

# SMART FINANCIAL MANAGEMENT FOR EARLY ADULTS

Whether you're planning for university or are just starting out in your new career, money – how to make it, how to spend it and how to hang on to at least some of it – will play an important role in your life. Your RBC team can work with you to access the many resources available to help you manage your finances. What follows is an overview of some of the ways we can help, as well as links and information to help you get started and stay on the right financial track. Once we meet, we can focus in-depth on the areas that are most important to you.

## BUDGETING BASICS

Knowing where your money is coming from and where it's going are essential. A budget puts all of that information in one place and helps you anticipate shortfalls, adjust your priorities and plan for the unexpected.

In a nutshell, a budget records all of your income sources and all of your expenses, from rent to food to entertainment to savings. Once you've subtracted your total expenses from your total income, you'll be able to see where you may need to generate additional income, or where you have a surplus (read on for information on the big benefits of proactively saving some of this cash).

### ONLINE BUDGET HELP

Use the RBC Budget Calculator at [www.rbcroyalbank.com/student/budgetcalculator](http://www.rbcroyalbank.com/student/budgetcalculator) to record all of your expenses and income – you supply the numbers, it does the math, you print it out. If only sticking to the budget were this easy.

Remember, a budget is a guideline to help you stay on track. You'll need to adjust it from time to time as your needs change. And if you stray from it, just refocus and remember that financial management is an ongoing learning process – it's the big picture that counts.

## USING CREDIT WISELY

A credit card can be a great tool to have on hand in case of emergency (your car breaking down in the middle of nowhere, for example). It can also become a huge source of financial stress in a short amount of time if you make only minimum payments on the balance owing.

Should you have a credit card at all? The answer is yes, because establishing a good credit rating is a key factor in your current and future financial health. If you're in school, choose a student credit card, which offers no annual fee and additional perks like discounted long distance calling. You might also want to consider other flexible credit options, such as a credit line, which allows you to access credit when and as you need it. You pay interest only on the credit amount you draw down.

All credit is not created equal, and you may have already discovered that there are many credit companies offering tempting "deals" and easy access to credit cards.

If you are going away for school, you may also want to think about establishing a credit line for emergency access to funds while you are away from home. Your parents or their RBC banker can help you look at your projected expenses and then determine a credit limit to give you an emergency financial buffer.

With all credit, the key is to keep it simple, spend only what you can afford to repay, and make all your payments on time.



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## INVESTING – IT’S NOT JUST FOR YOUR PARENTS

When you’re working on a degree or a new career, retirement is probably the last thing on your mind. But in this case, time is most definitely on your side, and putting as little as \$25 per month away now can generate a huge payoff (literally!) later (see the box below for the impressive numbers).

### THE MIRACLE OF COMPOUND INTEREST

A 20-year-old who puts away \$1,000 and earns an average rate of return of eight per cent a year will have \$31,920 by age 65. Waiting until age 30 to put that same \$1,000 away will generate less than half that growth, or \$14,785.

There are two main types of investment accounts: registered and non-registered. Registered accounts are generally ear-marked for retirement or other government-sponsored purposes such as education or disability savings. The funds also generate tax savings for the year in which you deposit the money. Non-registered accounts (which include stocks, bonds, GICs, mutual funds and more) can be used to save for shorter-term goals, like buying a car. In either case, it’s important for us to review your investment account needs together. Your RBC investment specialist can help to develop your investing plan, open your investing accounts, and ensure that you have the right investments to meet your goals.

## YOUR KEY PRIORITIES

At this stage of life, you’re probably focused on a number of financial priorities. Your RBC banking and investment representatives can provide expert one-on-one assistance, as well as a wealth of resource materials, to help in any or all of the following areas:

- Understanding your personal net worth
- Investing in stocks and bonds
- Gaining financial independence through budgeting
- Obtaining a mortgage for your first home
- Understanding your credit options and ratings
- Creating the independent lifestyle that’s right for you, including the career path that will help to take you there

## MAKING RRSPs AND TFSAs WORK FOR YOU

Saving for your future should be a key part of any financial plan. There are some ways to save that will also benefit you today – in the form of immediate tax savings.

**Registered Retirement Savings Plans, or RRSPs**, are ideal for those in their prime income-earning years. These investment portfolios, ear-marked for your retirement and registered with the Canadian government, are allowed to grow in a tax-sheltered environment (contributions are taxed only when you withdraw them). In addition, the contributions you make to an RRSP are tax-deductible in the year in which you make them or in any subsequent year. You can get started early with your RRSP contributions when you are still in a low tax bracket, yet have the flexibility to carry forward your deduction (on Schedule 7 of your tax return) until you are in a higher tax bracket in order to get a larger tax reduction from the same contribution. But don’t wait too many years if you can put the refund to use now.

**Tax-Free Savings Accounts, or TFSAs**, are similar to RRSPs in that they are government-registered accounts, and contributions grow in a tax-sheltered environment. TFSAs are more flexible than RRSPs, however, because you can withdraw contributions at any time without penalty. TFSAs also differ from RRSPs in some key ways: contributions are not tax-deductible, and annual contributions are capped at \$5,000.

Both savings strategies work well together. A TFSA can provide a great way to save for short-term goals, like a car or vacation, or longer-term goals, such as a home or even retirement, if you have additional investment income you would like to shelter once your annual RRSP contribution has been maximized.

Ask an RBC advisor for more information.

## COOL TOOL

### Want to get your feet wet in the world of investing?

Through RBC Direct Investing™, you can open a risk-free, cost-free practice account that will allow you to get comfortable with investing products and strategies before putting real money on the line. Speak to us to set up your account, or for more information, visit [www.rbcdirectinvesting.com/practice-accounts.html](http://www.rbcdirectinvesting.com/practice-accounts.html)

## PROTECTING YOURSELF FROM FRAUD

Fraud can take many forms, from false advertising to deceptive telemarketing and e-commerce schemes. Remember that no one is going to give you something for nothing, and “special limited-time offers” and amazing cash prizes should be treated as highly suspicious. Beware of any situation where you’re being asked to supply personal information or payment up front. And never give out your Social Insurance Number (SIN) unless you’re listing it on your tax return, or are signing a legitimate employment agreement. Your SIN provides access to a lot of information about you, and it should be carefully protected.

## HOW WE CAN HELP

If you need help to determine or understand your key financial priorities, setting up a high interest savings account, obtaining a credit card or credit line, your RBC banker can help. If investing your savings is a priority, your RBC investment specialist can also help you decide what kind of account is right for you – an online investing account where you make the decisions, a full-service account where investment decisions are made with an advisor, or both. Working with you (and your parents, if you wish), your RBC advisor can create a plan to meet your current financial needs, as well as your longer-term goals. We can help you plan out where you should set up a bank account if you are going to the U.S for school or travelling overseas, and the best methods for transferring money. And if you’re leaving for campus, we can help to manage most of your financial needs online or over the phone. When things must be dealt with in person, a meeting will be arranged with an RBC advisor near your school.

## SIX WAYS TO PROTECT YOURSELF AGAINST CREDIT CARD FRAUD

- 1 Never leave your cards or purse unattended at work or in your car’s glove compartment – both are common targets for thieves.
- 2 If you’re away on holiday, take cash or traveller’s cheques with you whenever possible and store your credit cards in the room or hotel safe.
- 3 Plan for what you’ll need, and take only that amount of cash with you for a night out with friends (this will protect your cards and your budget).
- 4 Make a list of your credit cards and their numbers, and keep it in a safe place. This will be helpful information if you need to report a lost or stolen card.
- 5 If your card is lost or stolen, immediately notify the credit card company.
- 6 Review your monthly statements carefully. If you notice any transactions that you did not make yourself, contact the bank or credit card company right away.



## RBC Wealth Management

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