Lakehead University | Enrolment Services – Student Awards and Financial Aid

Lakehead University's Financial Literacy Newsletter

January 20, 2021 **Edition 3**

How to Budget for a New Semester

A Message from the Editor

Hi everyone and welcome to the first edition of 2021! I hope the Winter semester is off to a great start for anyone who is currently in courses. My name is Melanie Oakes and I am a Student Central Professional on the Orillia Campus. Although I have been working in Enrolment Services for about a year now, I have been kickin' around Lakehead Orillia since 2016 when I started my undergraduate degree (I am a proud Lakehead Alum!).

Anyways, enough about me! You're here for the meat and potatoes.. *Financial Literacy*. In this edition we will be talking about a few topics; Jeff Rock from RBC is back with more information on saving, and since it is the beginning of a new academic semester, we are discussing BUDGETING! How are you going to get through this semester financially? We think it's important for you to assess your income/resources and expenses now so you can make smart financial decisions to get you through the Winter semester. Enjoy this edition and know that our team in Financial Aid is here to help if you need assistance!

Take Care,
Melanie

Ask an Expert!

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

Last time we looked at how the simple act of saving for your future can help you unlock the Financial Freedom that a university education can provide. The simple steps to save for your future are:

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

Saving will inevitably lead to investing as a way to get your money to work for you. When you invest it is crucial to have a plan that will take you through the ups and downs of market volatility. To help you build your own plan let's first define a few terms that you will come across.

What you can own?
Where you can hold it?
How to own it?

What you can own?

Fixed-Income Securities

With a fixed-income security, you essentially make a loan to an organization such as the federal government or a financial institution. In return, you receive regular interest payments, and you also get back the full amount you loaned after a set period of time (on the "maturity date"). Common fixed-income securities include government bonds, corporate bonds, Guaranteed Investment Certificates (GICs), Treasury-Bills (T-Bills) and banker's acceptances (BAs).

Why own fixed-income securities?

Fixed-income securities are generally the most secure investments available.

They provide predictable income and add stability to an investment portfolio. They are also very liquid – most fixed-income securities can be easily bought and sold through major investment dealers. In addition to receiving interest payments, you can also earn capital gains on fixed-income investments. For example, if you buy a bond "below par" (or face value) and hold it until maturity, you will receive the full face value and earn a capital gain.

Equity securities

Equities are securities based on ownership in private or public companies. There are different types of equities, including common shares (or stocks), preferred shares, business income trusts, royalty trusts and real estate investment trusts (REITs). Investors normally invest in publicly listed equities through stock exchanges such as the Toronto Stock Exchange (TSX).

Why own equities?

Typically, you include equities in your investment portfolio if you are investing for growth. Historically, equities have provided greater long-term growth compared to other investments such as bonds. However, unlike bonds, equities are not guaranteed and they tend to fluctuate more in value – they're more "volatile."

How to own it?

As you select how much fixed income or equity securities to own you may want to make these purchases directly. You also have the option to purchase these securities through Mutual Funds, Exchange Traded Funds, Insurance Solutions, and other avenues.

There's also the question of where you choose to invest. You may self-direct your investing choices through a discount brokerage, use a robo-advisor, work with your bank, or deal with a full-service brokerage.

These choices are complex and lead into a number of other, similar decisions, which need to be made. For the purposes of this article I will encourage you to consider the following:

- How much interest do you have in your investments?
- How much knowledge do you have about investing?
- How much time do you have to allocate to your investing?

Your answers to each of these questions will place you on a spectrum. If you have lots of time, knowledge and interest you may self-direct. If you have very little time, knowledge, and interest you may choose to hire a full-service brokerage. You may also fall somewhere in between and use a combined approach.

Where can you hold it?

There are several different types of investment accounts and savings plans that are used for different purposes. Here are a few of the key ones:

Non-registered accounts are the main type of investment account, and enable you to invest in virtually every type of investment. They are regular, taxable accounts with no special tax features, as opposed to the registered accounts discussed below.

● Registered Retirement Savings Plans (RRSPs) provide important tax incentives to help you save for retirement. You can contribute up to 18% of your previous year's earned income to your RRSP annually (up to a certain maximum dollar amount set every year). Your contributions are tax-deductible, providing you with potentially significant tax savings. You can invest your contributions in a wide range of choices, and your investments grow tax-free until you start making withdrawals.

● Registered Retirement Income Funds (RRIFs) are an extension of your RRSP (or your Registered Pension Plan). You have to convert your RRSP into a RRIF (or another income source) by the end of the year in which you turn 71. The key differences are that you can't contribute to your RRIF and you have to withdraw a minimum amount each year. However, while your assets remain within your RRIF, they continue to grow tax-free and you continue to have control over your investment choices.

● Tax-Free Savings Accounts (TFSAs) enable you to invest in most of the same choices you have in an RRSP or RRIF, earn tax-free investment growth and make tax free withdrawals for any reason.
You receive new contribution room annually, regardless of your earned income, and any unused contribution room carries forward indefinitely.

● Registered Education Savings Plans (RESPs) are designed to help you save for a family member's post-secondary education. You can contribute up to $50,000 over the lifetime of each family member who is a beneficiary of the plan. As with other registered plans, your investment growth remains untaxed within the plan. In addition you can receive Canada Education Savings Grants to a maximum of $7,200 per beneficiary.

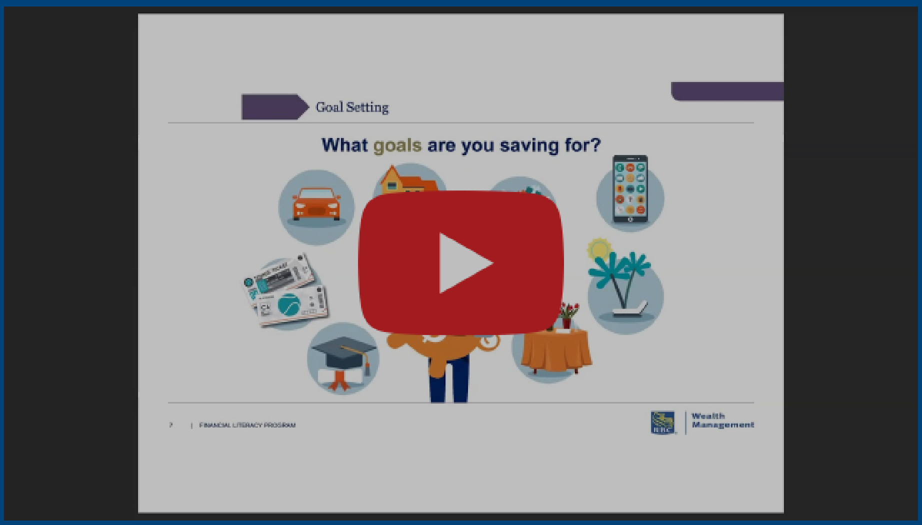
What's next?

Once you understand what you will own, where you will hold it, and how you own it you need to create a plan for how you will deal with the ups and downs of your choices. Risk is relative but volatility exists in most investment choices. The key will be to stick with your choices through the volatility. Make a plan for how you will react to the unexpected before it happens.

Remember that there are many professionals out there waiting to help you understand your options, make intelligent solutions, and see you through the plan with a steady hand.

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

Getting through the Semester

What is a Budget?

A budget is a record of the money that flows in and out of your possession every month. It can be considered a process of creating a plan to spend your money, and controlling your spending makes saving effortless! Ultimately, a budget compares your financial resources to your expenses, and allows for easier financial planning in the long run.

To create a budget, you will need to know what you make and what you spend every month. Most of us have a pretty good idea of what our income is. But we're a little fuzzy on how much we spend, and what we spend it on.

Why Should I use a Budget?

Using a budget allows you to know where your money is going, and plan for your financial future. It is important to be conscious of where that money is going out to and ensuring that the "in" is more than the "out". A budget can allow you to make a strategic plan about your spending, and will help to ensure that your expenses will be covered. In addition, it will empower you to save for things that you want, such as big ticket purchases like trips, vehicles, etc!

What Does a Budget Look Like?

There are three parts of a budget:
1. Income/Resources
2. Expenses
3. Difference (Surplus or Deficit)

Income/Resources:
Any money that you earn or are given is income! This can include scholarships, bursaries, awards, employment, parents, government funding, and more.

Expenses:
Any money you spend is considered an expense. This can be food, housing/rent, and tuition.

Surpluses and Deficits:
A net surplus means that you have more income than expenses. A net deficit means that you have more expenses than income.

Determining Your Priorities

When creating a budget, we need to consider our priorities:
Needs vs. *Wants*
For example, you need food and shelter, but you might not need the newest version of the iPhone or to grab a Starbucks coffee every morning! Identifying "needs" versus "wants" will help you later in the budgeting process if you find you need to cut your expenses down.

Expenses: Fixed and Variable

Fixed expenses are roughly the same each month, whereas variable expenses change depending on your activities and other factors in your life.

Fixed Expenses:

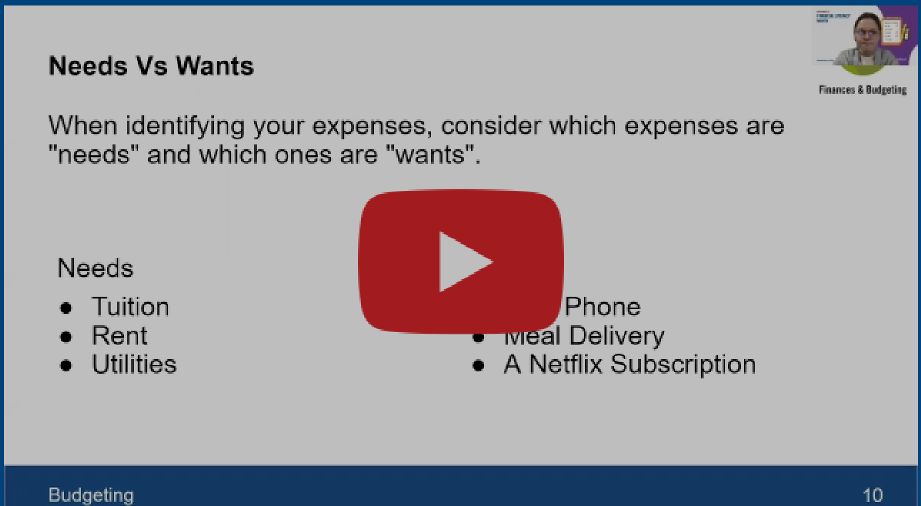
- Tuition
- Rent
- Phone Bill

Variable Expenses:

- Groceries
- Gas
- Textbooks

Budgeting Resources

Lakehead University's Budgeting Page
Lakehead University's Budgeting Template (found near the bottom of the page)
Financial Consumer Agency of Canada Budget Planner



Lakehead University's Budgeting Webinar, November 2020.

Student Zone

Jackie Radford is a third-year Honours Bachelor of Social Work student and a student worker for Enrolment Services.

In your own words, describe what financial literacy means.

To me, financial literacy means taking responsibility for my spending and saving habits as well as making the effort to spend my money wisely. This includes being aware of my spending habits and saving accordingly. For example, I know I am going to spend some money on things that I don't need, so I make sure to save most of my paycheck for important bills while allotting a small portion to spend on fun things. This allows me to be aware of how much I am spending and adjust it to meet my financial needs.

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

I shop at discount stores and thrift stores before buying from a full-price retail store. This is for things I need and things that I just want. By doing this, I save quite a bit of money and do my part in trying to save the planet by reducing my carbon footprint and the amount of waste that goes to the landfill.

What are the resources you use to make financial decisions?

I use the Flipp app to help me find the best deals on groceries. This helps me determine which grocery store to shop at or to know what items I can use coupons on to price match.

A piece of advice for your fellow Lakehead Thunderwolves.

I suggest taking advantage of the resources Lakehead has, including the different seminars on financial literacy to better understand your financial situation and how you can take control of it. I also suggest looking at what you buy from retail stores and see whether you could transition to buying things like that from second-hand stores.

Meet a Team Member!

Hi, I'm Victoria!
I am a Student Central Professional with a focus on academic outreach and coordination of Lakehead's convocation ceremonies. I started my career at Lakehead University as a Work Study Student. Please reach out if you have any questions about registration, academic advising, or student awards and financial aid!

A tip I would share is to frequently check your Lakehead University email address and OSAP/financial aid portal. Important information is sent to these places and it's important to be informed!

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!

Our next edition is February 17th, keep your eye out for it!