

CURRICULUM RESOURCE

Financial Management for the Newly Employed: Dealing with Debt

OALCF ALIGNMENT

Competency	Task Group	Level
Competency A - Find and Use Information	A1. Read continuous text	2
Competency A - Find and Use Information	A2. Interpret documents	2
Competency B - Communicate Ideas and Information	B1. Interact with others	1
Competency B - Communicate Ideas and Information	B3. Complete and create documents	1
Competency C - Understand and Use Numbers	C1. Manage money	1

Goal Paths (check all that apply)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Employment | <input type="checkbox"/> Postsecondary |
| <input type="checkbox"/> Apprenticeship | <input checked="" type="checkbox"/> Independence |
| <input type="checkbox"/> Secondary School Credit | |

Embedded Skills for Success (check all that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Adaptability | <input checked="" type="checkbox"/> Numeracy |
| <input type="checkbox"/> Collaboration | <input checked="" type="checkbox"/> Problem Solving |
| <input type="checkbox"/> Communication | <input checked="" type="checkbox"/> Reading |
| <input type="checkbox"/> Creativity and innovation | <input checked="" type="checkbox"/> Writing |
| <input type="checkbox"/> Digital | |

NOTES: Part five of a five-part series on financial management for the newly employed.

ACKNOWLEDGEMENTS

Project Host: Community Literacy of Ontario

Research & Writing: Mark Jacquemain



This Employment Ontario service is funded in part by the Government of Canada and the Government of Ontario through the Canada-Ontario Job Fund Agreement.

Canada

EMPLOYMENT
ONTARIO

Ontario



The opinions expressed in this report are the opinions of Community Literacy of Ontario and do not necessarily reflect those of our funders.



communityliteracyofontario.ca



(705) 733-2312



info@communityliteracyofontario.ca



[@CommunityLiteracyOntario](https://www.facebook.com/CommunityLiteracyOntario)



[@love4literacy](https://www.instagram.com/love4literacy)



[@love4literacy](https://twitter.com/love4literacy)

FINANCIAL MANAGEMENT FOR THE NEWLY EMPLOYED

Note for practitioners:

This series of **Skills for Success Curriculum Resources** is a beginner's guide to financial management for LBS learners who have recently entered the workforce. The goal is to provide newly-employed learners with resources to aid with effective money-management, budgetary planning, and savings. This series will also provide support for learners navigating certain online financial platforms, like online banking and the Canada Revenue Agency website.

These resources are learner-based and activity-focused, with each topic area serving as a mini-lesson, followed by personalized activities. The activities are optional, but they will help embed the key points of the lessons, by inviting learners to respond to lesson material or explore the given online platforms.

The series is divided into five sections that can be used separately or in tandem:

Financial Management for the Newly Employed – **Budgeting**

Financial Management for the Newly Employed – **Opening a Savings Account**

Financial Management for the Newly Employed – **Using the CRA Website**

Financial Management for the Newly Employed – **Credit Cards**

Financial Management for the Newly Employed – **Dealing with Debt**

*This is Section Five, Financial Management for the Newly Employed:
Dealing with Debt*

FINANCIAL MANAGEMENT FOR THE NEWLY EMPLOYED: Dealing with Debt

TABLE OF CONTENTS

Overview	4
Introduction	5
You're Not Alone	7
What Do You Owe?	9
Action Plan	10
Dealing with Stress	15
Getting Help	16



Overview

Landing a new job is quite exciting. You should be proud of your accomplishment!

Now that you are earning money, there are some important things to think about. Here are some questions you might ask yourself:

- Do you know how much you are earning each week?
- Do you know what your weekly expenses are?
- Do you have a bank account where your money will be deposited?
- Do you have a savings account to save your money?
- Would you like to try to save some money from each paycheck? How much?
- Do you know how much you pay in taxes?
- How can you learn about your tax returns?
- Do you know how to find out your credit score?
- Do you know how to build up your credit score?
- Do you have a credit card?
- Do you want a credit card?
- Do you have debt that you need to attend to?

This series, **Financial Management for the Newly Employed**, will answer these and other questions. It will help you make the most of your earnings.

Complete the lessons and activities in this series and begin to:

- take your finances seriously
- spend wisely
- understand your banking and taxes
- save for emergencies and the future

Introduction

What is debt?

Debt refers to the money that you owe.

You go into debt when you borrow money.

You might go into debt when you make a big purchase. Using a credit card is another way to take on debt. Here are some examples of ways that people owe money:

- owing money on a big purchase like a car or school tuition
- buying a tv or computer that you pay off in installments
- using a credit card and not paying it off at the end of the month
- leasing a car for a period of time
- borrowing in different ways:
 - a line of credit from the bank
 - a payday loan from a loan store
 - a cash advance from your credit card

This resources will help you to understand:

- the difference between good and bad debt
- how much you owe
- what your short and long term financial plans are
- how to deal with your debt





Let's discuss!

Write your answers or discuss with your teacher or group.

1. Can you think of a time when you struggled with debt? Explain.

2. What did struggling with debt feel like? Explain.

Check the boxes that apply to you:

- ☐ I have trouble managing money.
- ☐ I struggle to pay down my credit card.
- ☐ I am careful when spending money.
- ☐ I want to pay down my debts.



Are you in a different situation? Discuss with your teacher or group.

You're Not Alone

Most People Deal with Debt

Being in debt is nothing to be ashamed of. Lots of people owe money for one reason or another. Taking on debt is sometimes necessary. Most people can't afford to buy a car without a loan. If you need emergency repairs, you might need to borrow money.

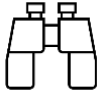
But some debt should be avoided. Think twice about borrowing money for things you don't need. And be careful who you borrow money from. Not all loans are set up the same way. Some loans charge a lot of **interest** and have a **high interest rate**.

- **Interest** is:
a cost added to your payments when you borrow money.
- **Interest rate** is:
a percentage that determines how much interest you will pay.



When you borrow money, you must repay the amount you borrowed **plus** the interest charges. The **higher** the interest rate, the **more** you will repay.

- So always choose the **lowest** interest rate you can find!



Let's look at an example.

Two friends named B and C decide to borrow money.

B has seen a new TV for sale at the superstore. B has a TV but wants a bigger one. The superstore offers a deal for the TV. If you buy the TV, you don't have to pay for three months.

But if you don't pay by the due date, you will be charged a high interest rate of 20%.

C is enrolled in plumbing school and needs a laptop to do the assignments. C visits the bank and asks about receiving a loan. The person at the bank tells C about a loan called a student line of credit.

It will cover the cost of the laptop. The interest rate is 7%.

1. Who made the better choice about their loan? B C
2. Explain why some choices were better than others.

What Do You Owe?

What do You Owe?

Figuring out how much you owe is the first step to dealing with your debt. To find out, you may need to call the bank or wherever you owe money. Then it's time to add up your debts.



New Task!

Adding up your debts. Use the table below to determine your debt. Be sure to keep this information private.

1. In the chart, write down your debts. It may take some time to find out things like interest rates and due dates. But do your best to get this information.

Who Do I Owe?	How Much Do I Owe?	Interest Rate	Monthly Payments	Loan Due Date

2. Once you have recorded all your debts, add them up. Keep this information private. But have it in mind as we strategize how to deal with it.

Action Plan

Now you know how much you owe. It's time to make a plan to deal with it. The first step is to make paying down your debt a priority. Then take a few key steps:

- track what you are spending your money on weekly or monthly
- look for areas where you might be able to spend a little less
 - this might mean paying off **high interest loans** first
- make a budget to keep your spending under control
- have a goal for how much to put on your loans each month

Paying off loans as soon as possible is a good idea. It will save you interest charges and free you to spend on other things. But it may require shifting how you spend your money a little. A budget will help you make these changes.

Watch a video about budgeting basics. Then answer the questions on the next page.



**Reflect!**

Budgeting tips

1. List all the budgeting tips you remember from the video:

2. Which of these tips do you already do? List all that apply:

3. Which of these tips do you think you would find the hardest?

4. Which of these tips do you want to try to use?

5. Explain how you might use these tips:

- For more information on budgeting, see the first resource in this series: **Financial Management for the Newly Employed: Budgeting**. Or try a free consultation with a credit counsellor. (Contact information at the end of this resource.)

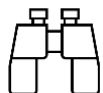


Reflect!

Are there some areas where you might be able to save money?

Check any box that might apply. Could you:

- ☐ try to pay down a high interest credit card to save on the interest charges?
- ☐ find a cheaper cell phone plan? (Sometimes they raise charges with no warning.)
- ☐ eat out less often? (Even fast food is getting expensive!)



Let's look at an example. Budgeting basics.

G has two loans to pay off. One is a Visa with an interest rate of 15%. One is a Pay Day loan with an interest rate of 30%. G wants to get both loans paid off and comes up with a plan.

First G tracks what they spend money on for one week. Then G looks for areas to spend less money on. G has a phone plan with special features that are not needed. It costs \$75 a month. G finds a much cheaper plan with all the needed features for only \$40 a month.

G switches phone plans and saves \$30 a month. G puts that extra \$30 into paying down the Pay Day loan, since it has the highest interest rate. Within a few months, G has paid off the Pay Day loan. G takes the \$30 and the savings from not paying interest and uses this to pay down the credit card.



Reflect!

What would a spending plan look like for you?

Fill out the chart below. Keep this information private.

Something You Could Spend Less On	Weekly Savings	Loan You Will Pay Down with Savings



Looking Forward

Paying off debt doesn't have to be all negative. You are making sacrifices. But you can feel proud that you are taking control of your finances and your future.

One way to stay positive when dealing with debt is to think about the future. What will it feel like to have your debt under control? You will have lower interest payments and more money for you. How will you spend it?



New Task!

What will you do with a little more financial freedom?

Check the boxes that apply and provide details below. When you have more financial freedom, will you:

- ☐ go on a trip? To where?
- ☐ change your living situation? Explain:
- ☐ make a big purchase? What would you buy?
- ☐ pay for education? In what subject?
- ☐ have an adventure? Explain:

Dealing with Stress

Struggling with debt can be stressful. Some of the stress is relieved when you begin to address your debt. But there may be more stress as a result of making sacrifices. It's important to take care of yourself through this time.

Practice self-care. And seek guidance and support when you need it. Remember that you're worth it. Try to trust that you'll get through this.



Now you try it.

What self-care practices will you try?

- ☐ try to eat healthier
- ☐ try to exercise
- ☐ try to be grateful for the good things and write them down
- ☐ write down other thoughts and reflections in a journal
- ☐ spend time with loved ones
- ☐ be forgiving to yourself
- ☐ seek professional guidance and support (see next page)

Can you share what your self-care practices might be? Write your answer below or discuss with your teacher or partner.

Getting Help

Dealing with debt is one of the hardest things we face. We don't have to face it on our own. If you are struggling, reach out to the support groups below:

- 211 Ontario offers financial assistance and mental health assistance 24/7. Dial **211** to reach their hotline. They offer financial assistance in over 150 languages. Or visit their website: <https://211ontario.ca/search/>
- The Canadian Government offers financial planning advice at their website: <https://www.canada.ca/en/financial-consumer-agency/services/make-budget.html>

It also has a budget-making tool: <https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner>
- Toronto Healthline offers budget and credit counselling: <https://www.torontocentralhealthline.ca/listServices.aspx?id=10447>
- The Canadian Mental Health Association. Tips and resources for dealing with stress: <https://ontario.cmha.ca/documents/understanding-and-finding-help-for-stress/>
- Support for when you are in crisis at Talk Suicide:
 - Call anytime: **1-833-456-4566**
 - Text between 4pm and midnight ET: **45645**

More Resources

- eMentalHealth.ca offers a listing of local mental health resources:
 - <https://www.ementalhealth.ca/Ontario/Stress/index.php?m=heading&ID=118>
 - ConnexOntario offers free mental health support 24/7 by phone or chat:
 - <https://www.connexontario.ca/en-ca/>
 - Distress and Crisis Ontario offers crisis centres in many communities:
 - <https://www.dcontario.org/>
- Also see the other resources in this series: **Financial Management for the Newly Employed**

