



# Lakehead University's Financial Literacy Newsletter

December 16, 2020

Edition 2

## Tips to Saving

### A Message From the Associate Registrar



Happy Holidays.

The holiday season is always an exciting time. Whether or not you are preparing to take a break between your courses, thinking about how you can set aside some money for future expenses, or relaxing and watching all of the holiday specials on television, your time can be preoccupied with something. If you are so lucky to receive some cash gifts throughout the holidays, this edition of the newsletter will hopefully provide you some great tips and tricks, and understanding of how to use that money in a long-term sense. Looking at different saving mechanisms may be counterintuitive as a prospective or current student, but even as a student you can save. Did you know that as a student if you invest into specific types of funds you may not have to claim them on your government student loan application? This can help you to save in the long run, as long as you maintain a good budget to stay on track.

In this edition we have also started a new section to help you understand what some of our students are doing and how they may be managing their money. Enjoy the read, enjoy the holidays and we look forward to picking up the next issue in January.

Happy Holidays,

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# Ask an Expert!



Jeff Rock is an Investment Advisor and Financial Planner with RBC Dominion Securities Inc.

We asked Jeff two questions this month:

1. Why is the concept of saving so important, especially for students in post-secondary education?
2. Do you have any advice for people looking to begin their saving journey?

There are a lot of reasons to choose to go to university. Academic interest, future career, social life, or other reasons unique to your situation that may be on your list. But, did you consider that going to university was a step towards *freedom*?

**Freedom** comes in many forms that we, as Canadians, get to appreciate. In this sense I'm talking about **Financial Freedom**. We're all very aware of those who don't have access to the freedoms that having money can provide. Going to, and graduating from, university increases the likelihood that you can access that **Financial Freedom** but it isn't a guarantee.

How can you increase the likelihood of turning access into results? One word – **SAVE!**

Saving for your future is a process that can be very simple if done right. Thankfully, doing it right is really easy. There's a formula to it:

$$\text{Income} - \text{Savings} = \text{Expenses}$$

There's a lot of temptation to put off saving for your future until some other milestone is reached.

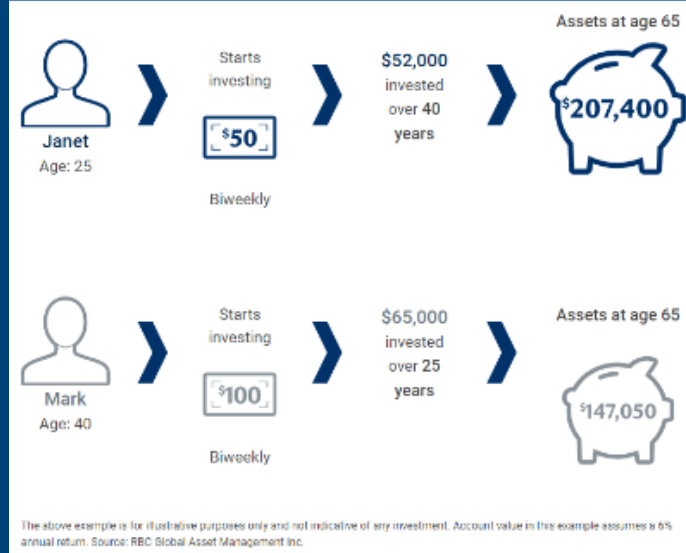
*“As soon as my car is paid off I'll start saving”*

*“After the next promotion I'll get serious about this”*

*“It's a starter job, once I get into my career I'll get serious about saving.”*

These all feel like good reasons at the time but putting off saving has **real consequences**.

Let's look at the case of Janet, who starts investing at age 25, and Mark, who waits until age 40:



In this example, Janet and Mark are using the same investment strategy. The only differences are when they started saving and how much they saved from each paycheck. Janet saves \$50 every two weeks over 40 years and Mark saves \$100 every two weeks over 25 years. Mark ends up having to save more over his career than Janet but ends up with less at age 65, [a lot less](#).

So, what does this have to do with freedom? Sure, Mark gets to use that \$50 from each paycheck from 25 to 40 but has to sacrifice even more from 40 to 65. He gets a little bit more spending freedom early on but then loses it and then some later.

Most importantly, when they reach 65 Janet now has the ability to make use of \$60,000 that Mark doesn't have access to. Janet has the freedom to choose to retire earlier, spend more in retirement, leave more to her family, or whatever else she chooses to do. Janet has the freedom to make these choices because she's taken the step to save regularly for her future and to start early.

If you want to be like Janet and not like Mark then all you have to do is follow these steps:

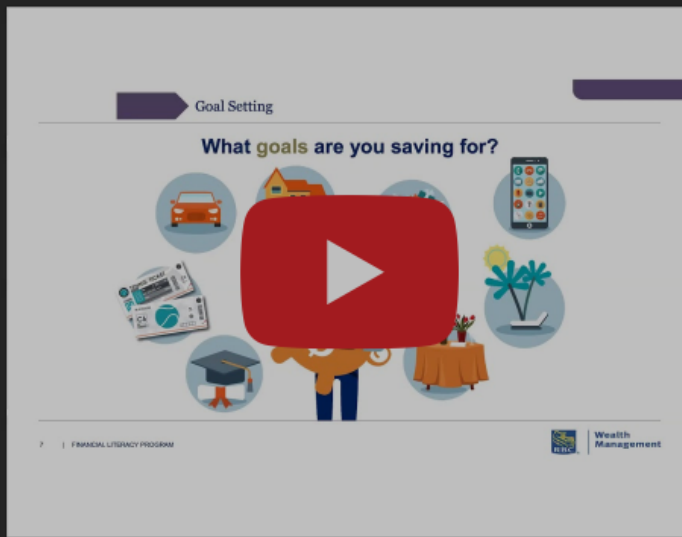
- Use the savings formula to ensure that you prioritize savings
  - **Income – Savings = Expenses**
- Start early and regularly
- Have a plan

Next time we'll expand on what should be in your plan and the investments choices you can make. [GIC?](#) [Mutual Fund?](#) [DIY investing?](#) [RRSP?](#) [TFSA?](#) We'll expand on [all of these](#) next month.

In the meantime, you can visit my friends at [RBC Global Asset Management](#) for more information on starting early, including an expanded view of Janet and Mark's case study. Otherwise, reach out to me with any financial questions you have.

Happy planning!

*This article is supplied by Jeff Rock, an Investment Advisor and Financial Planner with RBC Dominion Securities Inc. (Member-Canadian Investor Protection Fund). This article is for information purposes only. Please consult with a professional advisor before taking any action based on information in this article.*



Saving and Investing with Jeff Rock, November 2020

In preparation for Jeff's article for our January 2021 issue, we will give you some basic information below about saving options!

## Tax Free Savings Account (TFSA)



### What is a Tax Free Savings Account?

According to the Canada Revenue Agency, a TFSA "is a way for individuals who are 18 years of age or older and who have a valid social insurance number (SIN) to set money aside **tax free** throughout their lifetime. Any amount contributed as well as any income earned in the account...is generally tax-free, even when it is withdrawn".

### Types of Tax Free Savings Accounts

1. Deposit
2. Annuity Contract
3. Arrangement in Trust

*\*The type of TFSA is dependent on the issuer.*

### Why would I want to invest in a TFSA?

It is an opportunity to put money away that is tax-free. The money saved can be used for any goal- short or long term! With most types of TFSAs, you can contribute and withdraw funds at any point in time. Generally, interest, dividends, or capital gains earned on

### Can you open a TFSA?

If you are at least 18 years old and have a valid SIN, you can open a TFSA! If you are a non-resident of Canada, check out [this page](#) for more information on your eligibility to open a TFSA.

### Things to Keep in Mind

There is a limit on how much you can contribute to your TSFA, which is referred to as your "TFSA contribution room".

There is a risk that you could incur a loss from your original investment, and those losses are not considered a withdrawal from your TSFA (and would not be part of your TFSA contribution room).

Withdrawals from your TFSA do not reduce the total amount of contributions you have already made for the year.

### Where to find more information

[Canada Revenue Agency](#)  
[Government of Canada](#)

Banks, insurance companies, credit

investments in a TFSA are not taxable—either while held in the account or when withdrawn (there are exceptions to this!).

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unions, and trust companies can all issue TFSA's. Chat with your financial institution to discover what options are available to you!

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# Guaranteed Investment Certificate (GIC)

## What is a Guaranteed Investment Certificate?

A GIC is a way to invest money that can offer a guarantee on your original investment while also allowing you to earn interest on that investment. Keep in mind that you will want to buy a GIC from a [federally regulated financial institution](#) (FRFI).

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## Why would I want to invest in a GIC?

For the most part, GICs guarantee your original investment, which means you have no risk of loss on the amount of money you first invest. It also allows you to earn interest on that money while not putting it at risk. Depending on the GIC and place you buy from, there will be a variety of terms and payment options.

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## Resources for Guaranteed Investment Certificates

[The Financial Consumer Agency of Canada](#)

Federally Regulated Financial Institutions, like banks, can sell GICs to you. They can be sold over the phone, electronically, or by mail! Connect with your financial institution for more information. Make sure you review your rights before you decide to purchase.

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## Did you know: You Have a Right to Know!

Before you purchase a GIC, a financial institution must provide you with the following information (verbally *and* in writing):

- The annual interest rate (if it is fixed)
- If the interest rate is variable:
  - How the interest rate is calculated
  - The rate that is used to calculate the interest rate (for example, the prime lending rate), and the actual interest rate at that time
  - How you as the consumer may obtain the rate of interest from the institution during the investment period

- Any charges that apply to the product
- The date interest is calculated and paid
- The specific dates on which the investment period begins and ends
- Whether the product can be cashed before it matures (that is, the investment end date) and, if so, how cashing it early affects the interest earned
- And much more! Check out this link [HERE](#) for all of your rights as a buyer.

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# Registered Retirement Savings Plan (RRSP)

## What is a Registered Retirement Savings Plan?

Well, it's exactly what it sounds like: a plan to save money for when you retire! You can set up an RRSP through most financial institutions and the earlier you start, the more your savings will grow.

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## Why would I want to invest in an RRSP?

Like a TFSA, RRSPs have tax benefits as it is an opportunity to put

## Things to Keep in Mind

An RRSP is generally set up so that you would have to pay tax when you cash in, make any withdrawals, or receive payments from the RRSP.

Also, there are RRSPs that are "locked-in" which means that you typically cannot withdrawal funds from them. You will want to read and understand the terms of your RRSP before you agree to setting one up.

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money away that can be deducted from your tax return. It is a great way to save money for your retirement and invest in your future. You may also be able to use some funds from your RRSP towards the [Home Buyers' Plan \(HBP\)](#) or the [Lifelong Learning Plan \(LLP\)](#).

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[Resources for Registered Retirement Savings Plans](#)  
[The Government of Canada](#)  
[The Financial Consumer Agency of Canada](#)  
Book an appointment with your financial institution to discuss RRSP options.

## Student Zone



Shivam Khurania is a 4th year HBComm (Accounting) student and an Undergrad Visiting Researcher.



In your own words, describe what financial literacy means.

Financial literacy is the ability to understand how to make sound financial choices so one can confidently manage and grow their money.



What is something that you do on a regular basis that you consider financially savvy?

On a regular basis I:

- Budget my finances appropriately
- Analyze my spendings
- Save money by setting aside extra funds in my TSFA/saving account
- I have a separate rainy day fund
- I utilize all the resources available to me like applying for scholarships/awards via MyInfo
- I keep up-to date with the latest financial news



What are the resources you use to make financial decisions?

The resources I use are [Mint budgeting](#), excel templates to create my monthly budget and I set up spending alerts via my mobile banking apps. I also follow WallStreetJournal and The Bloomberg newsletters to keep up with the latest financial news.



A piece of advice for your fellow Lakehead Thunderwolves.

*"If you buy things you do not need, soon you will have to sell things you need."* - Warren Buffet

Be mindful of your spendings/ earnings, the company you keep (friends and family), your personal habits and

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## Meet a Team Member!



Hi! My name is Jessie Clarke and I am a Student Central Professional at the Orillia Campus where I work with students in the areas of Student Awards and Financial Aid, Academic Advising, and Admissions. I have had the opportunity to watch the Orillia campus grow and develop since it first opened its doors in 2006 and I have held various roles in Student Affairs, starting in the Work-Study program, since 2009. I have an HBASc (Interdisciplinary Studies Major) with specializations in Psychology and Biology and a BEd both from Lakehead University, as well as a MEd (Post-Secondary Studies) from Memorial University of Newfoundland.

I am so pleased to see the creation of our very own Financial Literacy Newsletter and I hope you find this information useful to help you learn more about managing your money and making informed financial decisions.

My biggest piece of advice for post-secondary students starting their journey to becoming more financially literate is to always remember that this is a lifelong journey and the little things add up. Making any level of commitment to furthering your knowledge of finances, starting to budget and identify areas of overspending, or putting aside a small amount for savings is a great first step in your journey. Don't forget too that we are here to support you and the only bad questions are the ones you don't ask!

Have a happy holiday season and take a much deserved break Thunderwolves!

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## Mark Your Calendar

**February 25 at 6:00PM: Tax Session with Jeremy Bertrand**

**March 3 at 11:30AM: Tax Session with Jeremy Bertrand**

**March 9 at 1:00PM: Rob Brown is back!**

Visit [our website](#) for information on Financial Literacy, Lakehead funding opportunities, and more!

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**Our next edition is **January 20th**, keep your eye out for it!**