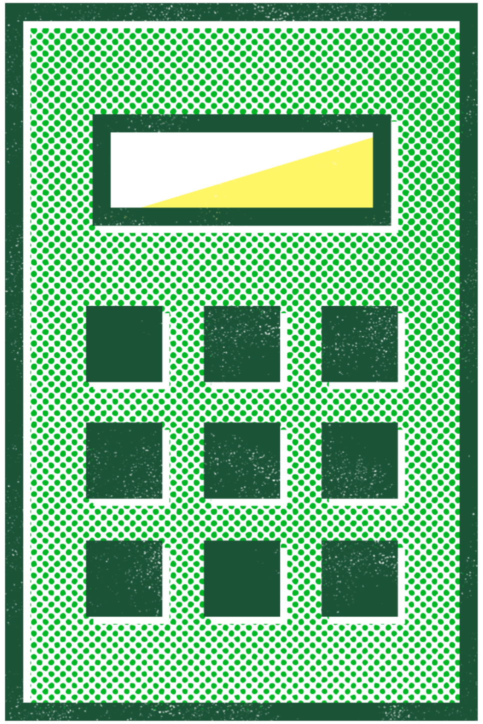
TD Financial Literacy

- **Budgeting**
- **Credit**
- **Investing**

TD Financial Literacy

Budgeting



Three rules of budgeting

The simple but essential steps.

Rule 1:

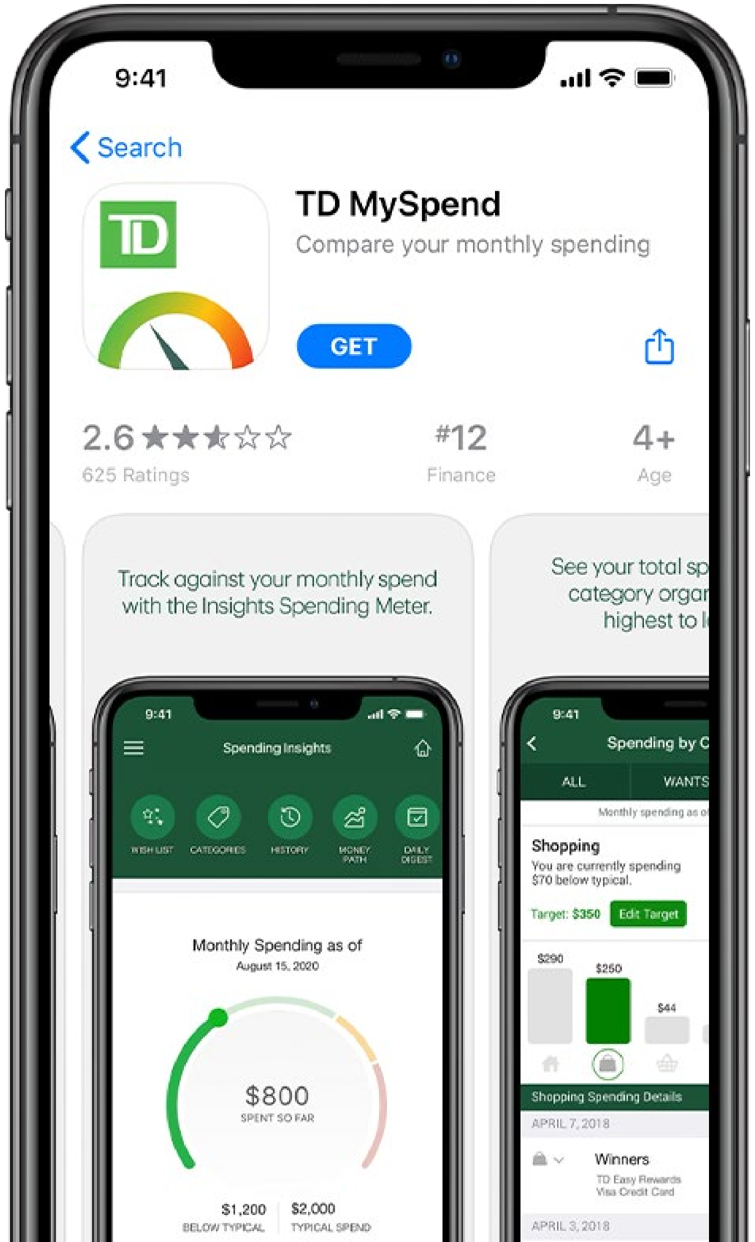
Prioritize Your Money

Make a plan: Set limits on how much you spend and what you spend it on. And stick to it.

Get help with the **TD MySpend** app

With TD MySpend you can:

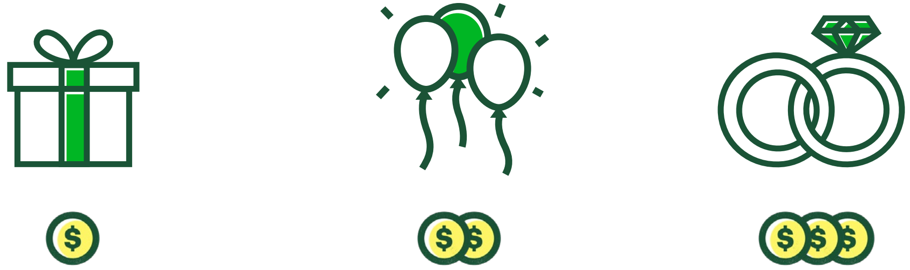
- Track your spending
- Create a wish list of savings goals
- Make a plan for your money

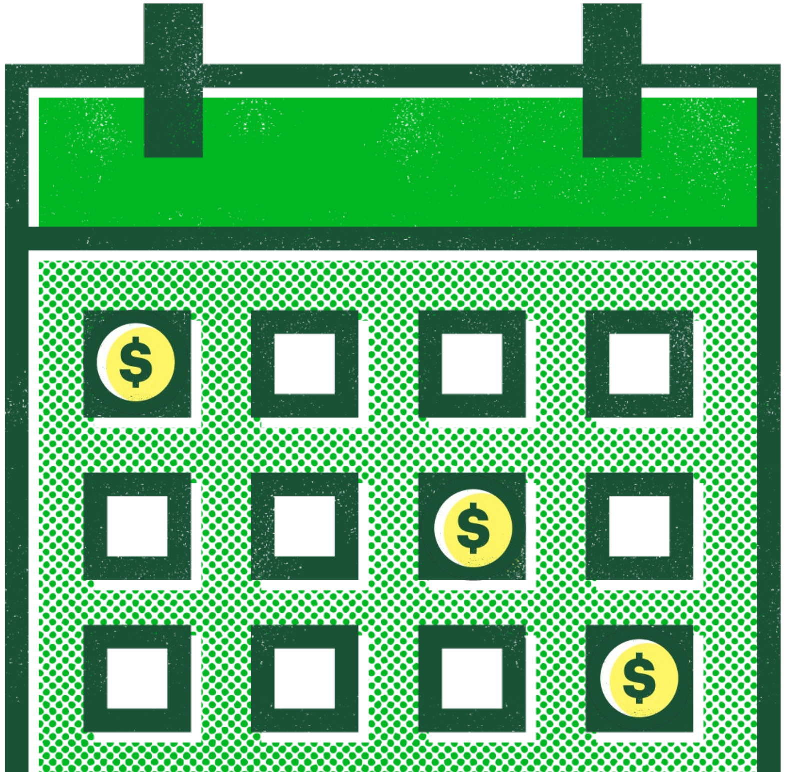


Rule 2:

Look Forward

Plan for an entire year of expenses. Month by month, figure out your big and small expenses.





Rule 3:

Adjust and Re-Align

When overspending happens (and it will), adjust and re-align your spending to make up for it.

Creating a budget

Step 1:

What's your monthly income?

To start, figure out the total amount of money you have for spending.

	$375	Monthly pay cheque
	$350	Summer savings (1/8th of savings for school year)
	$50	Grants/Bursaries
	$500	Parental/Family Support
+	$5	YouTube & Tik Tok Money
=	**$1,280**	Per Month

Step 2:

What are your mandatory expenses?

These are expenses you have to spend money on each month.

	$500	Rent
	$75	Cell
	$150	Groceries
	$50	Utilities
+	$50	Bus Pass / Transportations
=	**$825**	Per Month

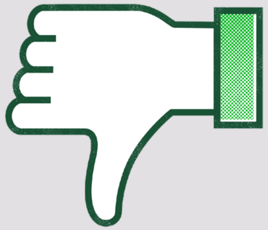
Step 3:

Assess your debts and obligations

Tuition, loans and lines of credit are okay. Payday loans and cash advances are not.

Money used for items that can help increase your net worth

- Government Education Loans
- Student Lines of Credit



Depreciating assets, consumables, high interest rates

- Cars/Furniture
- Payday Loans or Cash Advances

Step 4:

Dealing with debt

1. Move your debt from high interest to low interest, if possible.
2. Know your terms, timelines and budget for repayment.

Step 5:

Figure out your discretionary spending

Discretionary spending is anything left over after your mandatory expenses.

Step 6:

Use the S.M.A.R.T. approach to budgeting

Specific:

Have specific goals. “I will cut my take-out budget by 25% this month.”

Measurable:

Measure your success and failure. “If I spend $100 less on Uber this month, I’ve succeeded.”

Assignable:

Assign goals for your money. “I will pay off more than the minimum credit card balance this month.”

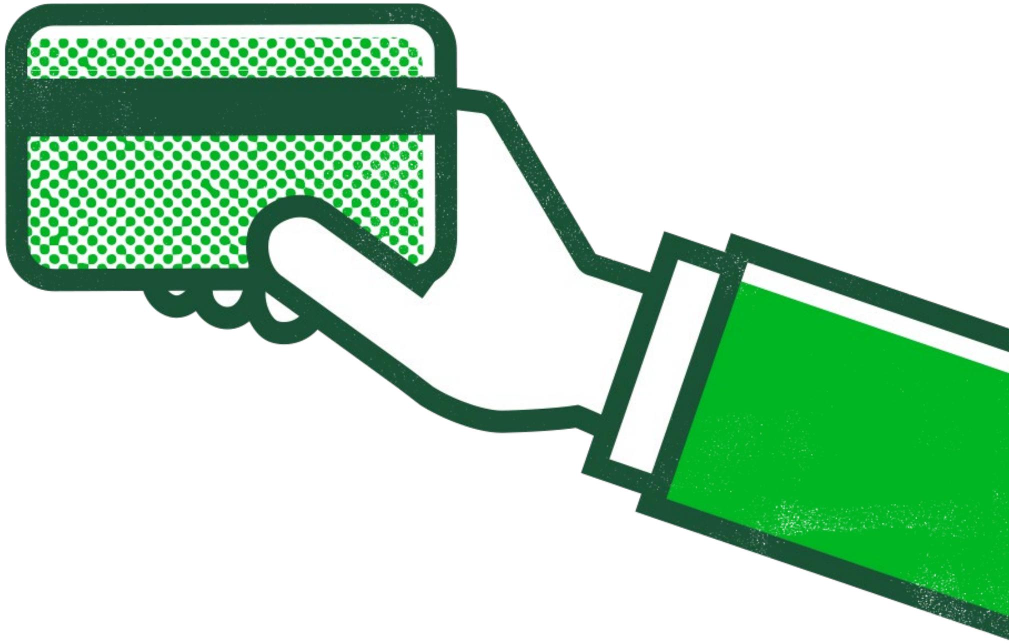
Realistic:

Start with realistic goals. It’s easier in the long run to change spending habits gradually.

Time-Bound:

Set a deadline and hold yourself accountable. Goals without a deadline are more likely to be dropped.

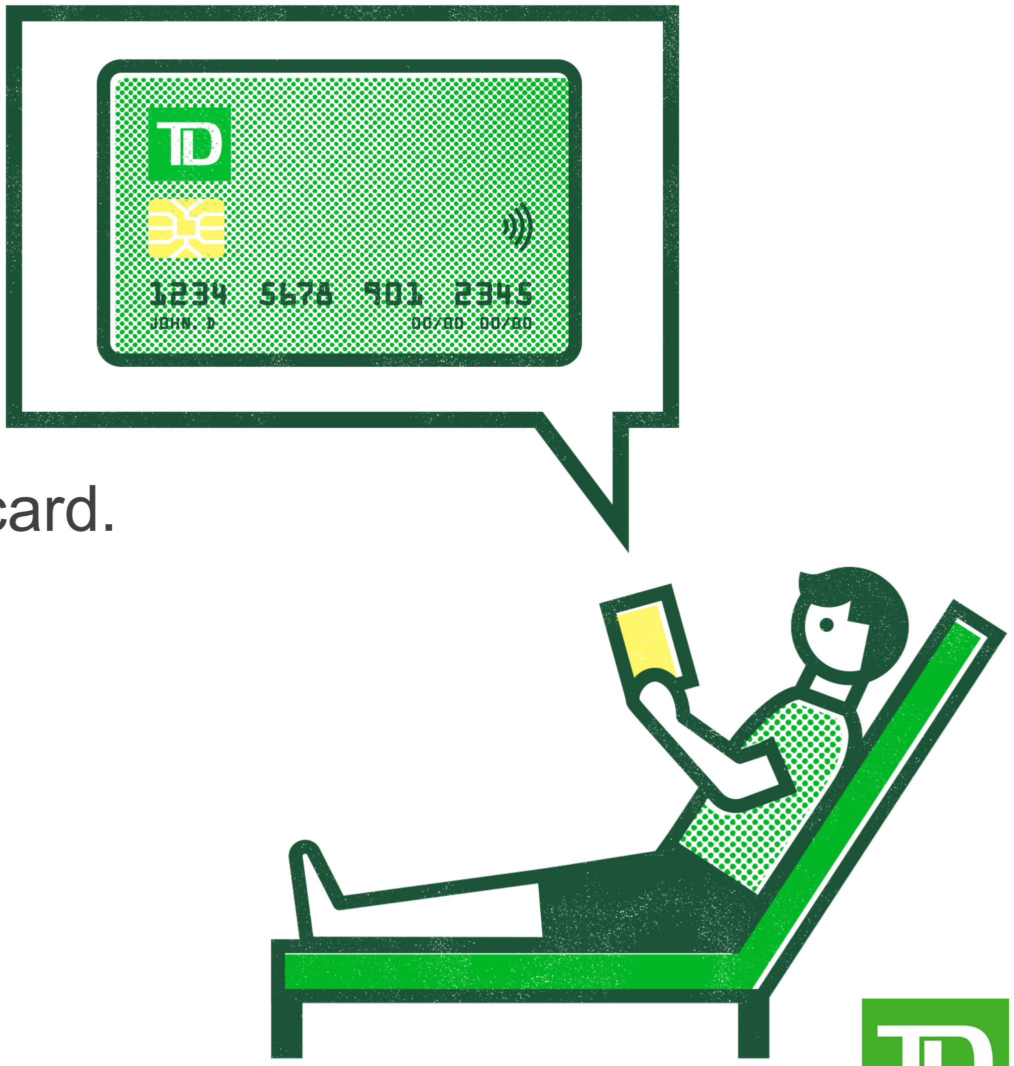
Credit



How do credit cards work?

1. A credit card is like a **short-term loan**. You use it as if you're borrowing money, then you pay the money back.
2. Credit cards have a credit **limit**. This is the maximum you can spend on your card.
3. If you don't pay off your balance each month, you'll get charged **interest** on the money you've used.
4. Credit cards can earn you cash back, rewards and build your **credit history**, which is important.

Is a credit card right for you?



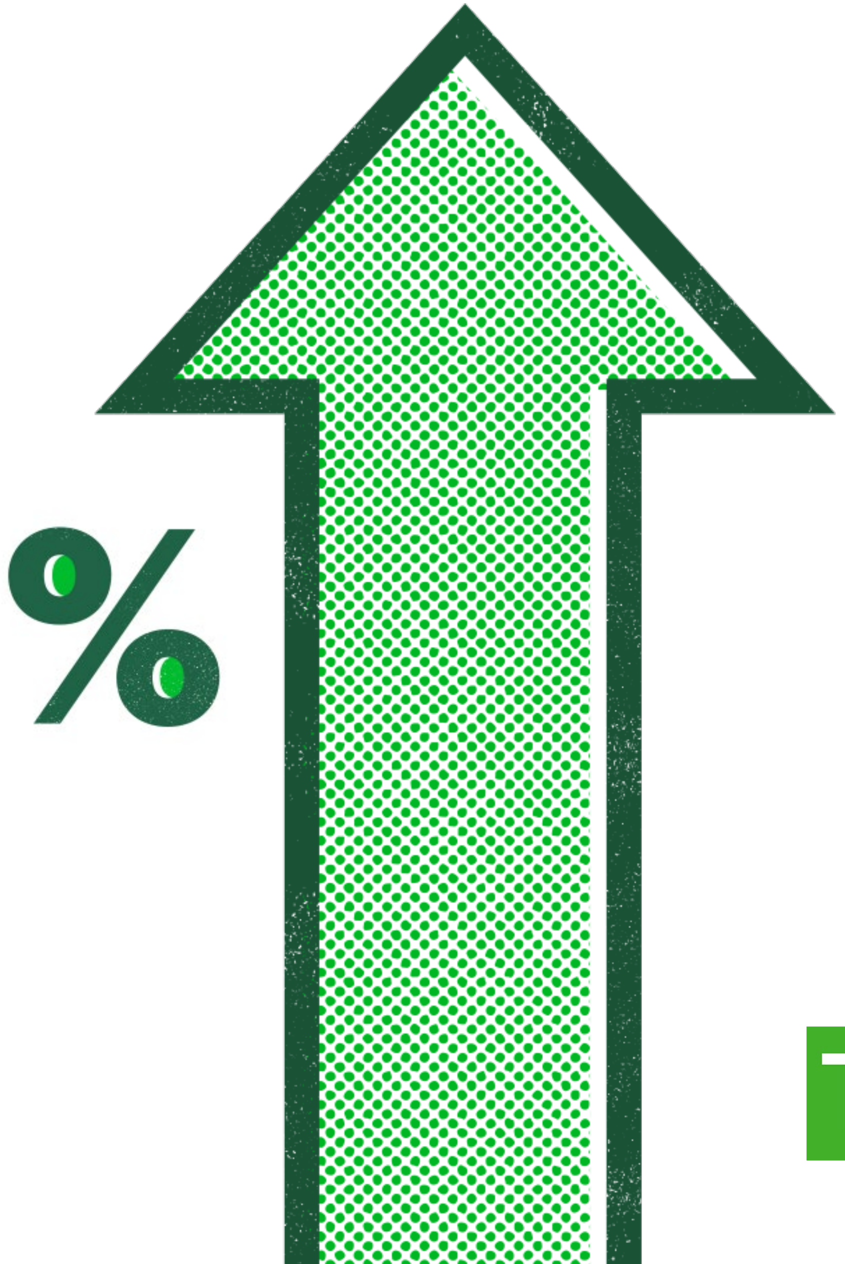
There are many benefits to having a credit card.
You might consider one if:

- You live within your means
- You have regular income
- You don’t have spending problems
- You can make and follow a budget

How does interest work?

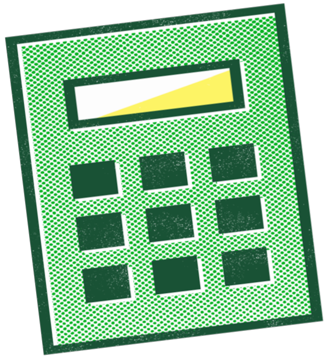
If you don't pay off your credit card balance in full each month, you're charged a percentage fee of whatever's left.

The amount charged is called the Annual Interest Rate and it can be really high.



How interest is calculated

Let’s assume your balance is $1,000 and your credit card has a 25% Annual Interest Rate.



Calculate your daily interest rate

Annual Interest Rate / days in the year
.25 / 365 = .00068

Calculate your daily interest charge

Daily interest rate x average daily balance
.00068 x 1,000 = $.68

Calculate your interest charge for the month

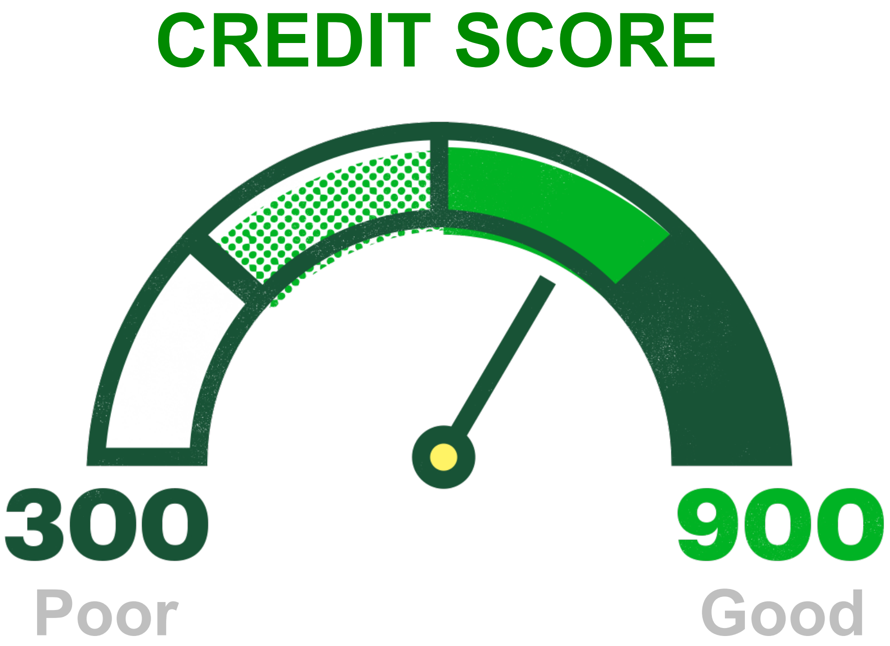
Daily interest charge x days in the billing cycle (30)
$.68 x 30 days = $20.50

**You would owe $20.50, even if you only had $1 left on your balance.*
May vary between provinces based on provincial regulation.

Building your credit history

Your credit score is a three digit number that represents the likelihood you will pay your bills on time.

A higher credit score means you can potentially get better credit terms.



How is your credit score calculated?

Credit scores are based on how well (or not) you've managed the following:

- Payment history
- Amount of debt
- Length of your credit history
- Credit utilization
- New credit requests
- Types of credit

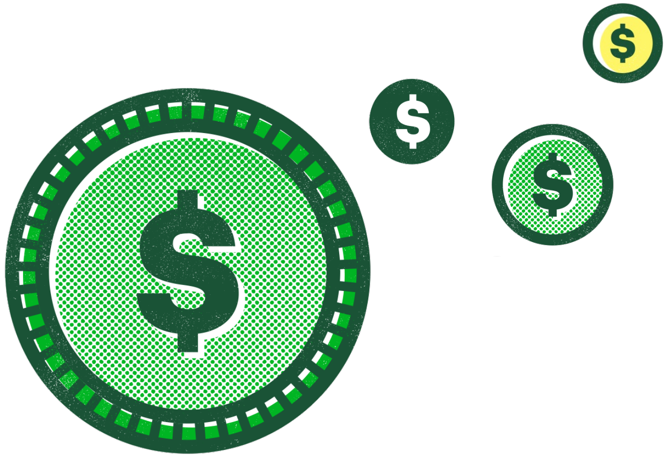
How credit can impact you

Let’s assume you’re buying a house.

	GOOD CREDIT	BAD CREDIT	DIFFERENCE
Mortgage	$500,000	$500,000	
Interest Rate	3.35%	5.34%	+ 1.99%
Amortization	25 years	25 years	
Frequency	Monthly	Monthly	
Monthly Payment	$2,457	$3,005	+ $548
Total Interest Paid Over Term	**$77,000**	**$125,000**	**+ $48,000**

Other credit card fees

Annual Interest Rate isn't the only credit card fee you might have to pay, here are a few examples.



Late fees:

A fee charged when you miss minimum payments.

Annual fees:

On certain credit cards, you have to pay a fee every year.

Cash advance fee:

If you take cash out on your credit card, there are big fees.

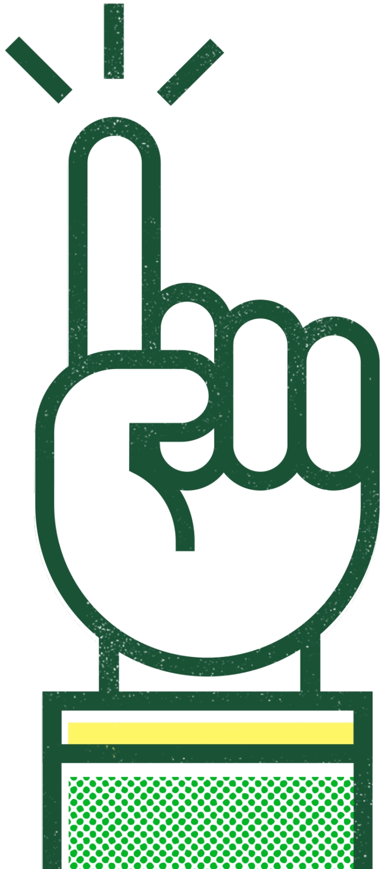
Foreign exchange fee:

When you buy something in a foreign currency, there is a fee.

Are credit cards a good idea?

If you think you can handle the responsibility and use them properly, credit cards are really helpful. They can:

- Build your credit history
- Earn rewards and cash back
- Can set up pre-authorized payments
- Enables payments where credit cards are only form of accepted payment or security



Should I pay down my debt or save money?

There are a few questions you need to ask yourself to answer this question:

- Am I okay with debt or does it cause me stress?
- What interest rate am I paying on my debt?
- Is my debt tax deductible?
- What rate of return am I getting on my savings?
- Do taxes reduce my rate of return?

TD Financial Literacy

Investing Basics

RRSP

- Long-term savings (retirement)
- Tax deduction when you contribute
- Can be used for Home Buyers Plan and Lifelong Learning Program
- Earnings are tax-deferred and taxes are paid on withdrawals
- Contribution room is 18% of your previous year’s income and unused room is carried forward
- Contribution room is lost when withdrawals are made

TFSA

- Short-term and long-term savings
- No taxes on earnings or withdrawals
- No tax deduction on contributions
- Contribution limits are set each calendar year and unused room is carried forward.
- The contribution limit for 2020 is $6,000 per year
- Contribution room is restored the following calendar year when withdrawals are made