



# Going to School

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## **Developing a Savings Plan**

Post-secondary education is expensive, and it's expected to get even more so. It's never too early to start saving for your child's education, so contact First Credit Union and let us help you plan for your education.

### **Investing in a Child's Future**

It's never too early to start putting money aside for a child's education. Post-secondary education costs are estimated to go up drastically over the next eighteen years. Right now, a student living at home pays an average of \$4,000 per school year. That amount is expected to reach \$37,000 per year in less than two decades.

### **What Is an RESP?**

Registered Education Savings Plans are set up through the Federal Government to help people save for their children's educations. By putting money away each year, you can ensure that your child will have money available for post-secondary school. A family can set up a plan in which one or more of their children are listed as beneficiaries. It's also important to note that anyone can contribute to an RESP, not just the parents of the child. First Credit Union can help determine if this type of investment is right for you.

While they are not tax deductible like RRSPs, RESPs do offer some tax benefits. Interest earned on an RESP is tax-free, and when your child starts using the money for school only the accumulated interest is taxable as income.

### **What Is the CESG?**

The biggest incentive to buy RESPs is the Canada Education Savings Grant. RESP investors receive an additional grant of 20% from the government on the first \$2,000 of an annual investment. This means that the RESP can collect an extra \$400 a year towards the child's education. This can mean a possible lifetime difference of up to \$7,200.

The earlier you start putting money toward a child's RESP the more he or she will benefit from the annual grants and tax-free interest. And don't worry, in the event that the child listed as beneficiary does not choose to attend a post-secondary institution there are other ways to put that money to use.

Contact First Credit Union if you want to learn more about RESPs.



## **Selecting Investments**

There are many different types of investments available to someone saving for future education. Whether it's for yourself or your children, First Credit Union will help find an investment that's right for you.

### **Investments for Post-Secondary Education**

Post-secondary education is expensive, and it's expected to become even more so in the future. The sooner you start to save, the more you can do with the money you have. There are many different types of investments that can help you save for your or your child's post-secondary education.

#### **RESPs**

Registered Education Savings Plans are set up by the government to help people save for their children's educations. By putting money away each year, you can ensure that your child will have money available to attend post-secondary school.

#### **Term Deposits**

This type of investment guarantees you a set return on your money over a fixed period of time, which can be very beneficial when saving for a specific date in the future. There are short and long-term deposits. Short-term deposits usually require a higher investment than long-term deposits, and often have a slightly lower rate of return. Term deposits pay out interest monthly on any term longer than 90 days.

#### **Mutual Funds**

This type of investment is a bit more complicated than a term deposit. The potential exists to make more money; however, a return is never guaranteed. Even with a mutual fund that invests in guaranteed government bonds there is an element of risk. There are usually fees involved in purchasing or selling funds, and there are often management fees involved. The important thing is to investigate before you invest. Contact and let us help you create a mutual fund portfolio that matches your future investment goals.

Remember that the key to investing toward a post-secondary education is to start as early as possible and make sure that your investment will help you achieve your specific final objective.

\*Mutual funds are offered through Qtrade Asset Management Inc., Member MFDA.



## **Educational Borrowing**

You're starting school, but you need a little extra money to get you through. There are several options available to you, depending on your situation. Let First Credit Union help you build a strong credit rating while still in school.

### **The Cost of Education**

As costs continue to rise, more and more students find it necessary to borrow money to pay for their education. At First Credit Union, we believe that the last thing you should be worried about the night before a big exam is whether or not you can afford to enroll for another term. Fortunately, from government student loans to credit lines designed to meet the needs of students, there are a number of financial solutions available to you.

### **How Much Should You Borrow?**

Before applying for a loan, you will need to make a budget. First, calculate your expenses for the upcoming school year including tuition, books, transportation and the costs of living. Next, determine how much money you already have to contribute and how much you expect to make over the course of the year. The difference between the two figures is the amount you'll need to borrow.

Also consider your repayment strategy. Are the terms of the loan acceptable? Will you be able to handle the monthly payments? If not, you'll need to look for alternate ways to finance your education, or reduce your total costs.

### **Borrowing Options**

In most cases, government student loans offer the best terms. There are no payments due and no interest until after graduation. Further, if you qualify for loan remission, you may only have to pay back a portion of the loan.

If you are not eligible for a government loan, another option is a student credit line. A credit line can go a long way toward covering your expenses while in school. Although the terms are not as good as those of a government loan, they are usually better than the terms of other personal loans.

Another good idea is to apply for a student credit card, but keep in mind that credit card interest rates are very high. A credit card should only be used for small, unexpected expenses, and money available to you through a credit card should not be included in your budget.

Used responsibly, a credit card will improve your credit rating, making you a better candidate for loan approval should you need to borrow on a larger scale next year.



## **Purchasing Rental Property During College**

Buying a house may be the cheapest way to live while you attend a post-secondary institution. With First Credit Union's help, roommates could be paying your mortgage while you accumulate the equity. Now that's smart.

### **Home Ownership**

Is now the time to buy a house? It's a fair question. Buying a house is possibly the biggest purchase of your life. Is it a good idea to buy while you are attending school? There are some questions to ask yourself before you can come up with the right answer.

### **Can I Afford It?**

The primary consideration is whether or not you have the capital, or the resources, to make the necessary down payment. If you do, it's possible that you can live rent-free, and establish a great credit rating, while attending a post-secondary institution.

If you buy a house with extra bedrooms and enough living space, you can pay off the mortgage by getting renters to live with you. The rent you charge can cover your mortgage payment each month. Remember to take into account house insurance and applicable taxes.

### **What are the Benefits?**

Instead of paying rent, which goes toward somebody else's mortgage, you will be paying your own mortgage, and building equity. If you choose to move somewhere else after you finish school, you can sell the house and gain liquidity. You can use this to put a down payment on another home, or invest it.

Sometimes a post-secondary education takes longer than you imagined. A four-year degree can take five years. An undergraduate degree can become a Masters, or even a Ph.D., and the longer you stay in your house, the more you will be able to pay toward the mortgage.

But all of these things are just the financial benefits. There is also the pride in ownership, the satisfaction of being a stable part of the community. You can choose the type of house and the sort of neighbourhood that you want to live in. There is more living space in a house than there is in the usual student dormitories. You can even have your own yard...Think of the possibilities.



## **Student Bank Accounts**

At First Credit Union, we're here to help you find the financial solutions you need while attending school. The right account can ease the stress of financial worries and let you concentrate on your next exam.

### **Student Accounts**

At First Credit Union, we understand how important financial services are to students. We also understand how difficult it can be to manage your finances while attending a college or university. Whether you're paying for your education with student loans, working long hours over the summer to save for the rest of the year, or holding down a part-time job while attending classes, we're here to help you find the financial solutions you need.

### **Benefits of a Chequing Account**

While a chequing account may not offer the same interest rate as a savings account, it does provide you with better access to your money. Writing cheques for tuition, textbooks and rent is not only safer than paying cash, it also helps you keep an accurate record of your expenses.

Of course, this doesn't mean you should close your savings accounts entirely. It's always a good idea to set aside money for savings. Having a small nest egg can make a big difference if you run into emergency expenses. Even if you never need to tap your savings while in school, that money will be there when you graduate. It may be difficult on a limited budget, but even a few dollars a month will add up over the years you spend in school.

### **The Importance of Credit**

If you're like most students, you're probably concerned with developing a solid credit rating. The best way to show future lenders that you deserve credit is by being responsible with credit from the start. A credit card offers a secure and convenient way to make your purchases, and is your door to the online marketplace. Used responsibly, it not only helps build your credit rating, but can also provide emergency capital during tough times.

First Credit Union recognizes that sometimes students have to make major purchases too. Whether you need a new computer, a car, extra funds for tuition and textbooks, or any combination of expenses, a line of credit can get you the money you need, when you need it.

The bottom line is that at First Credit Union, we want you concentrating on textbooks, not on cheque books.