

Financial Fitness Curriculum for Newcomers to Niagara

Facilitator Handbook



Credit Counselling of Regional Niagara

is a non-profit charitable organization offering confidential credit counselling at no cost, and debt-management programs at low to no cost. We have been serving the Niagara community since 1975, helping thousands of individuals and families each year who are experiencing money and debt problems.

264 Welland Ave. in St. Catharines • 4129 Stanley Ave. in Niagara Falls • 189 East Main St. in Welland • 39
Main St. West in Grimsby
Phone: 905-684-9401 or 1-800-663-3973

Financial Fitness Curriculum Units

This series of units was developed by Credit Counseling of Regional Niagara with input from agencies serving newcomers to Niagara. The goal of this curriculum is to provide newcomers to the region with an opportunity to increase their knowledge and share their experiences around the financial topics of Rights & Responsibilities, Budgeting & Savings, Understanding Credit and Dealing with Debt.

The units have been designed as stand-alone topics with the aim of allowing instructors/workshop facilitators to choose the topics that are appropriate for their clients. Each unit also contains interactive exercises and activities in which participants can share their experiences and ideas. Units are designed to last approximately 60 - 90 minutes, but this can vary widely depending on the number of activities the facilitator decides to use and the amount of time set aside for discussion.

Curriculum materials consist of a Facilitator Handbook, a PowerPoint presentation, and a Participant Handbook containing some of the unit exercises. This package includes French, Spanish, Arabic and Chinese translations of the Participant Handbook, and French, Spanish and Chinese translations of the text of the PowerPoint presentation.

We would especially like to thank the staff and volunteers of the Niagara Folk Arts Multicultural Centre for their suggestions on topics for the curriculum, translation of the curriculum materials, and for giving us the opportunity to pilot the curriculum with their clients.

The following exercises are copyrighted by Consumer Action, www.consumer-action.org as part of their Money Wi\$e Money Management Seminar:

- Your Hometown Newspaper exercise
- Short and Long-term Goals activity
- Money Management Evaluation activity
- Compare Three Secured Credit Card Offers activity

Information from the Taking Responsibility for Your Finances section of the Rights & Responsibilities Unit comes from “8 Financial Tips for Newly Married Women” - CouponSherpa 17 March 2010.

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Rights & Responsibilities Unit

Consumer Rights and Responsibilities

In Canada, people who buy products and services (consumers) have a number of rights and responsibilities.

Possible Activity:

Engage participants in a general discussion about rights and responsibilities. What do these terms mean? How would you define them? What are some examples of rights and responsibilities?

Your Rights

As a consumer, some of your basic rights under the Consumer Protection Act are:

- You are entitled to a cooling off period
- Remedies must be timely
- If you are sent goods you did not ask for, you do not have to accept or pay for them
- Contracts must be clear and understandable
- Sales incentives may not be false, misleading or deceptive
- Deliveries must be made on time.

Cooling off period:

If you make a purchase or sign a contract in your home and then change your mind, if the deal is worth more than \$50 you have the right to cancel within 10 days. It is best to cancel by registered mail or fax to get your money back.

When you take advantage of your 10-day cooling off period and notify the company (preferably in writing) that you have changed your mind, the company has 15 days to return your money. The business has the right to take back the goods provided under the agreement by either picking them up or paying for the cost of sending them back.

Your Responsibilities

You also have responsibilities, such as:

- Research and compare products or services before you buy them
- Check the qualifications of service providers
- Read and follow product instructions
- Get what you pay for.

It is especially important to understand what you are buying and who you are buying it from when a salesperson comes to your home. Many people refuse to buy anything from someone who shows up at their door uninvited. Before you agree to buy anything, make sure you can answer the following questions:

- Have you asked for identification?
- Are you sure you are not being pressured into buying?
- Are you getting quality for your money?
- Have you compared prices with other suppliers?

- Have you read and understood the contract?
- Do you know the company’s reputation?
- Does the company have a permanent office you can call if you have problems?
- Is the business named in the contract the same one you have been dealing with?

Remember that if a deal sounds too good to be true, it probably is, and never pay in advance for products or services.

Possible Activity:

Individually or in groups, evaluate the following classified ads to determine whether or not you believe they are offering a legitimate service. Read the ads carefully, focusing on key words and applying common sense. Write down the reasons for your evaluation so that you can discuss them with the class after everyone has had a chance to complete the activity.

**Your Hometown Newspaper
Classifieds**

Guaranteed loans! Even bad credit, no credit or bankruptcy. Call today! (800) LOAN4U

Would you respond to this ad?
Why do you feel this way?

BAD CREDIT? NO PROBLEM! Create a new credit identity legally. No one will ever know about your past mistakes and you can apply for a new credit card – no problem. For more information, call (900) ANEWYOU

Would you respond to this ad?
Why do you feel this way?

CONSUMER CREDIT COUNSELLING SERVICES
Credit counselling by phone, online or in person. Services since 1951. Find a member agency near you (800) 388-2227, www.nfcc.org

Would you respond to this ad?
Why do you feel this way?

Facilitator’s notes:

- Legitimate lenders never “guarantee” that you are likely to get a loan or credit card before you apply.
- Federal law prohibits companies from asking you for an advance fee for credit.
- Any promise to create a new credit identity has a high likelihood of being a scam.
- “900” numbers are a red flag for fraud – when you call a “900” number you will be charged a lot of money on your phone bill.
- Legitimate ads do not make outrageous claims.
- Web sites that end in “.org” are owned by not-for-profit organizations.

Possible Activity:

Participants can discuss experiences they've had and lessons they've learned as consumers.

Protecting Yourself from Fraud

These days you not only have to protect yourself from fraudsters working in person or over the phone, but using the internet and other electronic media can also open the door to more sophisticated forms of illegal activity.

Red Flags:

There is no guaranteed method to know if you are being exposed to fraud, but the following questions are worth keeping in mind whenever you're trying to decide whether you're dealing with a legitimate organization or situation:

- Who am I really dealing with?
- Why are they asking for more information than they actually need?
- Am I being rushed or pushed into making impulsive decisions?
- Is this person overly enthusiastic?
- Is this too good to be true?
- Is this job offer legitimate?
- Is this website trustworthy/legitimate?
- Why are they asking for a processing fee to give me a loan?
- How did they get my contact information?
- Am I broadcasting my personal information over the airwaves?
- Why does this stranger suddenly want to become my best friend?



Source: Royal Canadian Mounted Police

Identity fraud is when someone uses your personal information to pretend to be you so they can buy things or take money out of your bank account. General tips for preventing identity-related fraud are:

- Check your credit history and bill statements regularly to look for suspicious activity
- Shred or tear up receipts, debit and credit slips, cheques, mail with personal information, and old bills
- Refuse requests for personal information unless you initiated the contact and are confident the need is legitimate
- Have your mail picked up when you're away
- Ensure that your computer firewalls/spyware protection are up to date to protect personal information stored in your computer.

The RCMP website is a good resource for keeping up to date on the latest fraudulent schemes:

Go to www.rcmp-grc.gc.ca and choose Scams/Fraud on the top menu.

What to do if you are the victim of fraud

- Contact your financial institution immediately.
- Keep notes and all documentation, as this information may be required to assist with any investigation.
- Report it to your local police or to Phonebusters, a national anti-fraud call centre jointly operated by the Ontario Provincial Police and the Royal Canadian Mounted Police (toll-free phone is 1-888-495-8501; e-mail is info@phonebusters.com).

Possible Activity:

Discuss your experiences with fraud and what you've learned.

Possible Activity:

Fraud scenarios – Present the scenario and have participants discuss what they should do.

Scenario 1:

You receive an e-mail from your bank stating that they have upgraded their safety measures to protect you against identity fraud. They urgently need you to log on to their web site and conveniently provide a link to it. You have been a customer with this bank for a long time, you trust them and you know they want to protect your information. What should you do?

Facilitator's notes:

Banks simply do not do this. Your bank already has all your personal information. It does not make sense that they would contact you to get it again. This e-mail could also pretend to be from a government agency or an online auction company. Use common sense, delete these messages, don't respond to them, don't follow any provided links or telephone numbers. If you are concerned, contact the legitimate organization by using a telephone number you know to be safe.

Scenario 2:

You receive a phone call or email message from someone informing you that you have won a free vacation. All you have to pay are the taxes and in return you will enjoy a 3-day Caribbean cruise and 4 days at an exclusive resort.

Facilitator's notes:

Always use a healthy dose of skepticism when receiving these solicitations whether it be by email, fax or telephone, especially when an unknown company congratulates you for winning a free or an inexpensive deal on a resort vacation or cruise. This kind of solicitation will most likely be a travel scam. These illegitimate travel companies will ask for your credit card number and some personal information. An additional risk is the deceptive practice of dishonest travel agencies to lure a victim to a remote destination and charge extra fees for features and services that were supposed to be included in the initial travel package. It is safer to deal with reputable, well-established travel agents.

Taking Responsibility for Your Finances

There are good reasons why everyone should know how to manage their money. Among married couples, traditionally men kept track of the family finances and made more of the spending decisions, but there are good reasons why married women should build their financial independence:

- Women are expected to live an average of seven to 10 years longer than men
- Their retirement income is generally less than half that of men
- In the case of divorce or becoming widowed, it is important for women to have their own financial history
- Women who have some financial independence are better able to take care of themselves and their children.

Steps to financial independence:

1. Know Your Finances

Schedule a financial date with your spouse at least once a month to review bills, investments, retirement accounts and your budget.

2. Educate Yourself

The more you know about finances and the investment process, the more confident you'll feel dealing with personal finance issues.

3. Establish a Personal Cash Cushion

Bank three-months worth of expenses as a cushion should your family face an emergency such as a health emergency, unemployment or other unexpected expense.

4. Pad Retirement Accounts

It's vitally important women begin retirement accounts as early as possible because they're more likely than men to enter and leave the workforce while raising children. Women also live longer than men, so will have to draw on these accounts longer.

5. Build an Independent Credit Rating

Follow standard guidelines to maintain a good credit rating before and after marriage. It's not enough to just have joint credit accounts with a spouse.

6. Establish Your Own Accounts

Having a separate savings or checking account gives you a heightened degree of financial autonomy and helps you become better at saving and budgeting.

Possible Activity:

Discussion - Who does what in your household? Are there aspects of money management you'd like to know more about?

Benefits of Taking Legal Work

Taking a job where your income is declared to the government and taxed entitles you to a number of rights and benefits.

Legal workers are entitled to a minimum wage, vacation and overtime pay, safe working conditions and many other rights.

The Canadian government also provides legal workers with benefits that include:

- A retirement pension and disability benefits through the Canada Pension Plan
- Financial support if you lose your job, are unable to work because of sickness or injury, or take parental leave through the Employment Insurance program
- Financial compensation if you are injured on the job through Worker's Compensation.

Budgeting & Saving Unit

Possible Activity:

Have a discussion about money and personal values. Use these questions as a guide:

- What is more important than money?
- How do people get into debt?
- What did your parents tell you about money and working?
- How would you say Canadians feel about money? Is this the same as in your country?

Making a Budget

A budget is a list of how much money you have (income) and how much money you spend (expenses). Making a budget helps you know how much money you have, and how much money you need.

A good budget balances your income and your expenses — you should have enough income to pay for the things you need with some extra money for savings.

Budgeting helps us achieve short-term goals like paying bills, or paying off a credit card, and is also for longer-term goals like buying a house or car or paying for a wedding or vacation. It’s a way of helping you get to where you want to go in life.

Possible Activity:

What are your goals? What kind of life do you want to have? Discuss the difference between short and long-term goals and ways that you can start working toward your goals.

Write down your wishes for the future – things you want today, next week, or twenty years from now. Identify which are short and long term goals.

Short-term goals	When?	Cost	Savings plan

Long-term goals	When?	Cost	Savings plan

Budgeting helps us know how much money we have, and how much we need to achieve our goals.

Reasons to have a bank account:

- In the bank your money is safe from fire, loss or theft
- Each account is insured by the federal government for up to \$100,000
- Cancelled cheques are proof that you paid a bill
- Using check-cashing stores and money orders is more expensive than paying bank fees.

Emergency savings fund:

- This is money you set aside to cover expenses in case you lose your job or suffer an injury that keeps you out of work
- It should equal three to six months of take-home pay/expenses.

Saving strategies:

- Pay yourself first – make savings part of your budget instead of saving whatever is left over at the end of the month
- One way to do this is to schedule automatic deposits to a savings account
- Take advantage of plans like Registered Retirement Savings Plans or Tax Free Savings Accounts to reduce the taxes you pay on savings.

Registered Retirement Savings Plans (RRSP)

- An RRSP is a retirement savings plan registered with the government
- Eligible contributions you make to your RRSP can be used to reduce your tax
- Any income you earn in the RRSP is usually exempt from tax for the time the funds remain in the plan
- You generally have to pay tax when you cash in, make withdrawals, or receive payments from the plan

Tax Free Savings Accounts (TFSA)

- Canadian residents age 18 or older can contribute up to \$5,000 annually to a TFSA
- Investment income earned in a TFSA is tax-free
- Withdrawals from a TFSA are tax-free



Possible Activity:

Participants should use the following form to work out their own personal budget. Feel free to add categories to the list. Participants do not need to share this information with the group.

Making a Budget

The key to an effective budget is balancing what goes out with what comes in.

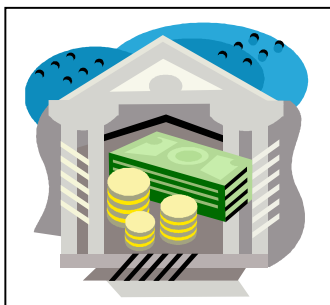
Income/Assets:

Wages & Tips	
Support	
Child Tax Credit	
Family Contributions	
Other Income	
Total Income:	

Monthly Expenses:

Rent	
Utilities	
Phone/Cell	
Cable/Internet	
Groceries	
Snacks	
Bus Pass/Parking	
Car Payments	
Gas/Oil/Maintenance	
Insurance/Licensing	
Child Care	
Toiletries/Cleaning Supplies	
Hair Cuts/Beauty Products	
Medical/Dental Costs	
Clothing	
Laundry	
Going Out/Eating Out	
Movie Rentals/Cinemas	
Children's Activities	
Savings	
Loan Payments	
Credit Cards	
Christmas/Birthday Gifts	
Other	
Total Monthly Expenses:	

Total Income/Assets
 — **Total Expenses**
 = **How much you have left over, or**
 How much you need



Living on a Limited Income

Possible Activity:

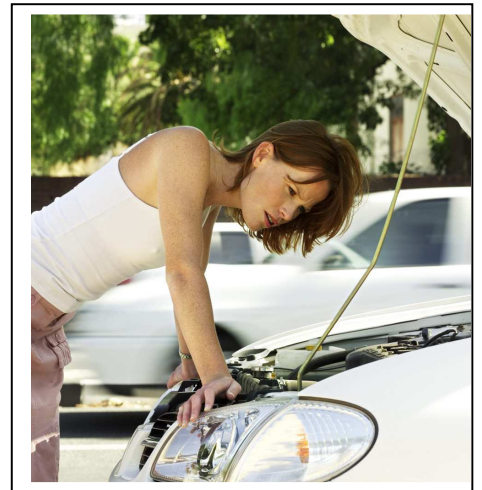
Discuss ideas for stretching your money. Often participants have very good ideas and can provide information about where to get deals in their particular town or neighbourhood.

Ways to increase your income:

- Find a part-time or weekend job
- Rent out an extra room
- Start a home-based business, such as providing baby-sitting, sewing or handyperson services.

Ideas for reducing expenses:

- Shop around to find the best deal.
- Make a shopping list and stick to it. Buy sale items, generic products and bulk items wherever possible.
- Prepare meals at home.
- Use the public library for family entertainment. Books, magazines, CDs games and even movies are free.
- Take care of your car. Unless there is a real need for a second automobile, keep only one.
- Use your credit cards wisely. Don't purchase more than you can pay off each month. Try saving up for those large purchases instead.
- If you stop at the convenience store each morning for a cup of coffee, try brewing it at home and using the insulated cups. Spending \$1.50 a day adds up to over \$500 a year.
- Check with your insurance company to see if you can combine your auto and home owners insurance to save.
- Turn down the thermostat on your water heater to a temperature that is comfortable.
- Set your thermostat as low as is comfortable in the winter and resist the temptation to turn it up and down. Set it as high as is comfortable in the summer.
- Cut back on donations, and spend less on Christmas and birthday gifts.



Understanding Credit Unit

*** Note:**

In some religions, charging or paying interest on a loan is forbidden (Islam, for example). Some Canadian financial institutions have experimented with loans and credit cards that meet the no-interest requirement, but there aren't many options currently available. In early 2010, Toronto company UM Financial launched the iFreedom Plus MasterCard tailored to meet the religious requirements of Canada's Islamic community, and there may be other similar products available. The above is provided for information only and is not intended as an endorsement of the product.

In Canada, many people pay for things with credit. Using credit means borrowing money from a bank or other business instead of paying with money you already have.

Credit can be good — it can help you pay for expensive things like a car or a house over time. But credit can also be bad if you don't have enough money to pay back what you borrowed.

Different kinds of credit also charge different amounts of interest. Interest is what it costs you to borrow the money. Understanding how much interest you have to pay for different kinds of credit can save you money.

Using credit carefully helps you build your credit rating. You need a good credit rating if you want to borrow money.

Why is it helpful to have credit?

- It can be useful in times of emergency
- It allows you to make large purchases and pay them off over time
- It can be more convenient than carrying large amounts of cash
- Some purchases, like renting a car or booking a hotel room, require a credit card.

Why is it important to have a good credit rating?

It can help you:

- Buy a home
- Get a job
- Set up telephone, gas and electricity accounts
- Rent an apartment
- Finance a car
- Qualify for insurance
- Borrow money
- Get a credit card

Possible Activity:

Participants are invited to share attitudes towards credit from their countries

Loan Basics

Secured Loans

Secured loans are the most common way of borrowing large amounts of money. With a secured loan the lender has been given a portion of the rights to a specific property – usually the borrower’s home – as collateral. This means that if you don’t make your payments on a secured loan, the bank or lender can take your home.

In this type of loan, you also have the option of using a co-signer who can take over the payments if you are unable to. Other purchases that require a secure loan would include a boat, a vehicle, and land. A secured loan usually has a lower interest rate compared to an unsecured loan, and you may be able to extend the period of repayment. The typical repayment period extends between 5-30 years however taking longer to pay off a loan increases the interest that a borrower will have to pay.

Unsecured Loans

Unsecured loans are not backed by any collateral. You borrow money on the strength of your good credit and ability to repay alone. However, unsecured loans cost more than secured loans.

An example of an unsecured loan is a credit card. The rate of interest charged on an unsecured loan is higher because of the larger risk of not getting paid back. When you enter an agreement with a credit card company, the credit card company does not have or request any collateral from you.

The bank or credit card company will consider several factors when they are deciding whether to loan you money, such as:

- How long have you been in your job?
- What is your income?
- How much money do you have in the bank or in investments?
- How much equity do you have in your house?
- How much debt do you have?
- What are your monthly expenses?
- Have you paid back money you borrowed in the past?
- How much credit do you have access to?

Types of Credit:

Overdraft or Line of Credit:

- You apply for it at the bank, and you have to pay a fee or interest to use it.
- Overdraft fees usually cost less than NSF charges.
- Lines of credit are usually charge lower rates of interest than other types of credit.

Credit Cards:

- Banks and big stores offer credit cards.
- Bank cards may have a fee. Interest rates can be between 10% and 29.9%, so make sure you know what the interest rate is.

No Payments/No Interest:

- Some stores give you a year or more before you have to pay.
- Often you have to pay a fee and if you don't pay for what you bought before the deadline, you will have to pay interest starting on the day you first bought the item.
- Often the interest rate is very high.

Rent-to-Own:

- You make payments every month instead of paying all at once.
- In the end you usually pay much more than if you just buy the item with cash.

Pay-Day Loans:

- These loans are a very expensive way to borrow money.
- When fees and interest rates are added up, interest can be more than 600%.

Paying Less for Credit:

Choosing a type of credit that has a lower interest rate, and paying off your loan as fast as you can are the best ways to pay less for credit.

If you buy something that costs \$1000 with credit, it will cost you:

- On a credit card with 10% interest making minimum payments: \$1315
- On a credit card at 19% interest making minimum payments: \$1889
- On a credit card at 29% interest making minimum payments: \$4114

Possible Activity:

Compare Three Secured Credit Card Offers
(Worksheet follows the instructions)

There are three secured credit card offers and participants need to decide which one seems best. With a Secured Credit Card, you give the bank money and they give you a credit card with a limit the same or less than what you gave them.

Suggest that participants ask themselves: Do the undesirable terms outweigh the desirable ones?

Ask participants to jot down the reasons for their conclusions so that you can discuss them after everyone has had a chance to complete this activity.

Allow participants about 10 minutes for the activity.

Questions to generate discussion:

- Did your responses jibe with the conclusions?
- What do you think are the most important terms to look for in a secured card?
- What would you definitely avoid?

Facilitator's Notes:

“Premium Plastic” card

This card compares unfavourably for the following reasons:

- Has an application fee and a monthly participation fee
- Has a higher annual fee
- Has a higher minimum deposit and pays no interest on it
- Has a higher interest rate
- Has higher late fees and cash advance fees

“Cure Your Credit” card

This card compares unfavourably for the following reasons:

- Has an outrageous application fee.

“Secure Credit History” card

This card has the most favourable terms for the following reasons:

- No application or participation fee
- Fairly low annual fee
- Lower minimum deposit
- More favourable interest rates on deposits, purchases and cash advances
- More reasonable cash advance and late fees

Compare Three Secured Credit Card Offers Worksheet

You're looking for a secured credit card to use in building a good credit record. You've shopped around and come up with three opportunities – now it's time to decide which one is best for you. Based on the information given, evaluate the secured credit cards below. Assess the terms to decide if undesirable terms outweigh desirable ones. Jot down the reasons for your conclusions so that you can share them with the class after everyone has a chance to complete this activity.

“Premium Plastic” card

Apply for this card? Yes No

Application fee: \$89
Participation fee: \$3 per month
Annual fee: \$59
Grace period: 20 days
Minimum deposit: \$600
Interest rate paid on your deposit: None
Annual interest rate for purchases: 19.8%
Annual interest rate for cash advances: 21.8%
Cash advance fee: 4%/\$20 minimum
Late fee: \$35

“Cure Your Credit” card

Apply for this card? Yes No

Application fee: \$295
Participation fee: None
Annual fee: \$35
Grace period: None
Minimum deposit: \$300
Interest rate paid on your deposit: 0.075%
Annual interest rate for purchases: 21.99%
Annual interest rate for cash advances: 21.99%
Cash advance fee: 3%/\$5 minimum/\$50 maximum
Late fee: \$29

“Secure Credit History” card

Apply for this card? Yes No

Application fee: None
Participation fee: None
Annual fee: \$39
Grace period: 25 days
Minimum deposit: \$200
Interest rate paid on your deposit: 2%
Annual interest rate for purchases: 16.99%
Annual interest rate for cash advances: 16.99%
Cash advance fee: 3%/\$5 minimum/\$15 maximum
Late fee: \$29

Your Credit Rating

Credit Bureaus keep information about how you pay your expenses and loans in your credit rating. Banks and other businesses that give credit and loans look at your credit rating before they decide if they will give you credit. If you want to get a loan to buy a car or a house, you need to have a good credit rating.

When you move to Canada, you start a new credit rating. Credit information from other countries, including the United States, does not follow you here.

Information Recorded on Your Credit Rating

- Your dealings with companies that lend money or issue credit cards, including banks, finance companies, credit unions, and retailers
- Cell phone or utility bills only end up on your credit record if they are sent to a collection agency because you haven't paid them for several months

To Have a Good Credit Rating:

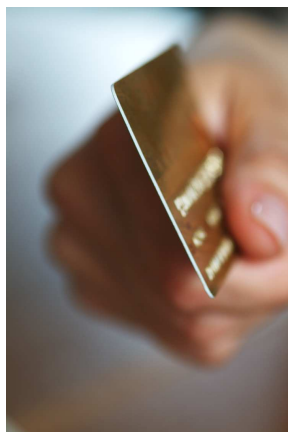
- Pay bills on time
- Only have 1 or 2 credit cards
- Try to keep a zero balance on credit cards
- Open a chequing account and make sure there is always enough money in it
- Only borrow what you need and what you can pay.

Building/Rebuilding Your Credit Rating

If you have a bad credit rating or no credit rating, you can build a good credit rating by following the above guidelines. Over time, if you use credit responsibly, your credit rating will improve.

A good way to start your credit use in Canada is to apply for a credit card and then use it responsibly.

Secured Credit Cards are designed for people who have a bad credit rating or no credit rating. With a Secured Credit Card, you give the bank money and they give you a credit card with a limit that is the same or less than what you gave them. If you make all your payments and do not go over your limit, after 1 or 2 years the bank gives you back your money and it becomes a regular credit card.



Possible Activity:

Money Management Evaluation (30 minutes)

Ask participants to organize into small groups and give each group a different worksheet. (Facilitator copies of the worksheets are found after these instructions.)

Ask participants to review the sample profiles and discuss ways that the sample individual or couple can get back on track. Have the group choose one spokesperson to run through the group's suggestions during the wrap-up session.

Following are possible ways that each sample person or couple could save on expenses.

Joey could:

- Shop around for cheaper auto insurance coverage
- Shop around for cheaper car parts on the internet
- Consider parking outdoors and using a tarp instead of paying for rented garage space
- Reevaluate whether he can afford the car right now (especially since he doesn't need to drive to work)
- Quit smoking
- Rent movies with friends instead of going out
- Buy his girlfriend a less expensive Christmas gift.

Juan and Carmen could:

- Ask Carmen's brother, Paolo, to start contributing to food and rent expenses
- When Juan's truck lease expires, buy a good used truck instead
- Go shopping without the kids
- Set up an automatic transfer to a savings account
- Investigate government-sponsored education savings plans (RESPs).

Cheryl could:

- Shop around for a new credit card with a better interest rate
- Ask Danny and LaTonya's parents to pay her for baby-sitting their kids
- Make a clothing budget so she does not make impulse buys
- Avoid using her credit card until she can pay off her balance.

After about 15 minutes, call the groups back together for the wrap-up session. Ask the spokespersons to go over their suggestions with the class.

In the discussion that results, emphasize that there is no "perfect" way to manage your money. Each person's salary and expenses are different and people have different financial goals in life. Touch on financial goals again – ask participants if they think that these people are likely to live up to their goals. Are these achievable goals? Can Joey, Juan and Carmen, and Cheryl make the necessary lifestyle changes to improve their financial situations and plan for the future?

Money Management Evaluation Worksheet

Joey graduated from high-school recently. He just got a full-time job as a clerk at a local grocery store within walking distance of his home. His starting salary is \$18,000 per year and he never seems to have any money in his chequing account.

Joey goes to private night school where he's studying to become a bookkeeper. The tuition at the school is more than \$300 per month.

Joey's dream is to get his own apartment. For now he lives with his mom and gives her \$50 per week for his room and board.

Joey has a 1968 Mustang convertible. He does some of the mechanical work on it himself, but it breaks down a lot and the parts are very expensive to replace. His mom's house doesn't have a garage, so Joey pays a neighbour \$50 per month to use his garage.

As a young man, Joey pays more than \$2000 per year for his car insurance.

Joey has been smoking cigarettes since he was 14 years old. He smokes a pack a day. His mom constantly urges him to quit.

He likes to go out with his friends at night. They usually go to the movies, video game arcades or bowling. When his mom suggests he stay home sometimes, Joey likes to say, "I work hard, Mom. I deserve to have a little fun once in a while!"

Christmas is coming up, and Joey wants to buy his girlfriend a set of diamond earrings that cost \$499.

Do you have any ideas on how Joey could better manage his money while still achieving his short-and long-term financial goals?

Money Management Evaluation Worksheet

Juan and his wife, Carmen, have four children aged two, five, seven and 13. They have no savings and live paycheck to paycheck.

Juan works as a night watchman at a large bank, earning \$22,000 per year. Carmen is on the housekeeping staff of a large hotel. Her salary is \$13,400 per year.

Juan and Carmen rent a large house with five bedrooms. Carmen’s brother, Paulo, who has a decent paying job, lives with them but does not contribute to the rent or food costs. Both Juan and Carmen have large families and often cook dinner for many family members on weekends.

Juan and Carmen lease two cars. On Juan’s truck, the payment is \$299 per month. His lease is due to expire in three months. Carmen’s minivan, in the first year of a four-year lease, has a payment of \$269 per month. The car leasing companies require that Juan and Carmen have collision insurance coverage. Their insurance premium is \$3,189 per year.

When Carmen goes shopping for groceries, she brings the children along. Even though she makes a list before she goes, she often buys items that the children ask for that are not on her list.

Juan and Carmen are not college graduates. They want their children to be able to go to college. They want to start a college savings fund.

Can you think of some ways that Juan and Carmen can cut back in order to start a regular savings program?

Money Management Evaluation Worksheet

Cheryl, a single parent, has two children, ages five and nine. She works as a receptionist and makes \$26,000 per year. Cheryl pays \$700 a month in rent for her two-bedroom apartment.

Cheryl was unemployed for a few months before she found her job, and during that time she rang up \$2,200 in credit card debt. Her credit card interest rate is 24.99%. Even though it's a struggle to pay the credit card bill, Cheryl always pays it on time.

Cheryl's kids have two good friends in the neighbourhood, Danny and LaTonya, and when they come over Cheryl often ends up feeding all the kids dinner and taking care of Danny and LaTonya until their parents get home from work.

Cheryl's office is in a downtown shopping area, and she likes to stop in at her favourite clothing store during her lunch break. While she usually waits until items she likes are on sale, sometimes she makes an impulse buy using her credit card, even though the item may not be on sale.

Cheryl is planning to take her kids on vacation in three months to visit their grandparents in another province. She needs to save about \$1,200 for the plane tickets and other travel costs.

What are some ways that Cheryl can cut down on her expenses so that she can afford to take the vacation with her family?

Dealing with Debt Unit

Debt is the money that you owe to someone else. Usually debt is owed to a bank or a credit card company, and you can also owe money to a utility company, service provider or to a friend or relative.

Canadians currently carry a lot of debt, and financial professionals are worried that this will lead to a bad situation in the future.

How do credit and debt keep people from saving?

- Easy access to credit can tempt people into charging items or buying things they can't really afford.
- Credit card balances can get out of control and require large amounts of your income in order to pay the monthly charges.

What is the difference between good debt and bad debt?

- By borrowing strategically, you can achieve financial goals such as owning a car or home. A car loan or mortgage or paying for your education are examples of good debt.
- Using credit to buy things you want but don't really need can be considered bad debt. In general, it is not a good idea to borrow money for things that don't last as long as the loan. Instead, save money to buy yourself those special treats or rewards.

Possible Activity:

How Much Debt Can You Afford?

- Ask participants to guess what percentage of their annual net income should be the maximum debt they carry, excluding mortgage debt
- Guidelines are no more than 20%
- Ask participants to calculate privately how much debt that equals, based on their individual incomes

Collection Agencies

It is important to pay your bills and make mortgage payments on time. If you stop making payments, or don't pay for several months, the company you owe money to may take away your property (in the case of a secured loan) or in the case of utilities, cut off your electricity or gas.

If you will be late on any debt or credit payment, it is best to call and explain the situation before your payment due date. Let the lender know when and how much you will be able to pay. Often, these companies will make a note on your file and you may avoid unpleasant phone calls and a drop in your credit rating.

If you do not make your payments for several months, your debt may be sent to a collection agency that will try to collect it. There are many collection agencies in operation in Canada whose goal is to try to collect as much of the debt, as quickly as possible. Dealing with a collection agency is often very stressful and they may phone you over and over again, trying to collect the money you owe.

Collection agencies must:

- Notify you, in writing, that they've been hired to collect your debt
- Make sure they are speaking to the person who owes the money
- Call between 7:00 am and 9:00 pm Monday through Saturday (they are not to call on Sundays or Statutory Holidays)
- Each time they call, tell you their name, the agency name, who they are collecting for, and how much you owe.

They must not:

- Harass you by threatening, being abusive, or by calling about the same debt more than 3 times per week
- Give out false or misleading information that may damage you or your family
- Seize property. Property can only be seized by a civil enforcement bailiff.
- Talk to your family, friends or employer, except
 - to get your address or phone number
 - when the person is a co-signer or secondary card holder
 - to check your employment
 - when your wages have been garnisheed.

What can you do?

- Keep a record of all calls, including date and time, name of person calling, agency name and what was discussed
- Write the Collection Agency a Registered Letter, telling them your income and expenses, how much you can send, when and how you will pay, your phone number and that you will inform them about your situation each month
- Register any harassment complaints with the Ministry of Government and Consumer Services at 416-326-8800 or 1-800-889-9768.

Dealing with Debt

There are things you can do if you are having trouble paying back your debt.

- Put away all your credit cards
- Pay off high interest debt first
- Consider consolidating your debts into one lower-interest rate loan
- Work with your creditors to find the best way to meet your financial obligations
- Get the advice of a credit counselor.

If you decide to get professional help with repaying your debt, make sure that the organization you are dealing with can give you the help you need.

Credit repair companies promise, for a fee, to clean up your credit report so you can get credit, a car loan, a mortgage, insurance or a job. In most cases, everything a credit repair company can do legally you can do yourself, at little or no cost. No one can legally remove accurate negative information from a credit report.

A credit counsellor can give you information about different options for repaying debt and explain the pros and cons of these options. You can also talk to a credit counsellor about budgeting and ideas for

managing your money. Credit Counselling of Regional Niagara counsellors can meet with you for free to talk about how to help you pay what you owe.

Credit Counselling of Regional Niagara's main office is at 264 Welland Ave. in St. Catharines. They also have offices in Niagara Falls, Welland and Grimsby.

They can be contacted at:

905-684-9401 or

1-800-663-3973

E-mail: info@ccrn.ca

Website: www.ccrn.ca

Information Niagara can give you information about organizations in Niagara that provide financial assistance or help with food, clothing and household goods. They have a 24-hour helpline to answer your questions. Staff can be reached by dialing 2-1-1 or 905-682-6611 or toll free at 1-800-263-3695. Their office is also available for walk-in inquiries and they can help clients with filling out a variety of forms. Walk-in service hours are Mon-Fri 9 am to 4 pm at Unit 10, 235 Martindale Rd. in St. Catharines.

Legal Obligations Related to Property and Debt

If you have debt or own a family home and you decide to divorce, there are rules about dividing debt and property.

Debt:

As a general rule, the spouse who incurred the debt is responsible for it. Spouses who have joint debts are jointly responsible for the full debt. This means that if a couple has a joint credit card, a joint line of credit, or joint overdraft protection, they are each responsible for the full amount of the debt.

A person can only be held responsible for repayment of a debt if they signed the original contract, loan agreement or credit card application. If your spouse or partner never signed the original contract or requested a credit card, they cannot be held responsible for the debt. In Canada, marriage alone does not make you responsible for your spouse's debts.

Property:

The general rule is that the value of any property that you acquired during your marriage and that you still have when you separate must be divided equally, 50-50. Property that you brought with you into your marriage is yours to keep if your marriage ends. Any increase in the value of this property during your marriage must be shared.

The family home is an exception to the general rules. The law says that when your marriage ends, the full value of the family home must be shared even if one of you owned the home before you were married, received it as a gift or inherited it.

Co-signing:

If someone is rejected for a loan, sometimes they will ask another person who is in a better financial position to co-sign a loan with them. If a family member or friend asks you to co-sign or

guarantee a loan, this does not mean simply signing your name at the bottom of a contract so that someone can get a loan; there is much more to it.

If you co-sign a loan, you are making a commitment to repay the loan if the other person is unable to do so. Carefully consider the circumstances of the friend or family member who is asking you to co-sign. If the financial institution requires a co-signer, there is undoubtedly a very good reason. Perhaps the financial institution feels this person represents too high a risk. If this person does not meet their payments, a court could issue a judgment requiring you to repay the debt in full. This could negatively affect your credit record as well as your finances.

Before agreeing to act as a co-signer, ask yourself the following question: Can you really afford to repay the entire loan yourself?

