**Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Making Financial Decisions**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | R | 1 | 2 | 3 | 4 |
| Understanding Earning and Purchasing |  |  |  |  |  |
| Understanding of Saving, Investing and Borrowing |  |  |  |  |  |
| Understanding Transportation and Travel |  |  |  |  |  |

**Part A: Unit 1**

Using a newspaper or the internet, research a job that you will be qualified to do **after you graduate high school**, for which you are paid an hourly rate. Cut out the job advertisement or print it out.

**Job**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Hourly Rate**: \_\_\_\_\_\_\_\_\_\_\_\_

Estimate the **number of hours** you will work in a **month**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Calculate your **gross monthly income**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Using the links below, calculate your **deductions:**

**EI Deductions:** <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/t4032/jn12/menu-eng.html>

**EI Deductions: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**CPP Deductions:** <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/t4032/jn12/menu-eng.html>

**CPP Deductions: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Federal and Provincial Tax Deductions:** <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/t4032/jn12/on-pp4032_12.pdf>

**Federal/Provincial Tax Deductions: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Explain** what the 3 **deductions** cover: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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Complete the table below to calculate your **net** monthly income.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Gross Monthly Income | | | $ |  |
| Deductions | EI | $ |  |  |
|  | CPP | $ |  |  |
|  | Federal | $ |  |  |
|  | Provincial | $ |  |  |
| Total Deductions | | | $ |  |
| Net Monthly Income | | | | $ |

This month, you hope to make the following purchases:

* A new pair of shoes for $49.99 because your only other pair of shoes have a hole in the sole.
* A new pair of pants that you need for work which are regularly $54.99 but are on sale for 30% off.
* 3 new DVDs that regularly cost $9.99 each but there is a promotion, “Buy 2, Get One Free”

Decide which of the three purchases are **essential** and which are **non-essential**. **Justify** your answer.

|  |  |  |
| --- | --- | --- |
| Item | Essential or Non-Essential | Justification |
| Shoes |  |  |
| Pants |  |  |
| DVDs |  |  |

Calculate the **after tax** cost of all three items.

|  |  |  |
| --- | --- | --- |
| Item | Tax | After Tax Cost |
| Shoes |  |  |
| Jeans |  |  |
| 3 new DVDs |  |  |
| TOTAL | |  |

How much **money** do you have **remaining** for the month (remember you calculated your monthly income on page 2)?

One weekend during the **same** month, you drive to Ogdensburg, New York with your friends. While there you buy a t-shirt for **US$12.48** (including tax).

**Convert** the amount of the t-shirt to Canadian dollars if $**1US=$1.03CAN**.

Determinehow much **money** you have **remaining** **after buying the t-shirt**.

**Part B: Unit 2**

**Go to the following website.**

<http://www.mortgage-a.com/mortgage_financial_calculators/calculator.htm>

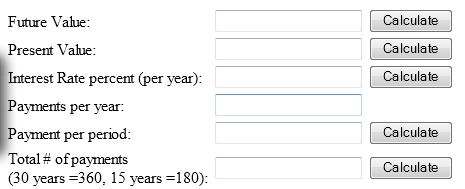
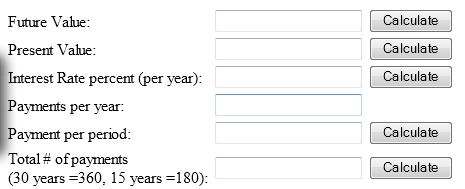
You decide to save the rest of that month’s income by placing it in the bank for **2 years**. You have 2 choices,

* you can place it in an account that pays 3% per year, compounded **semi-annually**

or

* you can place it in an account that pays 2.8% compounded **quarterly**.

**Enter the necessary values in the images below.**



Which do you choose? Why?

If you use this account, how much will you have **after two years**?

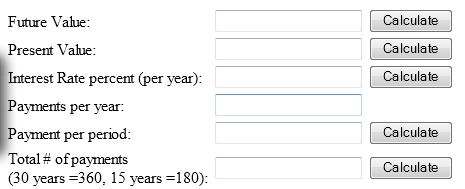
You consider getting a **credit card** now that you are working and spending money regularly. You have heard good and bad things about credit cards. List the **advantages and disadvantages** below.

|  |  |
| --- | --- |
| Advantages | Disadvantages |
|  |  |
|  |  |
|  |  |
|  |  |

Considering your list, do you think it is a good idea for you to sign up for a credit card? Justify your answer.

**Part C - Unit 3**

A few months later, you decide you want to **borrow $4000** to buy a used car. You can pay off the loan with monthly payments over **3 years** at an annual interest rate of **4%** compounded **monthly.**



How much are your **monthly payments**? \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Will you have **enough money** at your current income level to pay back the loan?

How much do you **pay in total** for your used car?

How much **interest** do you pay?

Now that you have a car, you decide to take a road trip this summer. Your car uses 8.2L/100km on the highway. You want to drive to Calgary Alberta, which is 3553km.

If you expect to drive on average 115 km/h, **how many driving hours** would it take to get to Calgary?

How many **litres** of gas will it take?

Considering current gas prices, how much will it **cost**?

Is it possible to take this trip considering your monthly income? Justify your answer.

What other mode of transportation could you use travel to Calgary? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Give the **advantages and disadvantages** of both methods of getting to Calgary.

|  |  |  |
| --- | --- | --- |
|  | Advantages | Disadvantages |
| Driving |  |  |
| Alternate Method of Travel |  |  |

Which method of travel would you choose? Justify your answer.

Do you have the **purchasing power** to buy/pay for all the things that you want? Explain your answer.