

# Chapter 7 – Finance – Booklet

This booklet contains all the practice questions for the finance chapter. We will work through this each day in class, and whatever you don't finish will be for homework.

## Lesson 7.1 – Banking

1. In your own words, explain what “financial literacy” is. Why is it important that we learn how to be financially literate?
2. List 5 banks in Canada. If you currently have money with a bank, list it first and write “current” beside it.

1	
2	
3	
4	
5	

3. Banks perform a lot of duties. In your opinion, what are the two most useful things banks do? Explain why you think so.

4. For each situation, circle the appropriate bank account to use.

Situation:	Circle the appropriate bank account to use:	
Buying lunch at Dairy Queen	Chequings	Savings
Putting money away to purchase a car	Chequings	Savings
Writing a rent cheque for your landlord	Chequings	Savings
Where your job deposits your paycheques	Chequings	Savings
Where you can earn a bit of interest	Chequings	Savings

5. Jeremy banks with CIBC. His banking plan has the following fees:

Fee	Cost	Notes
Monthly account fee	\$9.99	Free if a student
Transaction fee	\$1.00 for each transaction above the limit	The first 15 transactions each month are free
E-transfer fee	\$1.25 each	No free e-transfers
ATM fee	\$2.25 each time the bank card is used on an ATM from another bank	Free if an ATM from CIBC
Savings fee	\$5.00 for each withdrawal from savings	One free withdrawal from the savings account per month

Calculate his monthly bank fees for each of the following situations. Show all your work.

- a) Jeremy is a student. He made 20 transactions in a month. He sent 3 e-transfers. He used an ATM from CIBC once and an ATM from BMO twice. He withdrew \$200 from his savings account at the start of the month but didn't take any more money out from his savings.
- b) Jeremy is no longer a student. He made 30 transactions in a month. He sent 5 e-transfers. He only uses ATMs from CIBC. He withdrew from his savings account twice in a month.
- c) Jeremy is a student. He made 16 transactions in a month. He sent 1 e-transfer. He used an ATM from RBC twice. He withdrew money from his savings account 3 times in a month.
6. Describe the situation Jeremy would need to have in order to have NO bank fees in a month. Do you think this is easy/possible for a person to do? Explain.

7. There are many similarities and differences between debit cards and credit cards. I want you to think about which ones are the most important or significant, and why.
- In your opinion, what are the **three most important similarities** between debit cards and credit cards? Explain what the similarities are and why you chose them.

- In your opinion, what are the **three most important differences** between debit cards and credit cards? Explain what the differences are and why you chose them.



8. Your friend Jaclyn just got her first credit card. She is super excited because she can “buy whatever she wants and pay for it later”. After a big shopping spree, her credit card bill is \$1,000. Jaclyn doesn’t have enough money to pay it off, but she isn’t worried because she “can just make the minimum payment which is only \$55”.
- What critical information is Jaclyn not understanding about how credit cards work?

- What happens if Jaclyn only makes the minimum payment on her credit card each month? Explain in detail.



- What advice would you give Jaclyn about how to use her credit card in a smart way? Explain in a few sentences.

## Lesson 7.2 - Investments

9. Evan is 19 years old and has been saving money from his part-time job for a few years. He has \$7,500 in his chequings account. His goal is to purchase a house in a few years. What should he do with his money to help him reach this goal? Think about the different scenarios below and indicate if you think each one would be a good idea or not. You can have multiple “good” choices. Explain each selection.

Scenario:	Good idea? (Yes or No)	Explain your selection.
Keep it sitting in his chequings account		
Transfer \$5,000 into a savings account to earn a small amount of interest (0.8%)		
Spend it on new clothes and a vacation		
Open a TFSA, deposit about \$4,000, and set up monthly contributions of \$500		
Open an RRSP, deposit about \$4,000, and set up monthly contributions of \$500		
Invest \$7,000 in the stock market		
Invest \$2,000 in the stock market		
Invest \$4,000 in government bonds		

10. Calculate the amount of simple interest earned in each of the below scenarios. Show all your work.

a. \$5,400 invested for 4 years at 3.2% annually

c. \$4,500 invested for 6 months at 2.5% annually

b. \$2,433 invested for 10 years at 1.7% annually

d. \$3,100 invested for 18 months at 4.1% annually

$$I = P \times r \times t$$

11. Calculate how many years it would take to earn \$1,500 in interest for each of the below scenarios. Round to 1 decimal place. Show all your work.

a. Invest \$12,000 at 6.7% annually

c. Invest \$8,200 at 1.6% annually

b. Invest \$5,400 at 3.5% annually

d. Invest \$7,500 at 0.8% annually

12. We learned about 4 main types of investments: stocks, bonds, TFSAs, and RRSPs. Answer the following questions to compare these investments:



- a. Which investment is the riskiest? Why?
  - b. Which investment is the safest? Why?
  - c. Which investment has the potential to have the highest reward? Why?
  - d. Which investment is most helpful for retirement planning?
  - e. What is the main benefit of having a TFSA?
  - f. How can real world events affect stock investments? Give an example.
13. In your own words, explain **why** investments are a good financial tool. Which large expenses or life events could investments be useful for?
14. Do you have any investments right now? If so, share which ones. If not, explain which investments you **WOULD** get if you had the money to invest right now (stocks, bonds, TFSA, RRSP, or another kind of investment?). Explain your choice and why it would be right for you.

## Lesson 7.3 – Income Tax

15. Why do we pay taxes in Canada? List 10 things our tax dollars pay for.
16. What is a tax return? Why do we have to do them? What happens after you file your taxes?
17. Briefly describe what the following paycheque deductions are and why they're important:
  - a. CPP
  - b. EI
  - c. Union dues
18. Briefly explain what Canada's progressive tax system is and how it works.

19. For each of the following incomes, break down how much income tax you would have to pay in Canada – both federal AND provincial. Use the tax bracket rates given in the notes. Write the amount paid in each bracket for both federal and provincial, and the total amount paid overall.

Income	Federal	Provincial	Total
a. \$185,000			
b. \$71,000			
c. \$415,000			



20. A teacher's paycheque is \$3,000 before income tax and deductions. They get paid twice a month and work 10 months of the year.

- a. How much do they make in one year, before tax and deductions?
- b. How much do they make in one year after deducting income tax? Show your calculations. Include both provincial and federal tax.
- c. In addition to taxes, each paycheque has the below deductions. How much does the teacher make in one year after deducting income tax (calculated above) and the below deductions?
  - i. CPP \$160
  - ii. EI \$50
  - iii. Teacher's pension \$350
  - iv. Union dues \$80
  - v. Other deductions (LTD and STD) \$60
- d. What percent of their total salary do they actually take home after everything is deducted?
- e. Do you think this salary and these deductions are fair? Why or why not?

## Lesson 7.4 – Budgeting

20. Classify the following types of income as fixed or variable. Explain your choice.

<i>Item</i>	<i>Fixed or Variable</i>	<i>Why?</i>
Monthly paycheque		
Tips from work		
Birthday money		
Babysitting earnings		
Investment interest		

21. Classify the following expenses as fixed, variable, or neither. Explain your choice.

<i>Item</i>	<i>Fixed, Variable, or Neither</i>	<i>Why?</i>
Rent		
New winter coat		
Loan payment		
Groceries		
Car repairs		
Restaurant meals		
Replace iPhone		
Vehicle insurance		
Gym membership		

22. Classify the following items as needs or wants. Explain your choice.

<i>Item</i>	<i>Need or Want</i>	<i>Why?</i>
Groceries		
McDonald's milkshake		
Bus pass to get to school		
Newest iPhone		
Device with WiFi		
Car insurance		

23. Mateo has the following income and expenses for the month of July. Identify which are income and which are expenses in the columns on the right.

Paycheque	\$375.00	Mateo's Monthly Income and Expenses	
Gas for car	\$67.95	List of Incomes	List of Expenses
Car loan payment	\$195.00		
New jeans	\$85.00		
Restaurant meal	\$27.49		
Babysitting money	\$75.00		
Paycheque	\$375.00		
Cell phone bill	\$52.46		
Starbucks drink	\$6.45		
Birthday present for Mom	\$65.00		
Charitable donation	\$25.00		
Car insurance	\$210.00		

24. Mandy has made a list of her expenses and income for a month. She has an unexpected vet bill for her dog that costs \$267.45. Does she have enough income to cover this bill? Show all your work and explain.

Income		Expenses	
Paycheque (week 1)	\$450.00	Rent	\$750.00
Paycheque (week 2)	\$450.00	Groceries	\$235.00
Paycheque (week 3)	\$450.00	Renter's insurance	\$82.00
Paycheque (week 4)	\$450.00	Clothing	\$75.00
		Entertainment	\$85.00
		Utilities	\$105.00
		Transportation	\$250.00
TOTAL		TOTAL	

25. JD has made the following list of his income and expenses for one month.

<i>Income</i>		<i>Expenses</i>	
Paycheque (semi-monthly)	\$425.00	Rent	\$425.00
Tips	\$180.00	Loan payment	\$90.00
Yard and housework	\$145.00	Transportation	\$175.00
Tutoring	\$125.00	Clothing	\$75.00
Paycheque (semi-monthly)	\$425.00	Groceries	\$185.00
		Cell phone	\$35.00
		Entertainment	\$55.00
		Miscellaneous	\$25.00
TOTAL		TOTAL	

a) How much will JD be able to save each month? Show your work.

b) After 6 months, JD wants to buy a big screen TV that costs \$1,200. Will he have enough money saved to do this? Show your work and explain your answer.

26. Sylvia regularly saves \$150 per month since she began working 10 months ago. She is planning a trip in 8 months that will cost her \$2,900. How much more than \$150 must she save for each of the remaining 8 months so that she will have enough money for her trip? Show your work.

27. Tara and Donny want to create a budget to help control their spending. They have kept track of their expenses for the last 4 months as shown below.

<i>Item</i>	<i>March</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>AVERAGE</i>
Mortgage	\$1,550.00	\$1,550.00	\$1,550.00	\$1,550.00	
Utilities	\$175.00	\$175.00	\$175.00	\$175.00	
Cell phone	\$95.00	\$95.00	\$95.00	\$95.00	
Groceries	\$365.00	\$290.00	\$325.00	\$450.00	
Gas	\$150.00	\$200.00	\$165.00	\$175.00	
Car insurance	\$135.00	\$135.00	\$135.00	\$135.00	
Car payment	\$355.00	\$355.00	\$355.00	\$355.00	
Home insurance	\$133.00	\$133.00	\$133.00	\$133.00	
Restaurant meals	\$145.00	\$65.00	\$80.00	\$120.00	
Clothing	\$425.00	\$375.00	\$0.00	\$90.00	
Entertainment	\$100.00	\$150.00	\$75.00	\$125.00	
Veterinarian bills	\$75.00	\$0.00	\$125.00	\$100.00	
Miscellaneous	\$125.00	75.00	\$100.00	\$175.00	

- a) Calculate the average amount spent on each item over these 4 months. Remember, you calculate an average by adding up all the values and dividing by how many values there are (4). Write your answers in the right column above.

- b) Come up with four different categories to sort these expenses into. Group similar items together in a logical way. List the 4 categories and which expenses are included in each category:

<b>Category Name</b>	<b>Expenses in Category</b>

- c) For each category, calculate the average cost per month based on the info above

<b>Category Name</b>	<b>Average Cost per Month</b>

28. Brenda earns \$3,550.00 per month. She made the following list of her expenses.

Expense	Amount
Mortgage	\$1250 per month
Car insurance	\$125 per month
Car maintenance	\$850 per year
Gas	\$125 per month
Loan payment	\$175 per month
House repairs	\$1000 per year
House taxes	\$4500 per year
House insurance	\$1725 per year
Gifts	\$500 per year
Charitable donations	\$450 per year
Groceries	\$450 per month
Clothing	\$125 per month
Season's skiing pass	\$650 per year
Entertainment	\$100 per month
Miscellaneous	\$150 per month

Create a **monthly** budget for Brenda. Read the expense table carefully as some are monthly and some are yearly expenses. Divide the yearly expenses by 12 to get the monthly cost. Remember the total expenses must be equal to or less than Brenda's total income for her to break-even (not go into debt).

<b>Brenda's Monthly Budget</b>			
<i>Income</i>		<i>Expenses</i>	
Total income		Total expenses	