Part 4
BORROWING MONEY AND USING CREDIT

Module 11
BORROWING MONEY

Let's Discuss...

- $ Why people borrow more money today than in the past
- $ Why people borrow money
- $ Types of debt/credit
- $ The cost of borrowing
- $ Student loans

Most Canadians will have to borrow money at some point in their lives. It may be using a credit card to borrow money for a short time (hopefully a short period!). It may be a mortgage for a house in the city/town that may take 25 years to repay. Borrowing money, and using debt, does not have to be a bad thing. It can help you in times of need or trouble – help you with large purchases – help you manage your monthly cash flow (consolidation loan) – and so on.

Borrowing money becomes a problem if you borrow too much – that is, more than you can afford. It's a problem if you borrow to where you can't do other things – or if you need to borrow to pay your regular monthly expenses. Just like your own money, you have to stay in control of the money you borrow from others.

Let's begin by covering a few terms.

A debtor is someone who borrows money from others. A creditor is someone who lends money to others. A debt is a liability – something that you owe. A credit is an asset – it is money that has been loaned to someone else to be paid back.

Borrowing money can be done in a number of ways. We will look at ways to borrow money in a moment. For now, let's look at why people are borrowing more money today than in the past.

How About You?

What is your attitude towards borrowing money? There is an old saying "never a borrower or lender be." Some people work to avoid debt. Some take on way too much. Where do you fall?

1	2	3	4	5
DEBT AVOIDER		USE WHEN NEEDED		TOO MUCH DEBT

Learn About

Over time, you will likely acquire "assets" and take on "liabilities." Your "Net Worth" is one way to track how you are doing, financially, over time. Your Net Worth is "your assets (what you own) – your liabilities (what you owe.") Even traditional things are considered your assets.

Borrowing Money Today

Today, in general, more people are borrowing money than people did 30 or 40 years ago. Why is that?

One reason people borrow more money today is that, by and large, incomes are higher than they used to be. With higher incomes, people can often afford to carry more debt. For example, if you earn an income of $80,000 a year and want to borrow $3,000 for three years, you probably won't have much of a problem (if you have a good "credit rating" and are seen as "credit worthy" – more on that shortly.) Why? Because your income is such that you probably won't have trouble paying back what you borrowed.

Discuss

If you have a chance, talk with a parent/guardian/family member, etc. about how their parents viewed and used debt. What are their thoughts on the barriers they had and if it is different from today?

Think About It

The amount you borrow is called the "principal." The cost you pay for using someone else's money is called "interest." When you take out a loan, you will have to pay back both the principal and interest. Indigenous youth must remember that obtaining "good credit" regardless of if you have borrowed also has barriers.

However, if you have an income of $10,000 a year, you might be less willing, and less able, to borrow $3,000. You will have a lower "ability to pay" or "ability to carry the debt." People often refer to money that is borrowed as "carrying a debt" or a "debt load." That is because debt is usually seen as a financial burden.

A person's ability to pay and "carry debt" will change, then, with their income. As your income rises, you may be able to afford more debt. You certainly don't have to borrow more. Just because you may earn more, think carefully before taking on more debt.

Sometimes Indigenous youth face increased challenges in obtaining credit and even regular income. You may not even have the right identification, regular bank account, or other such barriers.

Another reason for more borrowing today is due to higher prices. As prices rise, the need to borrow may increase – especially if prices rise at rates faster than incomes. Housing is an example. House prices have, on average, risen over the years to the point where very few people can buy a house today without taking on a mortgage – often quite a sizable mortgage. A mortgage is a loan taken out to buy a house or other property. More people likely have bigger mortgages today than was the case 30-40 years ago because the cost of housing is now so high.

Another reason people are borrowing more today is because, overall, people are spending more of their income – and saving less. Back in the early 1980s, Canadians, on average, were saving over 20% of their income. In recent times, the average has fallen to much lower levels, Canadians, overall, were spending as much as was earned in income. Recently, the savings rate has risen to about 4% – but that is still pretty low. The result – without much in savings, Canadians are finding they have to take on more debt to cover expenses as they come up. So borrowing increases.

That brings us to another reason why there is more borrowing today – the cost of borrowing has been so low. Like it is for other things, if the cost to borrow money goes down, people will probably borrow more of it. And that is what people have done – borrowed more as the cost of borrowing – interest rates – fell.

Learn About

There many grants, bursaries and loans that are available to Indigenous youth, but also come with many requirements and payback schedules. Learn about what may be specifically available to you as an Indigenous person, and what the requirements are.

There is little doubt that, overall, Canadians have likely borrowed too much. Many people are under financial stress. Many live paycheque to paycheque and many would be in difficulty if they lost their job, got ill, or had an unexpected expense arise. Indigenous communities suffer from lack of housing, education, infrastructure, cannot own their houses, cannot insure their houses and belongings. Income does not always come from a paycheque but rather income support from the government.

That is why there is such concern when Canadians spend most of their income, save so little, and borrow a lot. Too many may be stretched and struggle with debt they have. When interest rates rise that is when things could get really difficult.

So low interest rates have led to more borrowing too. Another reason for more borrowing is because more people are borrowing to make investments. In some cases, tax changes have encouraged people to borrow for investment purposes. For example, a person may be able to get a tax deduction on certain investments such as a contribution to a Registered Retirement Savings Plan (RRSP).

Think About It

Why do you think Canadians are spending so much of their income and saving so little?

For these and other reasons there is more borrowing today by more people than in the past. As a result, there are also more people having debt problems. Most adult Canadians didn't learn much – if anything at all – about borrowing money and managing debt while in school or from their parents. Many people have given in to the temptation to borrow more....and more...and more. And many are now stretched to their limit – and beyond. Many did not have the opportunity to learn about money and borrowing was not an option for them. Intergenerational trauma is

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Think about our Seventh Generation teachings. The Seventh Generation teachings today are about the decisions being made about our resources, and ensuring those decisions are sustainable for seven generations in the future.

a major cause that Indigenous families are healing from right now, and it may take many many more years. However, you must think about the seventh generation in order make positive change for you, your family and your community.

One of our goals is to try and change that. We hope today's Indigenous young people can learn more about money – and borrowing – and managing debt – and make good borrowing decisions. Borrowing money doesn't have to be a bad thing. It can help. Borrowing just has to be done wisely, managed well, and held to a limit you can afford.

So these are some of the reasons why borrowing has increased – and why more people are "over their heads" in debt. We want to help you avoid that. Let's take a closer look at why you may decide to borrow money.

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If you can, and if you wish, ask at home about what has been learned about borrowing money and managing debt. Did people in your family get a good education about borrowing money and managing debt? Do they have insights, advice, and guidance that they can share with you based on what they learned – or their experience? How do they deal with these things, and how do their ancestors play a positive role?

Why Borrow Money?

- **Unexpected expenditures:** Maybe your car has broken down – or your air conditioner dies during the hottest days of the year. It is important to try and save to be prepared for these unpleasant surprises. But, if they happen, and you don't have the funds available, borrowing money may be an option.
- **The "big buys":** Some items cost so much most people can't pay for them out of current income and savings – for example, cars, boats, houses, and cottages or cabins. To be able to buy them you will likely have to tap into your future income by borrowing money that will be paid back over time – sometimes many years with money you will make in the future.

How About You?

Have you had any surprises to date in your life – expenses come up that you did not foresee? If so, how did you handle those?

- **Investments:** Some people borrow money to invest. They try to pick good investments to increase the value of that money in the future. People will do this if they believe they can earn more from the investment than it costs them to borrow. That is, they think the "rate of return" will be higher than the rate of interest to borrow. There is always risk in this kind of borrowing.
- **Education and training:** This is actually another type of investment – an investment in the improvement of a person's knowledge and skills. You can look upon it simply as an investment in you. People will often borrow to improve their education and training because this can help them to get the job or career they want – or to get a better paying job. The benefits of this kind of investment can last a lifetime. But, if you borrow money for education or training, make it a good decision. You don't want to find you are $25,000 in debt after university and feel that you are not where you hoped to be. Make wise choices about how you use borrowed money to invest in you.

- **Opportunities:** Sometimes opportunities come up – opportunities too good to pass up. For example, suppose you love to play the piano and one of your goals is to get your own piano some day. Suppose you come across the deal of a lifetime – just the piano you want at a price better than you are likely to see again. You may decide that borrowing money is worth the cost of the debt to get something you've always wanted. Remember – an important part of managing money is to be happy. Having debt troubles won't make you happy. You will want to do all you can to avoid them. But, if the piano will help you with your "happiness" goal, and if you can afford the debt, that may be a good decision for you.
- **Rainy days:** Some day you may suddenly lose your job and find it necessary to borrow money to get through a difficult time. You or a family member may also become ill or disabled and not be able to earn an income for a while. Once again, borrowing money may help.
- **Start a business:** If you are, or hope to be, an entrepreneur, you may need to borrow money to help start up, launch, and run your business. Very few entrepreneurs are able to get started without getting some financial help. You may also need to borrow money to help the business grow if it is successful.
- **Travel:** There are some people for whom travel is very important. They may have a dream of taking a certain trip or travelling for a period of time. It is not uncommon today for some students to want to do some travel before moving on to post-secondary education or training – or before settling into a job. Such travel may require debt. Therefore, some people may be willing to borrow money, and give up some other things in the future, to be able to travel today.
- **Simplify purchases:** Carrying cash today is becoming less and less common. People seem to be carrying less money and using cards to simplify purchases. This may mean using a debit card – which takes money out of your bank account right away. Or it may mean using a credit card, borrowing money, and paying it back later. So some short-term borrowing by using credit cards can help with purchases.

How About You?

Do you know people who have gone into debt for 3-5 years of education and who wish they had made a different decision? Are you getting the help and guidance you need to make good investments in you? Are you exploring all your options? Are you aware of all your options?

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If you can, start saving for your future education at a young age. Small amounts of saving can add up to quite a bit over time. And there are government programs that can help. Check out the Canada Savings Bond program and the Canada Education and Savings Grant. They can provide money to help you with your saving for education.

How About You?

Is there one special thing in life you are hoping to have some day? Have you thought about how you might get it – or the trade-offs you might have to make to get it?

These are some of the reasons why you may decide to borrow money. But, if you want to borrow money, who lends money – and why? Parents, other family members, and friends may lend you money to help you out. Be careful though, about borrowing from friends and family. You don't want "money issues" to affect your relationships.

For the most part, though, people borrow money from sources other than friends and family. These other sources will charge interest to you for the money you borrow (some friends and family members may too.) There will be a number of things that will affect the interest rate they charge. We will look at the "cost of credit" shortly. First, let's look at the different kinds of borrowing you can do.

How About You?

Are you planning any extensive travel in the years ahead? If so, do you have the money to pay for it? If not, how are you going to get the money to cover the expenses?

How About You?

Do you have a credit card? If so, are you able to pay the balance every month? Are you carrying any debts on your credit card that have been there for more than 3 months or more? If so, look at the interest charges you are paying.

How About You?

Are you a possible Indigenous entrepreneur? Check out module 7 on entrepreneurship to see if you may be a future entrepreneur. Indigenous business today brings in more than $100 Billion each year!

Types of Debt/Credit

- **Credit cards:** An institution, such as a bank, may decide to provide you with a credit card. This card will usually have a "credit limit." This will be the maximum amount they are willing to lend you. You can then use the card to charge purchases up to that limit.

  Each month you will receive a "statement." This will show the purchases you made using the card, interest that you have to pay on the money borrowed, and also interest you have to pay on any past purchases for which money is still owing – that is, any past "balance" you are carrying on the card.

  Try, as best you can, to pay off your credit card balance each month. Interest on credit cards is very high (e.g. 28% in many cases.)

  Some credit cards won't charge you any interest if you pay your bill in full each month. Some may charge interest from the date you buy something. If you have a credit card, see how yours works. You may also pay an annual fee for your credit card. Also, pay your credit card bills on time. You can be charged "late payment fees," if you don't. Paying late also won't help if you want to borrow money. Lenders want to see that you pay your bills – and pay them on time.

- **Charge accounts:** This is the term used to refer to cards that are like credit cards but, rather than getting them from an institution like a bank, you get them from a particular store – a retailer. You may, for example, have a "Hudson's Bay card," or a "Canadian Tire card." These cards are issued by the stores and companies to help, and encourage, you to buy their products. As with credit cards, know what the interest rate is, when interest is charged, what fees apply, and so on. Be careful that having a card like this stops you from comparing prices in other stores.
- **Consumer loans:** Loans are available from various financial institutions for a wide range of consumer purposes – to buy a car, for travel, for house renovations, for a boat, for a computer. These loans tend to be for periods from months to about 5–7 years. When you take out a loan, you will arrange to pay it back over time. Try and pay back any loan as quickly as possible. You will pay less total interest the faster you pay back the loan.
- **Mortgage loans:** These are loans to help you purchase property such as a house. A mortgage loan tends to be over a longer period of time than consumer loans. Mortgage loans can generally be taken out for up to 25 years. That's because mortgage loans are usually for more money than consumer loans and people usually need more time to pay back the higher loan. More on mortgages shortly.
- **Business loans:** These are loans some people take out to help them start, improve, or expand a business. Financial institutions may lend money to businesses for a variety of reasons. The business will have to make the lender feel confident that the business will do well and be able to pay back the loan. Institutions will often want to see a good "business plan" or a good record of success before giving a business loan.
- **Installment buying:** It may be possible to make a purchase by paying in installments. For example, you may buy a washer and a dryer and agree to make a monthly payment for 12 months to pay for them. Generally, if you purchase something through installments, you will have to pay interest charges – but you do get use of your purchase while you are paying for it. You may arrange to do this to buy a computer, or a TV, or a refrigerator. You may also find some places that let you pay in installments without interest. You have likely heard ads offering "No money down! No interest! No payments for 24 months!" Some of these offers are very legitimate and are set up to help you make a purchase – and for the business to make a sale. But, before making such a deal, ask questions and check into the terms. Ask if there is any upfront administration fee or fee of any kind. Ask if there are any other fees or charges. And ask if there is any reason why interest charges might increase or be charged. If you buy something this way, don't miss a payment – and pay the final bill on time!

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As best as you can, pay your credit card bills in full each month. Don't put more on a credit card than you can afford to pay back. Don't leave balances on your credit cards. And know the "terms" of your credit card – what interest is charged – and when is it charged. Visit the website of the Financial Consumer Agency of Canada (FCAC) for help with selecting the right kind of credit card for you.

These, then, are some of the various forms of credit, debt or loans you might get. Keep in mind, though, that most lenders lend money for one purpose – to earn interest. They will want to be repaid for sure. But they will want to increase the value of their money by earning interest. Let's look more closely at the cost of credit and things that can affect the interest rate you pay.

The Cost of Borrowing Money

The cost of credit is the amount of interest that is paid on the loan. But the total you will pay on a loan will be determined by more than the rate of interest.

The total cost will also be affected by how long it takes you to pay back a loan. The longer it takes you to pay back money you borrow, the more you will pay in interest. As an example, consider a mortgage loan. Look at the following three tables.

How About You?

Check to see if anyone in your family has ever made a purchase this way. If so, what was the experience like for them? Did it work out well? Did it work out not so well?

$60,000 Mortgage

15-year Amortization (paid back over 15 years)

Interest Rate	Monthly Payment	Total Repaid	Total Interest Payment
4%	$443.81	$79,886	$19,886
6%	$506.31	$91,136	$31,137
8%	$573.39	$103,210	$43,210
10%	$644.76	$116,057	$56,057

20-year Amortization

Interest Rate	Monthly Payment	Total Repaid	Total Interest Payment
4%	$363.59	$87,262	$27,261
6%	$429.86	$103,166	$43,166
8%	$501.86	$120,446	$60,477
10%	$579.01	$138,962	$78,963

25-year Amortization

Interest Rate	Monthly Payment	Total Repaid	Total Interest Payment
4%	$316.70	$95,010	$35,011
6%	$386.58	$115,974	$55,974
8%	$463.09	$138,927	$78,927
10%	$545.22	$163,566	$103,566

Note that if $60,000 is borrowed for 15 years at 4%, the total interest paid is $19,886. If the interest rate is 8%, the total interest paid is $43,210. That shows how important the interest rate is. But how about the time to pay back the loan?

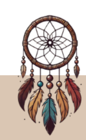
Note that if $60,000 is borrowed at 4% interest and paid back over 15 years, the total interest paid is $19,886. If the $60,000 is paid back over 20 years, the total interest payment is $27,261. The same loan amount – $60,000 – costs $7,375 more if it is paid back over 20 years as opposed to 15 years. It is obvious that the amount of time you take to pay back a loan is very important.

The cost of the loan can also be affected by where you borrow the money. If you have a good borrowing history, you will probably be able to get a loan from a traditional lender such as a bank. However, if you do not have a good credit history, or if you are experiencing some money challenges, you may have to go to other sources where costs may be higher – in some cases, quite a bit higher. This is why you want to have a good “credit rating.” More on that later.

Some people who need to borrow money use “payday loan” or “cheque cashing” companies. The costs at such places are higher than traditional institutions such as banks. Before using a “payday loan” company ask about the costs of borrowing money. Also ask what happens if you have trouble paying the money back. And ask what the “annual interest rate” is on any loan you consider. Be careful of getting into a situation where you have to take out a new loan to pay off an old loan.

In fact, whenever you consider taking out any loan (or using credit), ask what the interest rate is and how much total interest you will be paying. Good creditors will not hesitate to give you honest, accurate information. And get everything in writing.

Learn About



Make sure you know the interest rate you will be paying on any loan you take out and if that rate will ever change.

Common lenders, such as banks, will often base their loan rates on something called the “prime rate” of interest. The prime rate is the rate of interest that the institutions charge to their largest, most reliable customers – often large corporations.

When you go into a bank or other institution to take out a loan, you will meet with a loans officer. He or she will discuss your situation with you, take down the details of your request, ask questions related to your credit worthiness (more on this in a moment), and so forth. The loans officer will also do a “credit check” – that is, a check on your credit rating. After that, if the institution is willing to lend you the money, you will learn the rate of interest that you would be charged for the loan if you take it. If you are a new borrower, you will not likely get a loan at the “prime rate.” You will likely be told that your rate will be something like “prime +3%” or “prime +2.5%” – meaning you will pay the prime rate plus that extra – e.g. prime +3 would equal 6% if the prime rate was 3%. The better your credit rating, usually the lower rate you get since the lender’s risk is lower.

Don’t borrow from the first place you visit unless you have some special reason to do so. It may be that your family has banked at a particular bank for years and has a good reputation there. You may want to bank there as well – or find it easier to do so because the family is well known there and has a good history with the bank. But if there is no particular reason to pick one over another, don’t hesitate to compare institutions and their interest rates. Financial institutions do compete with one another. There is a chance that another institution may offer you a loan at a lower rate of interest. Financial institutions will also often be prepared to match rates offered to you by other institutions – if you ask them.

Another important point to note about loans is the down payment. This refers to the amount of money you can pay at the time of purchase versus how much you have to pay through borrowing. For example, suppose you are going to spend $8,000 on a car and you have $3,000 available. You can use the $3,000 as a down payment and borrow the remainder. (Borrowing is often referred to as “financing” – you put down $3,000 and “finance” $5,000.)

Therefore, the total cost for the car will be $8,000 plus whatever interest you have to pay on the borrowed money (that is, interest on the $5,000). The key point is that the higher your down payment on any purchased item, the less you will have to borrow (finance) and the less your total interest cost will be.

How About You?

Do you know people who have used payday loan or cheque cashing places for loans? If so, what has their experience been like? Did they need to use such facilities for borrowing or did they have a choice?

Learn About

Go online and visit some sites to learn more about what is involved in a loan application. Check out the sites of some of the banks and the Financial Consumer Agency of Canada to see what a “loan application form” looks like and the kind of information that you will be asked to provide if you apply for a loan.

Learn About

What can affect your cost of borrowing?

Compare:

1. The difference between paying 3% for a $2,000 loan over two years versus paying 5% for the same loan for two years.
2. The difference between paying off a $3,000 loan at an interest rate of 7% over two years versus paying off the same loan over four years.
3. The difference in total cost for a $4,000 car (a) with a $2,000 down payment and financing $2,000 over three years at 4% versus (b) financing the entire $4,000 over four years at 8%.

Learn About

Comparison shopping for interest rates

Suppose you want to buy a brand new car for $24,000 and you are going to finance $22,000. Explore the different rates offered by lenders on car loans and see what your total cost would be, at different rates of interest, to pay back the loan over 5 years.

Learn About

Establishing a good credit score is crucial as it impacts your ability to secure loans, rent housing, and even qualify for certain jobs. Credit scores reflect your financial trustworthiness and are built by consistently paying bills on time and using credit responsibly. People with high credit scores often live within their means, saving up for larger purchases rather than relying on credit. They also avoid overusing available credit, which contributes positively to their score. This practice of balancing credit use with manageable debt levels helps build a solid financial foundation.

To improve your credit score, there are several straightforward strategies you can adopt. Always pay your bills on time, as even one late payment can affect your score for years. Keeping your credit card balances below 30% of your credit limit is another critical step. Avoid frequently applying for new credit, and instead, maintain a few accounts with low usage. Additionally, working towards a cash-based budget, where credit is used sparingly, helps prevent debt dependency, allowing your credit score to rise over time. By following these steps and making consistent efforts, you can steadily boost your credit score.

So, let's summarize some of the key points we have covered about borrowing money:

- Know the total cost you will pay for any loan you take on – principal + interest costs.
- Pay off credit cards each month. Don't carry debt on credit cards. If you can't pay off what you owe on a credit card, and you have been carrying a growing balance on your card, consider taking out a regular loan to pay off the credit card balance. You will pay a lot less in interest on a regular loan than you will on a credit card debt.
- Comparison shop for the best interest rate you can get.
- Decide on how much time you will need to pay back money you borrow. The shortest time you can afford will be the best since it will reduce your borrowing costs.
- Put down as large an amount (down payment) as you can to lower the amount you will have to borrow. This will lower the interest you will have to pay, and, hence, the total cost to you.
- Lenders lend money to earn interest. They will want to have confidence that you will pay the money back – and be able to afford the interest. That is why they will usually do a "credit check" on you. Make sure you pay back loans and make payments on time so that you have a good credit record.
- There are a variety of reasons why you may want to borrow money – and a variety of factors that will affect whether others – will lend you money.
- There are also a variety of factors that will affect the interest rate you may pay on a loan.
- There are different ways to borrow money – and the costs can differ from one way to another.

Probably the most important thing about borrowing money is to ask questions to get the information you need to make a good decision. You have a right to know what you need to know to make a good borrowing decision. You will also likely earn respect from lenders who will be pleased to see how thorough you are as you make your decision. It will be a sign that you will likely be responsible about paying the money back.

The following are some questions you should be sure to ask when taking out a loan.

- What is the interest rate on the loan? Is it possible to have a lower interest rate? What would be needed to lower the rate?
- Is the interest rate on the loan fixed or does it vary?
- What are the first and last payment dates? Are there any penalties for late payments?
- Can I pay off the loan at any time? If so, is there any penalty for doing so?
- Are there fees other than interest payments?
- How frequently will interest on my loan be calculated?
- What happens, or what can be done, if I miss a payment or am unable to make one for any reason?
- Are there any other factors that may affect the total cost of the loan?
- Are there ways that I might be able to lower the total cost of the loan?

Think About It

Suppose you are a creditor with money available to lend. Someone comes to you who wants to buy a boat for $22,000 and borrow $18,000 from you to do it. What information would you want to know prior to deciding whether or not to provide the loan?

There are other questions that you may have. Don't be afraid to ask! Decisions about borrowing money are important decisions. You want to make sure you are making a good decision. Asking questions, and getting the information you think you need, is part of making a good borrowing decision.

Now let's take a look at one area of where young people often encounter their first need to borrow money – for post-secondary education or training and applying for a student loan.

Learn About

Think about the costs you are likely to face if you are planning to attend, or are attending, college, university, or a training program. Try to calculate the total costs you will face over two, three, or four years. Even though your community may have funding for post-secondary education, it is usually not enough and there is a long waiting list.

Learn About

Many scholarships, bursaries, grants, etc. are not based upon marks. Make sure you look into sources of financial support that may be available to you. Many different criteria are used in making decisions regarding who will receive scholarships, etc.

Student Loans

Post-secondary education and training is very important to most young people today. But the costs can be quite high – especially if one is moving away from home and having to cover living costs including costs for accommodation, food, transportation, etc., as well as tuition and textbook costs.

There are student loans available from the Government of Canada to help students who find paying these costs challenging. The government has a great website with all the information that you will likely need to learn when you are thinking about applying for student loans. The link to the website is: https://www.canada.ca/en/services/benefits/education/student-aid.html

Just be aware that the money you borrow will eventually need to be repaid. Information on repayment, interest rates, etc., can also be found on the government's website.

Don't forget to explore whether you qualify for any scholarships or bursaries. There are many scholarships and bursaries that go unused each year due to a lack of applicants.

Don't overlook the tremendous opportunities available in the skilled trades. The trades are becoming more and more sophisticated – and with the demand for skilled trades, many are able to earn more income. The skilled trades can be an attractive career option for many Canadian youth providing a good job, good income, and good lifestyle – and many people in the trades are self-employed and become entrepreneurs. So if entrepreneurship is of interest, you may want to take a look at the possibilities afforded by the skilled trades.

Module Summary

Say What? Possible New Terms!

1. **Debtor:** is someone who borrows money from others.
2. **Creditor:** is someone who lends money to others.
3. **Liability:** is something that you owe.
4. **Asset:** is something you own that has value.
5. **Net worth:** your assets (what you own) minus your liabilities (what you owe.)
6. **Principal:** the amount of money borrowed that has to be repaid. It does not include any interest charges that have to be paid for borrowing money.
7. **Dividend:** the shares of a company's profits that are given to shareholders.
8. **Amortization:** the period of time over which you agree to pay back a loan – such as a mortgage – via a series of regular payments.

Did it Stick? Can You Recall?

1. What are some of the reasons why people tend to borrow more money today than 30-40 years ago?
2. What are some of the reasons why people borrow money?
3. What types of debt or credit can people use to borrow money?
4. What are the major factors that can affect the cost of borrowing money?
5. What can you do to try and keep your costs of borrowing money as low as possible?

Thinkabout… or Discuss

- What do Indigenous young people spend most of their money on? Why?
- Are most Indigenous young people today in control of their money? What are some of the causes of young people losing control of their money?
- Do Indigenous young people have too easy access to credit cards? Or are credit cards almost a necessity today?
- Do you know others who are having money troubles – or who you think are headed to money trouble? If so, what's causing this?

Tips & Suggestions

- Know what debt you can afford and don't borrow more than you can afford.
- Shop and compare costs when borrowing money.
- Know the total cost of any debt before borrowing money – and find out if the total cost can change for any reason.
- At different points in your life, check your "net worth" to see if you are making financial progress.
- Avoid borrowing to your "credit limit." Borrow what you need to borrow – not what you can borrow.
- Avoid having multiple credit cards. Stick to one or two. Having debts on many cards can lead to debt troubles.
- Don't carry balances on credit cards. And pay off credit card debts each month – in full – and on time – if you can.

Tech Talk

Some websites that you might find useful would be:

- Credit Canada – Debt Solutions: www.creditcanada.com
- Financial Consumer Agency of Canada: www.fcac-acfc.gc.ca
- Fiscal Agents: www.fiscalagents.com
- Canadian Real Estate Association: www.crea.ca
- Canada Mortgage and Housing Corporation: www.cmhc-schl.gc.ca
- Gamblers Anonymous: www.gamblersanonymous.org