

Unit 8: Personal Finance

Savings and Investment Alternatives

Learning Goals

- discuss different options for savings and investments
- do real life examples of saving and investment options

Bank Accounts

Chequing

lower interest

cheques

many transactions

both

monthly statement

service charges

discounts for youth/seniors

no service charges if you keep a high balance

Savings

higher interest

few transactions

What are **service charges/fees**?

Payment for services

- keeping your money safe
- letting you use a debit card
- letting you use ATMs
- email/mail you a monthly statement

A "**service**" (or a transaction) could be...

- a withdrawal or a deposit from a teller at the bank
- use of an ATM
- automatic / online bill statements
- etc.

Examples:

1. Jesse's bank charges \$5.95 for up to 10 transactions per month, plus 75¢ for each additional transaction.

In October, Jesse made 8 transactions. Determine the service charges that were deducted from his account at the end of the month.

8 transactions \rightarrow \$5.95

In November, he made 23 transactions. Determine the service charges.

$$10 \text{ transactions} \rightarrow \$5.95$$

$$13 \text{ transactions} \rightarrow 13(0.75) \\ = \$9.75$$

$$\text{Total} = \$15.70$$

Investments

Mutual Fund

- investment in stocks, bonds, and other assets
- usually managed by an investment company that charges a fee

Bond - dept occurred by a company (doesn't change)

Stock - part ownership in a company

GIC - Guaranteed Investment Certificate

- has a fixed interest rate
- can't be cashed before a certain date

RRSP - Registered Retirement Savings Plan

- get a tax break
- pay taxes when you take the money out

RESP - Investment that is set up to save for a child's education

- get a tax break
- the Government also contributes

Investment Alternatives

	Chequing/Saving Accounts	GIC / Bonds	Stocks
Where do you get it	bank	bank	stock broker yourself online
Level of risk	low	low	low to high depending on stock
Possible rate of return	low	medium	negative to high depending on stock
Pros	can always get to your money	safe easy to get	can make a lot of money
Cons	very low interest rate	money may have to be locked in low interest rate	can loose a lot of money

On the Boards...

Sharon invests \$2000 in bonds that pay 2% compounded yearly for 5 years.

How much will she have at the end of 5 years?

$$A = P(1+i)^n$$

$$= 2000 \left(1 + \frac{0.02}{1}\right)^5$$

$$= 2208.16$$

\therefore she will have \$2208.16

If the bond management company charges 1.5%.

How much will she have now?

$$2208.16 (0.015) = 33.12$$

$$2208.16 - 33.12 = 2175.04$$

\therefore she will have \$2175.04

3C - 8 - day 1 - bank accounts - ANS.notebook

John gets unlimited transactions if his account stays above \$5000 all month. If he goes below \$5000 he is charged \$0.55 for each transaction. How much should he pay in fees if this is his statement.



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CHEQUING ACCOUNT STATEMENT
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JOHN JONES 1643 DUNDAS ST W APT 27 TORONTO ON M6K 1V2	Statement period 2003-10-09 to 2003-11-08	Account No. 00005- 123-456-7
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Date	Description	Ref.	Withdrawals	Deposits	Balance
2003-10-08	Previous balance				0.55
2003-10-14	Payroll Deposit - HOTEL			694.81	695.36
2003-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36
2003-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11
2003-10-16	Fees - Interac		1.50		472.61
2003-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62
2003-10-21	Web Bill Payment - AMEX	3314	300.00		169.62
2003-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62
2003-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54
2003-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53
2003-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76
2003-10-28	Payroll Deposit - HOTEL			694.81	731.57
2003-10-30	Web Funds Transfer - From SAVINGS	2620		50.00	781.57
2003-11-03	Pre-Auth. Payment - INSURANCE		33.55		748.02
2003-11-03	Cheque No. - 409		100.00		648.02
2003-11-06	Mortgage Payment		710.49		-62.47
2003-11-07	Fees - Overdraft		5.00		-67.47
2003-11-08	Fees - Monthly		7.70		-75.17
*** Totals ***			1,515.63	1,442.61	

What is overdraft? bank lends you money automatically when you go below zero

Seatwork

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