

TAKING CONTROL OF YOUR MONEY

Let's Discuss...

\$ Tracking your spending

\$ Budgeting

\$ Budgeting tips

\$ A sample budget

\$ Moving out on your own

\$ Taxes

Let's assume you have found one or more ways to get money. You have an income coming in. You have money decisions to make. What are you going to do with your money? How are you going to manage it?

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Tracking Your Spending

Putting together a basic "budget" can help you manage and control your money. A budget is a plan for how you use your money on a month-to-month basis. It helps you look at your expenses – both those you have each month and those that come up now and then. It helps you work out how you will cover your expenses from your income. A budget also helps you to save, build up your savings over time, and achieve your financial goals.

Think About It



How will you afford some of the bigger things you hope for some day if you don't save for the future? Is there anything you want you know you will have to save for?

How About You?



Do you already have your money under control? Do you know where it's going – how you are using it? Are you able to save money or do you always tend to be short of money? How are you as a saver?



Interestingly, survey after survey shows that most people think that having a budget is important – and budgeting is a wise thing to do. But, as surveys also show, most Canadians don't work with a budget. Why not?

Many people don't budget because they feel that they don't earn enough money to need a budget. In reality, the less money you have, the more likely it is that a budget can help you. You will want to get the most out of your money. You won't want to waste any. You'll want to make as many "good" money decisions as you can. Budgeting can help – and can help most people regardless of how much money they have.

How About You?



Did you ever think of having a budget to help you? Do you already have a budget? Do you know if your family works with a budget?

There are also many people who don't budget because they fear that a budget will put them in a "financial strait-jacket." They think a budget will have too much control over what they do. Actually, a person who fears that a budget will control them too much is often a person whose spending is out of control. If you fear a budget, you probably need to budget. A budget helps you gain control – not lose it.

Deciding to budget is a sure sign you have decided to take control of your money. But have you any idea how your money is being used – where it is going?

*Take Action.
Take Control!*



Whether or not you use a budget, stay in control of your money. Know where it's going. And make sure it's going where you would like it to go.

The best way to start taking control of money is to "track your expenses." And that isn't hard today with how easy it is to carry a little notebook or use the note pad on a cell phone or other hand-held device. All that you have to do is, over a month or two or three, write down what you spend your money on: \$12 movie; \$35 scarf; \$19 book; \$80 bus pass; and so on.

Then, take a few minutes at the end of that time and write down a number of categories. These might include:

- Transportation
- Snacks, eating out, and food in general
- School supplies
- Movies, music and entertainment
- Your hobby
- Cell phone or Internet
- Savings
- And so on.

How About You?



Based on how you use your money, what categories of spending would you list?

Next, before you add up how much you have spent on each category, write down the percentage of your money you think you spend on each category.

How About You?



What percent of your money do you think you spend on each category you identified above?

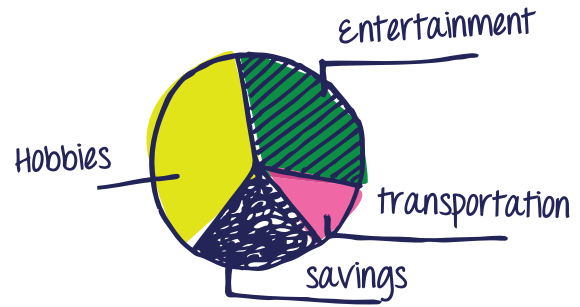
Then add up how much money you actually spent on each category. See if the results surprise you. Or see if the results come close to what you expected. This will give you one sign as to whether you know where your money is going – and if you are in control.

There is one other thing you can do too. Look at how much you are spending in each category. Is that the way you want to be using your money? Are you spending more in some areas than you would like to – or think you should? Are you saving as much as you would like – or need to?

*Take Action.
Take Control!*



As your life circumstances change, think of the changes this may have on how you use your money. Do you need to change your budget? Or do you now need to budget if you didn't before?



*Take Action.
Take Control!*



Save some of your money! If at all possible, get into a habit of saving – even if it isn't a lot. There is a saying that "few people get rich off their income." Build up some savings if you can. It can make a big difference.

Going through this exercise – seeing where your money is going – and thinking about where you want it to go – should tell you pretty clearly if you need to budget. If you are pleased with how things are, and happy with how you are using your money, you may not need a budget – at least not yet.

It may be that you are in control of your money and managing it well. However, as you make more money, take on new expenses, and life becomes more complicated, you may find that a having budget will help you stay in control. At the very least, on a regular basis, you should do a check on how you are using your money. Track your expenses over a period of time. See if things are still on track and how you would like them to be. Your goals may change. You may start to build a household and family. You may lose your job – or get a job – or get a better job – or get a raise.

Life is always changing. So keep in touch with how you are using your money – and check whether it is being used as you would like.

Now, on the other hand, when you track how you are using your money, you may not like what you find. You may find you are spending more on one area than you would like. You may find you aren't saving enough – or that you are charging too much on credit cards – or that you aren't able to spend money in some areas that you would like. Maybe you would like to join a club or a workout program and don't have the money to do so – based on how you are currently using your money.

If you find things are not as you would like – or if you would like to change things for some reason – or if things have changed in your life – you may find that budgeting your money will help. And even if you are happy with what you find, you may want to use a budget too – to keep you on track and to keep you in touch with where your money is going. A budget is a great way to keep control of your money – or gain control if things are not going as you would like.

Let's take a closer look at what a budget is and how it can help you.



Controlling Your Money – Budgeting

A budget is not a strait-jacket. If anything, it can help give you greater financial freedom.

A budget helps you know where your money is going. As you work out your budget, you may find ways to cut back or ways to save more. If you can, use your budget to pay yourself first. If you pay yourself last, it often ends up that there is nothing left. Put some of your money in savings when you get it and budget how you will use the rest. Even if it is a small amount, try and start by paying yourself – with savings. And try and make saving a habit from a young age. It is a great habit to develop. It can be an important way to achieve your goals.

Basically, a budget involves comparing your income with your expenses. It gives you a picture of your financial situation – and where you may be heading. And it should give you a very clear indication of whether or not you are on the road to accomplishing your longer-term goals.

Let's look at a sample budget.

The first thing to work out is your monthly income. That will tell you what you've got to work with.

The second step is to list your monthly expenses. Some expenses you will be able to control (for example, entertainment). Others you can't control as readily (for example, your housing costs/rent – at least you can't control them today). You can always take more control of a cost like rent by moving to less expensive accommodation or getting a roommate to help share the cost – but that will take some time.

You will usually have two categories of expenses in your budget. First, you will have your regular monthly expenses. These are expenses you know you will have each month. Second, you will have your irregular expenses – those that come up every now and then or perhaps once a year. For example, you may have an annual car insurance bill you will need to pay – or a club membership – or a new cell phone you know you are going to need soon. You will want to plan for such expenses in your budget and allocate some funds each month so that you can pay them when they are due.

As shown below, you can divide the total of these occasional expenses by 12. This will give you a target amount to set aside each month so that you are able and prepared to cover them. The monthly amount you need to set aside to cover both your irregular expenses, and your regular monthly expenses, make up your total monthly expenses.

When you add up your total monthly income and your total monthly expenses, you will see whether you are able to save money or not. You will find if you are spending more than you would like in certain areas. You will quickly see if you are in control of your money – or heading toward money problems. In short, you can learn a great deal about you and your money by creating – and using – a budget.

A Sample Budget

1. YOUR INCOME:

A. Your Regular Monthly Income Sources

Wages/Allowance _____
 Interest _____
 Other _____
Total _____ (RM)

B. Irregular Annual Income

Income tax refund _____
 Gifts _____
 Bonus _____
 Other _____
Total _____ (IT)
 Divide (IT) by 12 = _____ (IM)

Total Average Monthly Income
 (RM + IM) = _____ (MI)



2. YOUR EXPENSES:

A. Regular Monthly Expenses

Food _____
 Transportation _____
 Phone/Internet _____
 Recreation/Entertainment _____
 Savings _____
 Loan Payments _____
 Emergency Fund _____
 Housing Costs
 (including utilities) _____
 Other _____
Total _____ (ER)

B. Irregular Annual Expenses

Medical/dental costs _____
 Insurance _____
 Gifts/Charitable
 contribution _____
 Tuition/School Expenses _____
 Clothing _____
 Vacation/Holiday _____
 Other _____
Total _____ (IE)
 Divide (IE) by 12 = _____ (EI)

Total Average Monthly Expenses
 (ER + EI) = _____ (ME)

3. TOTAL MONTHLY INCOME (MI) – TOTAL MONTHLY EXPENSES (ME) = SAVINGS, BALANCE, OR SHORTFALL

How About You?



If you were to put together a budget right now, what do you think the result would be? Saving something each month? Spending all you make? Running short each month?

Remember though, this is a sample budget. Build your own – one that will help you. Regardless of the budget you build, there are some basic budgeting tips that might help. Let's look at some of these.

- Build your budget on the basis of what **you** need – what **you** spend money on – what **you** are hoping to achieve. People are different. Budgets are different. Make **your** budget work for **you**.
- **Use** your budget to help make your decisions about using money. If you build a budget, but don't use it, it's a waste of time.
- Keep your budget flexible. Things change. Your expenses will change. Your income will change. Keep your budget flexible so that it can change with you.
- Keep your budget simple. Nothing will turn you off budgeting more quickly than if you make it complicated and a lot of work. Keep it simple and make it as easy and enjoyable as possible.
- Be honest and realistic. If you aren't honest with yourself in preparing it, you are only fooling yourself. Be realistic in terms of what your expenses are and what you might have to give up, do without, or trade off if you are going to get something else in the future or build up your savings.
- Keep accurate and clear records. Good recordkeeping is a key part of good money management. You will be amazed to find out how much time – or money – you can save when you know where things are. The following are some of the important papers and records that you should keep and organize. Some you may have now. Some you may get in years to come.

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|---|--------------------------|---|
| • birth certificate | • social insurance card | • investment papers/ statements/etc. |
| • school reports and records | • will | • unused cheques |
| • awards received | • marriage certificate | • cancelled cheques |
| • letters of recommendation or praise | • lease/mortgage papers | • passport |
| • financial plan in which you set your goals | • medical records | • credit card statements |
| • warranties/guarantees for items purchased | • tax papers | • loan agreement |
| • receipts for major purchases | • your budget | • bank records and statements |
| | • club membership papers | |
| | • insurance papers | |

- Don't leave these important papers scattered all over the place.
- Test your budget. Don't expect it to work out the first time that you try it. Give it a "test run" for a while. See how things go. Then, if need be, adjust your budget based on your findings.
- Budget for the unexpected. Something surprising or unexpected always comes along. Be prepared.
- Reward yourself every now and then if your budget works out well for you. Use a little of those added savings you built up to treat yourself to something as a reward for staying in control of your money.

- Budget for things that will come up once a year or every now and then – such as birthday gifts, holidays, school books, club membership fees, or car insurance. Don't be caught short when those expenses come along.
- If your budget shows you are spending more than you like – or want to – and you want to cut back, consider the following:
 - Don't pay others to do what you can do yourself.
 - Always shop with a list so you don't buy things you don't need.
 - Cut back on some of your entertainment expenses. Find some less costly ways to have fun.
 - Change how you are getting around – bus rather than taxi or car – bike rather than bus – walk rather than bike.
 - Give up or cut back on “vices” – such as smoking, lottery tickets, junk food, computer games, “apps” – things you don't really need.
 - Just do without some things. Are there things you buy now that you could do without?

If you start to budget, and find your income is the same as, or less than, your expenses, you may be able to find ways to cut back on spending to bring things into line – or to be able to save. On the income side, you may be able to look for a job, or find a new job, or take on an additional job to help increase your income. If things are not in balance, and you are spending more than you make, try to make changes to bring things into balance. It's always good to be on the plus side and be able to save – but, at the very least, try to get income and expenses so they balance.

But as much as we say that, and as much as a person might like to get things in balance, it's sometimes not possible. We may find that to manage things that come up and surprise (or shock) us, deal with “life,” fix past mistakes, buy things we need but can't afford from our current income, deal with a job loss, take advantage of an opportunity that comes up that's too good to pass up, and so on, many people borrow money.

Borrowing money can range from putting a \$5 charge on a credit card to borrowing \$250,000 for a house. Controlling your money is very important. Controlling how you use other people's money is also very important. Not being able to control debt is one of the most common ways that people get into money problems. Too much debt can mean you can't save – it can eat up your savings – or it can mean you can't afford some things you'd like to have – or do some of the things you'd like to do.

Let's turn our attention to spending on major purchases.



How About You?



Do you have a credit card? Do you have more than one credit card? If so, are you paying off the balance each month? Or are you carrying a balance from month to month? Is that balance growing? Do you know the interest rate that you are paying on money you owe on the credit card? One of the fastest ways to have money problems is to charge more on a credit card than you are able to pay that month. Then it happens the next month... then the next... and, before you know it, you have a large balance of debt on which are you paying a lot of interest. Does this describe your situation? Or are you in control of your credit card(s)?

Sample Costs When Moving Out on Your Own

When you are about to move out on your own, it is often difficult to estimate the various costs that you will face. You may be aware of such costs including rent, hydro/electricity, gas, food, leisure activities, and so on. Talking with parents and friends can help you get a sense of the costs you will face – and how much those costs might be each month.

But, if you would like some online help, you can go to the following link provided by Numbeo. Numbeo, as their website states, “is the world’s largest database of user contributed data about cities and countries worldwide. Numbeo provides current and timely information on world living conditions including cost of living, housing indicators, health care, traffic, crime and pollution.”

Numbeo has cost estimates for living in Canada and you can access the site via the following link: https://www.numbeo.com/cost-of-living/country_result.jsp?country=Canada

There is also a drop-down menu where you can enter your city and it will provide you with local cost estimates. Many factors will, of course, affect the costs you will pay. But the site does give you a

Learn About



If you are planning on moving to another town or city, check out how costs can differ from one location to another – sometimes by a great deal.

sense of the costs and it also shows ranges from the lowest cost to the highest cost. It may help you, in addition to the help you will get from parents and friends, in estimating the costs you will face and what you might have to put in your budget for each expense. Be sure to build in a cushion in your budgeted costs especially when you are still figuring out what the exact costs could be and don’t forget to set aside money regularly to establish an emergency fund if you don’t already have one.

You can also get cost estimates from whomever is renting you the place you will move into. But those are not always precise either since people behave and act differently and therefore also use different amounts of electricity, water, internet, and so on. In the end, when you move out and move in to your own place, you will quickly find out what the actual costs you will incur will be and you can then adjust your monthly budget accordingly.

Think About It



You hope they won’t arise, but what unexpected or surprise costs can you think of that could come up – and that you should be prepared for?

Taxes

Everybody knows about taxes. Usually you hear people complaining about taxes. Why do we pay taxes anyway?

Taxes are payments that we make to governments – federal, provincial, and municipal. It is the means by which governments receive the money to provide goods and services.

The primary goods and services provided by governments are called “public goods and services” – that is, goods and services that everyone should have access to regardless of their ability to pay. That includes things like public schools, hospitals, sidewalks, roadways, sewer systems, defense, judicial systems and courts, and so on.

Governments can also decide to produce goods and services that are not necessarily public goods and services but that they think should be provided. Different political parties will differ in terms of the kinds of goods and services they believe governments should provide – and voters will determine which party will form the government and put their policies in place.

If a government spends more than it takes in revenue, it runs a deficit and will need to borrow money to cover its spending. If a government brings in more in revenue than it spends, it runs a surplus. Over time, the overall level of government debt or surplus will rise or fall based on the outcome of each year. Just so you know, the federal debt, as of 2018, was over \$650 billion. If you add in the debt of the provinces, the total debt is about \$1.4 trillion.

You can see that governments, over time, have been running deficits much more than they run surpluses. You can follow the level of federal debt via the Canadian Taxpayers Federation “National Debt Clock” at <http://www.debtclock.ca/>.

We pay taxes to fund government spending. You will have the opportunity to exercise your right to vote in elections as you make decisions regarding which political party’s views and policies you support.

We pay both federal and provincial income taxes in Canada based upon the level of income we make. For example, in 2018, the following were the federal tax rates:

- 15% **on the first** \$46,605 of taxable income
- 20.5% **on the next** \$46,603 of taxable income (on the portion of taxable income over 46,605 up to \$93,208), +
- 26% **on the next** \$51,281 of taxable income (on the portion of taxable income over \$93,208 up to \$144,489),
- 29% **on the next** \$61,353 of taxable income (on the portion of taxable income over 144,489 up to \$205,842),
- 33% of taxable income **over** \$205,842.

How About You?



What taxes do you know of that you pay? Some taxes are built into prices – such as when you buy gas for a car.

Think About It



What “public” goods and services do you use on a daily, weekly, or monthly basis?

Think About It



If governments owe \$1.4 trillion, think about the amount that is paid in interest on that debt each year? Who is going to have to repay that debt?

Learn About



If you can, talk with your parents/guardians about tax credits they have been able to use to reduce taxable income and the amount of tax they need to pay.

Note the term “taxable income.” That is because you may not be taxed on all your income. Certain deductions may be able to be claimed to arrive at “taxable income.” For example, if you make a contribution to your registered pension plan, that amount may be deducted from income. Certain expenses can result in a tax credit that can be deducted in determining your “taxes payable.” For example, medical expenses or charitable donations result in tax credits that can reduce taxes payable. Each province or territory also levies taxes and offers tax deductions or tax credits. Usually the provincial tax payable represents a percentage of federal tax payable but the way that provincial tax is calculated does vary by jurisdiction.

If you would like some help and guidance in completing and filing your tax return, visit the following website of the Canada Revenue Agency which is the department of the federal government responsible for administering and collecting income taxes. See: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return.html>

The deadline for paying your income tax and filing your return in Canada for a given year is generally April 30th of the following year. If you are self-employed, you can file your income tax return by June 15th. If, after completing your tax return, you owe money to the government, you will want to make sure your tax payment is made by April 30th and your return is filed by the due date or you will incur interest costs and a late filing penalty. If you are likely to get a refund – that is the tax withheld from various income sources is greater than the amount you end up owing – you should file your return as early as possible to get your refund cheque as soon as you can.

When you are employed, your employer is required to deduct income tax from each pay-cheque and submit those taxes to the government on your behalf. This is referred to as “withholding taxes” and employers are obligated to deduct them, and submit them, over the course of the year. So, when you see your pay-cheque, you will likely see a deduction for federal and provincial taxes. At the end of the year, in preparation for your tax filing, your employer will give you a T4 Statement of Remuneration Paid (slip) that will summarize the income you earned for the year, taxes deducted, etc. You will need the T4 slip as you or a tax preparer complete your personal income tax return.

The important thing about filing and paying your taxes is to make sure you file your tax return and pay the required tax on time. Tax evasion is illegal and generally involves not filing tax returns on time, claiming false deductions or not reporting all of

\$ Tip



When you are employed, try to make sure your employer deducts, and submits to the government, the right amount of tax that you will have to pay. This is done on a monthly basis. You probably don't want to find at the end of the year that you have to pay more taxes than was deducted.

your taxable income. Tax evasion is against the law. In contrast, tax avoidance refers to legal steps you can take as permitted within the tax laws to reduce your tax burden. One way that you can reduce your tax burden is by making sure that you claim all the tax deductions and tax credits you're entitled to. You can also reduce your tax burden by contributing money to an RRSP or setting up a TFSA. These are referred to as "tax avoidance" strategies but they are perfectly legal.

Learn About



Try to learn early about ways to reduce taxes that are payable. You don't want to learn about them later when you may have missed the opportunity to reduce the amount of taxes you paid.

Many people who do not have complicated financial situations will prepare and file their own tax return using off the shelf tax preparation software. If you are uncertain about what can and cannot be claimed, or if you have some complicating factors, you may want to enlist some help. Perhaps your parents can provide some help or enlist the help of their tax preparer. There are professional providers who can help too – but they do generally charge a fee. If you use a service, you should check them out to make sure they are legitimate and that reviews of their services are good and that the cost is not excessive.

That's about all we can cover about taxes here. You could almost write a book on that topic alone. A visit to the CRA link above should provide you with some of the information and help that you need regarding income tax. Make sure you learn about the tax deductions that may be available to help reduce "taxable income" and the tax credits that may be able to be claimed to reduce the amount of tax that you need to pay.

There are also some saving and investing strategies and products that you can use to help reduce taxes. For example, investing in a TFSA – a Tax-Free Savings Account – may allow you to earn income without paying tax. You can deposit money into a TFSA up to a certain annual limit to save for the future. Any income or gains you earn on the investments held inside a TFSA are not taxable.

Learn About



Try to learn about TFSAs. They are a very helpful savings tool and can help you earn money from savings and investments that will not be taxable. They are a financial tool that young people can take advantage of for saving.

If you deposit money into an RRSP – a Registered Retirement Savings Plan – to save for your future, you get a tax deduction for the funds deposited (again to a limit) into an RRSP. This can also help you reduce your taxes in the year the money is deposited into the RRSP. But be aware that the money is taxed when it is taken out of the RRSP later. The RRSP is meant to serve as a savings vehicle that allows Canadians to save for their retirement tax efficiently – when the money is withdrawn from the RRSP, it is anticipated that the recipient is subject to lower tax rates than they were while working.

There are other taxes, fees, and fines you will simply pay as you go. Examples include GST and HST which are sales or retail taxes you pay based on your spending. For a car, you may think of the tax that you pay when you buy gas for a car, fees you pay when you buy a license for a car, or fines you may incur when you drive a car too quickly. There are lots of other sources of government revenue that are levied through taxes, fees, and fines but these are generally paid on an ongoing basis as you go about your life and make financial and spending decisions.

Take Action. Take Control!



Retirement may not be on your mind now – but it will be on your mind later. Try to take control and start saving early. The earlier you start, the more you can save, and the more money you can earn on your savings, over the years. Many people starting saving too late to save the amount they would like to have in retirement to live the way they want. Don't be one of those people. Be prepared for the day you want to be financially independent – and do just what you want to do.

Module Summary

Say What? Possible New Terms!

1. **Budgeting:** listing monthly income and expenses to keep track of where your money is going and to make sure your money is being used wisely.
2. **Fixed Costs:** the costs that come up on a regular basis that you have to pay each month.
3. **Irregular Costs:** the costs that come up every now and then and for which you have to plan for to be able to cover.

Did It Stick? Can You Recall?

1. What's the value of a budget? In what ways can it help?
2. Why is it that a great many people don't work with a budget?
3. What is a good first step before you begin to create a budget?
4. Why is saving – and paying yourself first – so important?
5. What kinds of things are usually in a budget?
6. What are some important budgeting tips?
7. What are the two kinds of expenses that are usually in a budget?
8. How can a budget help you gain, and keep, control of your money?

Thinkabout... or Discuss:

- What do young people spend most of their money on? Why?
- Are most young people today in control of their money? What are some of the causes of young people losing control of their money?
- Do young people have too easy access to credit cards? Or are credit cards almost a necessity today?
- Do you know others who are having money troubles – or who you think are headed to money trouble? If so, what's causing this? What could help them?

Tips & Suggestions

- Track where your money is going. You should know.
- Create and use a budget if it can help you.
- Pay yourself first. Try and save some money – even a little – each month.
- Be prepared for unexpected expenses. They seem to always come up.
- Don't be afraid of budgeting – and afraid that you won't like what you will find. If you are afraid to budget, you probably need to budget.

Tech Talk

On the Internet, you may want to search for:

- Creating a good budget
- Budgeting tips
- Simple budget templates
- How to cut back on spending
- How to save more