Financial Literacy
iSkills Workshop

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Agenda

• What is financial literacy?
• Benefits of financial literacy
• Assess yourself
• Five basic strategies
• Libraries and financial literacy
• Selected resources
• Q&A
What this workshop will do

• Build awareness of what you already know – and may not know – about personal finance
• Highlight five basic strategies you can use to take control of your finances
• Create a forum for sharing personal finance tips, experiences and know-how
• Point to resources you can explore and use to develop your knowledge and expertise
What this workshop will NOT do

- Provide investment or financial advice
- Recommend specific financial products or services
- Function as a substitute for professional advice, such as that provided by a Certified Financial Planner (CFP) or a Chartered Investment Manager (CIM)
What is financial literacy?
What is financial literacy?

"Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing."

What is financial literacy?

"Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals."

Why care?

- Share your ideas here:

https://padlet.com/helen_kula/dv6dcwjmw4wv
Benefits of financial literacy

• Free up or generate funds to do what you want.
• Be able to make informed choices from the hundreds of (confusing) investing, savings, credit and consumer spending options that exist.
• Manage debt (and avoid the bad kind)
  • Increased costs for education and housing mean larger debt loads for many individuals.
• Be prepared for the future
  • Defined benefit plans (aka the traditional pension) are being replaced by defined contribution plans. This change has shifted responsibility for retirement and investment planning away from employers onto employees. This is particularly so for new entrants into the workforce.
  • The ‘gig’ economy doesn’t come with any pension, DB or DC!
  • We are living longer - and our money needs to last as long as we do.
Benefits of financial literacy

• Reduce the risk of fraud
• Reduce stress and uncertainty
• Become empowered
Financial literacy self-assessment

• Take the quiz at the link in the workshop guide:

https://guides.library.utoronto.ca/finlit/quiz
Five basic strategies

1. Know where your money goes
2. Pay yourself first
3. Do your homework
4. Free money
5. Have a plan
Know where your money goes

- While many experts promote the value of budgeting, you can’t **budget if you don't know what you're spending**
- You can track your expenses with:
  - a notebook,
  - a spreadsheet,
  - your own banking app (particularly if you pay most of your expenses using your debit card, OR
  - a third-party app (desktop or mobile), typically linked to your bank and/or credit card(s), e.g. Mint, Wally
- Most experts recommend tracking your expenses for **at least 3 months** to help you understand spending patterns or identify expenses that may not reoccur every month
Know where your money goes

• Try the ‘Latte Factor’ calculator in the workshop guide
Pay yourself first

• Most experts recommend allocating some money from your paycheque - or whatever your regular source(s) of income may be - to your savings account(s) FIRST
  • Treat your savings just like a bill – maybe your most important bill

• The rationale for this approach is that it 'forces' you to save
  • If you wait until after all your bills and expenses are paid (some of which will almost certainly be discretionary), you often have very little cash to dedicate to savings.

• A fail-safe strategy for 'paying yourself first' is to set up an automatic transfer from your chequing account to a savings account, timed to the day(s) when you receive income
Pay yourself first

• The account you are 'paying' into can be one or more of the following:
  • a savings account
  • an RRSP
  • a TFSA
  • an RESP (if you have children)
  • an 'emergency’ fund
  • a loan or credit card payment

• If you have difficulty making or sticking to a budget, a ‘pay yourself first’ strategy functions as a ‘anti-budget’
Do your homework

• Many of us leave money on the table when we make financial decisions
• Most providers do not make it easy for consumers to compare or analyze plans or options BUT a little homework can yield big savings down the road
• Two strategies to start with:
  • Read the fine print
  • Compare using tools like those found in the workshop guide
Do your homework

- In small groups, use the resources listed in the workshop guide to answer these questions:
  - Which high-interest savings account offers the highest interest rate?
  - Which mobile provider offers the cheapest plan with unlimited calls, 5GB of data, and a BYOD option?
  - What is the lowest rate of purchase interest you can find for a credit card?
  - What is one app or website listed in the guide that you will investigate further after the workshop?
Free money

• Take advantage of all available tax deductions and credits when filing your taxes
  • File your taxes even if you believe you don’t owe taxes to generate RRSP contribution room or a GST/HST credit
• Look for programs that match your contributions, e.g. RESP, company group RRSP
• Consider TFSAs and RRSPs
  • Save on tax now or later
Free money

• Use the workshop guide to link to Canada Revenue Agency’s resource page for students
  • Are there any credits, deductions or claims you listed there you can use?
Have a plan

• A financial plan addresses your short-term and long-term goals

• A financial plan helps you to:
  • Clarify your goals – what’s really important to you now and in the future
  • Understand the trade-offs you may have to make
  • Identify risks and opportunities you may not have considered before
    • What’s your back-up plan? (e.g. rainy day or emergency fund)
  • Stay focused
  • Feel more confident – your plan is your roadmap

• A plan is a living document – your goals may change over time

• A plan can be created in collaboration with a financial professional such as a CFP
  OR you can create one by yourself
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<th>Have a plan</th>
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<td><strong>Saving &amp; investing</strong></td>
<td>How much can you save?</td>
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<td>How can you grow those savings?</td>
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<td><strong>Debt management</strong></td>
<td>How can you pay down debt?</td>
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<td>How can you reduce the cost of debt you can’t</td>
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<td>avoid?</td>
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<td><strong>Insurance</strong></td>
<td>What do you need?</td>
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<td><strong>Taxes</strong></td>
<td>What can you do to minimize or defer the tax you pay?</td>
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<td><strong>Retirement planning</strong></td>
<td>When will you retire?</td>
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<td>How much will you need when you retire?</td>
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<td>How will you manage your money in retirement?</td>
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<td><strong>Estate planning</strong></td>
<td>Who gets your money?</td>
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Libraries and financial literacy

• Many libraries – public, academic and special - have expanded their literacy mandate to include financial literacy
• Library services can include both print and electronic resources and programming, often offered in partnership with non-profit, professional or industry associations
A final thought

“Money grows on the tree of persistence”

Source: Japanese proverb
Questions?
Thank you!

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