# Bank accounts and credit cards

Bank accounts and credit cards are important starting points in shaping your financial future. Understanding their benefits—and potential pitfalls—will help you know how to use them well and give you the tools to make good financial decisions.

## 1. Let's talk about bank accounts and credit cards

“ It's time to upgrade from my piggy bank.”

### Host

Money can be challenging, right? I mean, sometimes we might not have enough money, and sometimes when we do have money, it's tough to know how to handle it responsibly. But with the right information, you will be empowered to make some good financial decisions.

In this module, we’re going to talk about financial institutions that can help, So let’s talk about bank accounts and credit cards.

Here's what we're going to do. We’re going to help you to:

* identify different types of bank accounts
* describe how credit cards work
* Be aware of the risks, rewards, and consequences of credit cards use
* understand various forms of interest
* AND, identify strategies to protect yourself from financial fraud

Some of you might be thinking, “What does this have to do with me?” Well, like it or not, you are going to encounter financial decisions and it’s best to be prepared ahead of time. So this does have to do with you. Some of it will apply to you right now, and some of it will apply to your future-self.

For instance, we’re going to talk about credit cards, but in Canada, you need to be 18 years old to even apply for a credit card. So, for many of you watching this, you might not be able to apply for a credit card for a few years still. That's okay, since it's best to have a deep understanding of how credit cards work before you get one. Makes sense right? There’s no need to learn the hard way if you don’t have to.

There are moments in the module where you will be asked to “Pause. Think. Write.” There will be many big issues covered in this module, so it’s really helpful if we stop for a minute, reflect on what we’ve learned, and then write down some thoughts, questions, or wonderings. Even if you don’t share it with anyone or you never look at it again, the act of writing about it helps bring that learning home.

Since your thoughts are personal, I won’t ask you to write them down in this module system. You can choose your own method. A notepad, a doc on your phone or computer, whatever works for you, but I strongly encourage you to write down your thoughts. It will make this a more impactful and memorable experience.

### Learning goals

Here's what we're going to be working on in this module. If all goes well, by the end of this module, you'll be able to

* identify and describe the different types of bank accounts available 2 describe how credit cards work
* use your understanding of the risks, rewards, and consequences of credit cards to guide your financial decisions
* Understand various forms of interest, including compound interest 5 identify strategies to protect yourself from financial fraud

## 2. Storing and accessing your money

“Okay, so I've made some money. Where do I put it?“

### Host

Financial institutions are companies that offer services to people like you and me so we can do things like deposit money for safekeeping, take out loans, or get financial advice. There are a few types of these institutions that you can read about in this section, but you are surely familiar with the most frequently use—the bank.

An interesting thing about banks is that all the money that is put into them by thousands of individuals isn’t just cash that’s stored there. Though banks do have safes with cash in them, that’s only a small part. A bank lends out a lot of the money stored with them through loans and mortgages to their other users. We’ll talk more about that later. Financial institutions play a pretty big role in the economy of a country and can be very helpful for individuals.

It's a good idea to use a bank to store and access your money for a few reasons: - It's more secure than hiding it under your mattress or in a shoe box

* The bank can help you make a small amount of money just by having your money in the financial institution
* It provides an easy way to access your money through automated teller machines (ATMs) and online e transfers at any time of the day. You can also buy things online or pay at a counter with a card or even your smartphone without having to carry cash.

But what kind of financial institution is best for you? Let’s consider three of the main types of financial institutions in Canada: banks, online-only banks, and credit unions. Check out the differences in the tabs below.

### A few terms

Here are some terms that are handy to know about banking.

* **Deposit**: to put money into a bank account
* **Withdraw**: to take money out of a bank account
* **Branch**: This is the neighbourhood location of the banking institution that provides financial services to the public. This is similar to a restaurant chain— there are many locations but still one company.
* **Interac e-Transfer**®: This is an online service that lets a person send money through the Internet to anyone else who is using a Canadian bank. Transfers can be done through a bank's website or mobile app. Transfers can be accepted by either email or text message.

But what kind of financial institution is best for you? Let’s talk about three of the main types of financial institutions in Canada: banks, online-only banks, and credit unions.

### Three types of financial institutions in Canada

#### Banks

A bank is a for-profit institution licensed to accept deposits and make loans. In Canada, there are several banks to choose from, but six are of considerable size and are known as “The Big Six.” They are:

* Canadian Imperial Bank of Commerce (CIBC)
* Bank of Montreal (BMO)
* Bank of Nova Scotia (Scotiabank)
* National Bank of Canada (NBC)
* Royal Bank of Canada (RBC)
* Toronto-Dominion Bank (TD)

These Big Six banks have many branches (a physical location where you can go in and speak to someone) across the country, which can make them easy to access. These banks also offer options for phone and online banking.

#### Online-only banks

Online-only banks exist solely through the Internet and do not have any physical branches. Some examples include Simplii Financial, Tangerine, and EQ Bank. Online-only banks will sometimes have the benefit of lower fees, since they have lower operating costs (like the cost of maintaining buildings). With an online-only bank, you won't have the option to go talk to someone in person.

#### Credit unions

Credit unions (also known as "caisses populaires" in French-speaking communities in Ontario) are similar to traditional banks in that they accept deposits and make loans. However, credit unions are member owned co-operatives, which means the institution is controlled by its members who have bank accounts. Credit unions operate on a not-for profit basis, where any money that is made as profit for the credit union goes back into it to better improve the products and services for the members.

Similar to online-only banks, credit unions may offer lower fees to own and use an account, and may have lower interest rates. However, they will have fewer branches and may offer fewer services than traditional banks.

Credit unions in Canada include Meridian Credit Union, Desjardins Ontario Credit Union, and many more.

Almost all financial institutions offer online and mobile banking services, which allow you to perform many types of financial transactions and access services online through their secure Web portals and mobile apps.

For ease throughout the rest of this module, we'll just call all financial institutions "banks," even though some of them do not refer to themselves by this term.

### Pause. Think. Write.

#### Reflection moments in these modules

If you really want to get the most out of this learning module, try to connect the learning to your own life as much as you can. The best way to do this is to pause whenever you see "Pause. Think. Write." and think deeply about the questions provided. Then, write down your thoughts on a notepad, on your smartphone, or wherever you wish. It's the process of writing that will help connect the content to your life and make it stick.

* Talk with some family or friends who use banks to store their money. Why did they choose the bank they did? What things were most important to them in making a decision? What is most important to you?
* What are your feelings about banks?
* What more do you want to know?

## 3. Types of bank accounts

“What kind of bank account should I use?”

Whatever type of bank you decide on, all three types of financial institutions will offer two main types of accounts: chequing and savings.

### Host

So each type of financial institution will offer you two types of accounts. Chequing accounts and savings accounts.

Here are some things to know about chequing accounts.

First, they are for the money you use regularly—the money that flows in and out throughout your daily life. If you have a job, your pay cheque goes into this account and then you pay bills and buy things with it.

Interestingly, a chequing account got its name because you would write paper cheques from it. That type of transaction isn't used much anymore, but the name has stuck. And yes, if you ever need to, you can still write a paper cheque with a chequing account.

There may or may not be yearly or monthly fees for the account and there might be transaction fees that you pay each time you move money out of the account. So you’ll want to be aware of that.

There might also be a limit on how many transactions you can make per month, or a minimum amount of money that has to be in the account.

And some chequing accounts may also offer privileges and reward systems where you can earn points to apply to various rewards or cash-back.

So there’s a lot to think about when you sign up for a bank account. Be sure to review what options your financial institution offers or even speak directly with a bank representative to get a sense of what will best meet your needs. Banks usually offer some form of a simple starter chequing account but make sure to ask some questions like:

* what are all the fees?
* And is there a points or rewards system?

Sometimes banks will have a brochure or a webpage that lists everything you need to know about the account. It may look like “fine print” that you just want to click accept and get on with it, but hold on. You’re going to want to read it just to make sure you’re getting what works best for you. Some accounts might look great at first, but could end up costing you hundreds of dollars a year in account fees.

For instance, some banks may try to get your attention by offering you something free like a tablet, earbuds or even some cash to set up an account. That can be nice, but it’s not a good idea to make your

decision based on these. You might get a free gift, but then end up paying a monthly fee that you didn’t have to. It’s worth it to look at the details and compare the long-term costs of the account versus the short-term gifts provided by the institution. If you’re uncomfortable reading the fine print, then be sure to talk to someone at the bank and ask them questions.

The other type of account is a “savings account” and this is meant to hold the money that you plan to save for a longer period of time. You can still withdraw, deposit, and transfer money. But you’ll want to consider leaving your money in a savings account for a longer period of time so that it can accumulate some interest and actually make you some money. Just like with a chequing account, read up on the details of the account and make a good decision.

Let's test your knowledge. Answer the quiz question below.

A \_\_\_\_\_\_\_\_\_\_\_\_ account is the best bank account to make purchases with.

1. savings
2. chequing
3. Tax-Free Savings Account (TFSA)
4. Credit

Answer: c. A chequing account is the best bank account to make purchases with.

### Let's check your understanding

Determine whether the following features are related to chequing accounts, savings accounts or both.

1. allows you to write cheques
2. may require a minimum balance
3. earns little to no interest
4. earns some interest
5. stores money that is meant for everyday spending
6. may come with fees
7. stores money that's meant to stay put and grow

Answer Key: Chequing: 1, 3; Savings: 4, 5, 7; Both: 2, 6

## 4. Let's talk about interest

“I'm really interested in interest.”

Money can make money. This can be done in several different ways, but one of them is by loaning (or lending) out money. A typical loan works like this: someone lets someone else use their money for a time period. When the borrower pays it back they also pay a fee to the lender for the use of their money. So that money made money. Let's see how this applies to your own money in a bank.

### Host

Let’s go over some borrowing and investment terms.

“Interest” is the fee you pay for borrowing money, or the fee that is paid to you for lending money. The “principal” is the original amount borrowed or loaned without any interest added. “Simple interest” is calculated only on the principal that is invested or borrowed.

“Compound interest” is calculated on the principal plus the interest that accumulates over time. And that accumulated interest really adds up. Let me show you what I mean.

Suppose you invest $1000 at 10% simple interest.

That means you earn $100 a year. Over 20 years, you would earn $2000 on your $1000 investment. Just for lending your money.

But it’s even better if the interest is compounded monthly.

Over 20 years, that same $1000 earns $6328.07. That’s because you get interest on both the principal and the growing interest.

Compound interest is great if you’re the lender but not so great if you’re the borrower.

### Terms

Let's review those key terms.

* **Interest**: is a fee paid by a borrower to a lender for the privilege of borrowing money.
* **Principal**: is the original amount of money being borrowed/lent.
* **Interest rate**: is the percentage of interest that will be paid out over time based on that principal amount, often calculated as a yearly rate.

Give this question a try:

Calculating interest: If you are to be paid 5% interest on a $100 loan, over one year, how much money will you have at the end of that year?

1. $5
2. $100
3. $105

Answer: c. If you are paid 5% interest on $100, at the end of the year you will have $105.

### Host

Alright, now that you’ve read about what interest is, let’s look at when it actually comes into play. There are times when you earn interest and times when you have to pay interest. It depends on whether or not you are the lender or the borrower.

When you have money in a savings account, the bank uses that money to offer services to other clients, such as loans and mortgages. Because of this, the bank is actually “borrowing” your money and so they pay you, the lender, a small amount of interest. Don’t worry, you can still access this money at any time— but you’ll now have a little bit more!

To put it simply, earning interest means that your money in a savings account is actually growing over time, without you having to do anything. This is why it's good to stick to those saving goals we talked about in the “Earning, Spending and Budgeting” module. As long as the money sits there untouched, it will keep making money. In the next module, “Borrowing and investing,” we'll talk about even better ways to get your savings to make money for you. Later in this module, we'll also be talking about the situations where you are the borrower and will need to pay interest to the lender.

## 5. Debit and credit cards

“Debit cards, credit cards... What's the difference?”

Debit cards and credit cards—they look the same and work the same way at the checkout. You use your card on the point-of-sale (POS) terminal and then walk out with your purchase. What's the difference?

Let's see if you already know.

A \_\_\_\_\_\_\_\_\_\_\_ card is a payment card that allows you to borrow money to make purchases.

1. debit
2. credit
3. points
4. Gift

Answer: b.

A **debit card** is a payment card that allows you to access the money you already have in your bank account so that you can make purchases. Debit simply means a withdrawal of funds from your account.

A **credit card** is a payment card that you can use to make purchases using borrowed money, up to a certain limit, with the understanding that you will pay it back to the credit-card company later.

Before talking more about credit cards, here are some things that we need to be clear about:

* you need to be at least 18 years old to apply for a credit card
* not everyone needs a credit card
* they can be risky if you're not careful

When you are of age, and if you decide to get a credit card, most banks offer student credit cards with low speeding limits and low fees to get you started.

Ok, now that we've addressed that, let's talk about how credit cards work, and how you might choose to use them for your benefit.

### Host: How do I get a credit card?

Now that you’ve read about the differences between debit cards and credit cards, let’s take a look at what’s required to get a credit card.

First, you’ll need to fill out an application, either online or in the branch of a bank. Your age, your credit history, your employment, and more will be considered to determine if you’re approved, what kind of credit card you receive, and what your credit limit will be.

Some credit cards also have an annual fee, which is an amount you pay in order to access the card and its benefits, which may include points or other rewards.

Credit cards also have a credit limit, which is the maximum amount you can put on the card. Banks will first offer credit cards with low credit limits to get you started and then it can increase as your income increases.

Some of the features you might want to look for in a credit card are:

* a low interest rate
* a low or zero yearly/monthly fee
* insurance on purchases
* a useful points program

Point and rewards programs can often draw attention away from more critical issues, like the card's interest rate. A simple points system where you just get cash back is likely more ideal than earning free products or services from one company. Keep in mind that points programs are designed to get you to spend more. Try not to make spending decisions based on points. It's a nice little perk, but avoid getting caught up in spending to earn points.

Just like with setting up a bank account, you need to pay close attention to the details of a credit card offered to you. Pay attention to the details. Credit cards can be very helpful but they also carry some risk. It’s up to you to use them in a way that supports your life and financial goals.

Let's go over a few terms before moving on.

* **debit card:** a card that gives you the ability to make payments using the money you already have directly from your bank account
* **credit card**: a card that gives you the ability to make payments using debt to the credit card company
* **credit history**: a measure of your demonstrated ability to repay debts
* **credit limit**: the maximum amount of debt that can be put onto a credit card points programs: incentive programs provided by banks to encourage you to use your credit card more often by issuing you points each time you use it—those points can be redeemed for a variety of items or even just cash

### Pause. Think. Write.

* Do you have plans to get a credit card? What do you think you would use it for and why?
* How does the idea of getting a credit card make you feel?

## 6. How do credit cards actually work?

“So, it's not free money?”

### Host

So you might be curious, “How do credit cards work?”

Unfortunately, a lot of people don’t take the time to understand credit cards when they sign up for them, and they end up in financial trouble. If you do use them responsibly, there are some excellent advantages that we'll talk about later.

As I’m sure you can guess, if you use your credit card, you have to pay it back. If there is a balance on your card (which means you have used your card and still owe money), then you're expected to make a payment every month. Banks will tell you what the "minimum" payment is, but this will be the slowest way to pay back the debt. And the longer there's a balance on your credit card, the more money it will cost you.

Credit cards have high interest rates. They are not meant for borrowing money long-term. The average credit card interest rate is 20%!

Let’s run through a scenario where you pay back $1000 on a credit card in three different ways. Take a look at the options, take a guess at the difference between these options, then reveal how much each option would actually cost.

### Credit-card debt calculator

There are a variety of online credit-card debt calculators, which you can use to see how much it would cost you to borrow a specific amount of money and how long it would take to pay it back.

Let's look at an example using $1000 on your credit card with a 20% interest rate. You're considering three options for paying it back.

**Option 1**: Only pay the minimum monthly payment. In this example, it is 2% of the balance.

**Option 2**: Pay the minimum monthly payment each month, plus an additional $10.

**Option 3:** Pay $100 each month regardless of what the minimum monthly payment is.

Take a guess.

How long do you think it will take to pay off the debt with each option? How much interest do you think each option will cost you?

This is what each of those options would look like in the long run. Click the circle buttons below to learn more about each option.

#### Option 1

This is only paying the minimum.

It will take you 81 months (over six and a half years) to pay back. In the end, you will have paid $633.38 to borrow $1000.

#### Option 2

This is paying the minimum plus $10.

It will take you 45 months (3.75 years) to pay off.

In the end, you will have paid $358.41 to borrow $1000. This method saves you $274.97 over Option 1.

#### Option 3

This is paying $100 a month.

It will take you 12 months to pay off.

In the end, you will have paid $103.04 to borrow $1000.

This method saves you $530.33 over Option 1.

This method saves you $255.37 over Option 2.

### Host

Were you surprised by the fact that if you pay the “minimum payment” it would take over six and a half years to pay back and would cost you $633.38 on top of the $1000 you have to pay back?

You can probably see that since credit cards have such high interest rates, the best rule with credit cards is to pay the balance off as soon as possible. If you don't think you'll be able to do that, it's not a good idea to charge anything to your credit card. I suggest not thinking of credit cards as a loan, it’s just a convenient payment method to spend money that you have, or are about to have in the very near future.

If you end up in a really tight spot and can't even pay the minimum payments, your credit card will raise your interest rate even higher. Sometimes late fees are added, too. This means, as each month goes by, you owe more and are paying interest on increasingly larger amounts. This is how people can get into a difficult situation with their credit cards. The amount you owe will grow quickly. It's extremely important to not put an expense on your card if you can't afford it.

Here's the good news though. If you pay off your balance in full each month, you won’t have to pay any interest! It's still not free money, but it's possible to get the convenient benefits of having a credit card without paying extra for it, and you still get to keep the points. But this requires strict personal discipline to not put more on your card than you can pay off within the month.

Let's check your understanding. Take a crack at the question below.

My credit card has a 20% interest rate, and I have a $600 balance on it. I'd like to pay it off in six months. How much should I pay per month? Select the answer that appears most reasonable to you.

1. $100
2. $50
3. $110
4. $20

Answer: c. With a balance of 600 and you'd like to pay it off in 6 months, we know that this would need to be at least $100 a month for the principal. Then we just add on some more to cover the interest.

“But what if I really need the money?”

It's quite common to need access to money that you do not currently have in your bank account. If you need to borrow money but don't think you'll be able to pay it back in the very near future, credit cards are usually not the best option since they typically have very high interest rates. There are other loan and credit options, with lower interest rates, which we will discuss in the Borrowing and investing module.

### Another quick warning:

Most credit cards allow you take cash advances, which are when you can use your credit card to withdraw or transfer cash, rather than just purchase something. However, this is not recommended, as those withdrawals start accruing interest right away at an even higher rate than the standard interest rate for your credit card. Ouch!

## 7. When is it a good idea to use your credit card?

“Ok, I'm ready to get out there and use this card!”

Well, you might want to be sure you understand when it is a good time to use a credit card, and when it isn't. Now that we know how a credit card works, and what you can use it for, let’s check your understanding.

The shoppers in the following scenarios need your advice on if it’s a good idea to use their credit card to make a purchase or not. Can you help them out?

### Ravi

Your friend Ravi tells you that he has been invited on a last-minute vacation and needs to make some financial decisions about it. The trip will cost $1500. He has $250 in cash and $2000 saved in his bank account.

Since it took a long time to save up that much money, he would like to know if he should charge some of the vacation cost to his credit card.

Should he use his credit card? Yes or no?

It is best if he uses the money in his bank account, so that he does not incur interest fees.

He would also like to know if he should use his credit card in order to keep money in his account for emergencies.

Do you think that's a good idea? Yes or no?

If he uses the $250 cash he has, then he'll still have $750 in his account for emergencies. He asks you, "What do you think about credit card points? I won't get those if I just use my savings." Should he use his card for points? Yes or no?

He can get the points and also not pay any interest if he uses his credit card and then pays it off right away from his savings account. As long as the balance is not carried over to the next month, he won't have to pay any interest.

### Aisha

Your friend Aisha tells you that she has a job interview coming up, but she's concerned about what to wear. She doesn't currently have any professional-looking clothes to wear. She decided that she'll need to spend around $200 on clothes for this and possibly other interviews.

She currently only has $125 saved up and will be paid an additional $150 a few days after the interview.

Should she put the whole $200 on her credit card? It is currently not holding any balance. Yes or no?

Aisha is concerned about interest payments, but her pay from her gig job will come in before her next credit card payment is due.

She decides to use the $125 from her savings and put $75 on her credit card and then pay it off with her gig job pay before incurring any interest.

### Tamara

Your friend Tamara is shopping for a gift to give a very good friend.

She has $100 in her bank account that she can use for this right now and is considering two options. The first costs $80, but she's not as excited about it. The second costs $125, and she's really excited about it.

She's decided to put the difference on her credit card, but she will not be able to pay off her credit card before the next payment is due. Is this a good idea?

Because of the additional interest expense of the more expensive gift, Tamara decides to buy the cheaper gift and just use the money she has in her savings or keep shopping for something even cheaper.

### Pause. Think. Write.

* Think back to the last "Pause. Think. Write." and what you said would be a good reason to get a credit card. Do you still feel the same way?
* Has any of the information about credit cards in this section affected your understanding/feelings about them?

## 8. Let's talk about credit scores

“What's the big deal if I miss a whole bunch of credit card payments but finally pay it off later?”

Debt is an amount of money that you have borrowed, which you are required to pay back.

Based on your prior knowledge of debt, how do you feel about going into debt?

Debt can be bad, but best to think that some debt can be bad, especially for individuals that may not be able to handle the financial responsibility of debt. Bad debt can negatively affect your credit score. But some debt can be good for your financial health if you know how to handle it.

Some debt can be bad, but it's best to think that some debt can be good. If you can handle the responsibility, the debt that you are able to pay off can be good by helping you with certain needs and growing your credit score. Some debt, though, can have a significantly negative impact on your life if it's not managed well.

### Host

Credit cards can be tempting. It can feel like there’s money just sitting there, waiting to be spent. But it’s important to be responsible with credit cards because when you use a credit card, you are taking on debt, even when it’s just for a few days. There are organizations out there that are watching how well you handle that debt and are scoring you on it. They call this your “credit score.”

A credit score is a number between 300 and 900 which is basically a grade that tells banks, lending companies how likely you are to pay your bills on time. Can you be trusted? Miss some payments, your score will go down. Pay everything on time and your score will go up.

Your credit score will influence how willing a lender is to lend you money, what options they give you, and even what interest rate you are charged. The higher your credit score, the better. Being informed about how credit scores work will allow you to make good financial decisions today that will allow you the freedom to make choices in the future, like purchasing a house, securing a loan to start a business, and making further investments.

### Five factors that influence your credit score

**Payment history**: Making payments on time will increase your credit score. Missing payments or making late payments can lower your credit score.

**Current debt**: Regularly using your full credit limit will lower your score. If you find you are regularly using your full credit limit, you may want to request a credit limit increase. However, be careful! Just because you have a higher credit limit doesn’t mean you should use it all.

**Credit history**: Having a history of successfully managing your credit will increase your credit score. This is why getting a credit card earlier in life can be helpful later on, but only if you think you can be responsible with it.

**New credit applications**: Applying for too many credit cards or other types of loans all at once can hurt your credit score. Do your research, and only apply for the credit cards and loans you need.

**Types of current debt:** Maintaining a variety of credit accounts, like car payments, home payments, and credit cards can help your credit. However, this is a very small portion of your credit score and, as a young person, is not something you need to worry about too much.

Let's test your knowledge. Answer the quiz question below.

What will happen to your credit score if you do not manage your debt wisely?

1. Your credit score will go down.
2. Your credit score will go up.
3. You will have to pay a penalty to keep your current credit score.
4. Your credit score will not change.

Answer: a.

## 9. Checking out financial behaviours

“Ok, let me see if I understand this correctly…”

Look at these three profiles of potential borrowers. Based on their financial behaviour, try to categorize each of them as low, medium, or high, in terms of their likely credit score.

1. The only form of debt that Jasmine has taken on is a credit card. She has a limit of $5000 but has never spent more than $1000 in a billing cycle. She has had this credit card for close to five years and almost always pays her bills on time, except for one time when she thought she had paid it but it hadn’t gone through properly.
	1. High
	2. Medium
	3. low
2. Anaya has two credit cards, each with a limit of $1000. She has had both credit cards for about a year. She often uses the full credit limit on both of them. She usually pays off both credit cards on time, but every so often, things are a little tight, and she can't make the monthly payments, but she catches up the following month.
	1. High
	2. Medium
	3. Low
3. David just got his first credit card this year, and it has a limit of $1000. When he first got it, he went on a shopping spree and spent the full limit. For the six months since then, he has either paid the minimum payments or skipped payments. He’s thinking about applying for another credit card to pay for a trip he wants to go on.
	1. High
	2. Medium
	3. Low

Answers:

1. a. Actually, Jasmine's score is likely still high. All of the rest of her history makes up for a small error.
2. b. Though Anaya's actions will bring her score down, it won't necessarily make it a low score. She's still making her payments.
3. c. Maxing out a credit card quickly, only making the minimum payments, or skipping payments raise red flags at the credit card companies. His score will be low.

### Pause. Think. Write.

If you had a credit card with access to a lot of money easily, do you think you'd be tempted to use it irresponsibly? What could you do to safeguard yourself against abusing your credit card?

## 10. Using your cards

“How do I actually use these cards?”

You can use your debit or credit card to make purchases at most in-person and online stores. As with all purchases, make sure you take your time to do your research, compare prices, and make decisions that are a fit for your goals and your budget before you buy.

### Purchasing in a store

Both credit cards and debit cards can be used in three ways:

1. Waving the "tap" section of your card over the card terminal and your account information is sent using short-range wireless technology. There will be a limit on your account to how much can be accessed through tap.
2. Inserting your card and putting in your Personal Identification Number (PIN). It's not as fast, but this allows you to access a larger amount of money.
3. Swiping your card so that the black bar on the back of it tells the terminal your account information. This method is currently being phased out, and there are fewer and fewer of these types of terminals around.

### Buying on the Internet

Credit cards can be used to easily purchase things on the Internet, but beware—it can be a little too easy. The site you are buying from will typically ask for five pieces of information:

* your name, precisely as it appears on the card
* the card number
* the card's expiry date
* your home address that is on file with the credit card company
* the three-digit number on the back of your card (called the Card Verification Value, or CVV)

Most online stores do not accept debit card payments, but there are other options. There are financial services that facilitate the transfer of funds from your bank account into a different kind of account that online stores accept. Paypal, Stripe, Apple Pay, and Google Pay are examples of this service.

### An online shopping tip:

When shopping online, pay attention to what currency is being used. Every country uses a different currency. For example, in Canada we use the Canadian dollar (and its short form is "CAD"); in the US, they use the US dollar (USD); the European Union uses the Euro, and so on.

The exchange rate is the value of one currency in comparison to another. It will almost never be a 1:1 comparison, which means that $50 CAD and $50 USD will not be worth the same amount! Exchange rates change almost daily, so before making a purchase, make sure you pay close attention to this to avoid any unpleasant surprises. An online search will usually give you an estimate of what the exchange rate is at that time.

You can even do an internet search for, "What is $120 dollars CAD in USD right now?" to get specific comparisons.

Also, credit cards may charge a foreign transaction fee for buying something from another country.

## 11. Credit card advice

### Pause. Think. Write.

Now it's your turn. Based on what you've learned about credit cards, what are three pieces of good advice you’d give to someone who is thinking about getting a credit card?

## 12. Protect yourself from financial fraud

“I've heard of financial fraud and identity theft. How do I prevent those?”

As I mentioned before, your money is safe in a bank. Even if someone robs your bank—something that is extremely rare—you’re still not at risk. But even though banks are very safe places to keep your money, there are individuals out there that may try to get your financial information so they can use it to access your bank account or credit card and make purchases without your consent. Or, they might even steal your identity by getting access to your personal information and could even apply for a loan under your name.

But don’t panic! There are simple things you can do to help protect yourself.

Take a look at the five quick tips below to help you keep your personal financial information safe.

### Protect yourself

Take a look at the five quick tips below to help you keep your money safe and sound.

#### Protect your PIN and CVV

Debit and credit cards have a code, called a "Personal Identification Number (PIN)," which you need to make purchases. Do not share this code with anyone. When making purchases in person, be mindful of other people standing around you, and make sure they cannot see your PIN. If someone gains access to your PIN, they can access your entire bank account or credit card, so it is important to keep this safe!

When making online purchases, the site will ask for your "Card Verification Value (CVV)" number. It's a three-digit number on the back of your card.

You use your PIN in person and the CVV online.

#### Check your monthly statements

Each month, you will receive a document (called a "statement") for your bank account and for your credit card, and it tracks all the money that came in and out of that account. Take a few minutes each month to go through this statement to look for any suspicious charges. If you see anything that looks strange or unfamiliar, contact your bank right away. Many banks and credit card companies also offer features and alerts so you can be contacted immediately if there are any transactions that are out of the ordinary.

Banks will usually help you if your card is stolen and someone runs up your credit balance. The bank may pay the stolen balance for you in certain circumstances if you contact them quickly enough.

#### Be careful with e-Transfers

e-Transfers are a way to digitally send and receive money through your bank account. However, as this form of banking has become more popular, so have scams! Make sure you are only sending or receiving e-transfers from people and businesses you trust. Much like cash payments, e-transfers are very hard to dispute or reverse once the money has been deposited.

* Be extra suspicious if the transfer is unexpected or comes from someone you don’t know.
* Never send an e-transfer on a public Internet network
* Make sure you use strong security questions, and
* Be very careful with any suspicious links.

#### Contact your financial institution

Many people who are the victims of financial fraud do not report it because they are embarrassed. Don’t be! As technology becomes more advanced, so have the techniques used by fraudsters. As soon as you see something suspicious, report it, so that action can be taken and, hopefully, the problem can be resolved. At that time, it would also be wise to change your PIN and other passwords, or even request a new credit/debit card.

### Spotting phishing

Phishing is when a scammer sends you an email or text, pretending to be a person you know or a company you trust, in order to trick you into revealing personal financial information.

There are many warnings to look out for in phishing emails, including spelling/grammar errors, email addresses that do not match the person or organization, requests for sensitive information like passwords or credit card numbers, or language that implies a sense of urgency or threat. Never open any attachments, click on a link in an email or text message that looks suspicious, or respond if you suspect phishing. If you are unsure, contact the organization or person, using their publicly available information and not the information included in the email or text.

Let's have a look at the tell-tale signs of a phishing email. Just for the purpose of this activity, let's assume that "Paybud" is a real payment app that you use. Real scammers will of course use real company names.

[start of demo email]

From: <billing@paybud.gsy2.ca>

To: [your actual email address]

Subject: PAYBUD money transfer: money waiting to be accepted

[Email body:]

[Logo of company image]

Dear Paybud customer,

This email is to inform you that someone has sent 250$ into your Paybud account.

Please login to your paybud account using this link to accept the money.

NOTE if you fail to logon and accept the transfer today it will expire.

[Button that says “LOGIN TO PAYBUD”]

Thank you.

Your PayBud team.

[end of demo email]

---------------------------------------------------------------------

#### Comments on this email:

In this phishing example image, the sender's address looks suspicious with additional letters added to the name of the company. “billing@paybud.gsy2.ca” This suggests that the sender is a scammer.

The company's logo is included at the top of the email, as scammers will often cut and paste the real logo from the website to make the email look more authentic. Don’t necessarily trust the real branding within an email.

The amount in the email is listed as 250$, which is not the proper notation for money. It should appear as $250.00 CAD. (The CAD means Canadian Dollars). A legitimate email from the actual company would likely not make that mistake.

There is a generic salutation. Authentic company emails usually address you by name at the start of an email.

There is inconsistent capitalization of the company name. Throughout this email, you'll find "Paybud, paybud, PAYBUD and PayBud. Real companies are very consistent with how they write their name.

The email communicates a sense of urgency. A real notification email like this would not encourage a sense of urgency. Scammers want you to take action quickly, so they'll try to make you think it's an emergency.

There are spelling and grammar errors within the email. “Logon” should be “login” for instance. A real business email would likely not make those mistakes.

They use a button to hide the link URL. Legitimate companies do this in their email as well, so it’s important to check them first. On a phone, tap and hold to reveal the URL behind a button like this. On a computer, hover your mouse over the button and the URL is displayed in the bottom left corner. Look for the official URL at the start of the link. In this case, it should be paybud.com. Be suspicious if you see something like paybudtransfers.com

This email contains an overly generic email signature. Real businesses usually have more complex signatures including a link to unsubscribe to notifications. Be careful though, sometimes the signature is just cut and pasted from a real email from the company.

#### Example #1

Does this look real or fake? Assume where it says things like [YOUR NAME] that it's your real information.

[Beginning of email]

From: "notify@payments.interac.ca"

[using official looking Interac logo and branding, to your personal email.

Subject: "INTERAC e-Transfer: A money transfer from [YOUR FRIEND] has been automatically deposited."

[email body]

[Interac logo image]

[Your friend's actual name] has sent you $20.00 (CAD) and the money has been deposited into your bank account at [your actual bank].

Reference number: #.

Please do not reply to this email.

FAQs | This is a secure transaction.

[Interac logo image]

[End of email]

—------------------------------------------

Question: Is this email legitimate or a scam?

1. Legitimate
2. Scam

Answer: This email is legitimate. It's from Interac's domain, and there's nothing suspicious about the text. It's also not asking you to click a button to login to anything. Since it's a notification that money was added to your account, rather than taken from it, there's nothing to be suspicious of.

#### Example #2

Let's apply the same thinking to a text message. Does this look fake or legitimate?

You receive a text message that says, "hi, your tax refund from revenue canada is ready. Please click Http://revenuecanadaa.com/refundmoney/sG34j7 for your refund. This is a limited time offer."

Question: Is this text message legitimate or a scam?

1. legitimate
2. scam

Answer: This is a scam. This text is super-scammy. The spelling problems and made-up domain "revenuecanadaa.com" definitely should raise your suspicion. But the real clincher is that the Canadian Revenue Agency (CRA) will never contact you through a text message. They may email asking you to go login to your secure CRA account, but they won't provide a link to it. Scammers will link you to a page that pretends to be the CRA website which will ask you to fill in your banking information. The scammers will then use that information to withdraw money from your account.

#### Interested in learning more about avoiding scams?

Check out this video series made by the Canadian government. "Be Scam Smart" https://www.youtube.com/playlist?list=PLWsWrJHQSlisHkd5uCkyfaO3x2h4P2rsq

## Check your understanding

You can use this optional quiz to review the content, just to make sure you've got it.

1. An example of a financial institution is
	1. a bank
	2. an online-only bank
	3. a credit union
	4. all of the above
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ accounts are meant to safely hold the money that you plan to use regularly.
	1. Chequing
	2. Savings
	3. Credit card
	4. Line of credit
3. Match the terms to their matching definitions.
	1. Principal
	2. Interest rate
	3. Interest
	4. the portion of debt that is a fee paid from a borrower to a lender
	5. the original amount of money being borrowed/lent
	6. a pre-set percentage that determines how much of a fee the borrower will pay
4. One reason credit cards can be risky is…
	1. Banks may use your card to steal your personal information.
	2. They might make your credit score too high.
	3. They have high interest rates that can quickly pile up if the balance isn't paid off quickly.
	4. They don't pay you enough interest on your savings.
5. Your credit score is
	1. a measurement of how much debt you have
	2. a type of "trustworthiness score"
	3. reset when you pay off your debt
	4. something you don't need to worry about until you want to buy something big, like a car or house
6. Select all the information you need when using a credit card online.
	1. your name, precisely as it appears on the card
	2. the card number
	3. the card's expiry date
	4. the three-digit number on the back of your card (CVV)
	5. your Personal Identification Number (PIN)
7. I can protect myself from financial fraud by
	1. protecting my PIN and CVV
	2. looking out for phishing scams
	3. locking up my money in a safe
	4. being skeptical of emails and text messages from unknown sources
	5. using a savings account instead of chequing account

#### Answer key:

1. An example of a financial institution is

d. all of the above

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ accounts are meant to safely hold the money that you plan to use regularly.

a. Chequing [“Savings” accounts are intended for saving and Credit cards and lines of credit are not considered bank accounts.]

1. Match the terms to their matching definitions.

Principal: the original amount of money being borrowed/lent

Interest rate: a pre-set percentage that determines how much of a fee the borrower will pay

Interest: the portion of debt that is a fee paid from a borrower to a lender

1. One reason credit cards can be risky is…

c. They have high interest rates that can quickly pile up if the balance isn't paid off quickly. [If not paid off, credit-card debt can really snowball and become a big problem.]

1. Your credit score is

b. a type of "trustworthiness score" [It's about how likely you are to pay back your debts on time. ]

1. Select all the information you need when using a credit card online.
	1. your name, precisely as it appears on the card
	2. the card number
	3. the card's expiry date
	4. the three-digit number on the back of your card (CVV)

[PIN numbers are not required when using your card online.]

1. I can protect myself from financial fraud by

a. protecting my PIN and CVV

b. looking out for phishing scams

d. being skeptical of emails and text messages from unknown sources

## Complete!

Congratulations—you're all done!

### Host

So, that’s the end of Module 2. Congratulations! Hopefully you found some new learning or insight or at least got some good reminders about things that you already knew.

Just to recap, we talked about bank accounts and credit cards and we highlighted the need to always be on the lookout for phishing schemes and financial fraud.

Thanks again for joining me in this module. And hopefully you can check out our next module on borrowing and investing and other ways to build your financial wealth.

### Learning goals

Let's have a look at those goals again.

1. identify and describe the different types of bank accounts available
2. describe how credit cards work
3. use your understanding of the risks, rewards, and consequences of credit cards to guide your financial decisions
4. understand various forms of interest, including compound interest
5. identify strategies to protect yourself from financial fraud

Do you feel like you have a better handle on those? Or do you need to go back and review anything? You can use the purple navigation box to the left to jump back to another section if you'd like to revisit any material.

### What's next?

When you're ready, you can move on to the next module.