Math 9 – Unit 5: Financial Literacy Name: ____________________

Take some time to ponder on the following questions and brainstorm with the person sitting next to you as you fill in the blank space provided.

1. What does success in school look like for you?

2. What does success in a career look like for you?

3. What does financial success look like for you?

4. What does life success look like for you?

Now, read the following two situations and reflect (with the person sitting next to you) on the questions that follow in each situation.

1. Ava and Mark have been married for eight years and have four energetic kids. Ava is an excellent family doctor, who always makes time to ensure her patients are well cared for. Mark trained as a dental hygienist, but he has been a stay-at-home dad ever since they had their second child. Mark loves his role as a stay-at-home dad, but is considering returning to work once their youngest child is in kindergarten. As a family, they regularly care for others in their community – making meals for friends who are sick, volunteering at a local school and helping out at their church. They have a large mortgage and considerable student debt from Ava's medical school that they are paying off. Ava's salary is enough to stay on top of their bills, but some months are stressful financially – especially when Ava has taken 3 or 4 months off work after the birth of each child. They wish Ava could take longer maternity leaves, but they have very little savings, and even if Mark went back to work, his salary wouldn't be enough to cover their bills. However, as long as Ava is working, they are able to stay on top of their bills, and they are even starting to build a small amount of savings.

To what extent are Mark and Ava successful in their vocations? Financially? In life?

2. Margaret is 58 years old and runs a small private piano teaching business out of her home. Several of her students have become professional pianists, and most of her students say that Margaret is the reason they love music. She frequently plays piano in her church and a retirement home. She has not yet found a life partner but has many close friends who live nearby. She has no debts and is careful not to overspend to avoid debt. She doesn't own her own home (she rents a small apartment). She has saved a reasonable amount for retirement; however, she is not fully ready for retirement yet. She will work a few more years to save more – especially since she expects that some expenses (especially health-related) may increase as she gets older, and she wants to have more buffer in her savings.

To what extent is Margaret successful in her career? Financially? In life?

What is money? Can it decide how successful or unsuccessful you are in life? What effects could money have in your life?

According to a CNBC news article from 2018, 60% of professional basketball players "go broke" within their first five years of departing the league. The average NBA salary in 2019 is $7.7 million. Despite being some of the highest-paid sports athletes, players are still experiencing financial distress after retiring from the sport.

Why do you think this is the case?

Add a mark to rank how you feel on the scales below:

Money issues make me nervous ←→ *I love talking about money*

I feel well-prepared to manage my money. ←→ *I have no idea how to manage money.*

Money is not so important to me. I just want a job that I like. ←→ *It's important to me to make as much money as possible.*

Part of financial literacy is acknowledging your relationship with money. Understanding how we feel about money is important because it determines how we behave when it is in plenty and how we approach problems when they arise.

Reading 1: Tax and Tax-Saving Investments

Every Canadian pays a portion of their income as tax.

Income tax is a charge by the federal and provincial governments to fund things

like **health care** and **education.**

Federal income tax rates for 2025

Tax rate	Taxable income threshold
15%	on the portion of taxable income that is $57,375 or less, **plus**
20.5%	on the portion of taxable income over $57,375 up to $114,750, **plus**
26%	on the portion of taxable income over $114,750 up to $177,882, **plus**
29%	on the portion of taxable income over $177,882 up to $253,414, **plus**
33%	on the portion of taxable income over $253,414

What are tax brackets?

Tax brackets are created by the CRA to determine how much money you need to pay in personal income tax every year. Tax brackets apply to personal income earned between predetermined minimum and maximum amounts, also called tax rates.

In other words, a tax bracket is the tax rate applicable to a set range of income.

These rates apply to taxable income, which is your total income from Line 15000 less any deductions you may be entitled to.

The amount you're taxed depends on your income. The more money you make, the more taxes you pay. This is called a **progressive (or graduated) tax system,** where low-income earners are taxed at a lower percentage than high-income earners.

But the government has also put in place some tax-saving investments by giving income tax breaks to investors.

1. Tax Free Savings Accounts (TFSA)
2. Registered Retirement Savings Plan (RRSP)
3. Registered Education Savings Plan (RESP)

1. Tax Free Savings Accounts (TFSA)

Normally, income tax is charged on all of your earnings: your salary or wage; tips; commission; scholarships; investment interest; etc. In a TFSA, there is no income tax charged to the investment interest.

So while you will pay taxes on the money you use to invest in a TFSA, when you take the money out at a later date, you will not pay taxes on it or on any interest you received. This can be useful in financial planning because your money can increase in value tax-free.

The government sets a limit as to how much can be invested in a TFSA each year. Each person's annual limit is the same.

Additional Read:

What is needed to open a tax-free savings account?

Opening a TFSA is very similar to opening a bank account. You usually need to provide two pieces of identification, in order to apply.

Where can tax-free savings accounts be opened?

TFSAs can be opened in-person at banks, trust companies, insurance companies and credit unions in Canada. They can also usually be opened online, depending on which lender or investment brokerage you choose to invest with. You are not limited to one TFSA with only one financial institution. So long as you don't over-contribute, you are allowed to open multiple accounts, either at the same issuer or through different institutions.

How much can I contribute in my TFSA?

Annual Limit: The annual TFSA contribution limit for 2024 is $7,000. This means an individual can contribute up to this amount each year

Cumulative Limit: The cumulative limit represents the total amount an individual can contribute to their TFSA over their lifetime. For individuals who have been eligible for the TFSA since its inception in 2009 and have never contributed, the maximum cumulative limit is $95,000.

Contribution Room: Contribution room is the amount that an individual can contribute in addition to the annual limit, which can accumulate from previous years if withdrawals are made. For example, if an individual withdraws money from their TFSA in 2023, that amount can be added back to their contribution room in 2024

Check what you learnt…

What makes a TFSA so much better than a regular savings account?

A) When you put money into you TFSA, you get a tax refund back
(when you file your taxes that year)

B) The money that you invest in your TFSA grows tax free

C) When you withdraw money from your TFSA, it isn't taxed

2. **Registered Retirement Savings Plan (RRSP)**
   As the name indicates, an RRSP generally holds money that investors are saving for their retirement. It operates as a tax shelter. This means that the income tax that would normally have been paid on the amount invested in your RRSP is deferred until the money is withdrawn from the RRSP. The tax on the growth in the value of the RRSP (because of interest or other means of growth) is also deferred until the money is withdrawn from the RRSP

3. **Registered Education Savings Plan (RESP)**
   A Registered Education Savings Plan (RESP) is a special savings account for parents who want to save for their child's education after high school. It offers generous government incentives for children and youth to save for university or college education. All RESP earnings grow tax free and in an RESP, you receive a bonus of 20% on each dollar you save, up to $500 per year. It is taxable on the student's income when withdrawn BUT since the student is in a low tax bracket, they will likely pay little or no tax on these earnings.

Check what you learnt…
What do you use an RESP for?

A) To save for major project like the down payment for a house

B) To save for post-secondary education

C) To save for retirement

D) To save for anything

Why is saving for your education in an RESP so much better than saving in a regular saving account?

A) In an RESP, your savings grow tax free

B) In an RESP, you receive a bonus of 20% on each dollar you save, up to $500 per year

C) Both of the above

D) None of the above