Freedom 55 Financial
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your financial security

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Five money mistakes common to post-secondary students

1 Overusing credit cards

At college and university orientation events, representatives from major credit card companies offer free stuff if you sign up with them — they know many students won't make their payments on time.

Prove them wrong by paying off your balance each month before it accrues interest. This can also help build a good credit rating when it's time to borrow money for a car or a home. Also, watch for a credit card that offers a low interest rate (many student cards do).

2 Abusing student loans

While student loans offer low interest rates and interest-free terms, they're to help pay for your education, not shopping sprees. Dip into your student loan too often and you may need a part-time job, which could distract you from your studies.

3 Not thinking about career plans

Unfortunately, an education in something you love may not guarantee you a job after graduation.

Talk to people who've graduated with the same education. How long did it take them to find a job? What did they wish they'd done differently? Boost your resume with supplemental courses, internships, a club or volunteering. While employers look at your education, they're also interested in interpersonal and leadership skills.

4 Giving out financial information

Nearly one-third of identity thefts happen to people between the ages of 18 and 29.[1] Only use secure networks when sharing personal or financial information. Look for "https" at the beginning of the web address to ensure it's a secure site. Avoid sharing credit cards and co-signing loans with friends.

5 Forgoing a spending or financial security plan

Many students spend first and ask questions later – a formula for landing in financial hot water. Budgeting can help you stay on top of your finances. Cover fixed expenses (rent, tuition, groceries) before you allocate variable expenses (going to the movies, dining out, etc.). Budgeting websites can help categorize your spending automatically. These sites can even send weekly updates on your financial situation.

Even at this stage in your life it's important to identify your financial goals. A financial security advisor can help you create a plan that includes saving for all the things you want to do once you graduate.

Going into debt in your 20s isn't the end of the world; sometimes, it's a necessity. Although financial security planning is rarely taught in school, if you have the foresight to stay on top of your finances, you'll have a leg up on many of your peers.

[1]Public Safety Canada, "A Report to the Minister of Public Safety Canada and the Attorney General of the United States," Bi-national Working Group on Cross-Border Mass Marketing Fraud, October 2004.

Credit ratings – are you making the grade?

We all have a credit score – a number between 300 and 900 used to help judge our financial reliability. Yet, few Canadians know their credit rating, understand how it's created or know how to change it.

Equifax Canada and TransUnion Canada track every credit movement. Anyone who issues credit and loans feed these two agencies the information that forms your credit history.

A good credit rating will help you secure loans and lower the interest rates you're charged.

They know what about me?

Canadians should regularly contact Equifax and TransUnion for a free copy of their credit report (they may charge fees for expedited service and to get your score). Credit reports will show if anyone has applied for a loan under your name. If you find an error, you can request a correction from the reporting agency and from the lender. If you're still dissatisfied, you're entitled to add a brief "consumer statement" (or your side of a story).

A credit report includes basic personal information, like date of birth, current/former addresses, social insurance number, driver's license number and both current and past employers. The credit history lists your loans, bank accounts, credit cards and any other credit, including telecom bills. Late payments, liens, bankruptcy judgments, debt sent to collection agencies and repossessions are all included.

Tips to score well

- Pay your bills on time, ideally in full but always the minimum.
- If you cannot make a loan payment, work with the lender to find a solution.
- Don't max out your credit. Regularly going beyond half of your credit card and personal lines of credit limits suggests you may have a spending problem.
- Don't apply for too many credit cards and loans. If you are shopping for a car loan or mortgage, do it in a short period of time, so those inquiries into your credit history are lumped together.
- Read your banking and utilities statements carefully.
- Stability matters so keep credit accounts open – even if they're not used much.
- When applying for a big loan or mortgage, consider decreasing your credit card limits. A lender will consider unused credit a liability.

Rebuilding credit takes time

It's possible to turn your credit rating around. Black marks (including bankruptcy) take up to seven years to be removed from your credit history. Bankruptcy judgments can be renewed for up to 10 years.

There are ways to start turning things around:

- Apply for a secured credit card. Give the bank $1,000 and ask them to issue you a card with a $500 or $1,000 limit.
- Ask a relative with a strong credit score to add you to their approved user list on their credit card.
- Ask a relative to co-sign for your credit card or loan.
- Close credit cards or lines of credit you're no longer using so they're not part of your credit history review.

Changes to the UCCB can help boost RESP savings

Raising a family can be an expensive endeavour. To help Canadians subsidize some of the costs associated with raising children, the federal government has introduced changes to the Universal Child Care Benefit (UCCB) support program.

Since 2006, Canadian families have received $1,200 annually for each child under age six through the UCCB. In January, the government increased that annual UCCB payment to $1,920 for each child (under six). The government also expanded the program to provide families $720 each year for all children aged six through 17.

The first payment under the new UCCB schedule was issued in July 2015 and includes any retroactive payments for January to June 2015.

How can this make a difference to your family?

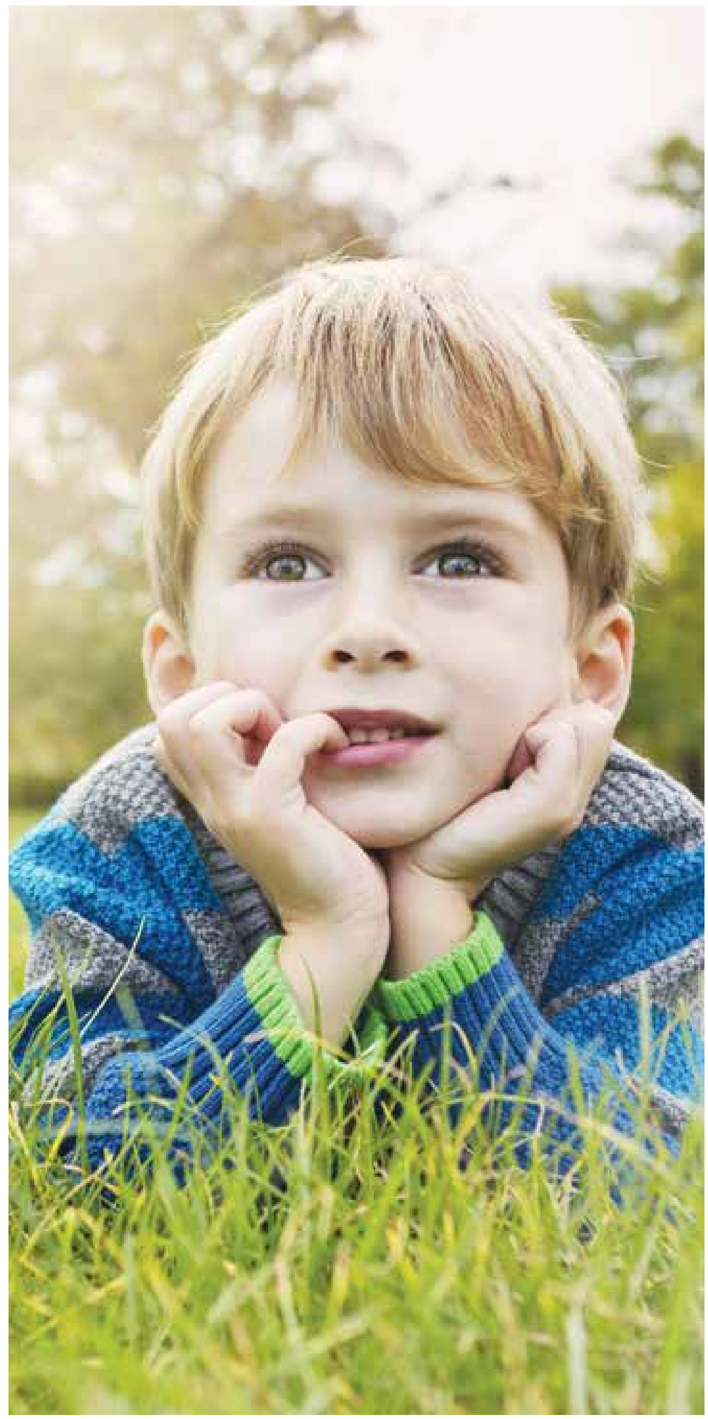
Have you considered the value of a registered education savings plan (RESP)?

This may be an excellent opportunity to explore how you can use your UCCB to enhance your investment strategy. With an RESP, investors can earn an additional $500 each year towards post-secondary education through the Canada education savings grant – a 20 per cent grant on the first $2,500 contributed annually to an RESP.

Here are a few other ways RESPs can benefit you:

- They cover more than just the cost of tuition – RESPs can be used for other expenses related to education, such as housing, food, books, technology needs and travel
- RESPs don't have an annual maximum contribution amount, although there is a $50,000 lifetime cap
- You can hold the plan open for up to 35 years, designate another beneficiary, or you may be able to roll the money over into a registered retirement savings plan (RRSP) should those post-secondary education plans change

If you're interested in learning more about saving for your child's post-secondary education, or how you may benefit by increasing RESP contributions, please contact your financial security advisor and investment representative. Together you can develop a financial security plan that will help set your child on the path to success.



The value of advice

When it comes to your financial well-being, working with a professional may be the difference between achieving your financial goals and falling short.

According to recent studies, Canadian households working with a financial advisor accumulate more than 1.5 times more assets than identical non-advised households over a period of only four to six years.[1] Having a financial security plan and committing to regular saving yields results.

But those who seek professional guidance recognize a financial security advisor does more than just invest your money. Your financial security advisor is an expert who can review your financial security plan on a regular basis to help keep you on track through life's twists and turns.

Your relationship with your financial security advisor is a two-way street that needs ongoing attention. Your financial circumstances and needs will change over time, and it's important that you keep your financial security advisor informed of your current situation. Here are some events you should make your financial security advisor aware of:

- **You experience a major life event.** Getting married, buying your first or a new home, or a baby on the way are exciting life changes that may require a shift in how you handle your finances.
- **You're having a financial challenge.** Perhaps you've experienced an unexpected event – like the loss of a job, a health concern or divorce – that has the potential to set you back financially.
- **Your finances are getting complicated.** Managing multiple financial products across different portfolios can be both time-consuming and confusing.
- **You want to leave a legacy.** You might want to leave an inheritance to your family or favourite charity.
- **You've decided on a retirement date.** Retirement brings a fundamental shift from saving to spending.

Whatever your situation, your financial security advisor can help you review and revise your plans accordingly.

[1]CIRANO – Center for Interuniversity Research and Analysis in Organizations. An Econometric Analysis of Value of Advice in Canada.

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