



# My Credit Options

## Useful Links:

**Social Insurance Number:**  
[www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

**Scholarships and Bursaries:**  
[www.scholarshipscanada.com](http://www.scholarshipscanada.com)  
[www.studentawards.com](http://www.studentawards.com)

**Ontario Student Assistance Program:**  
[http://osap.gov.on.ca/eng/eng\\_osap\\_main.html](http://osap.gov.on.ca/eng/eng_osap_main.html)

**General University/ College Information:**  
[www.edu.gov.on.ca](http://www.edu.gov.on.ca)

**RESP Grant Info:**  
[www.canlearn.ca](http://www.canlearn.ca)

**Financial Consumer Agency:**  
[www.fcac.gc.ca](http://www.fcac.gc.ca)

**Education Cost Planner:**  
Go to [www.mycreditunion.ca](http://www.mycreditunion.ca)  
click on "Planning Tools"  
and then "GO Figure"

**“He wanted to put his children through university, but was worried he wouldn't have the means.**

Seeing it was time to renew his mortgage we consolidated his additional debt into his mortgage, maintaining his current amortization so as not to interfere with his own retirement plans. Having all loan payments lumped into one manageable monthly payment made starting an education savings plan possible. Now when his children graduate high school in four years, they'll have the A plus advantage they need to keep their education rolling right along.”

As told by a Credit Union Member Service Rep

## I want to pay my child's way through college, but...

*I don't want to risk my own retirement plans in the process.*

It can be hard to believe that the child that you are buying back-to-school supplies for this month will switch from crayons to calculus. It can be mind-boggling to think about how much it will cost and where it will all come from. Where and when do you start?

### What to expect

There is no doubt the cost of a degree is high, and it's increasing each year. But what can you expect to pay down the road? Right now, you would be paying about \$6,600\* per year for a general university program and \$3,500 a year for a college program. Assuming a 3% inflation rate a child starting kindergarten this September could expect to pay about \$9,700 per year for tuition and books. If they leave home, the cost increases to at least \$23,800 per year. Based on these figures a typical four-year program will cost close to \$95,000.

Before you make plans to move your retirement age to 90, we can show you some helpful strategies.

### What to do

There are several ways to fund your child's education—you can choose to use one or a combination of options.

The best time to start saving for higher education is when your child starts kindergarten. By setting aside about \$5,000 a year, you will have a good start towards your child's post secondary education. The best savings vehicle is a Registered Education Savings Plan (RESP) which is made up of three parts. The first part, although not tax deductible, is the contributions made to the plan. You can save up to a lifetime limit of \$50,000. The second part is the Canada Education Savings Grant (CESG) which will match a minimum of 20% of the annual contribution to a maximum of \$500 annually per child. Additional grants may be available depending on your family income. The third and final portion is the investment income earned on contributions. RESPs grow tax-free until the funds are withdrawn for education expenses at which time they are taxed as income in the student's name. There are many RESP rules so speaking to a financial professional is highly recommended.

Scholarships can be an excellent source of funding for a child's education—the key is to get started early. Check out the website in the "Useful Links" box and start surfing for tuition dollars. There is a catch, currently only the first \$3,000 of scholarship funds are considered tax-free—after that, each dollar is taxed. It is important to determine what the tax implications will be and make sure funds are set aside to pay the tax when it comes due.

Students can contribute earnings from a summer job. Parenting experts suggest by contributing to their education students take it more seriously and place more value on the experience. Teaching saving techniques now is an excellent way to guide children towards a healthy financial lifestyle.

The government also has a needs-based loan program available for post-secondary education. Based on total household income students can qualify for loans to cover costs. Payments and interest are deferred until six months after graduation or when full-time attendance is stopped. While this can be a solution to funding issues, it does come at a cost that carries on well after the books are put away. For many students servicing a student loan when they are just starting out means borrowing for a car or house may be impossible.

### No degree necessary

Like many of us, between braces and all the other demands on your paycheque, you may not have started saving for your child's education. Whether your child is talking about getting a new bike or a beginner drivers' license, it is never too late to start. While it may seem like you need an advanced degree to figure it all out, we are here to help. Come in and we'll show you how to find a budget that works for your retirement and your child's education.

\* Scholarship Consultants of North America Ltd.  
– Fall 2006 Guide to University Costs in Canada

Turn over to read about Financial Fitness and complete the Financial Cardio Test.

# We'll show you how...

Go to [mycreditunion.ca](http://mycreditunion.ca) for:

- » The Personal
- » Healthy Financial Lifestyle
- » Online Financial Fitness Test

## Financial Fitness Test: Cardio

Good cardio financial health can be determined by how your finances look at month end. You want to ensure you've paid your bills without breaking a sweat and you have money left over.

What you'll need to take the Financial Cardio test:

Net pay amount, any other monthly income amounts, current credit card, LOC and chequing statements, loan payments—including your mortgage, calculator, pencil/pen and some paper.

STEP 1: Calculate your monthly take home pay	STEP 2: Calculate your monthly loan payments	STEP 3: Calculate your spending	STEP 4: Calculate your monthly cash flow																										
Multiply your net pay as follows: <ul style="list-style-type: none"> <li>• If you get paid once a month that is your net monthly take home pay.</li> <li>• If you get paid every 2 weeks multiply your net pay by 2.167.                             <math display="block">\begin{array}{r} \\$1,153.67 \\ \times 2.167 \\ \hline \\$2,500.00 \end{array}</math> </li> <li>• If you get paid every week multiply the amount by 4.333.                             <math display="block">\begin{array}{r} \\$576.97 \\ \times 4.333 \\ \hline \\$2,500.00 \end{array}</math> </li> <li>• Add any other monthly income.                             <math display="block">\begin{array}{r} \text{Investment income} = \\$37.56 \\ \text{Total income} = \\$2,537.56 \end{array}</math> </li> </ul>	<ul style="list-style-type: none"> <li>• List minimum monthly payments on all credit cards and LOCs.                             <table style="margin-left: 20px;"> <tr><td>Visa</td><td style="text-align: right;">\$27</td></tr> <tr><td>HBC</td><td style="text-align: right;">\$43</td></tr> <tr><td>LOC</td><td style="text-align: right;">\$95</td></tr> </table> </li> <li>• List all other loan payments.                             <table style="margin-left: 20px;"> <tr><td>Car loan</td><td style="text-align: right;">\$523.75</td></tr> <tr><td>Student loan</td><td style="text-align: right;">\$ 127.50</td></tr> <tr><td>Mortgage/rent</td><td style="text-align: right;">\$672.86</td></tr> </table> </li> <li>• Add them up – this is your total monthly loan payment.                             <math display="block">\underline{\hspace{10em}} \\$1,489.11</math> </li> <li>• If you share any loan payments just use your portion in your calculation.</li> </ul>	Visa	\$27	HBC	\$43	LOC	\$95	Car loan	\$523.75	Student loan	\$ 127.50	Mortgage/rent	\$672.86	<ul style="list-style-type: none"> <li>• Take your chequing account statement and add up all debits: withdrawals, cheques, direct payment purchases and other payments. Include service fees.</li> <li>• Do not include loan payments listed in STEP 2.                             <table style="margin-left: 20px;"> <tr><td>ATM withdrawals</td><td style="text-align: right;">\$200.00</td></tr> <tr><td>Direct payment purchases</td><td style="text-align: right;">\$543.21</td></tr> <tr><td>Pre-authorized debits/other payments</td><td style="text-align: right;">\$185.96</td></tr> <tr><td>Cheques</td><td style="text-align: right;">\$43.50</td></tr> <tr><td>Interac withdrawals</td><td style="text-align: right;">\$77.50</td></tr> <tr><td>Service fees</td><td style="text-align: right;">\$15.95</td></tr> <tr><td><b>Total</b></td><td style="text-align: right;"><b>\$1,066.12</b></td></tr> </table> </li> </ul>	ATM withdrawals	\$200.00	Direct payment purchases	\$543.21	Pre-authorized debits/other payments	\$185.96	Cheques	\$43.50	Interac withdrawals	\$77.50	Service fees	\$15.95	<b>Total</b>	<b>\$1,066.12</b>	<ul style="list-style-type: none"> <li>• Subtract the totals from STEP 2 and 3 from your total STEP 1 amount.                             <math display="block">\begin{array}{r} \\$2,537.56 \\ - \\$1,489.11 \\ \hline - \\$1,066.12 \\ \hline \underline{\hspace{10em}} -\\$17.67 \end{array}</math> </li> </ul> <div style="background-color: #e67e22; color: white; padding: 5px; text-align: center;"> <b>STEP 5: Finding your place on the Cardio Scale</b> </div> <ul style="list-style-type: none"> <li>• Find the category that your cash flow falls in:                             <ul style="list-style-type: none"> <li>Surviving = less than zero</li> <li>Stable = \$0 to less than 10% of net pay</li> <li>Secure = greater than 10% of net pay</li> </ul> </li> </ul>
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In our example we fall into the “surviving” category. Every month we incur more debt and savings are non-existent. To increase your monthly cash flow you have to pay down debt, decrease spending or increase income. The first place to start is to understand your monthly expenses and work out a realistic budget.

### Cardio Improvement Plan

Budgeting is the best way to improve your cardio fitness. If you already have a budget—take it out and review. If you do not have a budget—it's time to start.

First, calculate what you will save each month. Paying yourself first is the best way to build savings. Calculate 10% of your net monthly income:  $\$2,537.56 \times 0.10 = \$253.76$ . This is your minimum budgeted savings. Subtract that amount from your net income:  $\$2,537.56 - \$253.76 = \$2,283.80$ . This is what you'll have left over for monthly expenditures.

Next, gather your chequebook, bills and receipts for the last two months and use these to make a list of spending categories. Add any other monthly expenses related to your hobbies and habits (i.e. golf, hobbies, clubs) that may not have appeared in the last 2 months. Category recommendations:

<b>Home</b>	<b>Utilities</b>	<b>Food</b>	<b>Family obligations</b>
<b>Health/Medical</b>	<b>Transportation</b>	<b>Loan and credit card payments</b>	<b>Entertainment/Recreation</b>
<b>Pets</b>	<b>Clothing</b>	<b>Travel</b>	<b>Miscellaneous</b>

With your headings in place, you can estimate a monthly budget amount for each category. Be honest and realistic. Then add up your categories.

Now it's time to see how you are doing—take your first month and fit in all your expenditures from your chequebook, bills and receipts in the corresponding category. Add them up. Subtract your total monthly expense from your monthly expenditure amount. Now do the same with your second month. Compare what you have spent over the last 2 months with what you budgeted. Then you can review money coming in versus money going out and determine ways to reduce spending and increase savings.

Keeping to a budget is a sure way to get or stay financially fit—it is not meant to take the fun and pleasure out of life. Make sure you have set aside enough to enjoy yourself.

**Not sure where to start? Call or come on in—we'll show you how.**

