

Section 02.

Loans & Expenses

- Unit 02 01. Student Loans
— Financing Your Education
- Unit 02 02. Living on Your Own
- Unit 02 03. Buying a Home
- Unit 02 04. Cars and Loans





*The difference between school and life?
In school, you're taught a lesson and then given a test.
In life, you're given a test that teaches you a lesson.*

Tom Bodett



Overview

Starting university or college can be one of the biggest changes in your life. It's probably the first time you'll live on your own, and handle your own finances. A post-secondary education offers many opportunities and advantages but it is often very expensive. This unit will help you plan ahead and take charge of your money.

Goal

To investigate the costs of a post-secondary education and outline some of the financing options available.

Time Frame

Four 75-minute periods

Lesson 02.01.01

The cost of education

Lesson 02.01.02

Financing options

Lesson 02.01.03

Student loans

Lesson 02.01.04

The cost of borrowing

End-of-unit quiz and answer sheet

Each lesson includes black-line print masters for overheads and activities.



Lesson 01
The cost of education

.01

Overview

Post-secondary education is an important part of the development of any individual. It provides an environment for extended learning opportunities, new life experiences, and also helps prepare students for their progression into the work world. While securing a post-secondary education does not guarantee success and wealth, statistics show that those who do attend and graduate from post-secondary studies have an advantage when entering the workforce.

Without question post-secondary education is very important. That being said, securing a post-secondary education is not without challenges. Beyond the obvious challenges such as academic requirements, both to gain entry and to remain in a program, students also need to be concerned about paying for their education. This lesson will focus on the fixed and variable expenses related to post-secondary education.

Goal

Provide the information necessary to help students understand the cost of post-secondary education.

Objective

Identify the costs of post-secondary education.

Timeline

Discussion (Overhead A)	10 minutes
Note taking re: definitions	10 minutes
Discussion (Overhead B)	5 minutes
Discussion (Overhead C)	5 minutes
Student activity	20 minutes
Web site activity	25 minutes

(complete for homework)

Instructions

Classroom Discussion

Ask students to discuss expenses and associated costs that they can expect to encounter while pursuing a post-secondary education.

Student Activity

Have students in small groups complete Activity A. Using Overhead A, define fixed expense and variable expense.

Using Overhead B demonstrate the average cost of tuition in Canada by faculty. Discuss.

Using Overhead C demonstrate the average undergraduate tuition fees for Canadian full-time students by province. Discuss.

Have students go to the Web site

www.canlearn.ca—select On-line Tools, select Planners and Calculators, select Financial Planner.

Answer the questions in the “Educational Cost Calculator,” and print a summary of the total cost for first year and a summary of the estimated cost for the entire period of study.

Teacher Notes

Preparation of required materials, prior to lesson (overheads and activity pages).

Familiarize yourself with the Web resources provided to facilitate the discussions.

To have the most up-to-date information on tuition fees check out, “*The Daily*, Statistics Canada.”

Required Materials

Overhead A, The cost of education (two pages)

Overhead B, Tuition by faculty

Overhead C, Tuition by province

Activity A, The cost of education (two pages)

Assessment and Evaluation

Students share with the class the results of the university/college investigation (Activity A).

Students hand in the summary print-outs from the “Educational Cost Calculator.”

Supplemental Activities

Using a spreadsheet, prepare a cost analysis for one semester at university/college, depending on your individual situation (e.g., residence, rent or live at home, car or public transit, meal plan or not, etc.).

Additional Web Resources

CanLearn (Government of Canada)
www.canlearn.ca

Ontario Universities' Fair
www.ouf.ca



overhead A

Overhead A

The cost of education

02.01.01

What is a fixed expense?

Expenses that should be fairly predictable and consistent each month/year

You do not really have much control over them.

Fixed

- Tuition (see overheads B and C)
- Additional compulsory student fees (average \$663)
- Books (new \$50–\$150 each, used \$25–\$75) (average total \$500)
- Basic school supplies (\$400/year)
- Residence (residence with meal plan \$8,180/year) OR
Rent (varies with location, availability, if you share)
- Car payments (\$150–500/month depending on lease or buy)
- Car insurance (females average \$166, males average \$320, per month)
- Utilities (\$50/month)
- Phone (land line \$35/month, minimum)

Estimates for the cost of a full-time student living away from home are approximately \$16,730 per year, depending on your individual living styles. This includes tuition and student fees, residence, meal plan, books, personal living expenses, travel, and entertainment.

KEY MESSAGE

School is extremely expensive; take it seriously. It is one of the largest and most valuable investments you will ever make.

Overhead A overhead A

The cost of education (continued)

02.01.01

What is a variable expense?

Expenses that change on a monthly basis

You have control over them, so if you need to save money, these are the expenses to look at trimming.

Variable

- Groceries, snacks, household cleaning supplies (\$15–\$20 per person per day)
- Clothing (\$120–\$180 per month)
- Transportation
 - Bus (\$70 per month)
 - Car operation—gas/oil (\$180–\$210 per month)
- Grooming (\$40–\$80 per month)
- Travel vacation (\$60–\$100 per month)
- Entertainment (\$100–\$200 per month)
- Basic cable and Internet (\$40–\$90 per month)
- Cell phone (\$30–\$50 per month)
- Computer and related supplies (\$20–\$30 per month)
- Gifts—Birthday, Christmas, Valentines (\$35–\$50 per month)
- Insurance—life, term, tenant (\$50–\$70 per month)
- Savings (10% of your net monthly income)

KEY MESSAGE:

School is extremely expensive; take it seriously. It is one of the largest and most valuable investments you will ever make.



Overhead B

Tuition by faculty

02.01.01

Average undergraduate tuition fees for Canadian full-time students by faculty per year

Faculty	2006/ 2007	2007/ 2008	2006/2007 to 2007/2008
	Current \$		% change
Education	3,373	3,473	3.0
Visual and performing arts, communications technologies	3,991	4,148	3.9
Humanities	4,336	4,459	2.8
Social and behavioural science	4,041	4,156	2.8
Law	7,155	7,334	2.5
Business, management, public administration	4,195	4,271	1.8
Physical and life sciences and technology	4,270	4,467	4.6
Mathematics, computer and information science	4,650	4,700	1.1
Engineering	4,943	5,131	3.8
Architecture and related technologies	3,839	3,957	3.1
Agriculture, natural resources and conservation	3,869	3,963	2.4
Medicine	9,659	9,937	2.9
Parks, recreation, health (other than medicine) and fitness	4,996	5,099	2.1

Source: *The Daily*, Statistics Canada, 18/10/07

KEY MESSAGE:

School is extremely expensive; take it seriously. It is one of the largest and most valuable investments you will ever make.



overhead C

Overhead C Tuition by province

02.01.01

Average undergraduate tuition fees for Canadian full-time students/year by province

	2006/ 2007	2007/ 2008	2006/2007 to 2007/2008
	Current \$		% change
Canada	4,400	4,524	2.8
Newfoundland and Labrador	2,633	2,633	0.0
Prince Edward Island	4,920	4,440	-9.8
Nova Scotia	6,422	5,878	-8.5
New Brunswick	5,470	5,733	4.8
Quebec	1,932	2,025	4.8
Ontario	5,155	5,381	4.4
Manitoba	3,319	3,384	2.0
Saskatchewan	4,774	4,774	0.0
Alberta	4,763	4,964	4.2
British Columbia	4,740	4,855	2.4

Source: *The Daily*, Statistics Canada 18/10/07

KEY MESSAGE:

School is extremely expensive; take it seriously. It is one of the largest and most valuable investments you will ever make.



activity A

Activity A

The cost of education

02.01.01

name: _____ date: _____

Divide into groups. Discuss the differences between fixed and variable expenses and write a definition for each.

Identify the expenses related to attending a post-secondary institution for a year, and calculate the cost of a year of education.

Consider the difference in the cost of living in residence or off-campus and whether you will live at home or in rental housing.

1. What is a fixed expense?

2. What is a variable expense?

3. List the types and estimated amounts of expenses you can expect for a year at a selected post-secondary institution.

Fixed

Variable

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

activity A

Activity A The cost of education (continued)

name: _____ date: _____

Estimated expenses

4. Discuss these expenses in your class and make notes.

5. Consider the cost of tuition by selecting an institution and researching the cost.

6. Go back to the type and estimated amount of expenses you have identified. Make adjustments, and then add the various expenses to find the total cost.



Lesson 02
Financing options

.02

Overview

For many students, education financing is a legitimate concern; to some, it is a barrier. As costs continue to rise in all aspects of post-secondary education—tuition, books, living expenses—students are being forced to find alternative means of paying for their education. In many cases, students rely on a variety of sources to generate enough funding to get them through the school year.

Starting university/college can be one of the biggest changes in your life. It's probably the first time you'll live on your own—and handle your own finances.

This lesson will highlight some of the financial realities that students face entering a post-secondary institution, and outline some of the financing options available to them.

Goal

To give students the tools/resources to find the funding they need to continue their education.

Objectives

Identify the main sources for funding of post-secondary education.

Identify other available sources of funding.

Timeline

Student activity	15 minutes
Note taking and discussion, (overheads A, B, C)	15 minutes
Web site activity	20 minutes
Supplementary Web page activities (complete for homework)	25 minutes

Instructions

Student Activity

Ask students to break into small groups and come up with five ways of financing their education by completing Activity A. Ask each group to present their suggestions on the white board/chalkboard or on a flipchart. As a large group, discuss the ideas presented and other less obvious alternatives.

Note taking

Students take notes from overheads A, B, C.

Student Activity—Web page

Have students go to Web site www.practical-moneyskills.ca—select: Students, under Calculators on the left select: Saving for a Post-Secondary Education. Answer the questions in the “Calculator” using the results from Lesson 01 Activity A, The cost of education where you calculated the cost of three or four years of university/college using the “Educational Cost Calculator” at Web site www.canlearn.ca. Print the summary report indicating how much you will need to save and for how many years, to achieve your goal. Keep in mind you may be working part-time for several months while you are attending university/college to help pay for your expenses.

Teacher Notes

Preparation of required materials, prior to lesson.
Familiarize yourself with the Web resources provided to facilitate the activity.

Required Materials

Overhead A, Financing options
Overhead B, What are scholarships/bursaries?
Overhead C, Getting scholarships/bursaries
Activity A, Financing options

Assessment and Evaluation

Notebook check for completion of overheads A, B, C.
Participation in classroom discussions.

Evaluation of Activity A.

Evaluation of Web page activity—summary report.

Supplemental Activities

Go to www.practicalmoneyskills.ca—select Students.

On the left under Calculators click on “Save a Million.”

Initial investment: enter \$2,000, for example.

Regular deposit: enter 10% of your part-time job monthly income.

Interest rate: enter a reasonable rate, for example, the rate the banks are paying on GIC's—5%

Number of years in the future: enter 10, 15, or 20 years

Click on Calculate.

Look at the bottom to see:

Amount in 20 years _____

You will be a millionaire in _____

Register on Student Awards Web site

www.studentawards.com and identify at least five scholarships that you could apply for.

Additional Web Resources

Practical Money Skills

www.practicalmoneyskills.ca

Student Awards

www.studentawards.com

Credit Education Week Canada.com—Essay Writing Contest

www.crediteducationweekcanada.com/essay-poster.htm



overhead A

Overhead A Financing options

02.01.02

What sources of income can you get to help pay for your education?

1. Personal Savings

- **Summer Job Income**
- **Part-time Job Income (during school year)**

The key is to start today; put aside a regular monthly amount. The earlier you start, the less you have to put aside each month. If you started with \$0 today and put aside \$40 per month for two years, you will have saved almost \$1,000.

2. Family support

- **Parents, grandparents, and other relatives**
 - **Bonds, personal savings, education savings**
 - **Registered Education Savings Plans (RESP)**

Have a family discussion to see how much family financial support might be available and if it fits with the timing of the financing requirement for your education.

3. Personal Investments

- **Guaranteed Investment Certificate (GIC)**—an investment for a specific period of time; funds mature on a specific date (1 year, 2 year, etc.) with the return being the amount you invested plus interest; investment is guaranteed (you can't lose your investment).
- **Mutual Fund**—no maturity date; purchase shares or units and redeem at market value; investment is not guaranteed (you can lose your investment).

4. Tax refund

- **When you file your tax return, you may be assessed for a refund.**

5. Scholarships/Bursaries

- **Generally offered to students who have special qualifications—academic, athletic, artistic, etc.**
- **Special Bursary Plan—Provincial funding for students who are exceptionally needy and are unable to attend school full-time but need post-secondary education training to improve job prospects. (Check with your provincial government to see if they offer the program.)**

6. Student Loans

- **A loan to help Canadian citizens and permanent residents meet the costs of post-secondary education; funded by provincial and federal governments.**

7. Personal Loans

- **Bank/Credit Union**—can be used as another source of funding. They are true consumer loans that may require payment with interest while you are still attending school.

KEY MESSAGE:

Investigate all sources. The best options are those that you don't have to repay. Look into those sources that you don't have to repay, then look into those you do have to repay.



overhead B

Overhead B

What are scholarships/bursaries?

02.01.02

What are scholarships/bursaries?

- **Funding given to a student based on a certain set of qualifications/criteria**
- **Scholarships are available for first year students or returning students**
- **Money that does not have to be paid back.**

Who gives them out?

- **Governments**
- **Private and public companies (businesses)**
- **Parents' employers**
- **Schools**
 - Academic
 - For certain programs/fields of study
 - Athletic
- **Religious Groups**
- **Cultural Groups**
- **Social Groups**
 - Big Brothers and Sisters of Canada
 - Junior Achievement



overhead C

Overhead C

Getting scholarships/bursaries

02.01.02

What is needed to get a scholarship?

- Keep good grades—although some scholarships are focused primarily on other qualifications, good grades are important.
- Get involved in athletics or extracurricular activities in and outside of school.
- Do your research.
- Apply, apply, apply.

Where can you find out about scholarships/bursaries?

- High school guidance counsellor
- University/College financial aid office
- Parents
- Government Web sites/Student assistance numbers
- On the Web—www.studentawards.com

KEY MESSAGE:

Many scholarships go unused every year. There is no harm in applying for many, so start early and apply often.



activity A

Activity A

Financing options

02.01.02

name: _____ date: _____

Divide into groups. Discuss how to finance your education (Each group should come up with five sources of income.)

Then as a large group, discuss the answers and suggest other ideas.

What sources of income can you get to help pay for your education?

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____



Lesson 03
Student loans

.03

Overview

Student loans can be a very helpful source of funding for your post-secondary education. However, if not managed correctly, they can also be quite challenging.

This lesson will include a detailed review of government student loans.

Goals

To help students understand the provincial student loan programs.

To encourage students to stay on top of their loan and become responsible money managers.

To provide an opportunity for students to become familiar with their provincial student loan Web site.

Objectives

Outline the steps required to apply for a student loan.

Encourage responsible money management.

Become familiar with the provincial student loan Web sites.

Timeline

Class discussion	10 minutes
Student Activity A and note taking	15 minutes
Reading	20 minutes
Web site research activity	30 minutes
	[complete for homework]

Instructions

Classroom Discussion

Discuss as a large group what a student loan is, how it is funded, and what the students' obligations are after getting a student loan.

Discuss with the students the concept of applying for a student loan and investing what you do not use or need in a safe investment since it is interest free while you are in school, then paying the loan off when you graduate and keeping the accrued interest.

Student Activity

Using overheads A and B have students fill in Activity A outlining the steps required to apply for a student loan.

Have students read Overhead C and discuss. Have students individually go to the Web site of their provincial government and research student loans, examining what options are available and what debt management advice is offered.

Note Taking

Ask students to make point-form notes about what they learn at the provincial student loan Web site related to such things as:

- Objective and purpose of the program
- How student financial assistance works
- Available loans and grants, how calculated, maximum
- Eligibility
- Loan and grant life cycle
- How loan amounts are determined
- Getting your money
- Debt management advice (tips regarding repayment)

Print a student loan application (if offered on site).

Find out if your government pays your interest during your grace period, and if they offer interest relief.

When completed ask students to pair and share what they discovered.

Teacher Notes

Preparation of required materials, prior to lesson.

Familiarize yourself with the Web resources provided to facilitate the activity.

Book a computer lab.

Required Materials

Overheads A, Steps to apply for a student loan (two pages)

Overheads B, Tips to apply for a student loan

Overheads C, Government student loans

Activity A, Steps to apply for a student loan

Assessment and Evaluation

Participation in classroom discussions.

Notebook check for completion of provincial Web page assignment.

Supplemental Activities

Invite the school guidance counsellor and/or the local bank manager to class to discuss student loans.

Invite a young person to class who is now in the work force paying off a student loan to give a testimonial on their experience with student loans.

Additional Web Resources

Visit your provincial student loan Web site.



overhead A

Overhead A

Steps to apply for a student loan

02.01.03

Step 1—Get your application

- high school guidance counsellor
- your post-secondary institution's financial aid office
- your provincial government Web site

Step 2—Fill it in

- fill out the application completely
- return it to the government student assistance office

Step 3—Wait

- the process usually takes 4–6 weeks
- you will be notified of approval or denial through the mail
- if you qualify for funding, they will send you a Certificate of Eligibility

Step 4—Confirm your enrolment

- take your certificate to your post-secondary institution's financial aid office
- they will sign the document to confirm your enrolment
- if your enrolment is not confirmed, the certificate cannot be processed

Step 5—Sign it

- make sure to sign the Certificate of Eligibility
- if it is not signed, it cannot be processed

Step 6—Take it in

- take your Certificate of Eligibility to the service provider or financial institution that services your government's loan program
- the provincial program Web site and/or information on the certificate will confirm where you need to take the document

Step 7—Be patient

- the service provider or financial institution will then process your Certificate and disburse funds to you
- it usually takes approximately 48 hours to process, then an additional 1–5 days for you to receive your money



overhead B

Overhead B

Tips to apply for a student loan

02.01.03

TIPS for speeding up the process

- Make sure all of your information is correct, and that your loan application is filled in completely and signed!
- Make sure to read the entire loan certificate so you understand all of the steps you need to take and the obligation you have accepted.
- Include your banking information so the funds can be disbursed directly into your account—this will also set up your loan account for pre-authorized payments once you start repaying your loan.

What to do once you get a student loan

Once you have a student loan, you are required to update the status of your account every year you are in school, so your loan isn't put into repayment prematurely.

1. Do this in one of two ways

- Get a new student loan—advise the service provider or financial institution that is servicing your loan that you are still in school.
- Confirm your enrolment—if you are not getting new loans, obtain the correct confirmation of enrolment form from the financial aid office at your school, and send it as instructed.

2. If you have finished your studies, you will begin repayment six months after you have finished. To make repayment easier, you can set up pre-authorized payments to have monthly payments taken from your bank account automatically. If you are having trouble paying your loan, there is help available.

- Interest relief—Many governments offer this program in six-month increments. While on interest relief you do not make payments on your loan and the government pays the interest that is building on your loan.
- Revision of Terms—You can request to have your monthly payments reduced for a short period of time. At the end of that period, your monthly payments will increase from the original amount to ensure your loan is paid off according to schedule.

KEY MESSAGE

Student loans are real loans. They must be paid back and therefore should only be negotiated if you truly need the money.



overhead C

Overhead C Government student loans

02.01.03

Student loans can be a very helpful source of funding for your post-secondary education. However, if not managed correctly, they can also be quite challenging. To get the most out of your student loan experience, stay on top of your loans at all times. Know how much you have borrowed, know where your loans are, and know when they have to be repaid.

The following information is applicable to the answers for this section's quiz.

1. Students can apply to their provincial government for funding.

- Governments supply funds (split between Government of Canada, and the provincial government) to students based on need, which is confirmed through the application process. Students apply to the provincial government where they permanently reside.

2. All government programs, rules, and regulations are not the same.

- Each program has unique rules and regulations. Also, in most cases students will have two separate loans even though they applied for only one, as the loan funding is split by the provincial and federal governments. Each government has a different set of rules for their loan program, so a student ends up having two separate loans that are managed separately and need to be repaid separately. That means twice the phone calls, twice the paperwork, and twice the obligation.

To make things easier, some provinces (Ontario, Saskatchewan) are now integrating their programs with the Government of Canada program, which will result in each student having one loan and one set of rules.

3. Governments do not issue standard amounts of funding.

- Through the application process, governments look at factors such as total income (including family income), number of dependants, and the cost of education to decide whether funding is appropriate and, if so, how much.

4. Student loans need to be paid back.

- Like consumer/bank loans, student loans have to be paid back, plus, when signing a certificate you are signing a legally binding contract. However, student loans offer flexible terms and repayment assistance and extended repayment plans. In addition, while students are in school full-time, they are not required to make payments on their student loan.

5. Student loans can affect your credit rating.

- The manner in which you pay back your student loan gets recorded on your credit rating. If you make your payments on time, you will be establishing a good credit rating, which will help you with car loans and mortgages in the future. If you make late payments, or do not make payments at all, your credit rating will be damaged, and you will find it difficult to get financial support in the future.

6. You can begin repaying, or completely pay out, your loan at anytime.

- You can make payments on your loan at any point in time. There is no penalty for paying your loan out early, but there is a reward—less interest will have built up. If you pay your loan out while you are still in school, no interest will have accrued at all! If you cannot pay your loan out while you are still in school, your official scheduled monthly payments (including interest) start six months after your studies end.

7. Interest begins building on your loans as soon as your studies end.

- All student loan programs provide a six-month grace period after you have completed your studies. During this period no payments are required, but all student loans start building interest during the 6-month grace period. However, in some loan programs, the government pays the interest that is building during this grace period. Check with your provincial government for more information.



activity A

Steps to apply for a student loan

02.01.03

name: _____ date: _____

Divide into groups. Discuss the steps you need to follow in the process for applying for a student loan. Then as a large group, discuss the answers and suggest other ideas.

Step 1 _____

Step 2 _____

Step 3 _____

Step 4 _____

Step 5 _____

Step 6 _____

Step 7 _____



Lesson 04
The cost of borrowing

.04

Overview

Although you generally don't think about repaying your student loans while you are in school, it's important to consider the future. After three, four, or five years of borrowing, you may have accumulated a substantial debt.

When you combine Canada and provincial student loans, on average, students graduate \$25,000 in debt. After you graduate, you have six months before you must begin to repay the loan.

Two out of five graduates from the class of 2000 who had left school owing money to government student loans had completely repaid their debt five years after graduation.

Of all graduates from a Canadian college or university in 2000, 56% had no debt from government student loan programs while 44% owed money to such programs. It is among this latter group that two out of three graduates had completely paid off their debt in 2005. The average debt remaining in 2005 amounted to \$8,900 for college graduates, and \$14,400 for university bachelor degree graduates.

Source: The Daily, Statistics Canada 2/5/07

Goal

Provide students with the tools and resources to better understand the cost of borrowing and the student loan program.

Objectives

Understand the costs of borrowing through student loan programs.

Demonstrate the relationship between principal, interest rates, repayments terms, payment amounts and the effect they have on the overall cost of borrowing. Introduce students to the “cost of loan calculator” and the “student loan estimator.”

Timeline

Class discussion	10 minutes
Student Activity A	15 minutes
CD	20 minutes
Web activity	30 minutes

(complete for homework)

Instructions

Discussion

Give students a basic understanding of how borrowing money works. Examine loan elements including principal, interest rates, repayment terms, payment amounts, and the effect they have on the overall cost of borrowing.

Student Activity

Use Activity A to examine loan elements, principal, interest rates (fixed and floating), repayment terms, payment amounts, and the effect they have on the cost of borrowing. Note that if you increase your monthly payments by only \$21 a month (equivalent to brown-bagging your lunch three times a month) you will save a year’s worth of payments plus \$1,633 in interest. Students make notes.

Use the Choices & Decisions CD-ROM

With the class as a group try the following:

Select “Are you fiscally fit?”

Select “LOANS”

Try a few loan scenarios with different, “length of loan,” “APR (annual percentage rate),” “monthly payments.” Check out the difference in “Total Finance Charges” and “Total to Be Paid.”

While you have the CD-ROM up and running try as a class “Test Your Cents”—test your financial IQ to see if you can ace “MONEY 101.”

Web activity

Have students go to www.canlearn.ca and answer the questions in “The Student Loan Estimator.”

Select “A to Z Index”

Select “C”

Select “Student Loan Estimator”

The Student Loan Estimator is an interactive Web application that can be used by full-time students to estimate their total student loan. This version provides estimates for the current loan year (2007–2008). The software and the data it uses are updated annually.

The Student Loan Estimator was designed to show the amount of assistance you could potentially receive

from both the Canada Student Loan Program (CSLP) and provincial funding authorities. Have students complete Student Loans—Financing Your Education

Teacher Notes

Preparation of required materials, prior to lesson. Familiarize yourself with the Web resources provided to facilitate the activity.

In order to do the calculations of interest, length of loan, monthly payments etc. students can also use the finance applications on a graphing calculator that are widely used in high schools.

Required Materials

Activity A, The cost of borrowing (and answer sheet) Choices & Decisions CD-ROM Quiz (two pages and answer sheet)

Assessment and Evaluation

Notebook check for completion of Activity A. Participation in classroom discussions and CD-ROM activity.

Evaluation of Web page activity.

Quiz

Supplemental Activities

Using the CD-ROM, click on “Money Management Intelligence”—become an agent at MMI and help your client achieve financial success. Do this as a class voting on the decisions. Choose Janis Ashford—university student. How many points did you accumulate? Try again to see if you can improve on your decisions.

Have students go to www.canlearn.ca and try the “Loan Repayment Calculator.”

Simply enter the total amount of your loan, select interest options (fixed or floating), and decide on the number of monthly payments you would like to make. The Loan Repayment Calculator will display your results at the bottom of the column. Try a number of different options; focus on the “Total Interest Payable” and “Total Amount Payable.”

While you are at the student loans section of the site check-out:

The Repayment Process

Repaying Your Student Loan

Obtaining Repayment Assistance

Additional Web Resources

Practical Money Skills

www.practicalmoneyskills.ca

Statistics Canada

www.statcan.ca

Government of Canada—Human Resources and Social Development Canada

www.hrsdc.gc.ca/en/home.shtml



activity A

Activity A The cost of borrowing

02.01.04

name: _____ date: _____

A. Average debt load for graduating students (four-year program) in 2007

How much do you think? Choose one.

- A. \$ 5,000 _____
- B. \$10,000 _____
- C. \$25,000 _____
- D. \$40,000 _____

**B. Use “the cost of loan calculator” on-line at practicalmoneyskills.ca
→ Calculators → Credit & Debt → How Much Will Your Loan Really Cost.**

- Use 10% interest.
- Use ten-, nine-, eight-, seven- or six-year terms.
- Calculate monthly payments, total interest paid, and the total cost of the loan.

Use average debt load from A \$ _____ principal amount

Monthly payments	# of payments	Interest paid	Principal plus interest
	120 (ten years)		
	108 (nine years)		
	96 (eight years)		
	84 (seven years)		
	72 (six years)		

Note: You can also vary the interest rate and calculate the total cost using a higher or lower rate.



activity A

Activity A

The cost of borrowing (answers)

02.01.04

A. Average debt load for graduating students (four-year program) in 2007

How much do you think? Choose one.

- A. \$ 5,000 _____
- B. \$10,000 _____
- C. \$25,000 X
- D. \$40,000 _____

**B. Use “the cost of loan calculator” on-line at practicalmoneyskills.ca
→ Calculators → Credit & Debt → How Much Will Your Loan Really Cost.**

- Use 10% interest.
- Use ten-, nine-, eight-, seven- or six-year terms.
- Calculate monthly payments, total interest paid, and the total cost of the loan.

Use average debt load from A \$	<u>25,000</u>	principal amount	
Monthly payments	# of payments	Interest paid	Principal plus interest
\$330.38	120 (ten years)	\$14,645.22	\$39,645.22
\$351.97	108 (nine years)	\$13,012.45	\$38,012.45
\$379.35	96 (eight years)	\$11,417.99	\$36,417.99
\$415.03	84 (seven years)	\$9,862.49	\$34,862.49
\$463.15	72 (six years)	\$8,346.51	\$33,346.51

Note: You can also vary the interest rate and calculate the total cost using a higher or lower rate.



Student Loans—Financing Your Education

name: _____

date: _____

True/False (5 marks), Part I

1. ____ Examples of fixed expenses are tuition, student fees, and rent.
2. ____ Examples of variable expenses are, groceries, entertainment, and clothing.
3. ____ Once you have a student loan, you are required to update the status of your loan every year.
4. ____ Scholarships are offered to students who do their research and apply, apply, apply.
5. ____ The longer you take to repay your loan, the smaller the monthly payment and in the end you will repay a lower total amount of money.

Multiple Choice (5 marks)

6. **The key to personal saving is**
 - A. Start early
 - B. High interest rates
 - C. Wait until you finish high school
 - D. Spend less
7. **Estimated cost for a full-time student living away from home per year**
 - A. 10,550
 - B. 13,660
 - C. 16,730
 - D. 19,740
8. **Scholarship are given out by**
 - A. Governments and universities
 - B. Private companies and unions
 - C. Parents' employers
 - D. All of the above
9. **Debt load is a term that is used to describe a consumer's**
 - A. Inflation factor
 - B. Debt/Income ratio
 - C. Debt/Equity ratio
 - D. Asset/Liability ratio
10. **When you finish your studies you will begin repayment of your student loan**
 - A. After six months
 - B. After nine months
 - C. After one year
 - D. At your convenience

Case Application (3 marks)

Assume you have finished your studies and you must now choose one of the following loan repayment plans.

1. Which plan would you choose? Why?
2. What factors may be important in your decision?

Plan 1: Repay your loan over a 5-year period with a 9% annual interest rate.		
Loan Value \$21,000	Monthly Payment \$436	Total Payments \$26,156

Plan 2: Repay your loan over a 10-year period with a 9% annual interest rate.		
Loan Value \$21,000	Monthly Payment \$266	Total Payments \$31,922

Communication (5 marks) —Write your answers in your notebook.

Explain how you plan to finance your post-secondary education. (Consider all your sources of income and help.)



continued

quiz

Quiz

Student Loans—Financing Your Education

02.01.

name: _____ date: _____

Government student loans

True/False (7 marks) Part II

1. ____ Students apply to their provincial government for funding.
2. ____ All government programs, rules, and regulations are the same.
3. ____ Governments issue standard amounts of funding.
4. ____ Student loans don't need to be paid back.
5. ____ Student loans affect your credit rating.
6. ____ You can begin repaying, or completely pay out, your loan at any time.
7. ____ Interest begins building on your loans as soon as your studies end.



Student Loans—Financing Your Education

True/False (5 marks) Part I

1. **T** Examples of fixed expenses are tuition, student fees, and rent.
2. **T** Examples of variable expenses are groceries, entertainment, and clothing.
3. **T** Once you have a student loan, you are required to update the status of your loan every year.
4. **T** Scholarships are offered to students who do their research and apply, apply, apply.
5. **F** The longer you take to repay your loan, the smaller the monthly payment and in the end you will repay a lower total amount of money.

Multiple Choice (5 marks)

6. The key to personal saving is
A. Start early
7. Estimated cost for a full-time student living away from home per year
C. 16,730
8. Scholarship are given out by
D. All of the above
9. Debt load is a term that is used to describe a consumers'
B. Debt/Income ratio
10. When you finish your studies you will begin repayment of your student loan
A. After six months

Case Application (3 marks)

Answers will vary.

Communication (5 marks)

Answers will vary.

Government student loans

True/False (7 marks), Part II

1. **T** Students apply to their provincial government for funding.
2. **F** All government programs, rules and regulations are the same.
3. **F** Governments issue standard amounts of funding.
4. **F** Student loans don't need to be paid back.
5. **T** Student loans affect your credit rating.
6. **T** You can begin repaying, or completely pay out, your loan at anytime.
7. **T** Interest begins building on your loans as soon as your studies end.