

Financial Management

Trent International



Today's Session

- Finances in Canada
 - Income Taxes
 - Credit
- Budgeting

Finances in Canada

The Basics





- The CRA is a federal body responsible for administering tax law for the Government of Canada
- Various social, economic and incentive programs delivered through the tax system in Canada

Income and Taxes

- In Canada, income is taxed federally and provincially
- This is referred to as **Income Tax**
- The amount an individual pays for income tax is dependent on their yearly income earnings



Do I Have to Pay Income Taxes?

- Any money you earn while residing in Canada, including income earned from employment, scholarships, bursaries, assistantships (TA or RA), research grants or fellowships, is subject to Canadian Income Tax
- Residents living in Canada for 6 months or more and have income to report are required by law to report their total income earned for the year

Filing Income Taxes

- Tax year is January 1 to December 31 each year.
- The deadline for filing taxes is always April 30 following the tax year.
- Check your [MyTrent portal](#) in February for your tax forms that you will use to file your taxes: T2202 (tuition tax slip) and TA4A (scholarship tax slip).
- Trent International will provide resources to assist with tax filing. There will be a session for Trent with the CRA in March.

Establish Positive Credit History

- A **credit score** is a statistical analysis of one's creditworthiness or ability to pay back debts (i.e. a numerical summary of the the information in your credit report)
- Banks, landlords, and phone providers rely on your "credit score" or credit history to determine whether they would like to take you on as a client based on your ability to keep up with payments.
- Calculated based on the history of payments, debt, credit length, credit diversity, and new credit accounts/ inquiries.
- Score can impact your ability to lease an apartment, therefore it is important to pay bills in full and on time. the credit score, the better.

Interpreting your FICO credit score

It ranges from 300-850

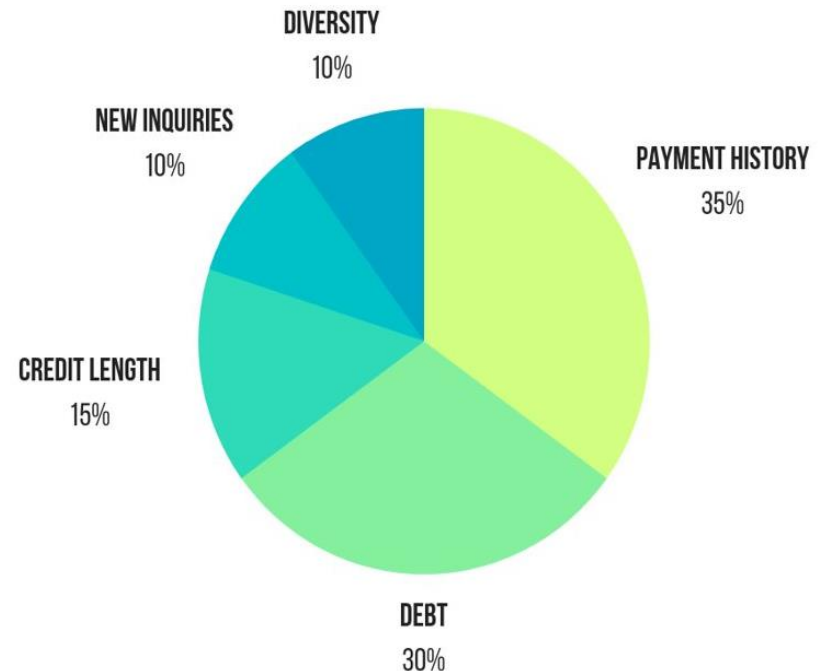
- Excellent: 800 to 850
- Very Good: 740 to 799
- Good: 670 to 739
- Fair: 580 to 669
- Poor: 300 to 579

- Gain points if you use your credit responsibly.
- Lose points if you have trouble managing your credit.
- Your credit score will change over time as your credit report is updated.



Main factors that affect your credit score

- Payment History (35%)- It looks at how well you handle your credit obligations & transactions.
- Debt/ Total amount owed (30%)
- makes use of Credit Utilization Ratio.
(This compares how much money you are using to how much you can actually use, given your credit limits. The higher the ratio, the lower the credit score).
- Length of credit history (15%) -



So, how do I manage my money?

- Establish Positive Credit History
- Make SMART Financial Goals
- Make a Budget

Budgeting Like a BOSS

Building Opportunities for Self Sufficiency = BOSS



Budgeting

- Budgeting is the first step in managing your money. It's also the easiest!
- Knowing what is coming in and going out.
- Ensuring more money is coming in than going out to ensure you can invest in your future!

What is a Budget?

- A financial plan that determines how you spend and save money. It's not a restriction on spending – it's a plan!
- Your plan determines how much money you put towards
 - Living expenses
 - Paying off debt
 - Saving
 - Purchasing wants

Why Budget?

- Prioritize your expenses
 - Distinguish needs and wants = make rational financial decisions
- Stretch your resources
 - Without a plan it is easy to run out of resources or spend recklessly
- Financial wellness reduces stress
 - Living within your means will give you peace of mind!
- Plan for the future. Save!

Creating Goals

Spend with Purpose



STEP 1: Figure out your WHY

- You're not likely to stick to a budget if you don't have a goal in mind or a reason for budgeting
- Before you make a budget, you first need to determine **what you are looking to achieve and why?**
- Picture where you want to be in 1 year? 5 years? 10 years?
- Set SMART financial goals

S.M.A.R.T. Financial Goals

S.M.A.R.T. financial goals help you set and achieve realistic financial goals. It helps you determine the what and why for each goal you make.

- **S**pecific
- **M**easurable
- **A**chievable
- **R**ealistic
- **T**ime-Oriented

Specific

S

•Your goal should be well defined, detailed and clear. Who needs to be involved? What do I need do? Where will I reach this goal? When will I reach the goal by? Why do I want to achieve this goal?

Measurable

M

•Is your goal measurable? You should be able to tell when you reach your goal.

Achievable

A

•Can you reach the goal taking into account your available time, skills, and financial status?

Realistic

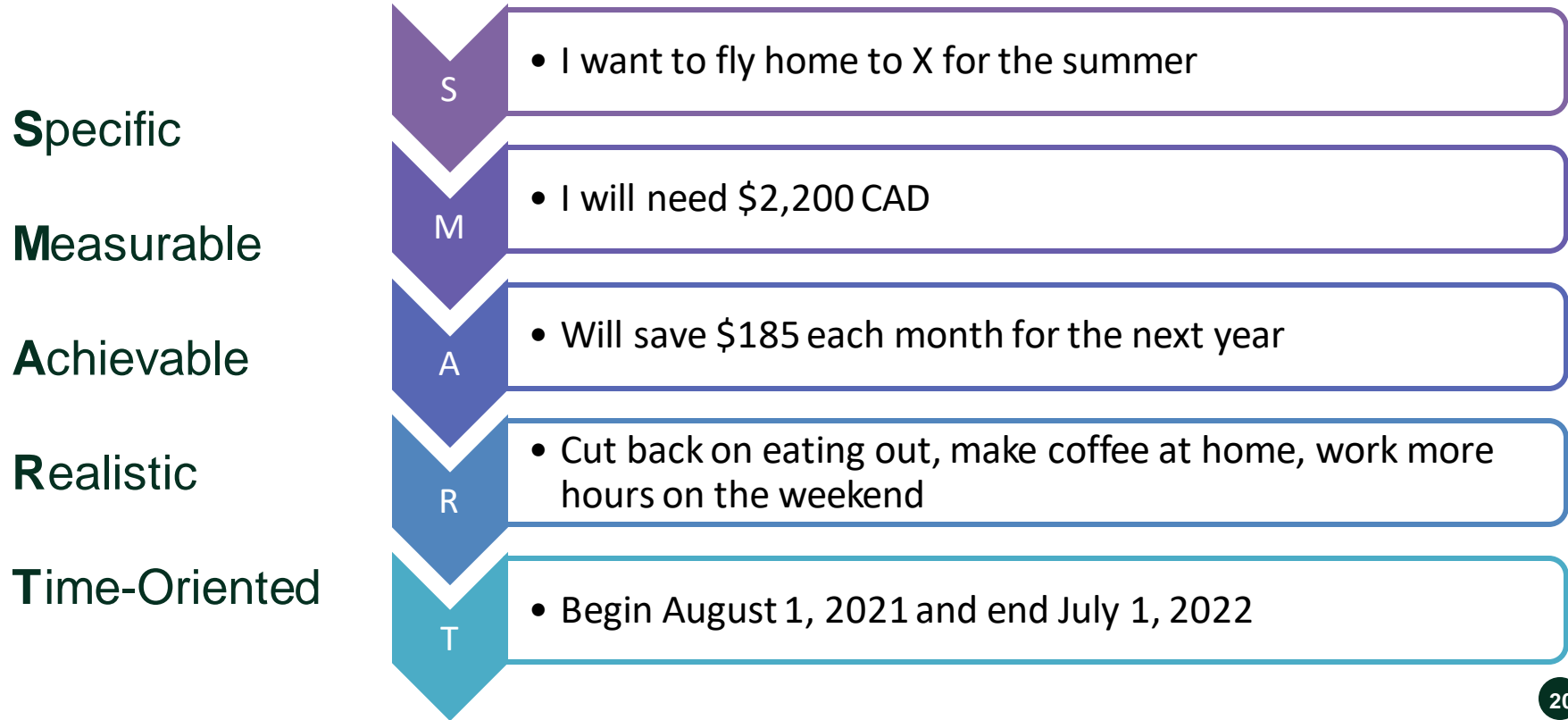
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•What realistic actions can you take to achieve this goal?

Time-Oriented

T

•Set a start and finish date for your goal.



Financial Goal Examples

Short-term goals:

- paying off your credit card
- reducing your weekly expenses
- build an emergency fund



Long-term goals:

- paying off debt
- saving to buy a home, a car, etc.
- saving to have children, to continue school, or to retire



Financial Goals Worksheet: Short Term

Specific:	Measurable: What will it cost?	Achievable	Realistic:	Time- Oriented: Time Frame
Create initial emergency fund	\$1,000	Put \$200 in savings account each month	Cut back on eating out, reduce discretionary spending	5 months
Visit friends in Toronto for the weekend	\$150	Put \$75 in savings	Limit spending on wants for 2 months.	2 months

Financial Goals Worksheet: Long Term

Specific:	Measurable: What will it cost?	Achievable:	Realistic:	Time- Oriented: Time Frame
Down payment on house in Canada	\$26,000	Save \$550 per month	Working full time in the summer, finding a cheaper lease option, reduce eating out, make more money	4 years
Down payment on house in Canada	\$26,000	Save \$260 per month	finding a cheaper lease option, reduce eating out	8 years

Track Your Spending



Step 2: Track Your Spending

- Print your most recent bank and credit card statements (3 months)
- One by one, look at every item that took money out of your account
- Categorize into 3 columns:
 - Fixed Needs: bills paid on regular schedule
 - Variable Needs: monthly needs that vary in price each month
 - Wants: things you could probably do without
- Round to the nearest whole dollar i.e. \$35.65 to \$36.00

Prioritize Expenses

Fixed/ Variable NEEDS

- Rent
- Groceries/Food
- Bills (gas and electricity, water, internet, phone)
- Transport (bus, car fuel and insurance)
- Course materials (textbooks, lab equipment, etc)

WANTS

- Nights out (alcohol, taxis)
- Eating out
- Hobbies
- New clothes
- Gym membership
- Haircuts/beauty expenses
- Subscription services (Amazon Prime, Netflix)
- Travelling (flights, hotels)

Prioritize Expenses

Ask yourself:

- If I buy this item now, will I have enough money for stuff I might need or want later this week, or later this month?
- Will buying this item interfere with paying off debt/paying rent?
- Do I have the extra cash right now to buy this item or can I wait to buy it so that I can save for it?
- Do I really need this item?

Create a Plan for Your Money



Step 3: Create a Plan

Tips

- Needs are more important than wants
- Look for ways to cut down (eat out less, make coffee at home)
- Track how you spend money and look for patterns. This will help you create plans to be more efficient with your money
- Make sure there is money for FUN (yes, fun)
- Avoid credit cards and loans: spend within your means

Create an Emergency Fund

- Create an emergency fund to cover unexpected costs. This should cover living expenses for 3-6 months.
- It will take time to build up this fund. Save a small amount on a regular basis.

How to do it?

- Make it a habit – add emergency fund into your budget
- Automate your savings
- Eliminate a cost and save the amount

Create a FUNd

- Put a small amount of money aside each month for fun.
- The FUNd can be used for more expensive wants – going away for the weekend, attending a concert, going out to a nice restaurant, etc.

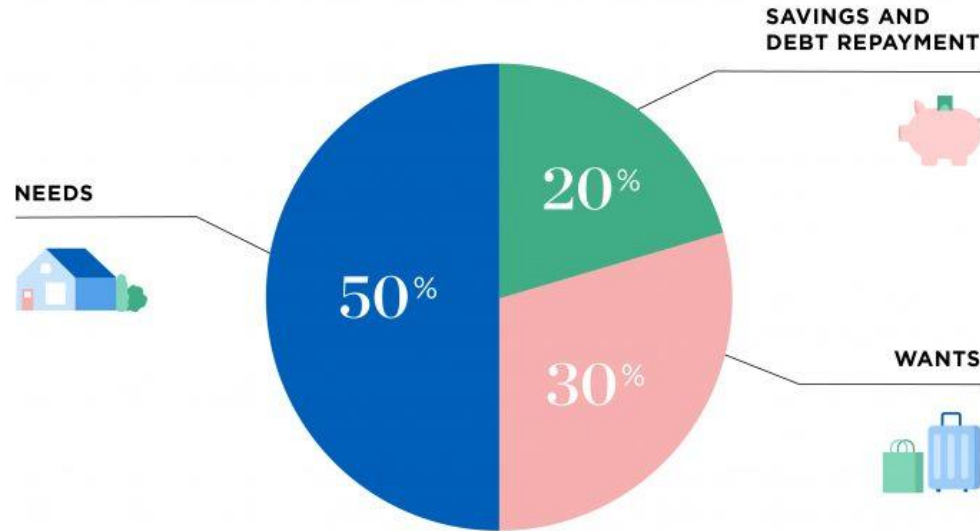
Create a Budget: Choose a Method

- 50-30-20 Rule
 - Big picture budget
- Zero Sum Budget
 - Every dollar has a purpose

50-30-20 Rule

- Simple rule to ensure you are planning your finances responsibly
- Spend up to 50% on needs, 30% on wants, and 20% on savings
- Rule intended to help plan for both now and the future

The 50/30/20 Budget Rule



50-30-20 Budget for \$1,500 Income

Needs (50%) \$750	Wants (30%) \$450	Savings (20%) \$300
Rent \$400 Utilities \$30 Phone \$50 Internet \$10 Groceries \$200	Netflix Subscription \$12 Spotify Subscription \$8 Dining Out \$150 Trip to Ottawa \$70 Shopping \$100 Coffee \$50 Dance classes \$60	Emergency Fund \$100 FUNd \$50 House Down Payment \$100 Retirement \$50

Zero Sum Budget

- The Zero Sum Budget is a method of budgeting where all your income minus your expenses equals zero.
- This doesn't mean you have zero dollars in your account
- Each dollar has a job to do – spent on expenses, goes into savings, or is invested.
- It allows every dollar to be accountable. Where is every dollar of my hard-earned money going?

How to make a Zero Sum Budget

- Write down your income
- Write down your budget
 - Four Walls first—that's food, utilities, shelter and transportation
 - Necessities
 - Tax, retirement, education
 - Variable/Seasonal Expenses
 - Savings

How to Make a Zero Sum Budget

Write down variable/Seasonable expenses

- Need an extra \$500 during the holidays? Divide it by 12 and that's how much you should be saving each month for that expense.
- Consider birthdays, holidays, car repairs, - any irregular expense – account for it in your budgeting.
- Setting aside a little each month will help you feel less strain when these expenses arise

How to make a Zero Sum Budget

The difference between a regular budget and a zero sum budget is that if any money is not spent at the end of the month, it is your job to give it a purpose.

In this example, \$29 dollars were left unspent and therefore it was assigned to Savings.

Income			
	Expected	Actual	
	\$ 1,200.00	\$ 1,240.00	
Expenses			
	Budgeted	Actual	
Rent	\$ 500.00	\$ 500.00	
Groceries	\$ 200.00	\$ 180.00	
Utilities	\$ 45.00	\$ 42.00	
Phone	\$ 50.00	\$ 50.00	
Restaurants	\$ 60.00	\$ 54.00	
Gym	\$ 40.00	\$ 40.00	
Emergency Fund	\$ 100.00	\$ 100.00	
Fun Fund	\$ 50.00	\$ 50.00	
Retirement	\$ 100.00	\$ 100.00	Update to \$129
Car Savings	\$ 55.00	\$ 55.00	
Total Expenses	\$ 1,200.00	\$ 1,171.00	
Money that needs a job		\$ 29.00	Add to Retirement
Income- Expenses =	\$0	\$0	

Stick to your Budget!

- Adapt it as your needs change
- It's the small things
 - Spending \$5 less a day = \$150 a month, \$1,825 a year, \$36,525 over 20 years
- Save for wants

Take a break! Enjoy your money!



Just don't spend more than your budget

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CHALLENGE THE WAY YOU THINK