

Money Matters

Workbook 4 RESPs and Other Ways to Save



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ABC Life Literacy Canada gratefully thanks Founding Sponsor TD Bank Group for their generous support of *Money Matters*.

Printed in Canada

Distributed to organizations across Canada by ABC Life Literacy Canada.

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Welcome to *Money Matters!*

We designed *Money Matters* to help you take better care of yourself by taking better care of your money. When you feel good about your money management, you're less stressed, and you have more energy for the things that are important to you.

That's part of what we do at ABC Life Literacy Canada: we help Canadians get the tools they need to increase their literacy so they can live a fully engaged life. *Money Matters* gives you basic, practical information about money. It'll help you better understand spending, borrowing and saving—how you can put the money you have to work for you.

It also shows you ways to reach your long-term goals. You'll learn about registered savings plans for helping your money grow more quickly. Do you have kids? You'll also learn about ways to help you save for their future.

When you're done the program, you'll have new knowledge but also new questions. We have a list of extra resources for you, so you can get answers and keep improving your financial literacy.

We hope you enjoy *Money Matters!*

Sincerely,

Mack Rogers, Executive Director
ABC Life Literacy Canada

Workbook 4

RESPs and Other Ways to Save

“How can I get ready for the future?”

Learning Outcome:

Look at your future needs and plan ways to save for them.



What Will You Learn?

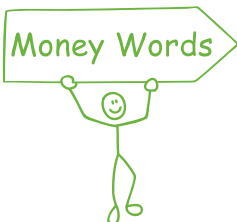
This unit is about savings. You'll take a look at ways of making the money you save grow over time.

You'll learn about **registered savings plans** to help you get ready for your future.

Have kids? Then it's important for you to know that there are registered savings plans to help you help your children with their future education.

Workbook 1 of *Money Matters* introduced you to the **Registered Education Savings Plan**, and the **Canada Learning Bond** and **Canada Education Savings Grants** available from the Canadian government.

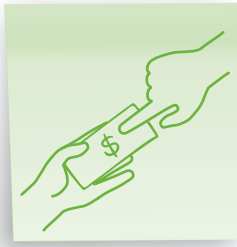
In this workbook, you'll learn more about these great opportunities for helping your children get ahead.



A **savings account** is an account that pays interest on the money you deposit.

Registered savings plans are savings accounts registered with the Government of Canada. The plans offer tax breaks and sometimes money bonuses to help you meet your future needs.

Activity 1



Getting in Touch With Your Money

A self-assessment quiz

Check off the statement that best applies to you.

Think about your future, and the future of your children, your spouse or partner, the ones you love.

What do you want for them, and for you, ten years from now? Twenty years? What money will you need to reach these dreams?

- I'm not able to save money. Even a bit is too difficult on my income.
- I might be able to save, if I could figure out how to go about it.
- I save now, but I'm probably not getting the most out of my money.
- None of the above applies to me. Here's my situation:

A Place for Your Notes:

Activity 2

Group Discussion



Do you find that there is just not enough money left after food, shelter, and bills to be able to save?

Are you concerned about saving money for your future?

Is saving important to you?



Lots of people are just trying to make ends meet today. They aren't worried about saving. They don't realize how important it is.

Do you need to save large amounts of money to make saving worth it?

A Place for Your Notes:

Activity 3

Meet Tenzin and Riley



Tenzin

Tenzin knows something has to change. He can't keep spending the way he has in the past. He's not getting any younger, and except for his big screen TV, which he's still paying for, he doesn't have anything to show for his hard work. Tenzin decides to pack a lunch each day instead of buying out, and saves about a hundred dollars a month. He also looks at his phone and cable bills to see if there are services he can go without, at least until he's sure his job is safe. Rumours are swirling about lay-offs.



Riley

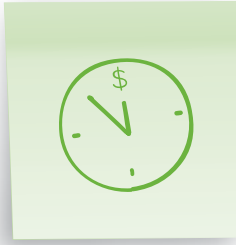
Riley wants to give her children opportunities she didn't have growing up. She wants them to be able to go to college or university, but knows how expensive tuition, books and residence can be. It's still a long way off, but their future worries her. How can she afford schooling for them? What help can she get in saving for school?

What's Your Story?



Saving doesn't happen on its own—we have to plan for it. And it's important that we do. If you don't have money set aside, what happens if you lose your job, or get sick? What happens to the people who depend on you?

Activity 4



Where Are You in Your Life?

Tenzin and Riley are at different stages in life. Their reasons for saving are different.

That's normal. At different times in our lives, our money needs change. So do the ways we might best go about saving.



What are you saving for right now?
If you're not saving, why aren't you?



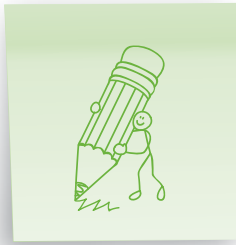
Group Discussion

How does a person's money wants and needs change over time?

What would be the reasons for saving money at different stages of life?

- Teenager living at home
- Student at school full-time
- Young adult living independently
- Employed person
- Unemployed person living on a fixed income
- Parent of school-age children
- Empty-nester
- Planning for retirement
- Retirement
- _____

Activity 5



Try This

Think of your own life.

Write in the spaces some of the life stages you've gone through already, or see yourself going through in the future. Include the life stage you're at right now.

↓

↓

↓

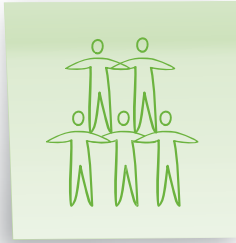
↓



Many people find it easier to save if they do it regularly. Here's one idea:

Have your bank automatically take money out of your chequing account each month and deposit it into a savings account.

Activity 6



Try This Group Activity

Gather together with others in the group who are at the same stage in their lives as you.

Do you have money needs in common? For what, or why, might you need to save at this stage in your life?

Our common life stage: _____

Reasons for saving:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

A Place for Your Notes:

Activity 7



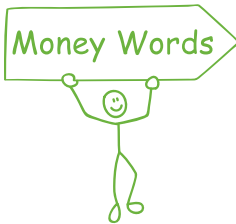
Pay Yourself First

Many people have trouble saving because there is no money left by the time they pay everything else. One solution is to pay yourself first.

That means taking money off the top of each paycheque to put into your savings account. After that, take care of your bills and other needs.



It's always good to save as much as you can. 10% of your **net income** is a great place to start.



Money Words

Net income is the amount you receive after taxes and other deductions are taken off your paycheque.



Do the Money Math

What is 10% of your net income?

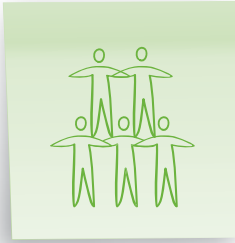
To figure it out, divide your net income by 10.

$$\underline{\hspace{2cm}} \div 10 = \underline{\hspace{2cm}}$$

My net income

A Place for Your Notes:

Activity 8



Try This Group Activity

Let's say a person's net income is \$500.

$$\$500 \div 10 = \$50$$

10% of \$500 is \$50. That's the amount the person would aim to save.

Let's also say that saving is hard for the person. If she is to "pay herself first," then she'll need to make up the \$50 by cutting back on her regular spending.

Brainstorm together ways a person might save by cutting back on regular spending. Figure out a money value for each item. Work to reach the target of \$50.

Ideas for saving

1. Cut back on fast food
2. _____
3. _____
4. _____
5. _____

Ideas for saving

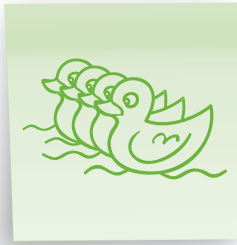
1. \$10 or so a week
2. _____
3. _____
4. _____
5. _____



Hint: Remember Tenzin?
What is he doing to save money?

A Place for Your Notes:

Activity 9



Getting Your “Money Ducks” All in a Row...

Now think about your own spending habits.

Use 10% of your net income as the target.

How might you save that amount or work towards it?

My Target: _____

Ideas for MY saving

\$ Money Value

- | | |
|---------------------------------|------------------------|
| 1. <u>Save my pocket change</u> | <u>50¢ or so a day</u> |
| 2. _____ | _____ |
| 3. _____ | _____ |
| 4. _____ | _____ |
| 5. _____ | _____ |

Total Savings: _____

Did you reach your target?

If you aren't able to save enough to reach your target, don't give up on saving. Save what you can.

A Place for Your Notes:

Activity 10



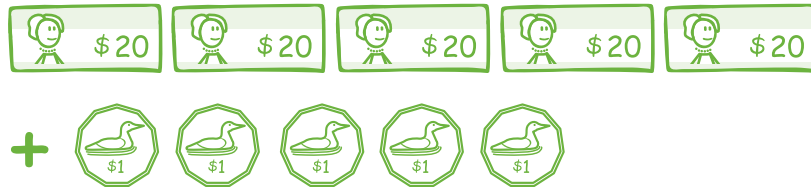
Make Your Money Grow

Remember in past units when we talked about debt, and how your debt gets bigger because you pay interest on it?

The same idea applies to saving accounts and plans, but you get the interest. The amount you save grows.

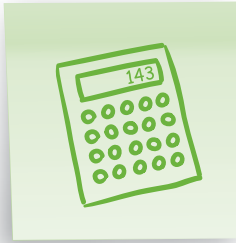
How it works

Let's say you put your money into a savings account or plan where you get 5% interest. For every \$100 you save in a year, you'll get an extra \$5.



The next year, you'll get 5% interest on \$105 (instead of \$100). Your money is growing again. This is called compound interest.

A Place for Your Notes:



More Money Math

Calculating interest is a great way to encourage savings as you can see your money grow. Building on the lesson from the previous page, calculate how much interest you will get for the following savings amounts and interest rates.

Hint: Use your calculator to help with the math.

Example:

Saving Amount: \$250
Interest Rate: 3%

Interest as a decimal
(from Unit 2)
 $3\% \div 100 = 0.03$

Calculate interest earned	
	\$100.00
x	0.03
	\$3.00

Now you try it!

1. Saving Amount: \$250
Interest Rate: 4%

A Place for Your Math:

2. Saving Amount: \$500
Interest Rate: 2%

A Place for Your Math:

3. Saving Amount: \$1000
Interest Rate: 5%

A Place for Your Math:

Activity 11

Registered Savings Plans



The Canadian government has set up special savings plans to help your money grow more quickly. Do one or more of the plans seem like they might work for you?

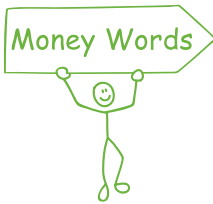
Type of Plan	Short Form	What it is	Money Notes
Registered Education Savings Plan	RESP	A savings account registered with the Government of Canada. It helps you save for a child's education after high school.	When you put money into an RESP, the Government of Canada will put money in it, too. If your income is limited, you might also get more financial help. You don't pay taxes on the interest you earn in an RESP. The student pays taxes on the money when he or she uses it to go to school.
Tax-Free Savings Account	TFSA	A savings account registered with the Government of Canada. It helps people save money more easily.	You can put up to \$5,500 a year into your TFSA. You don't pay taxes on the interest you earn in the account. You don't pay taxes on the money you take out of the account.
Registered Retirement Savings Plan	RRSP	A savings account registered with the Government of Canada. It helps people save for their retirement.	You don't pay taxes on the money you put into your RRSP or interest you earn on it until you take the money out of the plan.

Activity 12



Registered Education Savings Plan

Remember Riley? She's worried about being able to save money for her children's education. One way for her to meet this future goal is an RESP.



RESP is short for **Registered Education Savings Plan**. It's a way to save for a child's future education.



How it Works

The more money you put into the **RESP**, the more money you'll save over time, and the more **interest** you'll gain.

You can start saving when a child is born.

Both you and the child need a Social Insurance Number (SIN) for you to set up the RESP.

The money you put into the RESP grows tax-free. The child pays the tax when he or she withdraws money for school.

Since most students have little or no income, the child will probably pay little or no tax.

The Canadian government offers great ways to make your RESP grow more quickly. Check out the **Canada Learning Bond** and the **Canadian Education Savings Grants!**

A Place for Your Notes:

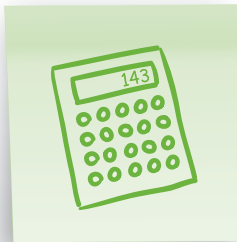
How the Canadian government helps your RESP money grow...

Type of Plan	Short Form	What it is	Money Notes
Canada Learning Bond	CLB	Money from the Government of Canada to help you start saving for your child's education after high school.	Your child could get \$500 now to help you start saving, and an extra \$100 each year up to the age of 15. That's up to \$2000 for your child's education. And you don't have to put any of your own money into the RESP to get this bond. Who can get it? Anyone whose child was born after December 31, 2003, and who gets the Canada Child Benefit.
Canada Education Savings Grant - Basic	Basic CESG	Money from the Government of Canada to help you start saving for your child's education after high school.	A payment of 20% on RESP contributions up until the year your child turns 17. That means for every \$10 you add to the RESP, the Canadian government adds another \$2. Who can get it? Anyone!
Canada Education Savings Grant - Additional	Additional CESG	Money from the Government of Canada in addition to the CESG - Basic.	A payment on top of what you've already received for the Basic CESG. You might get an extra 10% or 20% on the first \$500 (or less) that you put into your RESP in a year. Who can get it? The amount of money that your child can receive depends on the net family income of the child's primary caregiver.

Source: www.canlearn.ca

A Place for Your Notes:

Activity 13



Do the Money Math

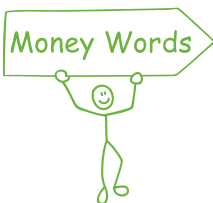
Riley makes \$22,000 a year. Let's say she sets up her daughter's RESP when she is 10 years away from going to college. How much might Riley save over the ten years?

Option 1

Riley puts \$50 a month in a jar in her kitchen.

$\$50 \text{ a month} \times 12 \text{ months in a year} = \600 a year

$\$600 \text{ a year} \times 10 \text{ years} = \mathbf{\$6000 \text{ for education!}}$



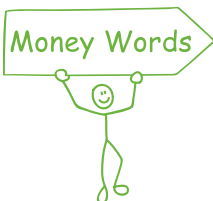
A **Canada Learning Bond (CLB)** is a grant available from the Government of Canada. It is for families with lower incomes to help build up their RESP.

Option 2

Riley puts \$50 a month in a Savings Account.

$\$50 \text{ a month} \times 12 \text{ months in a year} = \$600 \text{ a year} + \text{interest}$

$\$600 \text{ a year} \times 10 \text{ years} = \mathbf{\$6000 + \text{interest for education!}}$



A **Canada Education Savings Grant (CESG)** is money given to you by the Government of Canada and put into your RESP. The amount depends upon how much money you put into the RESP and your family income.



Option 3

Riley puts \$50 a month in an RESP and also receives money from the CESG and CLB.

\$50 a month X 12 months in a year =

\$600 a year + \$120 (CESG) + interest

\$720 a year X 10 years + \$1400 (CLB) =

\$8600 + interest for education!

How much more money does Riley save (not including interest) with an RESP?

Hint: Subtraction is the math skill used to figure it out!



Money Challenge

Think now of your own family, and how much money you could put into an RESP each month.

How much, in general, might you have in the RESP account when your child is ready for college, university, trade school or an apprenticeship program?

A Place for Your Notes:

Activity 14



Group Discussion

Do you have children or grandchildren?
What do they say they want to be when they grow up?

How much money do you think they'll need to pay for their education after high school, whether they pursue this dream or another one? How will they get this money?

Do you see an RESP as something you might like to set up for a child? Are the Canada Learning Bond and the Canada Education Savings Grants opportunities you'd like to take advantage of for your family?

How can you go about setting up an RESP, and applying for a Canada Learning Bond and the Canada Education Savings Grant?

A Place for Your Notes:



Step by Step...

1. Get a RESP

To get an RESP, you must have a Social Insurance Number (SIN) for both you and your child.

You can open an RESP at an RESP provider, which can be a bank or another financial institution, like a credit union, group plan dealer, or certified financial planner.

If you're interested in getting a CLB or Additional CESG, ask your provider if they offer them before setting up your account.

2. Get a CLB

Ask your RESP provider to apply for the CLB.

The CLB money will be deposited directly into your child's RESP account.

Remember: you don't have to put any money into your RESP to get a CLB.

3. Get a Basic CESG

Make a deposit in your child's RESP.

Once your deposit is made, your RESP provider will apply for the grant on your behalf.

4. Get an Additional CESG

Ask your RESP provider to fill out the Additional Canada Savings Grant Form to find out if your child is eligible.

Activity 15



Use SmartSAVER to open an RESP

What you need:

- 10 minutes
- Your child's name, birthdate, and postal code
- Your postal code

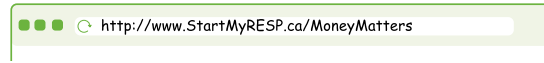


How it works

- Complete the application online. This takes about 5 minutes.
- Book an appointment with your Financial institution, online or by giving them a call.
- Bring your government-issued photo ID and Social Insurance Number to the appointment. Sign the application. (Need help with ID? Check out Workbook 2 of *Money Matters*.)
- The financial institution sends your application to the government. Now you have an RESP for your child!
- If you're approved for the Canada Learning Bond, the government begins putting money into your new RESP.

What you do:

1. Go to www.StartMyRESP.ca/MoneyMatters.



2. Choose what language you'd like your instructions to be in.
More languages are being added all the time!



3. Choose what language you'd like to submit your application in.



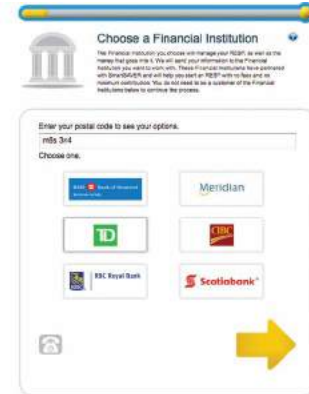
4. Read an overview of the process.



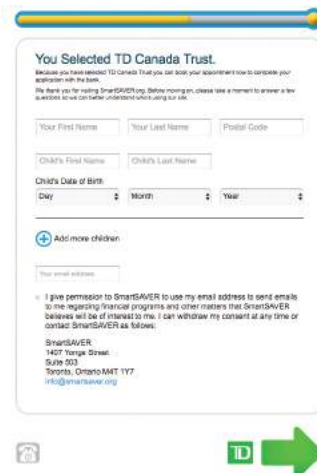
5. Share your postal code.



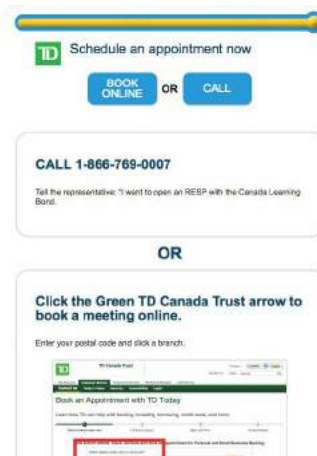
- Pick a financial institution to open the RESP for you. It can be any on the list, even if you don't bank with them. Just make sure you pick one that's available in your province or territory!



- Enter your child's name and birthday.



- Decide if you want to book an appointment online right now, or on the phone.



- You're done!

Activity 16



Tax-Free Savings Account

Do you have other things for which you'd like to save besides a child's education? You might consider a **TFSA**.



TFSA is short for **Tax-Free Savings Account**.



How it Works

You set up the TFSA at a bank or another financial institution.

You must be a Canadian resident aged 18 and older.

You must also have a Social Insurance Number (SIN).

You can put up to \$5,500 per year in the TFSA.

Your money grows tax-free.

You can take your money out of the TFSA without being taxed on it. You can use the money any way you like.

A Place for Your Notes:

Activity 17



Registered Retirement Savings Plan

Think about your age right now.

How many years until your retirement?

I'll probably retire in _____ years.



RRSP is short for **Registered Retirement Savings Plan**.



What's important to YOU?

Think about your stage in the life cycle. What do you need money for right now? Does that include saving for retirement?

- I'm too young to think about saving for retirement now. I have lots of time in the future.
- I'm too old to start saving for retirement to make any difference. I should have started earlier.

A Place for Your Notes:

Activity 18



How it Works

Check out the chart below.

1. Why do you think the money put into an RRSP grows by such “leaps and bounds”?
2. Why is it money smart to start saving for your retirement as early as you can?



You can set up an RESP, a TSFA, and an RRSP at the bank or financial institution of your choice.

Let’s say you open an RRSP today. From now on, every month you save \$50 and put it in your RRSP. It earns 5% compound interest. How much will you have saved between now and when you turn 65? Thanks to the interest, how much will your money have grown?

Your age today	Amount you'll have put in your RRSP	Amount your savings will have grown to
20	\$27,000	\$95,820
25	\$24,000	\$72,480
30	\$21,000	\$54,192
35	\$18,000	\$39,863
40	\$15,000	\$28,636
45	\$12,000	\$19,840
50	\$9,000	\$12,947

source: www.tdgetsaving.com

Look at how your savings have grown!



Imagine you saved \$60 instead of \$50 every month. If you started when you were 20, you'd have \$114,984 in your RRSP by the time you're 65! A little bit now can make a big difference down the road.



Watch Your Money Grow

Find the age on the chart on the previous page that is closest to your age now.

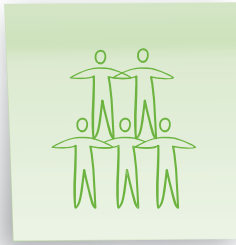
If you start now by putting \$50 per month into an RRSP that gets you 5% interest, approximately how much will your money have grown by the time you are 65 years old?

Hint

$$\begin{array}{r} \text{Money in RRSP when you're 65 years old} \\ - \text{Money you put into the RRSP} \\ \hline \text{Amount your money will have grown} \end{array}$$

A Place for Your Notes:

Activity 19



Try This Group Activity

Do you feel a bit more confident that you are able to save money for your future?

Would you consider going to a bank or another financial institution to find, or set up, the right savings plan for you? Is there more information you'd need first?

Do you think you might set up a **Registered Education Savings Plan** for your child, or contribute to one for a grandchild?

Would a **Canada Education Savings Grant** and a **Canada Learning Bond** help to ensure your child could afford to go to college, university, trade school or into an apprenticeship program if he or she wishes?



Check out more than one bank or financial institution before you choose a savings plan. Compare the plans. Which offers you the best plan for your money and future needs?

Learning More

For more information about the **Canada Education Savings Grant** or the **Canada Learning Bond**, contact the Canada Education Savings Programs at 1-800-O-CANADA (1-800-959-8281) or visit www.canlearn.ca.

A Place for Your Notes:

A Place for Your Math:

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Canada Education Savings Grant (Basic)

money given to you by the Government of Canada and put into your child's Registered Education Savings Plan (RESP) based upon your contributions to the plan

Canada Education Savings Grant (Additional)

extra money given to you by the Government of Canada and put into your child's Registered Education Savings Plan (RESP) based upon your contributions to the plan, available to those with lower family incomes

Canada Learning Bond

money given to you by the Government of Canada for your child's RESP if you are a family with limited income

interest

a fee paid to borrow money

net income

the money you receive after taxes and other deductions are taken off your paycheque

registered savings plan

savings accounts and plans registered with the Government of Canada to help you save money more quickly

RESP

a way to save for a child's future education. Short for Registered Education Savings Plan

RRSP

a way to save for your retirement. Short for Registered Retirement Savings Plan

savings account

a personal bank account that pays you interest on the money you put into it

TFSA

a savings account registered with the Government of Canada. Short for Tax-Free Savings Account



Congratulations!

You've now completed Workbook 4 of *Money Matters*, a program designed to help you make your money work for you.

You've taken an important step to a better understanding of how to take care of yourself by taking care of your money. This is called **financial literacy**.

We hope you've learned things that you can put to practice in your life. We also hope that you feel more comfortable going to a bank or another financial institution to ask questions, get advice, and choose the best money option for you.

Don't forget! Remember!

Now please take the time to finish filling out the course evaluations. This will help us to improve the course and make changes you need.





Thank you for participating
in the *Money Matters* program.



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