**Economics 120 – Week of June 1st. Financial Literacy – for Everyone**

This outcome, 5.2 “Examine the types of financial institutes in Canada,” is where I would have spent at least a week on financial literacy. This assignment delves a bit more deeply into how financial institutions work, so that you have a bit of a heads-up moving into your adult life.

To get an idea of the things you should be looking out for, try working through a bit of this website: ***The Mint.org.***

<http://www.themint.org/teens/>

While it is American-based, all the information applies to Canadians just as well. It would be in you best interest to click on lots of the links to see what you should be thinking about for your future. For this lesson, look especially at the following:

**Earning:**

Click on “Decoding your paycheck.” While this person is American, and the deductions sound a bit different, we get deductions taken off our paychecks in Canada, as well. As a student, you may not be paying income tax or CPP, but you do have EI deductions. Once you are working full-time, you may be able to pay into health insurance (for dental, optometry, physiotherapy, and medicine), which will be a deduction in addition to the income tax. The more money you make, the bigger the percentage of income tax that is taken off your check.

**Question: What is the difference between Gross pay and net pay? Why is this important to remember when setting a budget for the month?**

**Saving:**

Click on “How Banks Work.” Skim through the information about depositing money, borrowing money, and how banks make their money

 **Question:** **Why is it in the banks best interest to encourage people to use credit/debt? Why should people be wary of this tendency?** (Think of the Scotiabank slogan – “You’re richer than you think.” Most people are definitely not. Why is the bank trying to convince you that you should borrow money to have fun?)

Have a read through “Tricks our minds play with money;” there are some interesting things to think about.

**Spending:**

Click on “Cash, Check or Credit” – skim through the various ways we can pay for things (checks are slowly moving out of style). Especially look at the “Credit” section at the bottom.

**Question: What would be the difference between using a credit card or your debit card to pay for an item?**

Click on the link for “credit cards.” This will bring you to “Credit Card Facts.” While you should look at all of these, please pay special attention to:

**Minimum monthly payment:**

**Questions: Why should you try to pay more than this (ideally – the whole balance of the card) each month?**

**Why would the banks set a ridiculously low minimum payment?**

**Interest rates:**

**How do the interest rates for credit cards compare to loans from a bank (a good percentage rate for a loan would be 7-9%)?**

**How does the interest rate work (for the bank) in tandem with the low minimum payments?**

**General Credit Card thoughts:**

**Think of a time when you should use a credit card, if you have one:**

**Think of a time when you should definitely not use a credit card:**

**If you have time, it would be very useful to look through the “investing” section. Click on the “Risks and Rewards” tab, and get a feel for some of the options.**

**Last thought: Think about the concept of compounding interest. How would it work to your advantage with your savings? How is it a real disadvantage if you are in debt?**