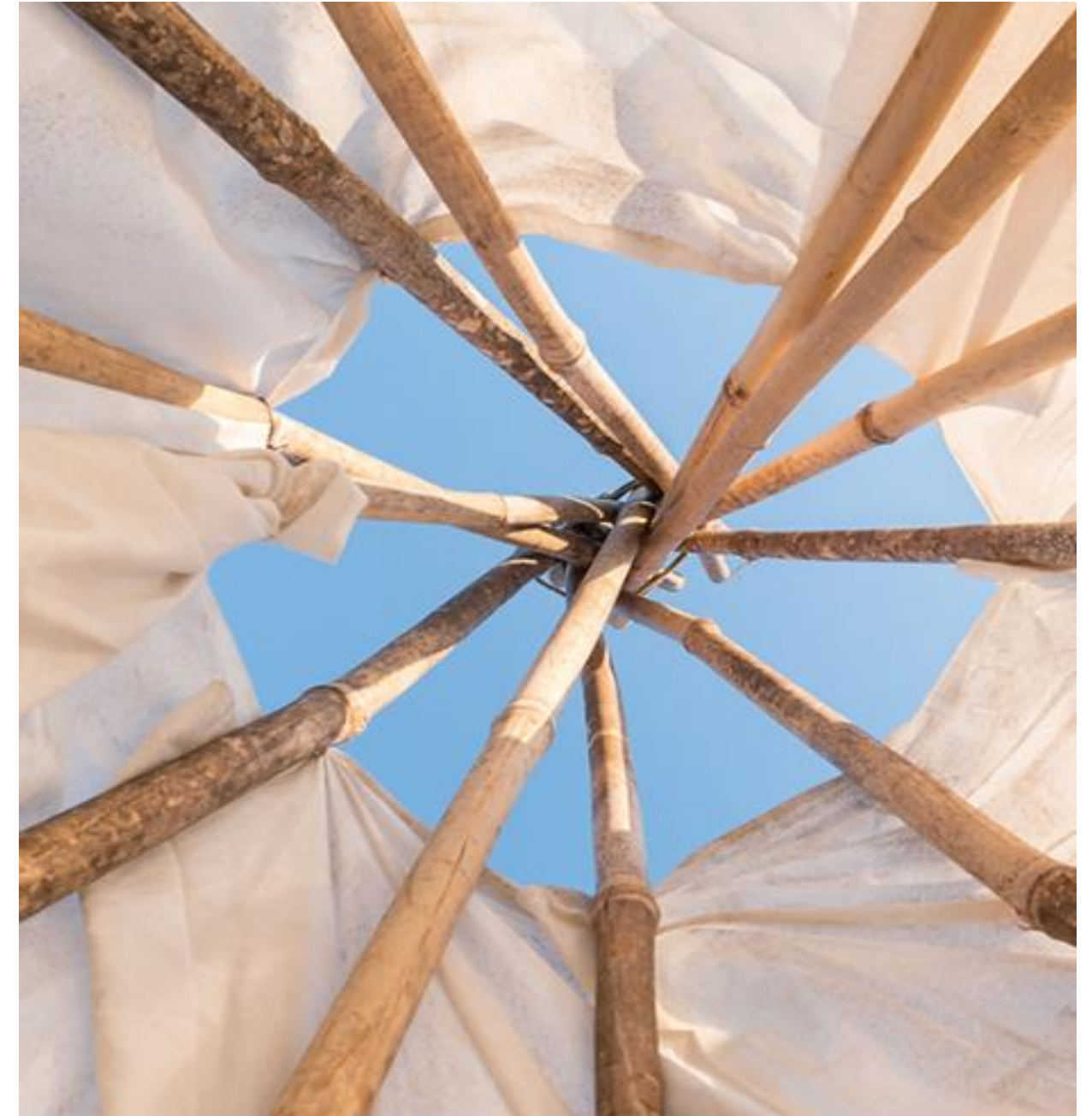


FINANCIAL LITERACY

"A BUDGET IS TELLING YOUR MONEY WHERE TO GO INSTEAD OF WONDERING WHERE IT WENT"



FINANCIAL LITERACY PROGRAM | ME-DIAN CREDIT UNION





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- ❖ 40% of Canadians rank "Money or Finances" as their biggest stressor.
- ❖ 75% of Canadians surveyed say they are living in debt.
- ❖ 43% of Canadians have credit card debt, and only 58% pay the balance in full each month.

With almost half of Canadians now living paycheck-to-paycheck, even the smallest financial hit can have major consequences.

Me-Dian Credit Union's focus is on financial education, and it all starts with financial literacy.



CHAPTER 1:

WHY WE NEED TO UNDERSTAND OUR FINANCIAL SITUATION

When we think about monthly obligations we normally think about:

- ❖ Rent
- ❖ Mortgage commitments
- ❖ Car payments
- ❖ Credit card debt

**However, what other necessities
do we have to pay for with our
money?**



WHY WE NEED TO UNDERSTAND OUR FINANCIAL SITUATION

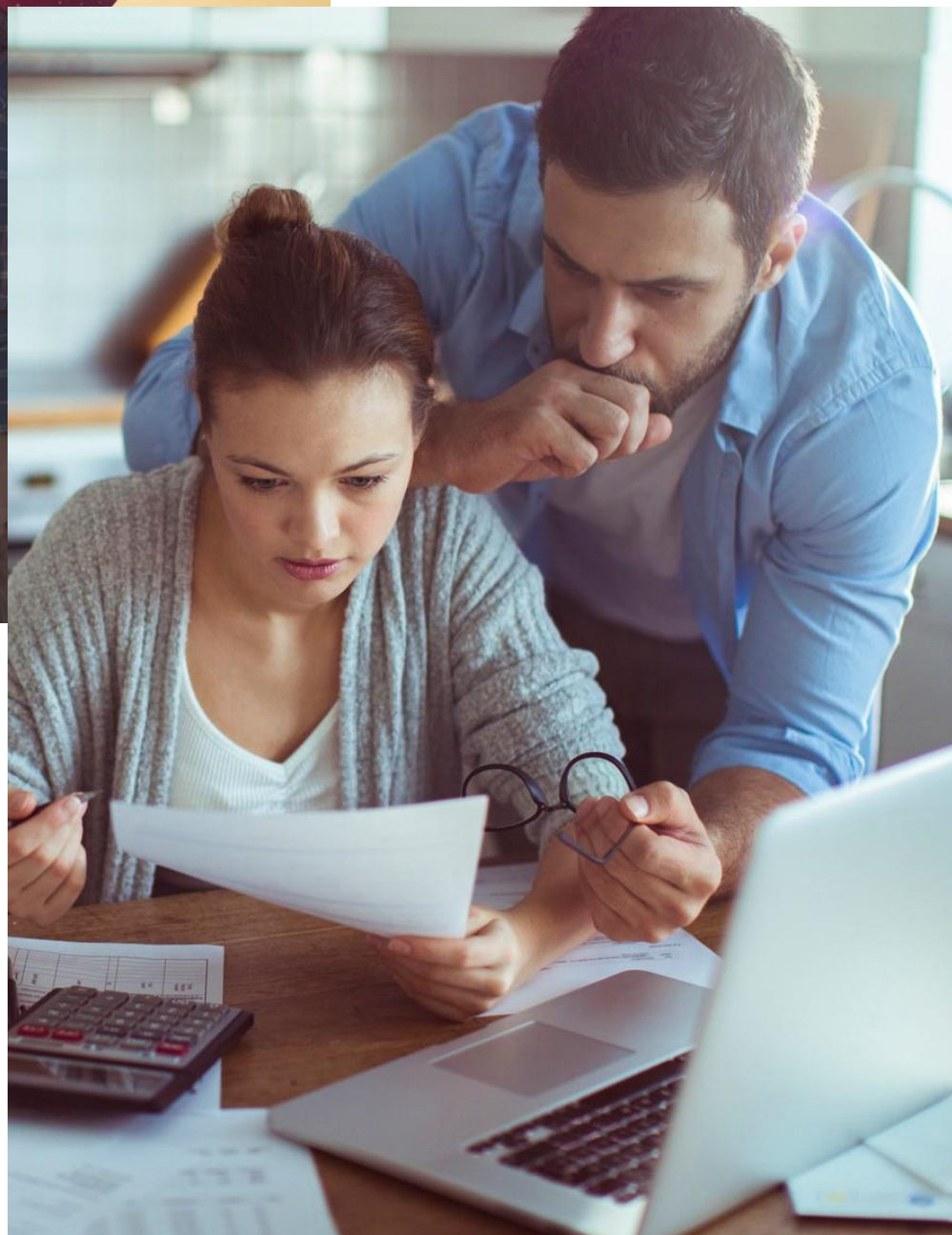
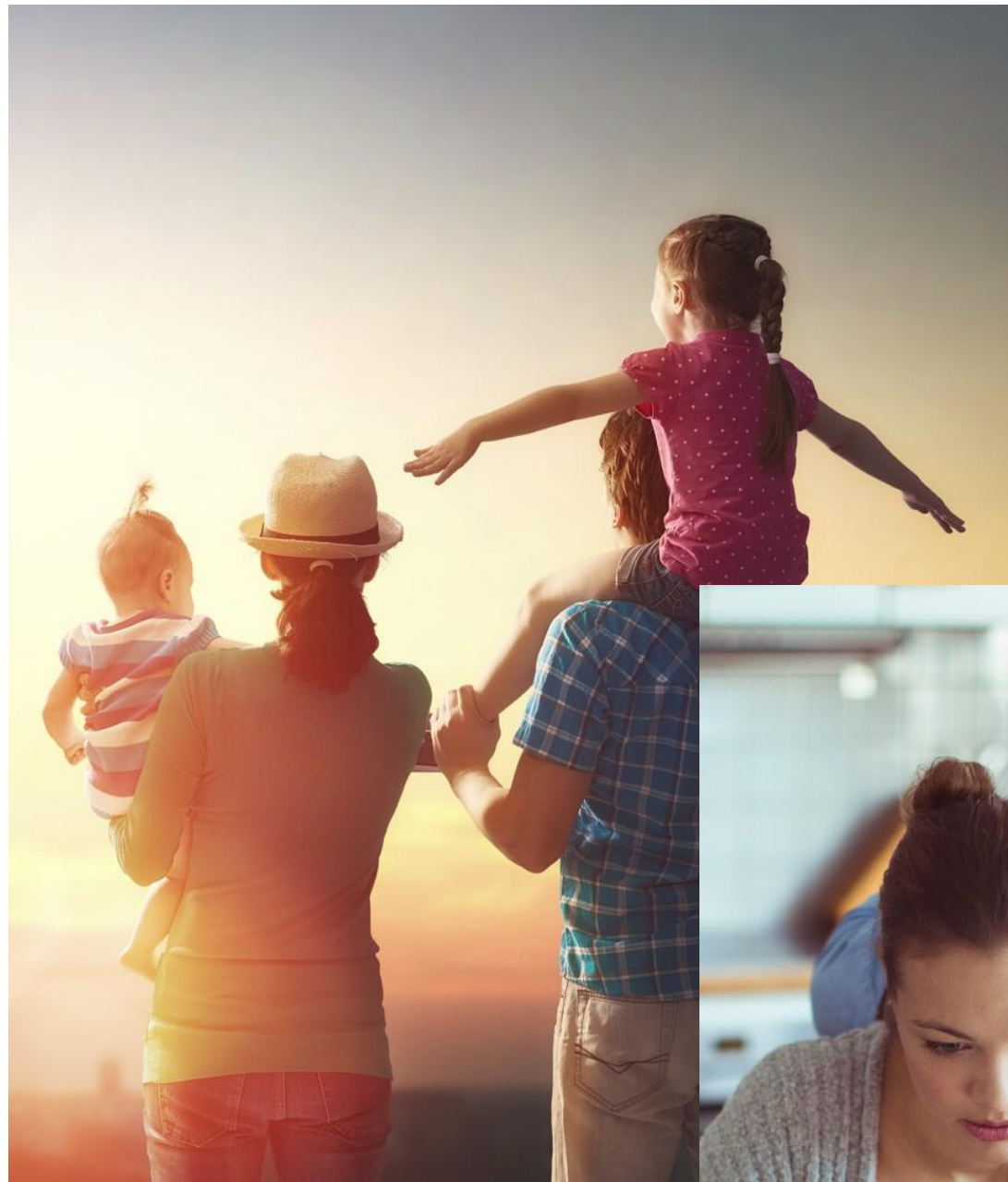
In order to plan for our future, we need to understand where our money goes today.

We're about to meet Joe and Sara.

They think they are making good money and feel that they should be able to make ends meet, but they still struggle.

With the temptation of credit cards and "buy now/pay later" plans offered at stores, it is easy to start living beyond our means. What that means is we spend more money each month than what we bring in.

When we think about our monthly obligations we normally think about our rent or mortgage commitment, car payments and other monthly obligations including credit card debt. But what about the other things we need to spend our money on?



LET'S MEET JOE AND SARA

04

Joe has worked full-time at a textile plant for the past ten years and has recently received a promotion as a supervisor.

Sara works part-time at the local grocery store so she can be there when their two children arrive home from school.

With Joe's raise they believed their financial position would improve and they could start planning for that family vacation they talked about but were surprised that they found it hard to make the funds last from one payday to the next.

Joe and Sara agree to sit at the kitchen table to analyze their spending and make a budget.

Where do they start?



Create a Budget

The most important thing in understanding your financial situation is to be able to see what you spend your money on and see how it's allocated.

When making a budget it's important to be honest with yourself about where your money is going.

A good budget will help you reach your goals for the future but it's important that your budget is realistic.

4 EASY STEPS FOR A BUDGET



1. GET ORGANIZED

Record all your expenses on a bi-weekly or monthly basis so you know where your money goes.



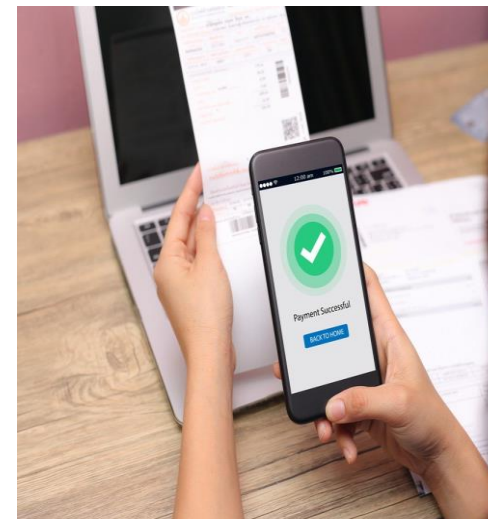
2. IDENTIFY SHORT AND LONG-TERM GOALS

Build different Savings plans into your budget for your future goals.



3. DIVIDE EXPENSES BETWEEN "WANTS" & NEEDS

Identifying what you need compared to what you want makes budget planning easier.



4. MAKE YOUR PAYMENTS ON TIME AND PAY MORE THAN THE MINIMUM PAYMENT

Using a calendar to make your bill payments on your payday allows you to ensure your bills are on time.

Also try making more than the minimum payment to get you out of debt faster.

STEP 1

They entered their income and monthly expenses

STEP 2

They kept track of their expenses for a month and recorded all of the expenses that were planned and unplanned.



JOE AND SARA'S BUDGET





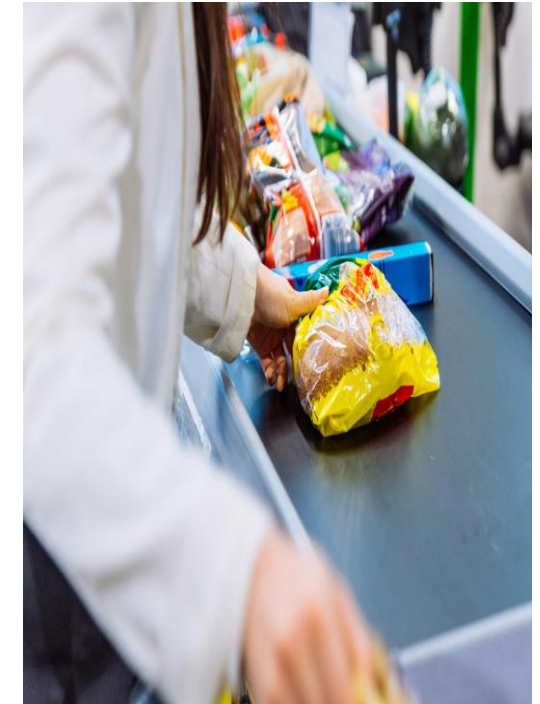
What Did They Learn?

Joe and Sara thought they had a good idea where their money went. They realized a large portion of their money is going to credit card payments, but they are paying mostly for the interest.

They agreed to contact their providers to see what they could do to reduce their costs.

They were also surprised at how much the "little things" added up such as:

- ❖ Giving money to their children for school lunches and spending
- ❖ Going to the grocery store for "one thing" and spending \$20 - \$30
- ❖ Lunch with co-workers
- ❖ Ordering take-out for dinner 3 times a week
- ❖ How many subscriptions they had and didn't use or need



WHERE DOES YOUR MONEY GO?

Everyday for a month, keep track of everything you buy. Record your groceries, daily coffee, and other spending. Use this to set up a monthly budget.

Remember the little things do add up....

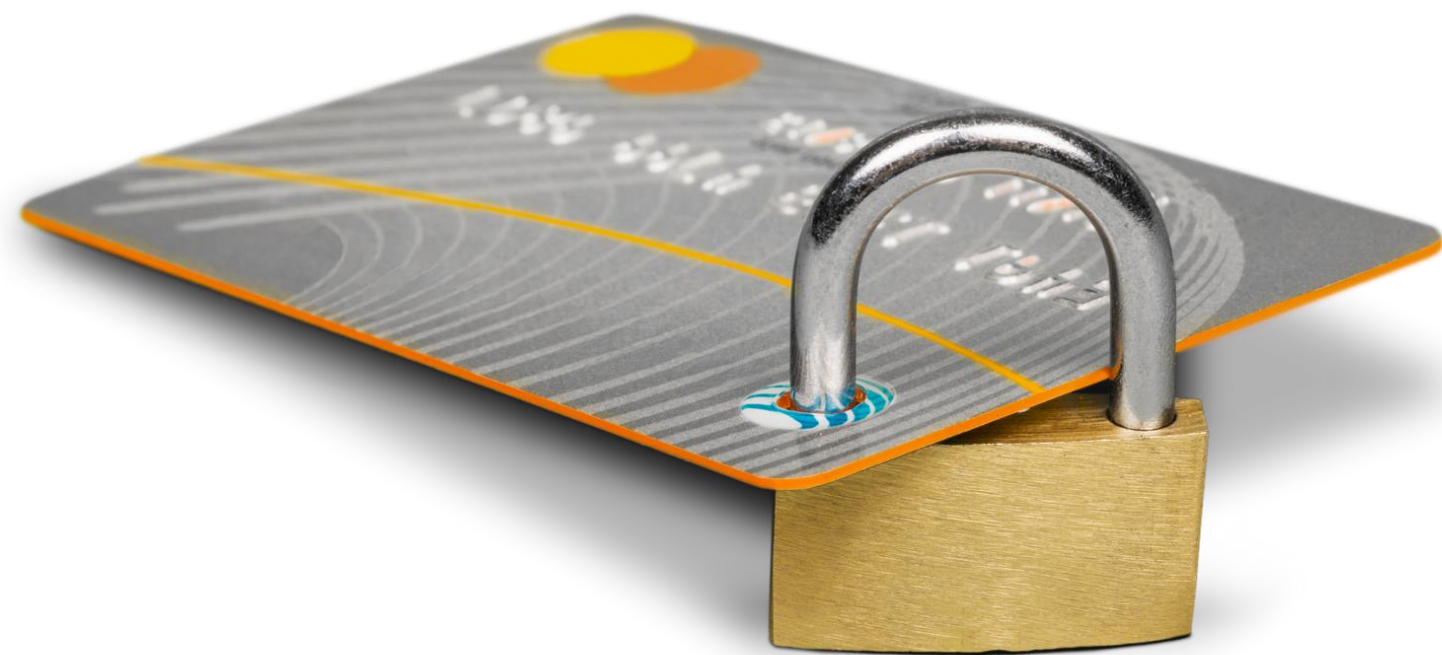
	DAILY	WEEKLY	MONTHLY	YEARLY
COFFEE	\$2.45	\$17.15	\$73.50	\$894.25
ADD A DONUT	\$4.03	\$28.21	\$120.90	\$1470.95

CREDIT CARD DEBT

Try and pay off your credit card each month. If that isn't possible, ensure you are always making at least the minimum payment required.

Apply for credit cards with lower interest rates

See the comparison chart to see how much of a difference it makes by paying more than your minimum payment and looking for a credit card that has a lower rate.



RATE AND PAYMENT COMPARISON

CREDIT CARD	CREDIT CARD A	CREDIT CARD B
INTEREST RATE	11.90%	28.8%
AMOUNT OWING	\$3,000	\$3,000
MONTHS TO PAY OFF IF PAYING \$50/MO.	70 MONTHS	166 MONTHS
TOTAL INTEREST	\$1,025.16	\$7,059.76
MONTHS TO PAY OFF IF PAYING \$100/MO.	36 MONTHS	103 MONTHS
TOTAL INTEREST	\$578.48	\$4,209.69
AMOUNT TO PAY IF PAYOFF IN 24 PAYMENTS	\$3,383.22	\$3,964.61
TOTAL INTEREST	\$383.22	\$964.61

CHAPTER 2

WHERE DO I WANT TO GO?

How much could you save by....

- ❖ Making your lunch instead of buying it?
- ❖ Brewing coffee at home instead of buying at a coffee shop?
- ❖ Going out less often?
- ❖ Minimize your subscriptions to what you use regularly.

Being motivated and inspired to take action is only half of the equation.



MORE MONEY SAVING TIPS



PRIORITIZE

Do you need it?



PRE-AUTHORIZE

Prevent late fees by having automatic payments set up for all of your bills and subscriptions.



ORGANIZE

Do you already have it?



SIMPLIFY

Try to avoid any impulsive purchases, such as online shopping if you don't need anything now. Purchasing items with a coupon or trying to find the next "deal" can be helpful but should not be the only reason to shop.

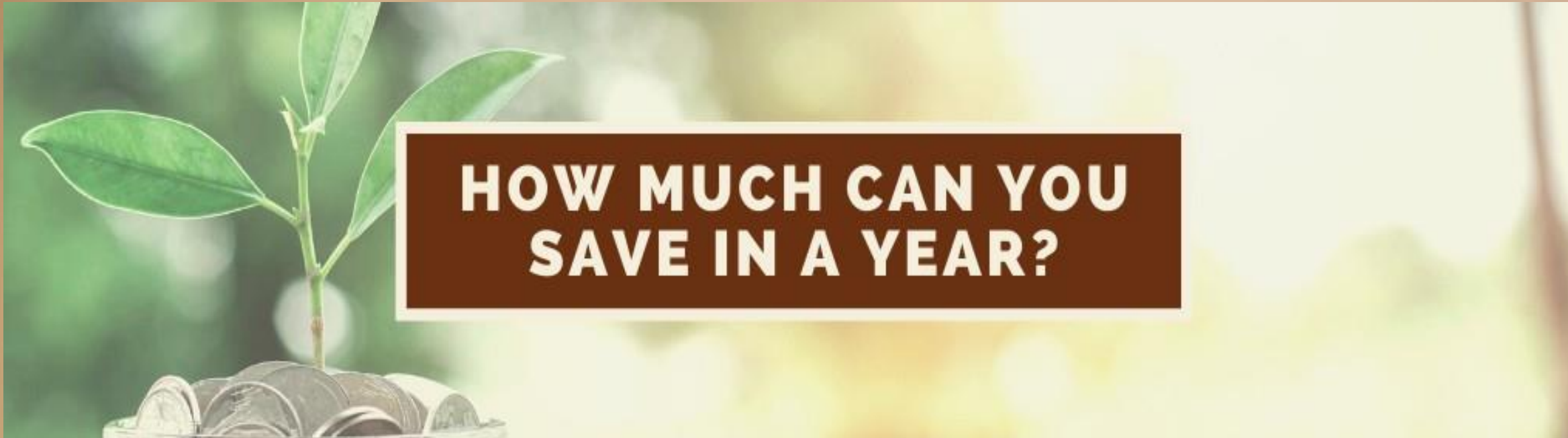


Pay Yourself First

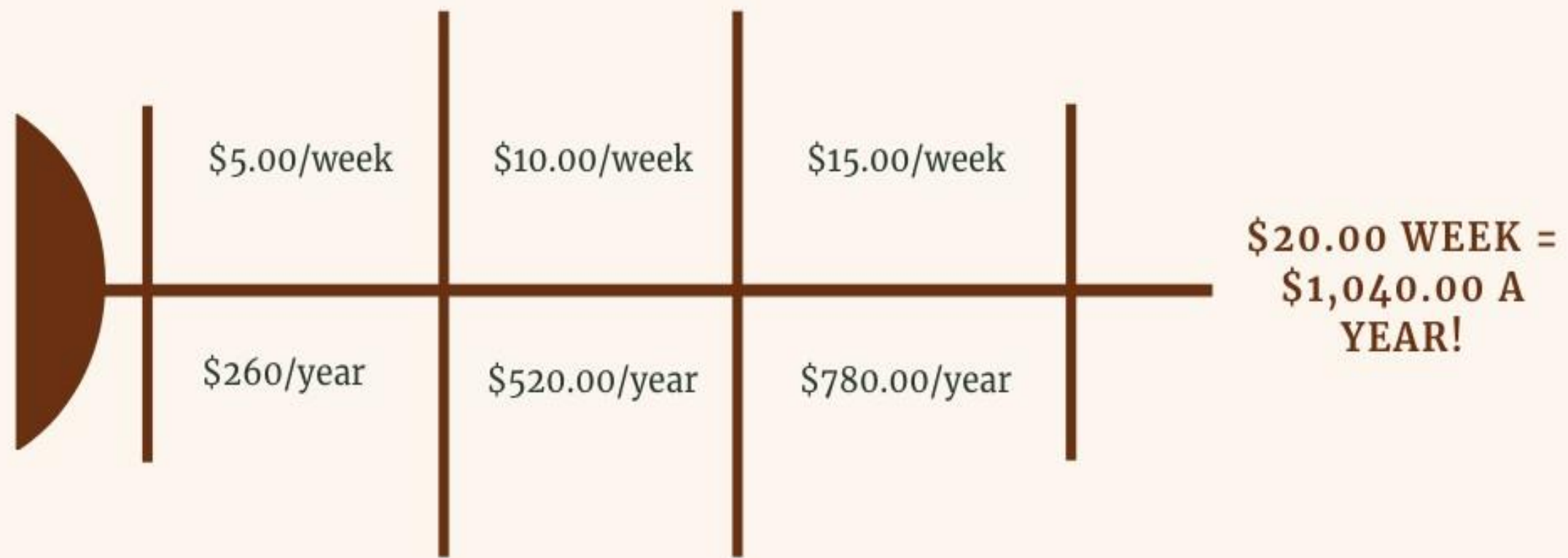
The majority of individuals think of saving as the last source of whatever is "leftover" after paying all expenses.

Paying yourself first is the most important part of financial independence.

- ❖ Start with a realistic amount
- ❖ Make it a weekly habit
- ❖ Cut an expense and save the \$\$
- ❖ Automate your savings
- ❖ Check your progress regularly
- ❖ Increase your weekly savings



HOW MUCH CAN YOU SAVE IN A YEAR?



Can you save \$20.00 a week? or even \$10.00 a week? Look how quickly your money would grow!

SET GOALS

A short-term goal is a goal that you set for yourself that can be accomplished in the near future, such as a week or a month.



A long-term goal is a goal that is measured in a year, a few years, or more.

Start with a realistic amount

Make a weekly habit

Cut an expense and save the \$\$

START WITH A SMALL GOAL

Start saving a small amount and see how quickly it adds up
\$20 week = \$1,040 a year

Automate your savings

Check your progress regularly

Increase your weekly savings



WHAT IS AN EMERGENCY FUND?

An emergency fund is an account to set aside funds in case of a financial hardship. These may include:

- ❖ Job loss
- ❖ Illness or short-term disability Major home or vehicle repairs
- ❖ Unexpected financial emergencies can arise anytime.

An emergency fund is an important part of financial planning.

We just saw how you can save over \$1,000 in a year by putting away just \$20 a week.

CHAPTER 3

WHAT IS CREDIT?

CREDIT is the ABILITY to borrow money
DEBT is the RESULT of money borrowed

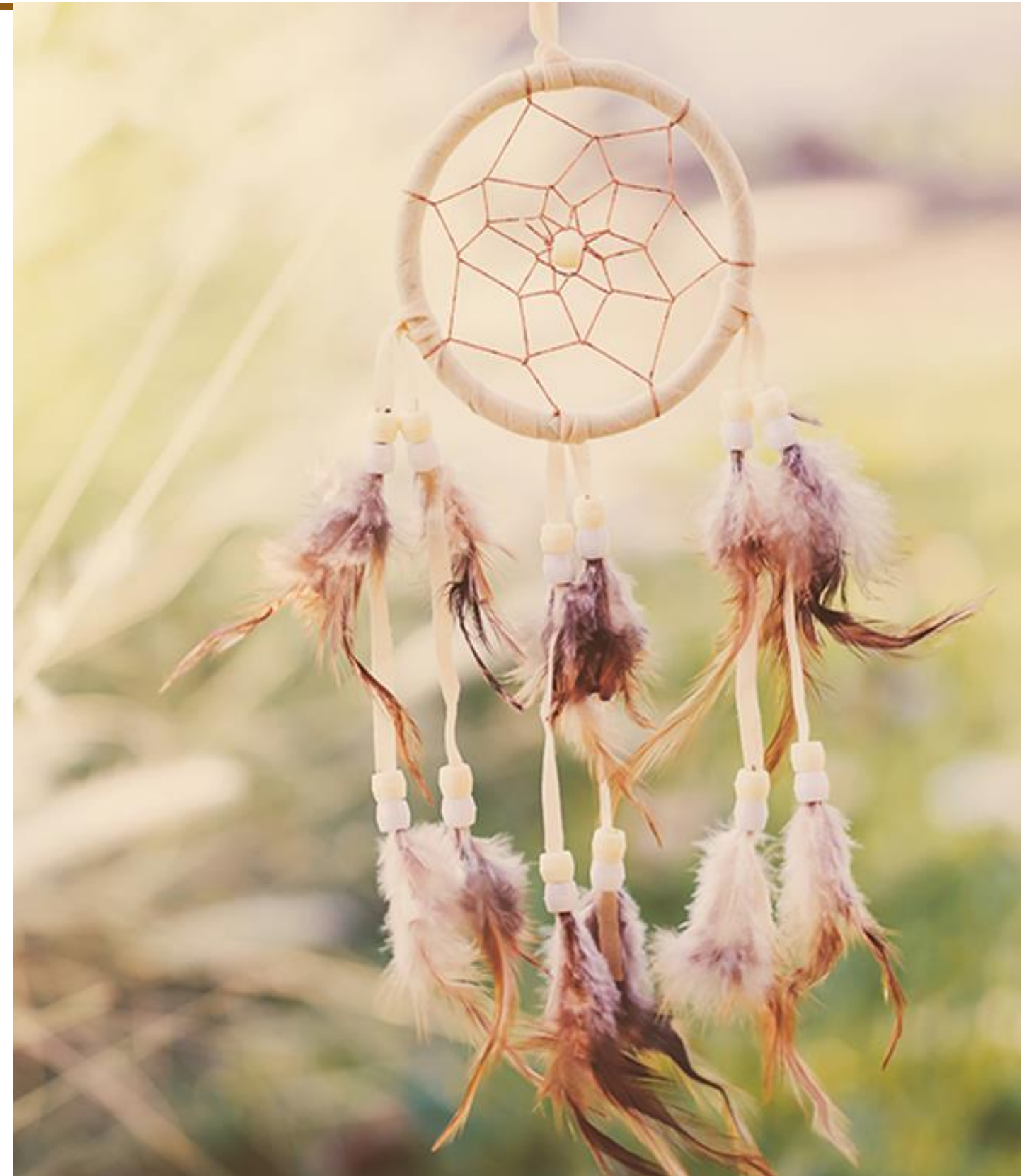
There are advantages and disadvantages to credit:

ADVANTAGE

- ❖ You're able to purchase big ticket items (vehicle, home, etc.) that would otherwise take a long time to save for.
- ❖ It can save you money by consolidating your high interest debt.
- ❖ Getting a loan will strengthen your credit history as you make payments on time.

DISADVANTAGE

- ❖ If you misuse your existing credit, you may not qualify for additional credit when you really need it.
- ❖ More costly than saving to make a purchase.



CREDIT DECISIONS

If you've ever applied for a loan or a credit card, you have probably heard that the finance company will have to "pull" your credit bureau.

Lending institutions use the credit bureau as one of their tools to help with the decision making on whether or not you will be approved for credit.

Financial institutions then report back to the credit bureau on a regular basis as to how you are paying back your existing debt.

The credit bureau company takes all this information and turns it into a credit score.

DID YOU KNOW?

If you apply for multiple lines of credit frequently (credit cards, loans, etc.) and regardless if you are approved or not, you risk your credit score being reduced, as continuously requesting credit is a red flag.



THE CREDIT BUREAU



Missing payments or late payments on your loans and credit cards are just some ways that will negatively affect your credit score and your future needs.

DID YOU KNOW?

Your cell phone payments affect your credit bureau. When you miss your payment on your cell phone it has the same negative impact as a missed credit payment.

WHAT IS A CREDIT BUREAU?

A Credit Bureau is a snapshot of your financial history. It collects data from creditors that are reporting your credit payments and inquiries. This information generates a report on what debt you owe, how you have paid debts back and provides a credit score.

WHAT IS A CREDIT SCORE?

A credit score, also known as a beacon score, can range from 300 for a new or damaged credit bureau & can be to as high as 900 points. Anything higher than 600 is considered the minimum to qualify for credit.



WHAT DOES A CREDIT SCORE LOOK AT?

- ❖ Your payment history
- ❖ Your used credit vs. available credit (utilization)
Length of time you have had open credit
- ❖ Public records (Name changes, address, DOB)
- ❖ Number of inquires on your credit (hard checks)
The types of of credit you have

The good news is that even if you had poor payments in the past, collections, or too many inquiries, you have the ability to improve and maintain it your score.

Do you know your credit score?

Here are some tips to improve your credit score for the long run and help you achieve your financial goals.

- ❖ Always make your payments on time.
- ❖ Keep your credit card debt to 70% or less of your credit limit.
- ❖ Never go over your credit limit.
- ❖ Keep your credit applications to a minimum or only when you need them.
- ❖ If you do need to apply for a credit, open different types to show you have a good standing across different lines of credit.
- ❖ If you are having issues making payments or coming close to maxing out your credit cards, meet with your financial advisor to see if a consolidation loan can be an option for you.



NEXT STEPS FOR JOE AND SARA

Now that Joe and Sara have a budget, they feel they know where their money goes.

To attempt to reduce their bills, they decided to ask their service providers if they had any options in changing their plans.

To their surprise, when they contacted their cable provider they were provided an option to sign up for a 1-year term with more channels for \$20 less a month.

As they felt cable was a requirement for their household, this was a good decision to reduce their monthly expenses.

When Sara called her cell phone provider, they reviewed her cell phone usage and recommended a new plan that saved them money as well.

Don't let pride or fear prevent you from asking for help.

Once you recognize your spending habits you can make the changes you need to reach your goals.





CONCLUSION

Joe and Sara decided to complete a new budget with all of the adjustments they accomplished.

To their surprise, they now have a significant amount of surplus funds.

They decided to set aside the additional money into a savings account to save for a trip back home next summer to watch Sara's niece graduate.

This was a goal of Sara's, but she never thought it would happen.

Now they are one step closer to their financial freedom and are excited to achieve more of their financial goals.

TAKE AWAY

BUDGET

Ask yourself the following questions.

1. Have you included all your expenses in your budget?
 - ❖ Daycare fees
 - ❖ Travel costs for work (ex. MPI, gas or bus fare)
 - ❖ Bills
 - ❖ Entertainment
2. Is your budget realistic?

It is ok to spoil yourself from time to time, you just need to budget for the event or item.

Review your budget regularly.

Helpful tip:

Create a list before going to the store to prevent buying something you don't need.

SPENDING

Ask yourself the following questions.

1. Do I have it already? Do I need it?
2. What quality of branch do I need? Will a generic branch do the job?
3. Is this a one-time need? Can I borrow this item from a friend?
4. Do I need all my subscriptions?

CREDIT

Ask yourself the following questions.

1. Do I need to have more than 2 credit cards?
2. Can I set up automatic payments for my bills?

Contact your Financial Institution to discuss your financial situation.



REMEMBERING OUR PAST, CREATING OUR FUTURE

