

## Handout 1.3: Financial Profiles

### Scenario 1

**Age:** 25

**Annual Income:** \$51,000

**After-Tax Income:** \$39,600 (\$3,300/month)

**Status:** Single person

**Location:** Ontario, urban area

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

**Fixed Costs:** Student debt and interest – \$700/month, Car expenses (car insurance, parking and gas) – \$400/month

**Challenge:** Acquiring an apartment usually requires the pre-payment of two months' rent (depending on where you live, rent could be approximately \$1,800/month, therefore requiring \$3,600 up front). How can you structure your budget to move away from home while continuing to pay off your student debt? What financial sacrifices might you have to make to make that possible? In how many months do you think you would be able to move out? What will your budget look like when you are living on your own?

### Scenario 2

**Age:** 27

**Annual Income:** \$47,000

**After-Tax Income:** \$32,400 (\$2,700/month)

**Status:** Living with a significant other

**Location:** Manitoba, small city

**Description:** You and your partner live together and plan on getting married in the near future. You have a full-time job, 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 – \$2,000/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:** \$36,400

**After-Tax Income:** \$25,500 (\$2,100/month)

**Status:** Single Person

**Location:** Saskatchewan, rural area

**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 they may not be able to afford.

**Fixed Costs:** Truck (gas and insurance) – \$500/month, Cell phone contract – \$75/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 would it be better to remain on the farm and receive additional practical experience? Do you need a college education or is learning from your family enough for your profession?

### Scenario 4

**Age:** 22

**Annual Income:** \$35,000

**After-Tax Income:** \$24,000 (\$2,000/month)

**Status:** Engaged

**Location:** Nova Scotia, small city

**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 with your dad. Unfortunately, a local factory just closed and your dad lost his job. You must help with household expenses, but you also want to start saving for your wedding and eventually move away from home.

**Fixed Costs:** Family expenses (Food – \$600/month, Utilities – \$100/month and Mortgage – \$500/month), Cell phone contract – \$50/month, Vehicle expenses – \$375/month.

**Challenge:** The average Canadian wedding costs approximately \$20,000. Can you 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 what you want?

### Scenario 5

**Age:** 27

**Annual Income:** \$70,000

**After-Tax Income:** \$53,800 (\$4,420/month)

**Status:** Single Person

**Location:** British Columbia, urban area

**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 \$1,000 per month.

**Fixed Costs:** Rent and utilities – \$2,200/month, Transportation (transit, cabs/ride-sharing) – \$200/month, Cable/phone/internet – \$200/month, Entertainment (eating out, movies, shows) – \$1,000/month.

**Challenge:** To buy a condo, you must save 25 percent (approx. \$190,000) for a down payment. 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:** \$87,000 (\$7,250/month)

**Status:** Married

**Location:** Fort McMurray, Alberta

**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 living costs 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 \$2,000/month.

**Fixed Costs:** Rent – \$1,600/month, Car (gas, insurance and payments for two cars) – \$2,000/month, Cell phone contracts – \$150/month (for two).

**Challenge:** A suggested minimum down payment amount for a home is currently 25% of the total cost (approx. \$80,000). 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

**Location:** Small city, Manitoba

**Description:** You are a recent university graduate with \$24,000 in student loans. You cannot find a job in your desired field, so you have decided to take an internship (with a small stipend of \$1,000 per month) which could lead to future employment. Moving away from home is not an option without a job 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 for new graduates?

### Scenario 8

**Age:** 24

**Annual Income:** \$13,800

**After-Tax Income** (no taxes paid since under the minimum threshold): \$13,800 (\$1,150/month), plus Child Benefit (\$533/month)

**Status:** Single parent

**Location:** Rural Ontario

**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 paying 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, other necessities) – \$150/month, groceries (\$350)

**Challenge:** If you decide to pursue a full-time job, you will need to pay taxes on your income. You would also need to account for the full-time daycare costs, which could total \$1,200 per month or less if you can find a government subsidized daycare (\$500). Does it make sense to do this now or wait until your child is in kindergarten? What is the best way to balance career and family?