

Name: _____ Class: _____ Date: _____

Financial Literacy is a **spectrum**. It is also a skill that can be **learned**. We have learned a lot about it and this lesson is about using what we have learned to build up our **wealth**.

Probably the most important thing is to find out your **reason** for building wealth. Is it to stop debt? Is it to have money to spend? To use money well? To go on vacations? To retire? Or to generally manage all your financial **goals**?

It does not matter where you start but it does matter what you want to do.

The typical plan is to **get out** of debt but if you are just starting out like most teenagers are, it can be about **avoiding** debt. The four biggest pitfalls for teenagers are:

Not making enough money

If you are not working or earning any money, you should not spend money.

Spending more than they make

Do not buy things that you cannot pay for. Either get a better job, buy something less expensive or don't buy it at all. Avoid impulse spending and think of purchases as what will build your wealth (and maybe a treat once in a while).

Falling for payment plans

Payment plans always have interest or some charge for them. They are a smaller amount and trick you into thinking that you are spending less but you ALWAYS pay more. These plans are for people who do not **understand** money and want to live beyond their means, but it means they never get out of debt.

Not understanding credit

Credit can be good or bad. When you have **good credit**, you get low interest charges and your investments and savings earn you high interest. When you are in debt and/or bad credit, your **debt** will cost you high interest charges and you will not benefit from earning interest because you do not have any savings or investments.

You always want to **minimize** your debt and **eliminate** it as soon as possible. If you have various debt, put it in the **lowest** possible interest rate loan. Avoid high interest rate loans and that may be a secured loan like a car or house (mortgage). Cancel access to credit before the credit company cancels it for you. Look at each loan cost APR and pay off highest to lowest. **Consolidate** your loans into the lowest loan as mentioned above.

Start saving. You should always have savings in different accounts for **different** purposes.

First is a **chequing** account that you put your earnings into and let them pile up. Typically, these have very low interest rates to earn money. Be careful of **fees** – each account plan is different. You should always have **3 to 6** months of expenses in your account. If you lose your job or want to change jobs, this will allow you to and it means that if an expense comes up, you do not have to get a loan and pay **interest**.

Second is a **savings** account that you transfer money into so that it builds a bit higher interest rate to earn.

Third is an **investment** account that you can shelter from tax – a TFSA and then a RESP and then a RRSP.

Once these are set up, look to get a '**Mad Money** Account' that allows you to save a bit and then use it to have fun. – vacations, electronics, concerts, hobby equipment – this is your account to splurge (but within your plan so that you are first contributing to the other accounts).

Understand that RRSP's can be used to help buy your first house and there are other plans that come up when you have money – very few benefits come your way when you **OWE** money.

Financial Freedom comes from knowing that money should be saved and avoiding **consumerism** and delaying spending and prioritizing earnings and savings. This should not be to the exclusion of your **comfort** but often we are told to spend and consume by our society and that will always ensure that we never **get rich**.

If we always avoid the traps set up for us that we should spend to look successful or that we should be buying **luxury** items or constant treats like fast food and STUFF, we will never get rich.

Your daily choices will set up a **habit** of spending or saving that will start to form your financial behaviour as either positive or negative.

Earn money, budget to learn your **money habits**, read and know about financial topics like credit, taxes, insurance, investments, and investments. The more you know, the better off you are. If you are fascinated with these topics, there are many **careers** that work in these areas, and you can help others to be financially **smart**. Helping others to avoid or get out of debt, start saving and build **wealth** is rewarding and a good career.