>Usually</td>
</tr>
<tr>
<td>Retirement Funds</td>
<td>When buyer is 69 years old</td>
<td>Low</td>
<td>Moderate</td>
<td>Varies</td>
<td>At maturity</td>
</tr>
</tbody>
</table>
each year billions of dollars are lost to fraudulent investments. Some of the most common include:

- Illegal pyramids, insider trading, and unlicensed investment brokers
- High-risk “penny” stocks and fraudulent securities
- Fraudulent franchises and business opportunities
- Internet services, 900-numbers, and high-tech investments promising high profits and minimal risk
- Opportunities to invest in movie deals and other entertainment ventures with promises of guaranteed profits and failure to disclose risk

to protect yourself from becoming a victim of investment fraud, take the following actions:

- Become informed about investments and industries before investing
- Talk with others who have made similar investments
- Obtain information from provincial and federal regulatory agencies
- Never buy over the phone without first investigating the situation
- Avoid investment opportunities promising large returns in a short amount of time that seem “too good to be true”—they probably are!
lesson twelve
saving and investing

student activities
setting your financial goals

**short-range goal (within 1 month)**

<table>
<thead>
<tr>
<th>Goal: ________________________________</th>
<th>Objective $ ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated Cost $ ____________</td>
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<tr>
<td></td>
<td>Target Date $ ____________</td>
</tr>
<tr>
<td></td>
<td>Monthly Amount $ ____________</td>
</tr>
</tbody>
</table>

**medium-range goal (2–12 months)**

<table>
<thead>
<tr>
<th>Goal: ________________________________</th>
<th>Objective $ ____________</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Estimated Cost $ ____________</td>
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<tr>
<td></td>
<td>Target Date $ ____________</td>
</tr>
<tr>
<td></td>
<td>Monthly Amount $ ____________</td>
</tr>
</tbody>
</table>

**long-range goal (more than 1 year)**

<table>
<thead>
<tr>
<th>Goal: ________________________________</th>
<th>Objective $ ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated Cost $ ____________</td>
</tr>
<tr>
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<td>Target Date $ ____________</td>
</tr>
<tr>
<td></td>
<td>Monthly Amount $ ____________</td>
</tr>
</tbody>
</table>
1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much interest would you have in your account at the end of two years?

4. If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?
directions

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

   $55

   $200 \times 0.055 = $11
   $11 \times 5 = $55

2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

   $50.73

   $150 \times 1.06 = $159 \text{ (after 1 year)}
   $159 \times 1.06 = $168.54 \text{ (after 2 years)}
   $168.54 \times 1.06 = $178.65 \text{ (after 3 years)}
   $178.65 \times 1.06 = $189.37 \text{ (after 4 years)}
   $189.37 \times 1.06 = $200.73 \text{ (after 5 years)}

3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much interest would you have in your account at the end of two years?

   $639.00

   $300.00 \times 1.065 = $319.50 \text{ (after 1 year)}
   $300.00 \times 1.065 = $319.50
   $319.50 + $319.50 = $639.00 \text{ (after 2 years)}

4. If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?

   $1,754.80

   $10 \times 52 = $520
   $520 \times 1.06 = $551.20 \text{ (after 1 year)}
   $551.20 + $520 = $1,071.20
   $1,071.20 \times 1.06 = $1,135.47 \text{ (after 2 years)}
   $1,135.47 + $520 = $1,655.47
   $1,655.47 \times 1.06 = $1,754.80 \text{ (after 3 years)}
selecting mutual funds

directions

For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

- Balanced Fund
- Growth Fund
- Dividend Fund
- Money Market Fund
- Global Bond Fund
- Mortgage Fund
- Global Stock Fund
- Specialized Fund

1. A person wants an international mutual fund without the risks associated with stocks.

2. An investor wants to invest in short-term debt instruments.

3. An investor is interested in investing in energy stocks.

4. A person wants to invest in stocks from around the world.

5. A person is interested in long-term growth for future financial security.

6. An investor seeks to buy stock in companies located in Europe and Asia.

7. A retired person desires investment earnings from common and preferred shares that generate dividends.

8. A person wants to invest in a blend of stocks and bonds.

9. An investor wants to invest in technology industry stocks.

10. A person invests some funds in residential mortgages.
For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

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   - Growth Fund

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   - Global Stock Fund

7. A retired person desires investment earnings from common and preferred shares that generate dividends.
   - Dividend Fund

8. A person wants to invest in a blend of stocks and bonds.
   - Balanced Fund

9. An investor wants to invest in technology industry stocks.
   - Specialized Fund

10. A person invests some funds in residential mortgages.
    - Mortgage Fund
test your knowledge of saving and investing

directions
Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. How long would it take to double your money in an account that paid 6% per year?

2. What interest rate would double your money in 5 years?

In the space provided, write the letter of the savings account or savings method the statement represents. More than one response may apply.

a) Savings account  
  b) Chequing/Savings account  
  c) Term Deposit  
  d) Guaranteed Investment Certificate

3. A combination of a chequing and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.

4. Good investment for a longer period of time.

5. Usually provides a passbook to customers.

6. Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time, usually for less than one year.

7. Penalty is usually charged if money is withdrawn before expiration date.

8. Lowest interest rate paid.
In the space provided, write the letter of the investment vehicle the statement represents.

a) Bonds  

b) Mutual funds  

c) Stocks  

d) Real estate  

e) RRSP  

f) Canada Savings Bond

9. _____ This type of investment offers an excellent protection against inflation.

10. _____ The safest investment guaranteed by the federal government.

11. _____ Issuer agrees to pay investors a fixed interest rate for a fixed period of time.

12. _____ Contributions result in the current income tax payable.

13. _____ A way to own a part of a company and share in its profits.

14. _____ Professionally managed portfolios made up of stocks, bonds, and other investments.

15. List the four most important factors to consider when shopping for a savings account.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

16. List the four main differences between saving and investing.

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
test your knowledge of saving and investing answer key

directions
Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. How long would it take to double your money in an account that paid 6% per year?
   \[
   \frac{72}{6} = 12 \text{ years}
   \]

2. What interest rate would double your money in 5 years?
   \[
   \frac{72}{5} = 14.4\%
   \]

In the space provided, write the letter of the savings account or savings method the statement represents.

   a) Savings account          c) Term Deposit
   b) Chequing/Savings account d) Guaranteed Investment Certificate

3. b A combination of a chequing and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.

4. c,d Good investment for a longer time period.

5. a Usually provides a passbook for customers.

6. c Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time, usually for less than one year.

7. c,d Penalty is usually charged if money is withdrawn before expiration date.

8. b Lowest interest rate paid.
test your knowledge of saving and investing answer key

In the space provided, write the letter of the investment vehicle the statement represents.

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b) Mutual funds
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12. ____ Contributions result in the current income tax payable.

13. ____ A way to own a part of a company and share in its profits.

14. ____ Professionally managed portfolios made up of stocks, bonds, and other investments.

15. List the four most important factors to consider when shopping for a savings account.
   - Interest rates
   - Balance requirement
   - Fees, charges, penalties
   - Balance calculation method

16. List the four main differences between saving and investing.
   - Degree of risk
   - Availability of funds for use
   - Rate and stability of return
   - Amount of protection against inflation

choices & decisions saving and investing activity answer key 12-4b
true-false
1. ____ A time deposit must be held for a set amount of time such as six months or a year.
2. ____ Compound interest refers to money earned from buying a tax-exempt investment.
3. ____ A share of stock represents ownership in a company.
4. ____ A mutual fund is an investment issued by a government agency.
5. ____ Treasury bonds are a safer investment than real estate.

multiple choice
6. ____ The lowest interest rate is usually earned on a:
   A. term deposit.
   B. savings account.
   C. GIC.
   D. mutual fund.
7. ____ The total interest earned on $100 for two years at 10 percent (compounded annually) would be:
   A. $2
   B. $21
   C. $11
   D. $10
8. ____ Based on the rule of 72, money earning 6 percent would take about ____ years to double.
   A. 6
   B. 8
   C. 9
   D. 12
9. ____ An example of a company’s debt is a:
   A. corporate bond.
   B. share of stock.
   C. mutual fund.
   D. municipal bond.
10. ____ The investment with the most risk would be:
    A. a savings account.
    B. CAN Treasury bills.
    C. corporate stocks.
    D. corporate bonds.

case application
The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?
true-false

1. __ t __ A time deposit must be held for a set amount of time such as six months or a year.

2. __ f __ Compound interest refers to money earned from buying a tax-exempt investment.

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4. __ f __ A mutual fund is an investment issued by a government agency.

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multiple choice

6. __ B __ The lowest interest rate is usually earned on a:
   A. term deposits.
   B. savings account.
   C. GIC.
   D. mutual fund.

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   A. $2
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8. __ D __ Based on the rule of 72, money earning 6 percent would take about ____ years to double.
   A. 6
   B. 8
   C. 9
   D. 12

9. __ A __ An example of a company’s debt is a:
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   D. municipal bond.

10. __ C __ The investment with the most risk would be:
    A. a savings account.
    B. CAN Treasury bills.
    C. corporate stocks.
    D. corporate bonds.

case application

The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?

Common investment goals in this situation might be to create an RESP to save for the children’s college education, or an RRSP to save for retirement. The Johnsons might start their saving-investing program with a savings account, term deposit, or GIC. Next, they might consider an aggressive stock mutual fund that could give them good long-term growth for the education and retirement funds. All of these are easier to implement with an automatic withdrawal each month from a bank account to the savings account or the investment company.
lesson thirteen

in trouble

overheads
why consumers don’t pay

loss of income (60%)
■ Unemployment/underemployment (36%)
■ Illness (16%)
■ Other (divorce, death) (8%)

overextension (36%)
■ Poor money management
■ Emergencies
■ Materialism
■ Need for instant gratification

fraudulent use of credit (2%)

other (2%)
warning signs of trouble

■ You don’t know how much you owe.

■ You often pay bills late.

■ You get a new loan to pay old loans.

■ You pay only the minimum balance due each month.

■ You spend more then 20% of your net income (after paying rent or mortgage) on debt maintenance.

■ You would have an immediate financial problem if you lost your job.

■ You’re spending more than you earn, using your savings to pay for day-to-day expenses.
first steps to take if you can’t pay your bills

take another (close) look at your budget

■ Trim your expenses.

■ Establish “needs” versus “wants”.

■ Be realistic about what you can afford.

contact your creditors

■ Tell them why you can’t pay, that you intend to pay, and when/how much you will be able to pay.

■ You may be able to work out a new payment schedule.

■ If possible, continue to make the minimum payments.
**MONTHLY EXPENSES**

<table>
<thead>
<tr>
<th>Initial</th>
<th>Revised</th>
<th>INITIAL</th>
<th>REVISED</th>
</tr>
</thead>
</table>

**HOUSING EXPENSES**
- First Mortgage PI PIT
- Second Mortgage
- Property Taxes
- House Insurance
- Rent/Condo Fees
- Telephone
- Hydro
- Water/Sewer
- Heat - Gas / Oil
- Wood / Electric
- TV Cable/Rental
- Internet
- Misc Contracts
- Misc IMM. NEEDS

**LIVING EXPENSES**
- Food
- Personal Travel
- Clothing
- Alimony & Support
- Auto License/Misc
- Insurance
  - Life
  - OHIP
- Medical/Doctor
- Prescription Drugs
- Dental
- Laundry/Dry Cleaning
- Pets

**PERSONAL EXPENSES**
- Tobacco
- Alcohol/Beverages
- Recreation
- Babysitter
- Personal Grooming
- Barber/Hairdresser
- Magazines/Newspaper
- Gifts
- Religious Donations
- School Expenses
- Donations
- Allowances

**SUB-TOTAL**

**INSTRUCTIONS/COMMENTS**

**SUMMARY OF FUNDS AVAILABLE**
- NET INCOME FROM ALL SOURCES
- LESS TOTAL EXPENSES
- FUNDS AVAILABLE
credit counselling service (CCS)

- Provincial-based program that offers information on financial and consumer topics.

- Reviews your income.

- Helps you set up a realistic budget.

- May contact your creditors and make arrangements for reduced payments on your bills.

- Helps you plan for future expenses.

- Offers services for a modest fee, or for free if you can’t afford to pay.

- Listed in telephone directory under local and provincial government.
consolidating your debts

loan consolidation

■ You make only one payment, usually lower than the total amount of your monthly debt payments.

■ Best to use only when combined with credit counselling.

■ If you own a home, consider your spending habits carefully before you take out a home equity loan. You could end up with a loan and large credit card bills if you don’t change your spending habits.

watch out for “credit repair” companies!

■ Offer for-profit counselling.

■ Offer debt consolidation loans.

■ Offer debt counselling.

■ Some advertise they can erase a poor credit history (no one can do this!).
collection agencies act and consumer guide

a debt collector must

- Inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.

- If you dispute the debt, the debt collector must give you written proof of the debt.

a debt collector may not

- Contact you at unusual times or places.

- Disclose what you owe to anyone but your attorney.

- Harass or threaten you.

- Use false statements.

- Give false information about you to anyone.

- Misrepresent the legal status of the debt.

- Engage in any kind of unfair practice, such as trying to collect an amount greater than you owe.
what is garnishment?
- A legal procedure that withholds a portion of your earnings for the payment of debt.

the limits of garnishment
- The lesser of 20% of your disposable income or 30 times the federal hourly minimum wage.
- You may be able to get a “Claim of Exemption.”

claim of exemption (basic necessities of life exemption) (only if you meet all of the following conditions)
- Your family is living in the province.
- All the money you earn is needed to provide necessities.
- Debt was for a necessity (food, housing, medical care).
- Garnishment has already been started.

what protection you have
- You cannot be fired for any one garnishment.

how the law is enforced
- Enforced by federal and provincial statutes.
assignment

- Does not have legal force from a court, as does wage garnishment.

- It is a legal agreement between a lender and a debtor.

- Permits lender to collect part of debtor’s wages from an employer if debtor fails to make regular payments.

- Employer is not legally compelled to honour a wage assignment arrangement.

lien against property

- If you don’t have a job, a lender can get a court order to “attach” or seize some of your property to pay off the debt.
rights of creditor

- Can seize car as soon as you default.
- Can’t commit a breach of the peace, i.e., use physical force or threats of force.
- Can keep car or resell it.
- May not keep or sell any personal property in car (not including improvements such as a stereo or luggage rack).

your rights

- Can buy back car by paying the full amount owed on it plus repossession expenses.

your responsibilities

- Must still pay the “deficiency balance”—the amount of debt remaining even after your creditor has sold your car.
what is it
Bankruptcy is a legal process performed under the Bankruptcy and Insolvency Act. Because of your inability to pay your debts, you assign all of your assets, except those exempt by law, to a licensed trustee in bankruptcy. This process relieves you of most debts, and legal proceedings against you by creditors should stop.

who qualifies
A debtor who cannot meet his/her financial obligations or is an insolvent debtor.

how it works
When you declare bankruptcy, your property is given to a trustee in bankruptcy who then sells it and distributes the money among your creditors.

Speak with a bankruptcy trustee. Before making a final decision, the trustee or administrator will perform an assessment in order to evaluate your financial situation and to provide you with the options available to you.

If you decide to declare bankruptcy, you will be required to attend a minimum of two counselling sessions with a qualified counsellor.

The trustee will help you complete several forms which you will have to sign. These forms include an “Assignment” and your “Statement of Affairs”.

The forms are filed with the Official Receiver. If there is no opposition, the bankruptcy is discharged and, you are legally bankrupt.
advantages
■ The discharged bankrupt is relieved of most debts, and unsecured creditors cannot take legal steps to recover their debt.
■ The bankruptcy generally does not affect your employment.
■ You can avoid being harassed by your creditors.

disadvantages
■ Some debts are not released such as:
  • alimony
  • spouse or child support
  • debt arising out of fraud
  • any court fine
  • debt or obligations for student loans when the bankruptcy occurs while the debtor is still a student or within ten years after the bankrupt has ceased to be a student.
■ You may have difficulty in being bonded.
what is a consumer proposal

- An offer made by a debtor to his/her creditors to modify payments i.e., lower amount each month, but over a longer period of time.

who qualifies

- An insolvent person where debts are less than $75,000 excluding home mortgage.

how it works

- The debtor seeks the help of an administrator who evaluates the financial situation and gives advice about what kind of proposal may be best for the debtor and his/her creditors.

- The proposal is filed with the Official Receiver.

- Within 10 days of filing the proposal the Administrator files a report containing:
  
  - an opinion about whether the proposal is fair and reasonable and whether the debtor can perform it.
  
  - a list of assets and debts and a list of creditors.
advantages

■ A better alternative than bankruptcy.

■ The potential financial loss to creditors is limited.

■ Debtor may be able to hold on to some assets.

■ Unsecured creditors will not be able to take legal steps to recover their debts from debtor (such as seizing property) unless the proposal is rejected or annulled.

■ When the proposal is fully performed and two counselling sessions are conducted by a qualified counsellor, the debtor receives a certificate of full performance.

disadvantages

■ It is a long process.

■ It has some negative effect on credit rating.
the consumer proposal process

Administrator/Trustee to:
- investigate
- counsel
- prepare proposal

Proposal filed with the Official Receiver (O.R)

Administrator/Trustee to file report with O.R. within 10 days

Send notice to every known creditor within 10 days of filing proposal

45-day waiting period following filling of proposal

Request for meeting by O.R. or creditors?

yes

Deemed accepted by creditors at end of 45 days

no

Court approval requested by O.R. or other interested parties?

yes

Deemed approved by court at end of 15 days

no

Application to court

Proposal approved by court?

yes

Proposal accepted by creditors?

no

Proposal deemed accepted?

yes

Proposal terms met?

yes

Certificate of Compliance needed

Administrator/Trustee obtains discharge

no

Proposal deemed annulled when proposal is in default to the extent of 3 months

Stay of proceedings lifted and creditors' rights revived. No automatic bankruptcy

Deemed approved by court at end of 15 days

Deemed accepted by creditors at end of 45 days

Notice to creditors and O.R. within 5 days

Proposal approved by court?

yes

Proposal accepted by creditors?

no

Report:
- result of investigation
- administrator/Trustee's opinion on viability of proposal
- condensed statement of assets, liabilities, income, and expenses
- list of creditors with claims over $250

Documents to be filed:
- Statement of Affairs
- Proposal document
- Filing information Sheet

Meeting of creditors chaired by O.R. or nominee

Notice of meeting with proxy and voting letter to the debtor, every known creditor, and O.R.

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the consumer bankruptcy process

Debtor completes Statement of Affairs, an Assignment, and suggests a trustee willing to act

The Assignment and Statement of Affairs are filed with the Official Receiver (O.R.). The O.R. appoints a trustee

Meeting of creditors requested by O.R. or creditors who hold, in total, at least 25% in value of proven claims

O.R. may recommend a different amount of surplus income to be paid

Meeting of creditors is called by trustee for:
• appointment of trustee
• appointment of inspectors
• general direction to trustee
• report to creditors

Trustee fixes surplus income to be paid by bankrupt. Trustee informs O.R.

Trustee and bankrupt agree on surplus income amount?

Mediation issue resolved?

Bankruptcy obtains automatic discharge on the expiration of the ninth month

Is discharge opposed within nine months of bankruptcy by creditors, O.R., or trustee?

Bankrupt may be asked to submit to an examination by the O.R.

Bankrupt to attend two counselling sessions

Assets are realized and disposed of by the trustee

First-time bankrupt?

Trustee files report within eight months of bankruptcy with Superintendent’s office

Is discharge opposed within nine months of bankruptcy by creditors, O.R., or trustee?

Trustee files a report on conduct of bankrupt

Court hearing held to determine if bankrupt should be discharged of debts

Is bankruptcy discharged unconditionally?

Trustee passes the accounts, distributes proceeds, and applies for discharge

Trustee issues certificate of discharge to bankrupt and sends a copy to the Superintendent

Certificate of Compliance is sent to O.R. and trustee is discharged

End of procedure

Meeting of creditors is called by trustee for:
• appointment of trustees
• general direction to trustee
• report to creditors

O.R. may recommend a different amount of surplus income to be paid

Trustee and bankrupt agree on surplus income amount?

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Court hearing held to determine if bankrupt should be discharged of debts

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Trustee issues certificate of discharge to bankrupt and sends a copy to the Superintendent

Certificate of Compliance is sent to O.R. and trustee is discharged

End of procedure

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lesson thirteen

in trouble

student activities
The following questions are designed to test what you’ve just learned about dealing with financial woes.

**directions**
In the space provided, write the answers to the following questions.

1. List three of the most common reasons why consumers don’t pay their bills.
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________

2. List five warning signs of financial trouble.
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________

3. List the first steps you should take if you find you can’t pay your bills.
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________
   _____________________________________________________________________

For each of the following questions, write a **T** in the space provided if the statement is true. Write an **F** in the space provided if the statement is false.

4. _____ A credit repair company can erase a poor credit history.
5. _____ If you pay a bill late, your creditor can report this information to a credit bureau.
6. _____ A debt collector can contact you any time of day or night, except Sunday.
7. _____ If you don’t pay a debt, a debt collector cannot legally harass and threaten you.
8. _____ A debt collector must inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.
9. _____ The Consumer Credit Counselling Service will help you set up a realistic budget, contact your creditors, and plan future expenses.
In the space provided, write the letter of the type of payment collection the statement represents.

a) Wage Garnishment  
b) Wage Assignment  
c) Lien Against Property

10. _____ A legal agreement between a lender and a debtor.
11. _____ A legal procedure that withholds a portion of earnings for the payment of a debt.
12. _____ A court order that allows a lender to seize property to pay off the debt.
13. _____ An employer is not legally compelled to honour this arrangement.
14. _____ Dollar limit is the lesser amount of 20% of your disposable income or the amount over 30 times the federal minimum hourly wage.
15. _____ You cannot be fired for one of these.

For each of the following questions, write a T in the space provided if the statement is true. Write an F in the space provided if the statement is false.

16. _____ If you default on even one car loan payment, the creditor has the legal right to repossess your car.
17. _____ Once a creditor has repossessed a car, he or she can either keep the car or resell it for the debt owed on it.
18. _____ If your car is repossessed, you no longer have any financial obligation to repay your car loan.
19. _____ If you want to buy back your car after it has been repossessed, the creditor can set the price at any amount over what you owe.

In the space provided, write the answers to the following questions.

20. How many years does a bankruptcy stay on a credit report?
The following questions are designed to test what you’ve just learned about dealing with financial woes.

**directions**
In the space provided, write the answers to the following questions.

1. List three of the most common reasons why consumers don’t pay their bills.
   Loss of income (60%)
   Overextension (36%)
   Fraudulent use of credit (2%)

2. List five warning signs of financial trouble.
   Don’t know how much you owe.
   Late paying bills.
   Take out a new loan to pay an old loan or to pay debts.
   Pay only the minimum balance due each month.
   Spend more than 20% of net income (after rent or mortgage payment) on credit use.

3. List the first steps you should take if you find you can’t pay your bills.
   Take a close look at your budget (trim expenses, be realistic about what you can afford, remember the 20-10 guideline).
   Contact your creditors. Tell them why you can’t pay, that you intend to pay, and when and how much you can pay.
   If possible, continue to make small but regular payments.

For each of the following questions, write a **T** in the space provided if the statement is true. Write an **F** in the space provided if the statement is false.

4. **F** A credit repair company can erase a poor credit history.
5. **T** If you pay a bill late, your creditor can report this information to a credit bureau.
6. **F** A debt collector can contact you any time of day or night, except Sunday.
7. **T** If you don’t pay a debt, a debt collector cannot legally harass and threaten you.
8. **T** A debt collector must inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.
9. **T** The Consumer Credit Counselling Service will help you set up a realistic budget, contact your creditors, and plan future expenses.
In the space provided, write the letter of the type of payment collection the statement represents.

a) Wage Garnishment  
b) Wage Assignment  
c) Lien Against Property

10. b  A legal agreement between a lender and a debtor.
11. a  A legal procedure that withholds a portion of earnings for the payment of a debt.
12. c  A court order that allows a lender to seize property to pay off the debt.
13. b  An employer is not legally compelled to honour this arrangement.
14. a  Dollar limit is the lesser amount of 20% of your disposable income or the amount over 30 times the federal minimum hourly wage.
15. a  You cannot be fired for one of these.

For each of the following questions, write a T in the space provided if the statement is true. Write an F in the space provided if the statement is false.

16. t  If you default on even one car loan payment, the creditor has the legal right to repossess your car.
17. t  Once a creditor has repossessed a car, he or she can either keep the car or resell it for the debt owed on it.
18. f  If your car is repossessed, you no longer have any financial obligation to repay your car loan.
19. f  If you want to buy back your car after it has been repossessed, the creditor can set the price at any amount over what you owe.

In the space provided, write the answers to the following questions.

20. How many years does a bankruptcy stay on a credit report?

Up to 10 years
are they in trouble?

**directions**

After reading through each of the following scenarios, list the steps you would take if you found yourself in the same situation. Then, using the attached budget sheets, rework the troubled budget. After reworking the budget, in the space provided, explain what you changed and why you changed it.

1. Sergei’s monthly net income is $1,642.

   **His monthly fixed expenses include:**
   - $550 for rent
   - A school loan payment of $232
   - A car payment of $152
   - An insurance premium payment of $112

   **His flexible monthly expenses include:**
   - Utilities and telephone bill, which average $125
   - $120 for food
   - $50 for personal and household items
   - $50 for gas and oil
   - $100 for entertainment

   **His current credit obligations are:**
   - $850 on a major department store credit card
   - The minimum monthly payment is $42
   - $1,200 on his major credit card, which he accrued from taking out a cash advance
   - The minimum monthly payment is $65

Sergei keeps meaning to open a savings account and deposit a small portion of each paycheque, just in case he has an emergency and needs extra cash. But he just hasn’t gotten around to it yet.

Sergei’s car breaks down on the way home from work. His mechanic tells him that it will cost about $1,200 to get the car running again. Sergei needs his car to get to and from work. He just got paid so he uses most of the money from his paycheque to get his car fixed.

If you were Sergei, in the short term, what would you do about your present financial situation?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
are they in trouble? (continued)

Using one of the attached budget sheets, rework Sergei’s budget. When you’re finished, use the space below to explain what changes you made and why you made them.

____________________________________________________________________
____________________________________________________________________
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2. Carmen has a monthly net income of $810.

Her fixed expenses include:
- $150 for rent (she shares an apartment with two friends)

Her flexible monthly expenses include:
- $45 for her portion of the utility bills and the telephone bills
- $95 for food
- $50 for personal and household items
- $50 for bus fare
- $40 for entertainment

Her current credit obligations include:
- $232 to the local department store, with a minimum monthly payment of $25

One of Carmen’s roommates decides to move out, two days before the next month’s rent is due. Carmen and her other roommate are able to come up with enough money to pay the rent, but this leaves Carmen without enough money to pay her portion of the telephone bill, the utility bills, and her credit card payment.

If you were Carmen, what would you do?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

activity 13-2b choices & decisions in trouble
3. Yannic’s monthly net income is $1550.

His fixed monthly expenses include:
- $600 for rent
- $262 for his car payment
- $210 for his car insurance premium

His flexible monthly expenses include:
- $20 for the telephone bill
- $120 for food
- $75 for personal and household items
- $50 for gas and oil
- $100 for entertainment

His current credit obligations include:
- $2,000 on one of his major credit cards
  - The minimum monthly payment is $120.
- $1,500 on another credit card, which he recently accrued from taking out a cash advance. (He needed it because he didn’t have enough to pay rent last month, and he wanted to buy a new piece of stereo equipment for his car.)
  - The minimum monthly payment on this credit card is $110.

Yannic doesn’t have any savings.

What do you recommend Yannic do in the short term regarding his financial affairs?

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

Using one of the attached budget sheets, rework Yannic’s budget. When you’re finished, use the space below to explain what changes you made and why you made them.

____________________________________________________________________
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choices & decisions in trouble activity 13-2c
## MONTHLY EXPENSES

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### INSTRUCTIONS/COMMENTS

- **(W)** - Weekly
- **(M)** - Monthly
- **(O)** - Occasional
- Indicate Here

### SUMMARY OF FUNDS AVAILABLE

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<td>Medical/Doctor</td>
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<td>Prescription Drugs</td>
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<td>Dental</td>
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<tr>
<td>Laundry/Dry Cleaning</td>
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<td>Pets</td>
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<tr>
<th>PERSONAL EXPENSES</th>
<th>INITIAL</th>
<th>REVISED</th>
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<tbody>
<tr>
<td>Tobacco</td>
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<tr>
<td>Alcohol/Beverages</td>
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<td>Recreation</td>
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<td>Babysitter</td>
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<td>Personal Grooming</td>
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<td>Barber/Hairdresser</td>
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<td>Magazines/Newspaper</td>
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<tr>
<td>Gifts</td>
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<tr>
<td>Religious Donations</td>
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<tr>
<td>School Expenses</td>
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<tr>
<td>Donations</td>
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<tr>
<td>Allowances</td>
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<tr>
<th>TOTAL EXPENSES</th>
<th>INITIAL</th>
<th>REVISED</th>
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<tr>
<td>TOTAL</td>
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<tr>
<th>SUMMARY OF FUNDS AVAILABLE</th>
<th>INITIAL</th>
<th>REVISED</th>
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<tr>
<td>NET INCOME FROM ALL SOURCES</td>
<td></td>
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<tr>
<td>LESS TOTAL EXPENSES</td>
<td></td>
<td></td>
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<tr>
<td>FUNDS AVAILABLE</td>
<td></td>
<td></td>
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</tbody>
</table>
true-false

1. _____ Financial difficulties are commonly caused by overspending.
2. _____ People with financial difficulties may obtain assistance from the Consumer Credit Counselling Service.
3. _____ Consolidation loans are mainly used to finance the starting of a new business.
4. _____ Debt collectors are usually allowed to call you at home before 8 p.m.
5. _____ Bankruptcy is suggested for people who are a few weeks behind in their credit payments.

multiple choice

6. _____ A common cause of financial difficulties is:
   A. poor money management habits.
   B. a need for additional career training.
   C. preparing your tax return late.
   D. not having enough life insurance.

7. _____ A nonprofit organization that provides financial counselling is:
   A. the Canada Deposit Insurance Corporation.
   B. the Consumer Credit Counselling Service.
   C. the Better Business Bureau.
   D. the National Credit Union Administration.

8. _____ The purpose of a consolidation loan is to:
   A. deduct amounts owed from a person's paycheque.
   B. pay off one credit card amount before others are paid.
   C. combine several debts into one payment.
   D. reduce the amount owed for federal income taxes.

9. _____ A example of a fair debt-collection practice would be to:
   A. pretend to be a salesperson to attempt to collect a debt.
   B. threaten to take legal action to collect the money owed.
   C. call a debtor at work even if personal calls are not allowed.
   D. call a debtor at home before 8 p.m.

10. _____ Bankruptcy refers to the process of:
    A. obtaining permission to be late with credit payments.
    B. obtaining assistance from a credit counselling service.
    C. using court action to reduce or eliminate your debts.
    D. using court action to have payments owed deducted from your paycheque.

case application

Matt recently missed a few weeks of work due to illness. This resulted in lost pay and he has fallen behind in paying his bills and credit accounts. What actions would you recommend for Matt?

Please use a separate sheet for your answer.
true-false

1. t Financial difficulties are commonly caused by overspending.
2. t People with financial difficulties may obtain assistance from the Consumer Credit Counselling Service.
3. f Consolidation loans are mainly used to finance the starting of a new business.
4. t Debt collectors are usually allowed to call you at home before 8 p.m.
5. f Bankruptcy is suggested for people who are a few weeks behind in their credit payments.

multiple choice

6. A A common cause of financial difficulties is:
   A. poor money management habits.
   B. a need for additional career training.
   C. preparing your tax return late.
   D. not having enough life insurance.

7. B A nonprofit organization that provides financial counseling is:
   A. the Canada Deposit Insurance Corporation.
   B. the Consumer Credit Counselling Service.
   C. the Better Business Bureau.
   D. the National Credit Union Administration.

8. C The purpose of a consolidation loan is to:
   A. deduct amounts owed from a person's paycheque.
   B. pay off one credit card amount before others are paid.
   C. combine several debts into one payment.
   D. reduce the amount owed for federal income taxes.

9. D A example of a fair debt-collection practice would be to:
   A. pretend to be a salesperson to attempt to collect a debt.
   B. threaten to take legal action to collect the money owed.
   C. call a debtor at work even if personal calls are not allowed.
   D. call a debtor at home before 8 p.m.

10. C Bankruptcy refers to the process of:
   A. obtaining permission to be late with credit payments.
   B. obtaining assistance from a credit counselling service.
   C. using court action to reduce or eliminate your debts.
   D. using court action to have payments owed deducted from your paycheque.

case application

Matt recently missed a few weeks of work due to illness. This resulted in lost pay and he has fallen behind in paying his bills and credit accounts. What actions would you recommend for Matt?

Matt should start by contacting his creditors to explain his situation. If this doesn't work, he should contact a credit counselling service to help him plan his spending over the next few months. This would help him catch up on bills and pay off his debts.
lesson fourteen
about consumer privacy

overheads
information privacy: privacy that involves the rights of individuals in relation to information about them that is circulating in society.

why privacy is an important issue in the information age

■ Much information about us and our activities as consumers is recorded and stored by computer systems.

■ Our computer files can be shared between public and private organizations. For example, with proper authorization, Revenue Canada can access financial data about you from your bank.

■ Computer data can travel and change hands in just a few seconds.

■ Because of these factors, accurate data is paramount.

why information privacy is a sensitive issue

■ Information is a very valuable resource!

■ Access to information in our society today offers many benefits to consumers while at the same time posing a potential threat to our privacy.
types of information generally available from public sources

- Demographic information (Canadian Census)
- Telephone directories
- Birth, marriage, and divorce records
- Voter registration records
- Campaign contributions
- Driver’s license/vehicle registration
- Licenses and permits (hunting, fishing, etc.)
- Legal information (judgments, bankruptcy, real estate titles, etc.)
private databases available only to those with a legitimate purpose

- Employment information
- Credit reports
- Tax information (Revenue Canada)
- Criminal records
- Social assistance records
- School records
- Medical records
privacy act gives individuals greater control by providing everyone in Canada the right to examine information about them held by 110 federal government departments and agencies (subject to some specific exceptions). Individuals may also ask to have any errors corrected and, if the request is refused, require that a notation be attached to the information describing any corrections requested but not made. [The Privacy Act, Government of Canada]

It should be noted that each province has its own legislation and regime re: privacy. [See overhead 14-Fa]

to amend or expunge a record you must:

■ Contact the agency in question

■ Await administrative review of request

■ If request is denied, you can request a court review

consumer reporting act gives consumers the right to dispute inaccurate information and permits them to insert their own version of disputed information into a credit report.
Information about you that is stored in computer systems and may be used by a variety of organizations, such as:

- Address
- Phone and fax numbers
- Social Insurance Number
- Credit card numbers
- Driver’s license number
- Bank account number
- Student loan history
- Medical history
- Driving record
- Worker’s compensation and insurance records
- Tax records
- Political affiliations
- Spending pattern
- Product preferences
- Estimated income
privacy protection across Canada

Canada
■ Access to Information Act [1980]
■ Privacy Act [1983]

Alberta
■ Freedom of Information and Protection of Privacy Act [1994]

British Columbia
■ Freedom of Information and Protection of Privacy Act [1996]

Manitoba
■ Freedom of Information and Protection of Privacy Act [1997]

New Brunswick
■ Right to Information Act [1980]
■ Protection of Personal Information Act [1998]

Newfoundland
■ Freedom of Information Act [1994]
■ Privacy Act [1995]

Northwest Territories
■ Access to Information and Protection of Privacy Act [1996]

Nova Scotia
■ Freedom of Information and Protection of Privacy Act [1993]
privacy protection across Canada

Ontario
- Freedom of Information and Protection of Privacy Act [1990]
- Municipal Freedom of Information and Protection of Privacy Act [1990]

Prince Edward Island
- Freedom of Information and Protection of Privacy Act [1996]

Quebec
- An Act Respecting Access to Documents Held by Public Bodies and the Protection of Personal Information [1982]
- An Act Respecting Protection of Personal Information in the Private Sector [1993]

Saskatchewan
- Freedom of Information and Protection of Privacy Act [1990]

Yukon
- Access to Information and Protection of Privacy Act [1996]
protecting your privacy:  
your options as a consumer

“opting out” of direct marketing programs

■ Ask merchant to be removed from his/her mailing list.
■ Contact the Canadian Marketing Association (CMA) to have your name removed from the telephone or mailing lists of its members:

Canadian Marketing Association*
1 Concorde Gate, Suite 607
Don Mills, Ontario
M3C 3N6
Telephone: (416) 391-2362
Toll Free: 1-800-267-8805
http://www.the-cma.org/

* formerly known as the Canadian Direct Marketing Association

your options as a consumer

■ Answer only necessary information on product warranty cards.
■ Never give out personal or financial information over the phone unless you know the company and know how the information will be used.
■ Don’t give personal information at point-of-sale transactions.
■ If a telemarketer calls and you don’t want future solicitations, tell the caller, citing the federal and provincial law.
what’s in a credit report?

identifying information:
- Name, Social Insurance Number, address, and sometimes phone number, previous address, and employer.

credit history:
- Previous and current types of credit, credit providers, payment habits, outstanding obligations and debts, and extent of credit granted.

public record information:
- Usually limited to tax liens, judgments, and bankruptcies.

prior requesters:
- Names of those who have requested information on this consumer in the recent past.
reviewing your credit report

consumer reporting act
Stipulates that an individual, upon request to the consumer-reporting agency, may have access to a copy of his/her credit report.

to receive a copy of your personal credit report, please send a written request with copies of two pieces of identification to:

- Equifax Canada Inc.
  Consumer Relations Department
  Box 190 Jean Talon Station
  Montreal, Quebec
  H1S 2Z2

  Fax: (514) 355-8502
  Phone: (514) 493-2314
  1-800-465-7166
  www.equifax.ca

- Trans Union of Canada Inc.
  Call the local Trans Union of Canada Inc. in your area to receive instructions for obtaining a free credit report. See the Supplemental Materials at the end of this lesson for a complete listing of local Trans Union offices.
  www.tuc.ca (under construction)
telecommunications devices and services

■ Telephone (including cellular phones)

■ Facsimiles (faxes)

■ On-line computer services

■ Caller ID

■ Automatic Number Identification (ANI)
electronic monitoring in the workplace

**types of electronic monitoring:**
- Telephone monitoring
- Voice mail and electronic mail monitoring
- Computer keystrokes monitoring
- Locational detectors
- Surveillance video cameras
lesson fourteen
about consumer privacy

student activities
answer each of the following questions in the space provided.

1. Explain why privacy is a crucial issue of the information age.
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

2. For the following sources of information, put “Pub.” next to those that are available from public sources and put “Pr.,” for private, next to those that are generally subject to privacy restrictions.
   - Telephone directories
   - Marriage/divorce records
   - Personnel files
   - Credit reports
   - Real estate holdings
   - Subscription records
   - Voter registration records
   - Campaign contributions
   - Driver’s licenses
   - Medical records

3. List three advantages to you of a company having a database profile on you. List three disadvantages.
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

4. Name four items that are part of a credit report.
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

5. Explain why it is important to have a good credit history.
_______________________________________________________________________
_______________________________________________________________________
answer each of the following questions in the space provided.

1. Explain why privacy is a crucial issue of the information age.

   Computer records can be stored and shared across long distances between many organizations. Consumers should be informed of who has access to these records and how they can be used.

2. For the following sources of information, put “Pub.” next to those that are available from public sources and put “Pr.” for private, next to those that are generally subject to privacy restrictions.

   - Pub. Telephone directories
   - Pr. Subscription records
   - Pub. Marriage/divorce records
   - Pub. Voter registration records
   - Pr. Personnel files
   - Pub. Campaign contributions
   - Pr. Credit reports
   - Pub. Driver's licenses
   - Pub. Real estate holdings
   - Pr. Medical records

3. List three advantages to you of a company having a database profile on you. List three disadvantages.

   **Advantages:**
   1. Receive direct mail that relates to your interests and from companies where you previously shopped.
   2. Receive special discounts and promotional offers.
   3. Broader usage of offers made to consumers who might not otherwise receive them.

   **Disadvantages**
   1. Your profile can be rented or sold to another company.
   2. You may receive unwanted solicitations by mail or phone.
   3. You may be turned down for a loan, job, insurance, or license because of a blemish on your profile.

4. Name four items that are part of a credit report.

   1. Identifying information: name, Social Insurance Number, address, and can include phone number, previous addresses, and employer.
   2. Credit history: previous and current types of credit, sources and extent of credit granted.
   3. Public record information: lawsuits, bankruptcies, judgments, etc.
   4. Prior requesters: names of those who have requested information on this individual in the past.

5. Explain why it is important to have a good credit history.

   When you apply for things such as a student loan, line of credit, mortgage, car loan, credit card, or apartment, you will need to have a good, accurate credit history or your request may be denied.
what would you do?

read the scenarios described below and then indicate how you would respond to each one.

1. You have applied for a student loan and are told that you have been turned down due to a late payment on your credit card. You want to find out exactly what your credit report says and make any corrections that are necessary.
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________

2. You've been receiving catalogues for sports equipment that you have no interest in purchasing. However, you also receive catalogues from clothing manufacturers that you do wish to keep getting. You would like to be removed from the sports equipment mailing list only.
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________

3. The pile of mail order catalogues on your desk has grown to one metre. You no longer wish to receive direct marketing materials from any company and want to be removed from all lists.
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________

4. You want to receive direct marketing offers in the mail, but not by telephone.
   _______________________________________________________________________
   _______________________________________________________________________
   _______________________________________________________________________
what would you do? (continued)

5. You have made several 800 and 900 number calls and although you never left your phone number, you are starting to receive soliciting phone calls from these same companies and individuals. You want to be sure when you call a 800 or 900 number that you are not inadvertently leaving your phone number with that merchant.
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

6. Your quarterly evaluation at work is not as good as you’d hoped it would be. You’d like to find out what is in your personnel file that may explain the mediocre evaluation.
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_______________________________________________________________________
read the scenarios described below and then indicate how you would respond to each one.

1. You have applied for a student loan and are told that you have been turned down due to a late payment on your credit card. You want to find out exactly what your credit report says and make any corrections that are necessary.

   You would: (1) request a copy of your record from all the major credit reporting agencies (free if you have been turned down for a loan), and (2) tell the credit reporting agency about any inaccuracies.

2. You've been receiving catalogues for sports equipment that you have no interest in purchasing. However, you also receive catalogues from clothing manufacturers that you do wish to keep getting. You would like to be removed from the sports equipment mailing list only.

   Write directly to the sports equipment company and request to be removed from its mailing list.

3. The pile of mail order catalogues on your desk has grown to one metre. You no longer wish to receive direct marketing materials from any company and want to be removed from all lists.

   Write to the Canadian Marketing Association and ask to have your name removed from the lists of all merchants who are CMA members (keep in mind that not all merchants are CMA members).

4. You want to receive direct marketing offers in the mail, but not by telephone.

   Contact the Canadian Marketing Association and ask to be removed from the telephone lists of all its members (keep in mind that not all merchants are CMA members). If you received telemarketing calls and don't want future calls from this telemarketer, tell them so, citing the federal and provincial law.
5. You have made several 800 and 900 number calls and although you never left your phone number, you are starting to receive soliciting phone calls from these same companies and individuals. You want to be sure when you call a 800 or 900 number that you are not inadvertently leaving your phone number with that merchant.

*Check with your phone company to see if they can insert a blocking mechanism for these “ANI” numbers.*

6. Your quarterly evaluation at work is not as good as you’d hoped it would be. You’d like to find out what is in your personnel file that may explain the mediocre evaluation.

*Simply ask your supervisor for a look at your file. If your employer refuses, call your Provincial Ministry of Labour to determine your rights as an employee. Although not required by law, most companies comply with the guidelines issued by the privacy guidelines, allowing employees access to their personnel files.*
Look at the following sample warranty card. Fill it out, using either real information or information you make up. After you have finished, give your warranty to a partner to examine. It is the partner's job to study each question and write down at least one company, or type of company, that might be interested in the answer.

<table>
<thead>
<tr>
<th>Name: ___________________________</th>
<th>Date: ________________________</th>
</tr>
</thead>
</table>

Look at the following sample warranty card. Fill it out, using either real information or information you make up. After you have finished, give your warranty to a partner to examine. It is the partner's job to study each question and write down at least one company, or type of company, that might be interested in the answer.

---

### PhoTech Warranty Card

**PhoTech**

**IMPORTANT!**

**PhoTech Owner Registration**

Please fill out and return within the next 10 days.

1. **First Name**
   - Initial
   - Last Name

2. **Street Address**

3. **City**
   - Province
   - Postal Code

4. **Date of Purchase**
   - Month
   - Day
   - Year

5. **Dealer**
   - City
   - Province
   - Postal Code

6. **Product Purchased**
   - Please indicate exact product name number.

7. **Date of Birth**
   - Month
   - Day
   - Year

8. **What are the ages of all children living at home?**
   - None
   - Under 1
   - 2-5 yrs.
   - 6-10 yrs.
   - 11-15 yrs.
   - 16+ yrs.

9. **Which amount describes your family income?**
   - Under $5,999
   - $6,000-$7,999
   - $8,000-$9,999
   - $10,000-$12,999
   - $13,000-$15,999
   - $16,000-$19,999

---

**choices & decisions about consumer privacy**

**activity 14-3a**
how much is known about you? (continued)

activity 14-3b choices & decisions about consumer privacy
Look at the following completed sample warranty card and answer key to reveal the companies or type of company interested based on the example.
how much is known about you?  answer key (continued)

10. Where did you purchase this product?
   □ Athletic Store
   □ Discount Store
   □ Department Store
   □ Sporting Goods Store
   □ Mail Order

13. How did you pay for this product?
   □ Cash
   □ Store Credit Card
   □ Personal Check
   □ Credit Card
   □ Other

11. What most influenced the purchase of this product?
   □ Price
   □ Brand
   □ Store recommendation
   □ Dealer ads
   □ Friends

14. Which of the following do you use regularly?
   □ American Express, Diners Club, Carte Blanche
   □ Bank Credit Card and MasterCard
   □ Gas, Dept. Store, etc., Credit Cards
   □ Bank Card
   □ None of the above

12. This product will be used primarily for:
   □ Active Lifestyle
   □ Creative/Hobby
   □ Scientific Medical
   □ Family/Children
   □ Photo Journalism
   □ Sports/Outdoors

15. For your primary residence, do you:
   □ Own a house?
   □ Rent an apartment?
   □ Own a farm/house/condo?

16. To help us understand our customers’ lifestyles, please indicate the interests and activities in which you
    or your spouse enjoy participating on a regular basis:

   01. Socializing
   02. Golf
   03. Physical Fitness/Exercise
   04. Swimming/Bathing
   05. Snow Skiing/Travel
   06. Tennis
   07. Bowling
   08. Camper/Travel
   09. Fishing
   10. Hunting/Shooting
   11. Power Boating
   12. Sailing
   13. Crafts
   14. Crossword Puzzles
   15. Home/Improve
   16. Outdoor Gardening
   17. Gardening
   18. Volunteer for Health
   19. Auto/Boat/Truck

17. From the above list, please indicate the numbers representing the 5 most important activities for:

   You
   16  25  35
   Your Spouse

Thanks for taking the time to fill out this questionnaire. Your answers will be used for market research studies and reports — and will help us better serve you in the future. There will also be an opportunity to receive important information and special offers from a number of fine companies whose products and services reflect the specific interests, hobbies, and other information indicated above. Through this selective program, you will be able to obtain more information about activities in which you are involved and less about those in which you are not. Please check here if for some reason you would prefer not to participate in the program.
### how much is known about you? answer key

<table>
<thead>
<tr>
<th>field #</th>
<th>company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>PhoTech—for product updates</td>
</tr>
<tr>
<td>4</td>
<td>Kodak or other photo supply company</td>
</tr>
<tr>
<td>5</td>
<td>Canadian Association of Retired Persons or magazines targeted to senior adults</td>
</tr>
<tr>
<td>6</td>
<td>Singles and dating organizations</td>
</tr>
<tr>
<td>7</td>
<td>Products and services that relate to leisure</td>
</tr>
<tr>
<td>8</td>
<td>None in this case</td>
</tr>
<tr>
<td>9</td>
<td>Credit card offers, group travel opportunities</td>
</tr>
<tr>
<td>10</td>
<td>Other mail order catalogue companies</td>
</tr>
<tr>
<td>11</td>
<td>Photo magazine publishers</td>
</tr>
<tr>
<td>12</td>
<td>Travel opportunities, airline clubs</td>
</tr>
<tr>
<td>13</td>
<td>Other credit card offers</td>
</tr>
<tr>
<td>14</td>
<td>Banks and other lenders, insurance companies</td>
</tr>
<tr>
<td>16</td>
<td>Gardening supply catalogues, book clubs, travel clubs (e.g., Elderhostel)</td>
</tr>
</tbody>
</table>
Collect examples of catalogues, sweepstakes offers, direct mail offers, and other unsolicited materials from home. Look to see who sent the materials and then ask yourself:

1. What is known about your (or your parents’) age, gender, income, interests, and activities?

_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

2. Where did the company get your (or your parents’) name and address?

_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________
_______________________________________________________________________

activity 14-4  choices & decisions about consumer privacy
true-false

1. ____ The Access to Information Act allows access to most, but not all, private records of companies.

2. ____ Public databases include such information as credit reports, school records, and medical records.

3. ____ A credit report would include if a person had declared bankruptcy in the past.

4. ____ A credit bureau keeps track if people pay their bills on time.

5. ____ The Consumer Reporting Act allows a person to access his or her credit report.

multiple choice

6. ____ An example of public records would be:
   A. a credit card statement.
   B. a telephone directory.
   C. medical records.
   D. an employment application on file with a company.

7. ____ Voter registration records are considered to be:
   A. public records.
   B. private records.
   C. company records.
   D. a database profile.

8. ____ A credit report would include a person’s:
   A. federal income tax data.
   B. balances for electric bills and other utilities.
   C. salary history.
   D. balances for instalment accounts.

9. ____ The organization that provides companies with information on a person’s past use of credit is:
   A. a credit union.
   B. the Consumer Credit Counselling Service.
   C. a bank.
   D. a credit bureau.

10. When using an ATM, your PIN is designed to:
    A. indicate your current balance.
    B. provide the bank access to your financial records.
    C. provide security as an authorized user.
    D. indicate your credit rating.

case application

Jasmine recently received letters that her charge accounts are overdue. She noticed these were from companies from which she never made purchases. After further investigation, the purchases were for items she did not buy. What actions would you recommend for Jasmine?
true-false

1. **f** The Access to Information Act allows access to most, but not all, private records of companies.

2. **f** Public databases include such information as credit reports, school records, and medical records.

3. **t** A credit report would include if a person had declared bankruptcy in the past.

4. **t** A credit bureau keeps track if people pay their bills on time.

5. **t** The Consumer Reporting Act allows a person to access his or her credit report.

multiple choice

6. **B** An example of public records would be:
   - A. a credit card statement.
   - B. a telephone directory.
   - C. medical records.
   - D. an employment application on file with a company.

7. **A** Voter registration records are considered to be:
   - A. public records.
   - B. private records.
   - C. company records.
   - D. a database profile.

8. **D** A credit report would include a person’s:
   - A. federal income tax data.
   - B. balances for electric bills and other utilities.
   - C. salary history.
   - D. balances for instalment accounts.

9. **D** The organization that provides companies with information on a person’s past use of credit is:
   - A. a credit union.
   - B. the Consumer Credit Counselling Service.
   - C. a bank.
   - D. a credit bureau.

10. **C** When using an ATM, your PIN is designed to:
    - A. indicate your current balance.
    - B. provide the bank access to your financial records.
    - C. provide security as an authorized user.
    - D. indicate your credit rating.

case application

Jasmine recently received letters that her charge accounts are overdue. She noticed these were from companies from which she never made purchases. After further investigation, the purchases were for items she did not buy. What actions would you recommend for Jasmine?

*Jasmine seems to be a victim of identity theft. She needs to contact these companies to cancel these accounts and to explain the situation. She needs to review her credit report for other abuses of her financial records, and also review her credit report every few months. She should also be cautious with the use of her Social Insurance Number in the future.*
lesson fourteen
about consumer privacy

supplemental materials
Lost or Stolen Visa Card
First, call your issuing financial institution. If you can't remember which one issued your card, call the Visa International Global Customer Assistance Service toll free, 24 hours a day at (800) 847-2911. If you are out of the country, call (410) 581-9994 collect.
There are a number of credit counselling agencies which can provide information on a number of financial and consumer topics. Please find listed below a list of non-profit credit counselling agencies available for assistance.

**British Columbia**
Credit Counselling Society of British Columbia  
#200 - 435 Columbia Steet  
New Westminster, BC V3L 5N8  
Telephone: (604) 527-8999  
Fax: (604) 527-8008  
Toll Free: 1-800-527-8999

**Manitoba**
Community Financial Counselling Services  
Room 203, 290 Vaughan Street  
Winnipeg, MB R3B 2N8  
Telephone: (204) 989-1900  
Fax: (204) 989-1908  
Toll Free: 1-888-573-2383

**Alberta**
Written inquiries to:  
Credit Counselling  
16th Floor, 10155 - 102 Street  
Edmonton, Alberta T5J 4L4  
Telephone inquiries to:  
Government Operator Number  
(Local Telephone Directory)  
Ask for the nearest Municipal Affairs Consumer Services Office

**Ontario**
Written inquiries to:  
The Ontario Association of Credit Counselling Services  
PO Box 189  
Grimsby, ON L3M 4G5  
Telephone inquiries to:  
Credit Counselling Services  
Telephone: 1-888-7in-debt  
Fax: (905) 945-4680

**Saskatchewan**
The Office of the Rentalsman  
Provincial Mediation Board  
Debt Management  
Department of Justice  
2151 Scarth Street, Suite 120  
Regina, SK S4P 3V7  
Telephone: (306) 787-5387  
Fax: (306) 787-5574  
Toll Free: 1-888-215-2222

(Saskatoon Office)  
4th Floor, # 201, 21st Street East  
Saskatoon, SK S7K 2H6  
Telephone: (306) 933-6520  
Fax: (306) 933-7030  
Toll Free: 1-888-215-2222

**Quebec**
Federation of Co-operative Family Economics Association  
815 Laurier Avenue East  
Montreal, QC H2J 1G2  
Telephone: (514) 271-7004  
Fax: (514) 271-1036

Fédération nationale des associations de consommateurs du Québec  
1215 Visitation Street  
Suite 103  
Montreal, QC H2L 3B5  
Telephone: (514) 521-6820  
Fax: (514) 521-3763  
e-mail: fnacq@accent.net
credit counselling agencies (continued)

New Brunswick
Consumers Affairs Branch
Department of Justice
PO Box 6000
Fredericton, NB E3B 5H1
Telephone: (506) 453-2659
Fax: (506) 444-4494
e-mail: a.peabody@gov.nb.ca

Credit Counselling Services of
Atlantic Canada, Inc.
Harbour Building
703-133 Prince William Street
Suite 302
Saint John, NB E2L 2B6
Telephone: (506) 652-1613
Fax: (506) 633-6057
Toll Free: 1-888-753-2227

Nova Scotia
Nova Scotia Department of Business
and Consumer Service
Division, Debtor Assistance Section
PO Box 2653
Halifax, NS B3J 3P7
Contact: John Just
Telephone: (902) 424-5200
Fax: (902) 424-7354

Northwest Territories
Department of Municipal & Community
Affairs
Suite 600, 5201 50th Avenue
Yellowknife, NT X1A 3S9
Telephone: (867) 873-7125
Fax: (867) 920-6343

Prince Edward Island
Department of Community Services
and Attorney General
PO Box 2000
Charlottetown, PEI C1A 7N8
Telephone: (902) 368-4580
Fax: (902) 368-5355
e-mail: gjjones@gov.pe.ca

Newfoundland and Labrador
Personal Credit Counselling Service
of Newfoundland and Labrador
Suite 201, Virginia Park Plaza
Newfoundland Drive
St. John’s, NF A1A 3E9
Telephone: (709) 753-5812
Fax: (709) 753-3390

Newfoundland and Labrador
Personal Credit Counselling Service
of Newfoundland and Labrador
Suite 201, Virginia Park Plaza
Newfoundland Drive
St. John’s, NF A1A 3E9
Telephone: (709) 753-5812
Fax: (709) 753-3390
Some legal aspects of the issuance and administration of credit cards are regulated by federal or provincial consumer protection legislation. If you have a question which relates to a matter which is governed by this legislation, you may wish to contact the appropriate consumer affairs department below to see if they can help answer your question.

**Federal**  
Industry & Science Canada  
Bureau of Consumer Affairs  
Place du Portage 1  
50 Victoria Street  
Hull, QC K1A 0C9

**British Columbia**  
Ministry of Labour and Consumer Services  
1019 Wharf Street  
Victoria, BC V8V 1X4

**Alberta**  
Government Services  
3rd Floor, 10155 - 102 Street  
Edmonton, AB T5J 4L4

**Saskatchewan**  
Department of Justice  
Consumer Protection Branch  
Licensing and Investigation  
1871 Smith Street  
Regina, SK S4P 3V7

**Manitoba**  
Consumer & Corporate Affairs  
Consumer Bureau  
302-258 Portage Avenue  
Winnipeg, MB R3C 0V8

**Ontario**  
Ministry of Consumer & Business Services  
Consumer Services Bureau  
32-250 Yonge Street  
Toronto, ON M5B 2N5

**Quebec**  
Offices de la protection du consommateur  
Suite 450, 400, boul. Jean-Lesage  
Quebec, QC G1K 8W4

**New Brunswick**  
Justice & Attorney General  
Rentals & Consumer Affairs  
PO Box 6000  
Fredericton, NB E3B 5H1

**Nova Scotia**  
Service Nova Scotia & Municipal Relations  
9 South, Maritime Centre  
1505 Barrington Street  
PO Box 2723  
Halifax, NS B3J 3P7

**Prince Edward Island**  
Department of Provincial Affairs and Attorney General  
Consumer Services  
PO Box 2000  
Charlottetown, PEI C1A 7N8
Newfoundland and Labrador
Department of Government Services & Lands
2nd Floor, West Block
Confederation Building
PO Box 8700
St. John’s, NF A1B 4J6

Northwest Territories
Municipal & Community Affairs
600-5201 50th Avenue
POB Box 1320
Yellowknife, NT X1A 3S9

Yukon Territory
Department of Community Services
Consumer & Safety Services
Box 2703
Whitehorse, YK Y1A 2C6

Nunavut Territory
Government of Nunavut
Department of Finance
PO Box 1000 Station 330
Iqaluit, NV X0A 0H0
If you have been denied credit and/or would like to verify the information on existing credit reports with respect to yourself, you are entitled to receive a free copy of the credit report. To obtain a copy of your credit profile report, call any of the following organizations:

**Equifax**

Canadian residents call 1-800-465-7166 to receive instructions for obtaining a free credit report. Inquiries can also be directed by mail to:

Equifax Canada Inc.  
Consumer Relations Department  
Box 190  
Jean Talon Station  
Montreal, Quebec  H1S 2Z2

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**Trans Union of Canada, Inc.**

Call the local Trans Union of Canada, Inc. affiliated bureau in your area to receive instructions for obtaining a free credit report:

**British Columbia**  
Trans Union of Canada, Inc.  
World Trade Centre  
999 Canada Place #404  
Vancouver, BC  V6C 3E2  
Telephone:  
(604) 683-2426  
Fax:  
(604) 844-2838  
Toll Free:  
1-800-663-9980

**Alberta**  
Trans Union of Canada, Inc.  
216 - 10709 Jasper Avenue  
Edmonton, AB  T5J 3N3  
Telephone:  
(780) 426-5800  
Fax:  
(780) 425-0059  
Toll Free:  
1-800-801-3619

**Ontario**  
Trans Union of Canada, Inc.  
10520 Yonge Street  
Unit 35B, Suite 322  
Richmond Hill, ON  L4C 3C7  
Telephone:  
(905) 884-3103

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**Saskatchewan**  
Trans Union of Canada, Inc.  
116 - 2570 Faithfull Avenue  
Saskatoon, SK  S7K 6M6  
Telephone:  
(306) 653-8444  
Fax:  
(306) 653-2555

**Manitoba**  
Trans Union of Canada, Inc.  
Suite 200, #5 Donald Street  
Winnipeg, MB  R3L 2T4  
Telephone:  
(204) 474-0635  
Fax:  
(204) 474-0843

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Trans Union of Canada, Inc.  
202 - 1409 Edmonton Trail NE  
Calgary, AB  T2E 3K8  
Telephone:  
(403) 276-7243  
Fax:  
(403) 230-3835
### Quebec
Trans Union of Canada, Inc.
Le Groupe Echo
1600, Henri-Bourassa Blvd. ouest #200
Montréal, QC H3M 3E2
Telephone: (514) 335-3246
Fax: (514) 334-7731
Toll Free: 1-800-363-2809

### Nova Scotia
Trans Union of Canada, Inc.
11 Scarfe Court
Dartmouth, NS B3B 1W4
Telephone: (902) 468-7560
Fax: (902) 468-7661

### Prince Edward Island
Trans Union of Canada, Inc.
370 Queen Street
Charlottetown, PEI C1A 4C6
Telephone: (902) 566-9195
Fax: (902) 566-3781

### New Brunswick
Trans Union of Canada, Inc.
185 St. George Street
P.O. Box 741
Moncton, NB E1C 8M9
Telephone: (506) 854-7559
Fax: (506) 383-4636

### New Brunswick
Trans Union of Canada, Inc.
126 rue Vimy, Suite 200
Rimouski, QC G5L 3J6
Telephone: (418) 723-3335
Fax: (418) 723-9853

### New Brunswic
Trans Union of Canada, Inc.
11 Scarfe Court
Dartmouth, NS B3B 1W4
Telephone: (902) 468-7560
Fax: (902) 468-7661

### Prince Edward Island
Trans Union of Canada, Inc.
370 Queen Street
Charlottetown, PEI C1A 4C6
Telephone: (902) 566-9195
Fax: (902) 566-3781

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How many teachers will be involved in using the program? __________________

Will there be more than one class/leadership group using the materials? ☐ Yes ☐ No

If yes, how many? ____________________________________________

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Ottawa, Ontario K1G 0Z5
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