CPA CHARTERED PROFESSIONAL ACCOUNTANTS

Stretching Into Savings

An Educational Session sponsored by the Chartered Professional Accountants of Canada (CPA Canada)

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Agenda

- Why and how to save
- Setting savings goals
- Budgeting is the key step
- Ways to save

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Why save?

Less stress
an emergency fund makes it easier to deal with the unexpected

Helps you live the life you want
save for a big purchase: a vacation, furniture, a car

Helps you plan for your future or your family's future
education savings, retirement planning

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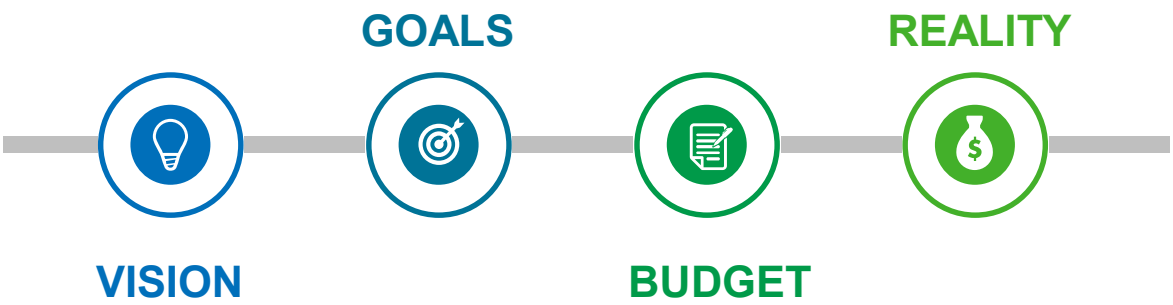
What are you saving for?



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Setting SMART savings goals

- ✅ SPECIFIC
- ✅ MEASURABLE
- ✅ ATTAINABLE
- ✅ REALISTIC
- ✅ TIME-FRAMED

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How to save

FROM WHAT YOU EARN	FROM WHAT YOU SPEND
Set aside a little bit of your income each month	Reduce costs to “find” more savings

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What is a budget?

- It's a plan that helps you compare money coming in (income) and money going out (expenses), all in one place
- It helps you manage your money and plan for your future
- Think of it as your financial roadmap!

"The budget is not just a collection of numbers but an expression of our values and aspirations."

- Jack Law

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What is a budget?

- Think about a budget as a ***tool,*** not a chore
- It's a way to ***take control*** of money to meet goals and improve your financial situation, not limit you
- Budgeting is about ***choices***, not sacrifices

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Income

Your cash flow coming in

Employment Income + **Social Assistance or Benefits** + **Other Sources of Income** → **TOTAL MONTHLY INCOME**

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Expenses

Your cash flow going out

Fixed Costs + **Variable Costs** → **TOTAL MONTHLY EXPENSES**

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Complete the budget template

Category	Expense	Budget	Actual	Difference	Ideas to Reach Budget
Fixed Expenses	Housing	$900	$900	0	
	Car Payment	$350	$350	0	
Variable Expenses	Food	$300	$500	$200	Watch sales
	Transportation	$200	$250	$50	Carpooling/ transit/ walking
Optional Expenses	Clothes	$150	$300	$150	Reuse/barter/ secondhand stores
Occasional / Periodic	Eating out	$200	$100	($100)	
	Winter road trip with family	$500	$600	$100	

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Add it up and review

Your complete picture

Total Monthly Income - **Total Monthly Expenses** → **TOTAL CASH FLOW**

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Needs vs. Wants

Finding trade-offs

NEEDS (Things I can't live without; financial obligations I can't skip)
Food
A place to live
Payments on my student loan
A telephone
Transit fare

WANTS (Things I would like to have, but don't need in order to live)
Daily coffee purchase
Takeout
Specialty cable TV

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Finding money

Something I buy often	How often	Average price	Cost per month
Coffee	Every weekday	$2.00	20 x $2.00 = $40.00
iTunes songs	3 per week	$1.29	12 X $1.29 = $15.48
		MONTHLY TOTAL =	**$55.48**

"Everyday" spending can add up! Think about how this money could help you reach your spending and savings goals.

What could you do with an "extra" $50 a month?

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Day-to-day spending

How can you save money?

- Food purchases
- Home and utility costs
- Personal care/leisure expenses
- Memberships or subscriptions

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Hidden costs

Another way to save

Credit Cards

- Use cash or debit cards whenev
- Do you know what interest rate y pay each month?
- Keep credit cards for specific purposes

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Pay yourself first

- Set aside some of your income each month
- Reduce your spending accordingly
- Choose a place to put your savings

Emergency fund

Long-term savings goal

TFSA

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The power of compound interest

Save weekly	At 3% interest compounded monthly	Year 1	Year 2	Year 3	Year 4	Year 5
$5.00	3%	$263.86	$535.74	$815.90	$1,104.57	$1,402.02
$10.00	3%	$527.72	$1,071.48	$1,631.79	$2,209.14	$2,804.05
$15.00	3%	$791.57	$1,607.23	$2,447.69	$3,313.71	$4,206.07
$20.00	3%	$1,055.43	$2,142.97	$3,263.58	$4,418.28	$5,608.10

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How do you want to hold your savings?

Type	Considerations
Cash	Low risk, easy to access, but no interest gained
Savings account	Low risk, easy to access, some interest gained
TFSA	Low risk, relatively easy to access, potential for higher interest or investments, no tax implications
RESP, RDSP, RRSP	Registered accounts for different goals – retirement, disability, education – some tax implications and some risk
Investments	Higher risk, potential for higher reward, must be managed with a professional to-match your goals

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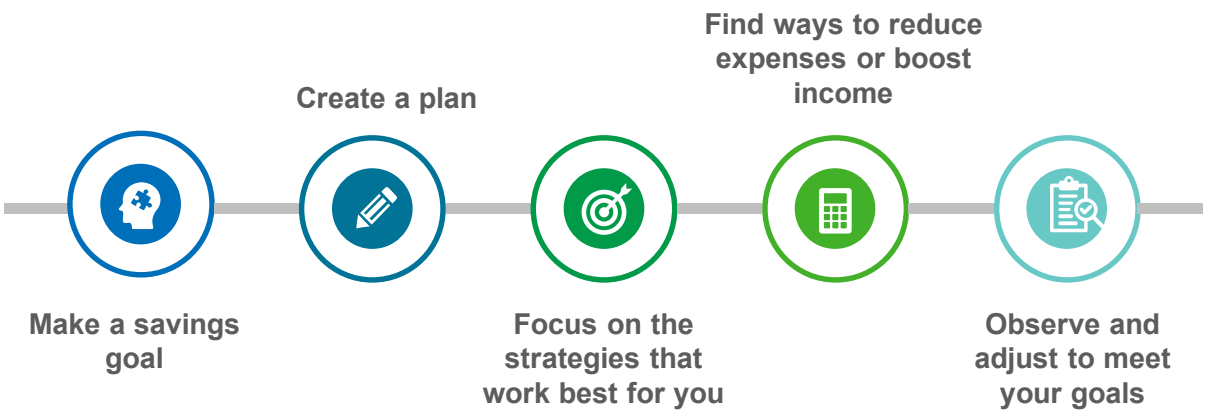
Saving builds momentum



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Why budget and save?

- ✓ **Better quality of life –** meeting your goals
- ✓ **Take charge of your money –** it's yours
- ✓ **Spend where it counts –** meet your needs
- ✓ **Make the most of your money –** be a smart consumer and smart saver
- ✓ **Find money to save** for the future and for any emergency

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Resources

- Government of Canada – *Financial tools and calculators*
  canada.ca/en/services/finance/tools.html
- Canada Revenue Agency – Registered Retirement Savings Plan (RRSP), Registered Education Savings Plan (RESP), Tax-Free Savings Account (TFSA)
  canada.ca/en/services/taxes/savings-and-pension-plans.html
- Canada Revenue Agency – *Newcomers to Canada (immigrants and returning residents)*
  canada.ca/en/revenue-agency/services/tax/international-non-residents/individuals-leaving-entering-canada-non-residents/newcomers-canada-immigrants.html
- Canada Mortgage and Housing Corporation – Housing for Newcomers
  cmhc.ca/Newcomers
- Glossary of terms

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Questions?

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