Career Life Connections 12: *Your Financial Plan*

In the following assignment, you will get a good sense of your financial future by determining your financial goals, deciphering your needs from your wants, constructing a budget that works for your lifestyle, and making sure you know the risks of credit!

Part 1: Your Financial Goals

In the previous lesson, you learned about the importance of setting sound financial goals by deciding what matters most to you, writing them down, breaking each goal into smaller steps, and making a savings plan. What are your current financial goals? (include one goal for the short, mid, and long-term with an approximate cost for each).

Short-term: ____________________

Mid-term: ____________________

Long-term: ____________________

Choose **ONE** of your goals above and break it into smaller steps. Describe how long you have to save for that goal, and how much you think you could save each month towards it. In your budgeting section, you will be more specific about how you will best achieve that goal.

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Part 2: Your Needs and Wants

Let's now take a short glance at some items that should be categorized into needs and wants. If you were to live on your own, list six things in your budget you would classify as needs, six things in your budget you would classify as wants, and six things in your budget you know are really wants, but you (currently) treat them as needs!

NEEDS	WANTS	THINGS YOU KNOW ARE WANTS, BUT YOU TREAT LIKE NEEDS ☺
1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.
6.	6.	6.

Part 3: The Effects of Compounding Interest

Take a minute to look back at your short, mid and long-term financial goals. At the current time, it may seem like they are far in the distance, but with some careful planning, and taking advantage of compounding interest, your money can grow faster than you realize!

Using a *compound interest calculator*, calculate two scenarios (one conservative and one more aggressive) of how much a monthly investment would be worth when you retire in 40 years.

	SCENARIO #1	SCENARIO #2
Initial Investment	$100.00	$1000.00
Regular Addition (monthly)	$50.00	$200.00
Interest Rate	3%	3%
Interest Compounded	monthly	monthly
Years to Grow	40	40
Total Amount You Invested		
Total Value of Your Investment		
How much additional (interest) you earned *(value of investment – total amount you invested)*		

What are your thoughts on the calculations? Did anything surprise you?

At this point in your life, do you think making any sort of monthly investment is possible? If yes, what investment schedule would you be comfortable with and how much additional interest would you earn? If no, what could you do to make a monthly investment possible?

Part 4: The Art of Budgeting

Complete a one-year financial plan for life after high school, assuming you are no longer at home. Be realistic with where you would like to live – for example, expenses in Vancouver will be much costlier than expenses in Prince George. Do some research about where you would like to live.

City of choice: ____________________

Income	Monthly	(x12)	Annual
Part-time work	$ ______	→	$ ______
Full-time work	$ ______	→	$ ______
Financial Support from parents	$ ______	→	$ ______
Savings already accumulated			$ ______
Total Income			$ ______

Expenses	Monthly	(x12)	Annual
Food	$ ______	→	$ ______
Clothing	$ ______	→	$ ______
Housing (rent or room & board)	$ ______	→	$ ______
Transportation	$ ______	→	$ ______
Medical/Dental	$ ______	→	$ ______
Internet/Television	$ ______	→	$ ______
Utilities (electricity/gas/water)	$ ______	→	$ ______
Cell phone costs	$ ______	→	$ ______
Car payments	$ ______	→	$ ______
Gas for your vehicle	$ ______	→	$ ______
Car Insurance	$ ______	→	$ ______
Office Supplies (ie. paper, pens)	$ ______	→	$ ______
Entertainment Costs	$ ______	→	$ ______
Incidentals	$ ______	→	$ ______
Tuition Costs (annual cost)			$ ______
Textbooks (annual cost)			$ ______
Other College/University Fees (annual cost)			$ ______
Money to save for financial goal in Part 1	$ ______	→	$ ______

Net Income (total income minus total expenses) $ ______

Identifying sources of income and expenses for life after high school is an important first step when considering life on your own. After completing your budget was your net income:

Positive ⟵ circle one ⟶ **Negative**

If your net income was positive that means your income exceeds your expenses and you should have enough money to cover all of your anticipated expenditures for the year. If your net income is negative that means you do not have enough money to cover your anticipated expenditures and you will need to find alternate sources of income to pay for expenses.

If you ended up with negative net income in your financial plan, or if you were to perhaps find yourself in a position with negative net income in the future, what are three ways that you could increase your income? Describe both the source of income, and the approximate amount of income that would be generated:

Income Source:	Approximate Income Generated
1.	$ ________________
2.	$ ________________
3.	$ ________________

Part 5: The Joys and Pitfalls of Credit

Credit cards are a very convenient way to pay for products and services, however it is important to understand how they work and the cost of using credit. Credit is an agreement between a lending institution (ie. banks, stores, credit card company) and you, the borrower. That agreement gives you convenient access to money at a cost. Credit cards often charge very high interest rates if you only make the minimum payment each month. Try the following minimum payment calculator:

www.bankrate.com/calculators/credit-cards/credit-card-minimum-payment.aspx

Enter the following information:

Credit card balance: $1,000.00

Credit card rate: 19.9%

Minimum Payment 2%

If you paid only the minimum amount required each month, how long would it take you to pay the balance?	What are the total payments?

Define the following terms:

APR: ____

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Annual Fee: ____

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Credit Limit: ____

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Grace Period: ____

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Credit is a very useful tool that will allow you many freedoms. Your credit score measures risk assessment based on past credit history. A poor score may limit your future ability to secure loans, purchase a home, rent an apartment or get utilities without a deposit. In Canada there are two major credit-reporting agencies. Who are they?

1) ____

2) ____

If you find yourself needing to improve your credit score, what are five things you could do?

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