

Personal Finance: The Financial Challenge Level 3, Sample 1**A**REPORT ON FINANCIAL SERVICES, INVESTMENT ALTERNATIVES,
AND CONSUMER CREDIT OPTIONS

By

For
BB1 1W1**B**REPORT ON FINANCIAL SERVICES, INVESTMENT ALTERNATIVES,
AND CONSUMER CREDIT OPTIONS

The reason I am writing this report is that I am offering my advice as a financial advisor for Billy Bob ■■■. Billy Bob is a high school student, who works at Wendy's. He would like to go to University but he knows that his parents will not be able to pay for it without some help. Therefore, he needs to contribute some funds towards his post-secondary education.

I have put forth the following options at Billy's disposal; bank, savings account, loans, RESP's, bonds, GIC's, stocks, credit cards, and revolving credit. Some more than others are better choices to help pay for Billy's education such as RESP's. There is no reason why Billy could not get into University because of money problems.

Financial Services-

The most helpful financial service available to Billy is a bank, more specifically a savings account and loans. Banks offer so many helpful features to make handling your money easier, such as interest on your money, debit cards, currency changes, transferring your money and most important insurance on your money. Savings accounts allow easy access to your money, a passbook, which contains a record of all transactions, and an interest rate, which allows you to make money especially in this time of high interest rates. A savings account would be the simplest way to save money with no risks, access to your money at all times, and a fair interest rate. Loans may be necessary to pay for large items such as a car or maybe some University costs. Most people need to get a loan to pay for items they need when they first start off in life such as furniture. A loan might help out Billy with financial difficulties but he must know not to spend all his money in one place.

Investment Alternatives-

The following suggestions are probably the best suited for the goals of my client. Registered education savings plan (RESP's), must be the best suggestion I have to offer, a tax-free plan to save money. Contributions, which can be made by relatives or friends, grow tax-free and are usually taken out tax-free. As well the

government will give 20% of the first \$2,000 in annual contributions. Bonds are a good way to go also because. They are safe and an easy way to make money over a period of time and are especially good because of the increasing interest rates right now. Guaranteed investment certificates (GIC's) are a good way to go too. No risk, simple, no fees and higher interest rates than a savings account, although the money is untouchable without a penalty until a specific date, usually longer than a year. This can mean problems if there is a money problem and the money is not replaced soon. Stocks, a bit risky but a lot of money can be made or lost. Unfortunately stocks are a risky business and most people need a stockbroker to make sure they make the right decisions. Stocks are one way to go but I wouldn't exceed a limit of more than 20% of my money into them.

Consumer Credit-

There is not to many credit options for Billy because of his position in the life cycle, he is still pretty young. Although a credit card could benefit Billy by allowing him to buy now and pay later. I must warn though, that because of high interest rates I must insist that he keeps up with his payments and does not go overboard with his new found buying power. Revolving credit could also help out Billy because he can pay for items in reasonable payments. As an example Billy could buy a television on revolving credit and pay for it over the next year or whatever the deal he makes with the company he is buying the television from.

Conclusion-

Saving's account, RESP's, bonds, and GIC's are probably the most helpful to Billy Bob right now considering he is still in high school. RESP's are a safe, tax-sheltered way to save money for your education. Bonds are easy and simple, and have higher interest rates than savings accounts. GIC's no risk, simple, and higher interest rates than savings accounts. As long as money is put into the previous Billy will be able to attend University without any trouble from the financial end of things.

Teacher's Notes

Knowledge/Understanding

- The student provides considerable support when identifying and describing investments and economic factors (e.g., RESPs).

Thinking/Inquiry

- The student provides considerable support for the recommendations about financial services (e.g., "A savings account would be the simplest way to save money with no risks, access to your money at all times, and a fair interest rate.").
- The student makes clear connections to the selected scenario.

Communication

- The student provides clear information with considerable supporting detail (e.g., about savings and GICs).

Application

- The student supports connections between concepts related to economic factors and the selected scenario with considerable effectiveness (e.g., in the discussion of consumer credit).

Comments/Next Steps

- The student needs to select more than two financial services to describe in detail (e.g., a debit card).
- Where appropriate, the student should use relevant financial terms such as "inflation" and "compound interest" to show a more thorough grasp of the subject matter.
- The student needs to explore more fully the economic factors influencing the "Financial Services" recommendations.

Personal Finance: The Financial Challenge Level 3, Sample 2**A**

PERSONAL FINANCE
REPORTS ON FINANCES SERVICES, INVESTMENT
ALTERNATIVES, AND CREDIT OPTIONS

BBI 105

BY:

B

Reports on Financial Services, Investment Alternatives,
and Consumer Credit Options.

Introduction-

I am writing this report as a financial advisor for ■■■■. You have been married together for a little while now and you have two kids. You wish to purchase a new house and sell your old one. You also wish to buy a new fashionable SUV and trade in your eight year old Mini Van.

I firstly recommend that you consult with your bank. I suggest that you get many options for your money. Ask your bank management for deals or packages that they are willing to give you. Examples are PC/ Internet Banking. This will allow you do all your banking at your home. Also, look into getting loans and leasing agreements this will help you in the long run with the new purchase of your house and SUV.

Financial Services-

I recommend that you should look into Private Banking. Private banking is when you have your own personalized consultant they will help you with your complex credit and investment needs.. This is because it is a good way to keep track of your money this could be very beneficial for you right now with all the new purchases you wish to have. I also recommend that you consider s RESP's which are Registered Education Savings Plan. This will be very beneficial your children in the long run in their education future. I recommend that you use a Banking machine and get a banking card. These two things will save you large amounts of time these will also help you because you do not have to carry large amounts of money on you. PC Banking and Telephone banking may be very convient for your family these will also save lots of time. PC Banking is when you do all of your banking over the internet. Telephone banking is basicaly the same thing but you do all of your banking over the phone.

CInvestment Alternatives-

For investment alternatives you should think about looking into a savings account for you and your spouse. You both should put 10% of each your pay checks into a savings account. Also it is very important to start saving for your future with RRSP's this means Registered Retirement Savings Plan this is for your future when you are retired. You should also set up a bank account for your children as well. It isn't too soon for your children to have a bank account. They now have programs out for children and their bank accounts. Having these bank accounts are very good because they have a low risk factor. Also think about investing in Canada Savings Bonds. This is a good idea because you will receive money later it is a good low risk plan. GIC is another very safe plan where you can put the money into the bank and let the money grow with interest for a certain amount of time right now the interest rates are low so these investments will not be very profitable. If you want to gain money in a short amount of time then I suggest to invest with the stocks. This can be very risky and you may lose money but you may gain money too. You will have to watch the stocks and take out your money when the stocks are high. Another option would be to consider Mutual Funds in which a professional manages your investments.

Consumer Credit-

Some consumer credit recommendations are that you should consider looking into a credit card, which can be very convenient and they are accepted at most places. Having a credit card, it is going to be very tempting to go and do a lot of impulse buying. Is where you spend lots of money on different things that may not be necessary for your family. I would also recommend leasing the new SUV that you wish to buy if you are not certain that this is the vehicle you wish to have. I would recommend leasing the new SUV if you do like to get a new vehicle every 2 or 3 years. If you know that this SUV will be very beneficial for your family then I suggest getting a low interest loan over 3-4 years since interest rates are low right now this may be a wise choice. To come up with a down payment put more money aside from every pay check into a separate account. Since you're looking into buying a new bigger expensive house I would suggest taking out a mortgage with a 3-5 year fixed rate. This will be very beneficial because of the low interest rates and the low inflation.

DConclusion-

In Conclusion I would suggest watching your money and try to let it grow in as many ways as possible. Also don't forget about your kids. They may be young but it isn't too soon to start investing in their future. Think about getting them a bank account each and start setting money aside. and their RESP. Don't forget about your future too think about setting about 5-10% of your pay checks aside. Be very smart with your choices of your money with the new big purchase you wish to make.

Teacher’s Notes**Knowledge/Understanding**

- The student describes some of the identified investment alternatives in considerable detail (e.g., RRSPs and Canada Savings Bonds).
- The student demonstrates considerable knowledge of economic factors (e.g., interest and inflation).

Thinking/Inquiry

- The student provides considerable support for the recommendations on financial services (e.g., “I recommend that you use a Banking machine and get a banking card. These two things will save you large amounts of time these will also help you because you do not have to carry large amounts of money on you.”).
- The student clearly connects the recommendations to the selected scenario.

Communication

- The student outlines the recommendations with considerable clarity.
- The student provides supporting material for most recommendations (e.g., “GIC is another very safe plan where you can put the money into the bank and let the money grow with interest for a certain amount of time right now the interest rates are low so these investments will not be very profitable.”).

Application

- The student connects recommendations to the selected scenario with considerable effectiveness (e.g., “Since your looking into buying a new bigger expensive house I would suggest taking out a mortgage with a 3-5 year fixed rate.”).

Comments/Next Steps

- The student needs to evaluate the financial services selected more thoroughly (e.g., the advantages of the government incentive for using RESPs).
- Some reasons offered for the recommendations need to be more appropriate to the selected scenario (e.g., a more convincing justification is needed for recommending a credit card).
- More supporting detail is needed for the recommendations under “Financial Services”, “Investment Alternatives”, and “Consumer Credit”.
- The student should use peer assessment to help correct spelling and grammar errors.