

HANDOUT 1.5: Financial Profiles

Scenario 1

Age: 24

Annual Income: \$42,000

After-Tax Income: \$32,500 (\$2,708/month)

Status: Single person

Description: You live with your parents, but would like to move away from home as soon as you are able to afford it. You work full-time and have a decent salary, but you owe \$40,000 in student debt; your loan repayments are \$500 per month, plus an interest payment of \$200. It will take you approximately seven years to pay off your loan if you continue with the current payment schedule.

Fixed Costs: Student debt and interest – \$700/month, Car expenses (car insurance, parking and gas) – \$250/month.

Challenge: Acquiring an apartment usually requires the pre-payment of two months' rent (depending on where you live, this could be approximately \$2,000/month). How can you structure your budget to move away from home while continuing to pay off your student debt? What will your budget look like when you are living on your own? In how many months do you think you would be able to move out? What financial sacrifices might you have to make to make that possible?

Scenario 2

Age: 26

Annual Income: \$45,000

After-Tax Income: \$35,000 (\$2,917/month)

Status: Living with a significant other

Description: You and your partner live together and plan on getting married in the near future. You are employed with a good income, but your partner is currently enrolled at a local college. You would like to buy a car, but your income must support both yourself and your partner for the next two years.

Fixed Costs: Rent and utilities – \$1500/month, Cell phone contracts (for two) – \$100/month, Public transportation passes (for two) – \$200/month, College tuition – \$400/month.

Challenge: How much can you afford to save? How will you budget for the eventual purchase of a vehicle (and its associated costs) and/or your wedding? What does your ideal wedding cost? What will your monthly costs be when you have a car? On this budget, and considering a budget for eating out and entertainment, when will you be able to afford both a wedding and a car?

Scenario 3

Age: 19

Annual Income: \$25,000

After-Tax Income: \$21,000 (\$1,750/month)

Status: Single Person

Description: You are a high-school graduate living and working on your family's farm. You make a low income now, but you could eventually take over ownership of the family business. You want to enroll at a nearby agricultural college to expand your skills, but your absence for several months each year would force your family to hire a replacement worker it may not be able to afford.

Fixed Costs: Truck (gas and insurance) – \$400/month, Cell phone contract – \$50/month, Potential education costs – \$500/month.

Challenge: Can your family afford for you to go to school? Would an accredited education have the right long-term benefits for you, or do you think you it could be better to remain on the farm and receive additional practical experience? Do you need a college education or is learning from your family sufficient to ensure you become successful in your profession?

Scenario 4

Age: 22

Annual Income: \$35,000

After-Tax Income: \$28,000 (\$2,333/month)

Status: Engaged

Description: You just graduated from college and have your first job out of school. You recently got engaged to your significant other, but continue to live at home. Unfortunately, a local factory just closed and your father has lost his job. You must help out with the family expenses, but you also want to start saving for your wedding and eventually move away from home.

Fixed Costs: Family expenses (Food – \$250/month, Utilities – \$100/month and Mortgage – \$500/month), Cell phone contract – \$50/month, Vehicle expenses – \$250/month.

Challenge: The average Canadian wedding costs approximately \$20,000. Can you afford to save for a wedding and continue to help your family? How long will it take you and your partner to save enough money? What other financial sacrifices could you make to ensure you can get the things you want?

Scenario 5

Age: 27

Annual Income: \$70,000

After-Tax Income: \$50,250 (\$4,188/month)

Status: Single Person

Description: You are a recent university graduate with a high income for your age. You rent an apartment and still have significant money left for savings, investments and entertainment each month. You are interested in buying a condo near your job in the city, but you don't want to sacrifice the luxuries you can currently afford. Right now your entertainment expenses are \$1,200 per month.

Fixed Costs: Rent and utilities – \$1,200/month, Transportation (transit, cabs/ride-sharing) – \$200/month, Cable/phone/internet – \$200/month.

Challenge: You will need to save for a down payment of 25 per cent. Can you maintain your current lifestyle and purchase a condo? How much do condos cost? How centrally do you want to live? Would you consider a condo further from work with a longer commute?

Scenario 6

Age: 25

Annual Household Income: \$120,000

After-Tax Household Income: \$81,000 (\$6,750/month)

Status: Married

Description: You moved away to another province for a resource extraction job. You have a high income and your partner works part-time, but your costs of living are high – and your employment may not be sustainable long-term. You are expecting a child and you would like to buy a home for your growing family. Your entertainment and travel expenses are currently \$2,500/month.

Fixed Costs: Rent – \$1,600/month, Car (gas, insurance and payments for two cars) – \$800/month, Cell phone contracts – \$100/month (for two).

Challenge: A suggested minimum down payment amount for a home is currently 25 per cent of the total cost. Will you be able to save enough to buy a home in the next few years? How will you balance the freedom to spend what you want vs. saving for a home? In how many years will you be able to purchase a house?

Scenario 7

Age: 21

Annual Income: \$12,000

After-Tax Income: \$12,000 (\$1,000/month)

Status: Single person

Description: You are a recent university graduate with \$24,000 in student loans. You are unable to find a job in your desired field, so you have decided to take an internship (with a small stipend of \$500 per month) which could lead to future employment. Without a job, moving away from home is not an option unless you take on more debt through another loan or a line of credit. Right now your monthly minimum payment on your loan is \$300 and it will take 10 years to pay off at this rate.

Fixed Costs: Cell phone contract – \$50/month, Transit – \$75/month, Minimum payment on your student loan – \$300/month.

Challenge: Should you take the first available job to start paying your debt, or keep your internship for possible future benefits? What other spending priorities do you have? Are unpaid internships fair to new graduates?

Scenario 8

Age: 24

Annual Income: \$12,500

After-Tax Income: \$11,820 (\$985/month), plus Child Benefit (\$533/month)

Status: Single parent

Description: You have a two-year-old child and live at home with your parents to save on rent. You are unsure if you should pursue a full-time career (which would double your salary) or continue working part-time to avoid having to pay for daycare costs. You have a car, but within the next few years you would like to move away from home.

Fixed Costs: Car (gas and insurance) – \$400/month, Child expenses (clothing, diapers, food) – \$150/month.

Challenge: If you decide to pursue a full-time job, you need to account for the full-time daycare costs, which could total \$1,000 per month or more. Does it make sense for you to do this now or should you wait until your child is in kindergarten? What is the best way to balance career and family?