Money Matters

Workbook 4
Ways to Save

ABC LifeLiteracyCanada

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Welcome to *Money Matters!*

What will you learn?

In today's workshop, you'll:

- Explore different ways to save for the future
- Learn about interest and how it grows
- Learn about ways to save for your child's education using a Registered Education Savings Plan (RESP)
- Learn about how to save using a Tax-Free Savings Account (TFSA)

Do you know ASL?

You can watch ASL videos of the information from the workbook. The playlist of ASL videos for this workbook is at:

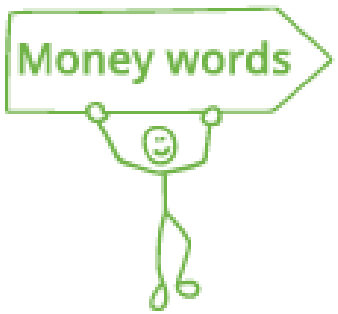
https://tinyurl.com/2strujzk

You can also find the playlist by scanning this QR code on your mobile device.

Ways to save for the future

We'll learn about these registered savings plans from the Canadian government:

- Tax-Free Savings Account (TFSA)
- Registered Retirement Savings Plan (RRSP)
- Registered Education Savings Plan (RESP)
- Canada Learning Bond
- Canada Education Savings Grants



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

Interest is a fee someone pays to borrow money. When you get a loan or use credit, you have to pay interest. When you put money in a savings account, the bank pays you interest. The amount of interest is usually shown as a percentage.

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

Getting in touch with your money

- ☐ I can't save any money because I don't make enough.
- ☐ I might be able to save money, but I don't know how.
- ☐ I save some money now, but I'm not sure I'm doing it very well.
- ☐ None of the above apply to me. Here's my situation:

_____

_____

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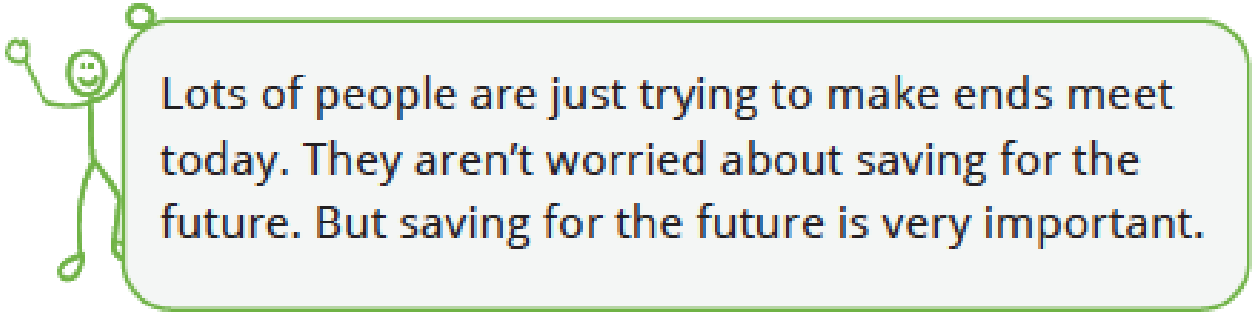
Let's talk about it

- After you pay for food, housing, and bills, do you have any money left to save?
- Are you worried about saving money for your future?
- Is saving important to you?
- Is it only worth saving money if you can save lots?



Meet Tenzin and Riley

Tenzin

- Needs to make a change – he can't keep spending money the way he does
- He's worried about his job – if he loses his job he won't be able to pay his bills
- He starts packing his lunch – this saves him $100 each month
- He looks at his other expenses to see other places to save

Meet Tenzin and Riley

Riley

- Wants to give her kids the opportunities she didn't have growing up, like going to college or university
- Knows that tuition, books, and on-campus housing can be expensive
- Has time to plan – her kids are still young
- She's worried about their future – how can she afford to pay for their school?

Let's talk about it

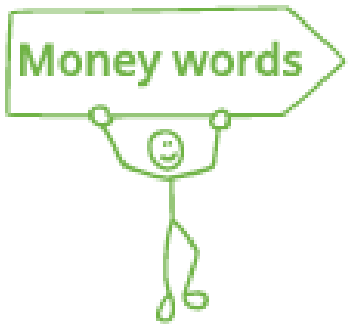
- If you don't save money, what happens if you lose your job or get sick?

- What happens to the people who depend on you?

Why are you saving?

What are some different reasons for saving money at different times in your life?

- Teenager living at home
- Student in school full-time
- Young adult living on their own
- Employed adult
- Unemployed adult living on a **fixed income**
- Parent of school-aged children
- Parent with adult children who live on their own
- Planning for retirement
- Retirement
-



Some people's main income is from a government benefit program or a pension. These people will get the same amount of money each month. The amount won't change even if they have more things to pay for that month. This is called living on a **fixed income**.

Think about your life

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Let's talk about it

- Are your money needs the same, or different?
- Why do you need to save money at this stage in your life?
- What are you saving for?
- What makes it hard to save money during this life stage?

Our life stage:

_____

_____

_____

Let’s talk about it

Reasons for saving:

1. _____
2. _____
3. _____
4. _____
5. _____

What makes it hard to save:

1. _____
2. _____
3. _____

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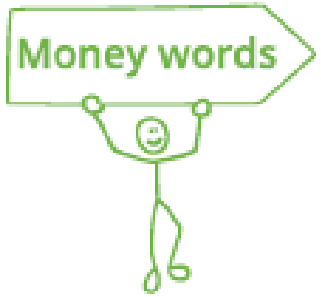
Pay yourself first

It's always good to save as much as you can. A great place to start is by saving 10% of your **net income**. If that sounds like too much, start with a smaller amount. Try to save as much as you can. Every little bit helps!



Net income is the amount of money you get after taxes and other **deductions** are taken off your paycheque.

A **deduction** is money that comes out of your paycheque. It goes toward things like the Canada Pension Plan and Employment Insurance

Money math: percentages

What is 10% of your net income?

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

Try it for yourself:

Riley has a net income of $2,200 per month. What is 10% of her net income?

_____	÷	10	=	_____
Riley's net income				

How to save more money

Let's say your net income is $500 per paycheque.

$500 ÷ 10 = $50

10% of $500 is $50. That's how much you would try to save from every paycheque.

Ideas for saving	How much would I save?
1. Buy less fast food	About $25 a month
2.	
3.	
4.	
5.	

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

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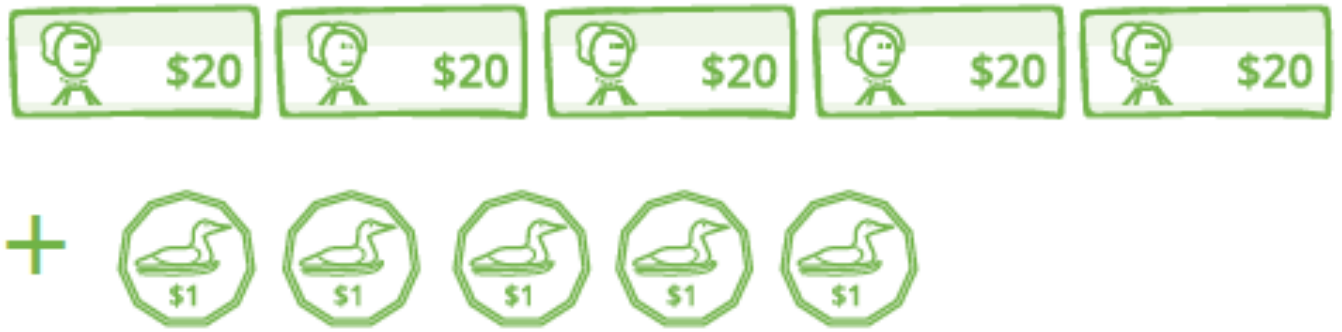
Make a plan for your money

My goal:	
Ideas for my saving	**How much would I save?**
1. Collect my pocket change	50¢ a day
2.	
3.	
4.	
Total savings:	

Make your money grow

How your savings grow

Let's say you put your money into a savings account where you get 5% interest. If you save $100 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.**

Compound interest is when you earn interest on the original amount of money and the interest you've already earned.

Money math: interest

Example:

Savings amount: $100

Interest rate: 3%

Calculate the interest
$100.00
x 0.03
$3.00

Let's try these:

1. Savings amount: $250

   Interest rate: 4%

2. Savings amount: $500

   Interest rate: 2%

3. Savings amount: $1000

   Interest rate: 5%

Registered savings plans

Type of plan	Short form	What it is	Money notes
Registered Education Savings Plan	**RESP**	A savings account with the Government of Canada. It helps you save for a child's education after high school.	When you put money into a RESP, the Government of Canada puts money in too. If your income is low, 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 they use 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 $7,000 a year into your TFSA. You don't pay taxes on the interest you earn in this account or on money you take out.

Registered savings plans

Type of plan	Short form	What it is	Money notes
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.
Registered Disability Savings Plan	**RDSP**	A registered account that helps you save for the long-term care of relatives with disabilities.	For every $1 you put into this account, you can get $3, for a maximum of $1,500. The total amount the government will contribute each year depends on your family income. The relative with the disability can spend the money however they want.

Registered Education Savings Plan

How it works:

- Open an RESP when your child is born
- Both you and the child need to have a Social Insurance Number (SIN).
- The more money you put into an RESP, the more interest you'll earn.
- The money you put into the RESP grows tax-free
- The child pays tax on the money when they take it out to pay for school

Children with savings for their education are more likely to go to college, university, or a training program after high school and are likely to graduate with less debt.

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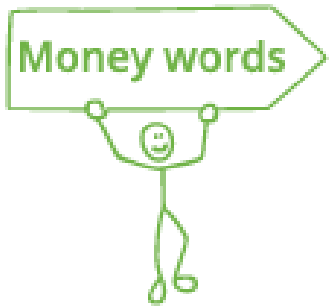
How to grow your RESP

Type of plan	What it is	Money notes
Canada Learning Bond (CLB)	Money from the government to help you start saving for your child's education after high school.	The government could give you $500 when you open an RESP. Then every year until they turn 15, the government may add $100 more. Even if you don't apply for the bond when your child is a baby, you can still get the money from the past years until now. This could add up to $2,000 for their education. 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 January 1, 2004, and who gets the **Canada Child Benefit**.
Canada Education Savings Grant – Basic (Basic CESG)	Money from the government to help you grow your savings for your child's education after high school.	The government adds 20% to your RESP contributions, up to $500 a year until your child turns 17. Over time, you can receive up to $7,200 per child. If you missed contributions in past years, you can catch up one year at a time by contributing up to an extra $2,500 to your RESP. **Who can get it?** Anyone.

How the Canadian government helps your RESP grow

Type of plan	What it is	Money notes
Canada Education Savings Grant – Additional (Additional CESG)	Money from the government in addition to the CESG – Basic.	The government may pay an extra 10% or 20% on the first $500 (or less) you put into your RESP. **Who can get it?** Families with low or middle income.



The **Canada Child Benefit** is a monthly payment made to families with children under the age of 18.

Money math: saving

Option 1

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

$50 a month × 12 months in a year =	$600 a year
$600 a year × 10 years =	$6,000

Option 2

Riley puts $50 a month in a Savings Account.

$50 a month × 12 months in a year =	$600 a year + interest
$600 a year × 10 years =	$6,000 + interest

Option 3

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

$50 a month × 12 months in a year =	$600 a year + $120 (CESG) + interest
$720 a year × 10 years + $1,400 (CLB) =	$8,600 + interest

Let's talk about it

- Do you have children or grandchildren?
- What do 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? How will they get this money?
- Could you set up an RESP for this child?
- Would the CLB and the CESG help your family?

How to save money for education

You can open an RESP for:

- yourself
- your child
- somebody else's child
- another adult

You and the person you're saving the money for need a Social Insurance Number.

To apply for the Canada Learning Bond or the Additional Canada Education Savings Grant, you must have also filed taxes in previous years.

How to save money for education

When you're ready to open an RESP, you'll need to choose an RESP promoter.

An RESP promoter might be a:

- bank
- credit union
- insurance company
- financial planner

Talk to more than one RESP promoter before choosing one that's right for you. Different promoters might offer different benefits.

Some steps to open an RESP

1. Contact your RESP promoter by phone, email, or in-person.
2. Ask if they offer benefits.
3. Ask to apply for benefits. The RESP promoter will help you fill out the forms.
4. Contribute money to your RESP. You need to make contributions to receive the CESG, but you don't need to make contributions to receive the CLB.
5. Check the balance of your RESP.

Let's talk about it

- What do you need money for?
- Do you want to save for things other than your child's education?
- How many years do you want to work before you retire?
- What does your dream retirement look like?
- Think about realities of your retirement. Where will you live? How will you spend your time? What money will you have? Will it be enough?
- Go back to your dream. Could part of it become reality? How much money will you need? How can you save it?

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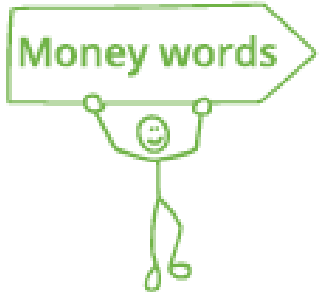

RRSP is short for Registered Retirement Savings Plan. It's a registered savings account that helps you save for retirement.

TFSA is short for Tax-Free Savings Account. It's a savings account that helps you save money for any reason. It's also a good tool to help you save for retirement.

Making a big purchase

What are you saving for?

1.	Washing machine
2.	Family vacation
3.	
4.	
5.	

- What do you want to start saving for?
- Does having a goal help you feel more excited to save money?

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Planning ahead

1. Add up your heating bills from the last year:

_____

2. Divide that amount by 12, since there are 12 months in a year

_____ ÷ 12 = _____

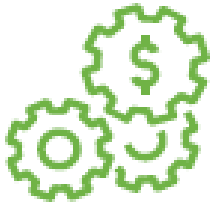
Surprise expenses

Our lives don’t always go the way we plan. Even good surprises can cost a lot of money.

Think about life changes like:

- you have a new baby
- you lose your job
- you adopt a dog

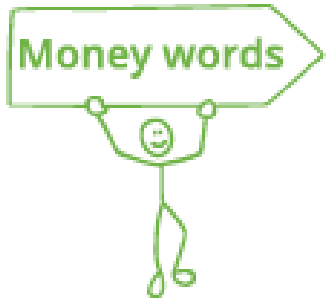
TFSA Tax-Free Savings Account



How to open a TFSA

Your bank can help you open a TFSA. You'll need:

- to be a Canadian resident
- to be 18 years old or older
- to have a Social Insurance Number (SIN)



TFSA is short for Tax-Free Savings Account. It's a special savings account where your money grows and you don't have to pay any taxes on it.

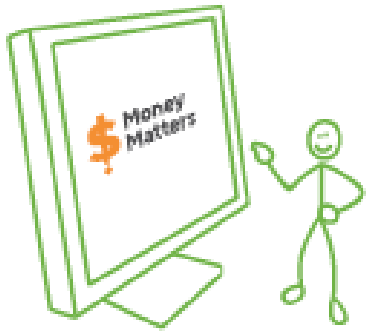
Let's talk about it

- How you feel about saving money for your future?
- Are you ready to go to a bank and set up the right savings plan for you? Do you need any more information?
- Will you set up an RESP for a child? Or will you add to one for a grandchild?
- Would a CESG and a CLB help your child?
- Will you open a TFSA for yourself?

Money challenge

Check out more than one bank before you open a savings plan. Compare the plans. Which one is best for your money and future needs?

Look for an account with a high interest rate and low fees. You might also want to think about other things, like whether the bank is near your home or has an app where you can put money into your account online.



How to learn 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 (1-800-622-6232).

Congratulations

You've completed the *Money Matters* Ways to Save workbook.
You learned about:

- different ways to save for the future
- how interest helps your money grow
- ways to save for your child's education
- ways to save for your retirement

For the last activity, we hope you will make a **pledge**.

A **pledge** is a serious promise to yourself or to others.

The **pledge** can be personal, or you can share it with others.

My pledge

I pledge to act on my new savings knowledge by:

Sometimes a pledge needs an action plan: a list of steps you'll take to make your pledge happen.

My action plan

What do I need to do first?

Who will support me?

How will I overcome setbacks and obstacles?

Thank you for participating in

Money Matters!

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