

# FINANCIAL FREEDOM FOR TRADES WORKERS



**BCIT**

**British Columbia Institute of Technology**  
School of Construction and the Environment



Financial Pressbook

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# WORD FROM ANNA



I am a Master Electrician and an educator. I'm deeply proud of my work as a tradeswoman and grateful for the excellent career it has provided me and for the sense of competency it has given me. I am a passionate believer in equity and helping apprentices overcome barriers to attaining their Red Seal Endorsements. As Project Lead of the BCIT ConnectHER Hub, I support women and gender-diverse trades students, alumni and the surrounding trades community.

I notice that many trades workers and students don't take full advantage of the financial benefits of their apprenticeships and trades work generally. This half-day conference and this booklet are designed to help you access and activate resources, to encourage you to plan, strategize and finally to achieve financial freedom. This work becomes more important in these challenging times with high living costs.



Empowers women and gender-diverse trades students with tailored resources, mentorship, and growth opportunities. It's a welcoming space to connect, thrive, and succeed in skilled trades.

Located at Burnaby Campus,  
NE3 AFRESH Home



@[bcitconnectherhub](https://www.instagram.com/bcitconnectherhub)

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# ABOUT FINANCIAL INDEPENDENCE

Financial independence means having enough savings, investments, or passive income to live life on your terms without relying on a paycheck. No lottery wins or rich relatives required! With smart planning, anyone can achieve it, no matter your starting point.

Why is it important?

- **Increased Choice:** Freedom to choose meaningful work and career paths without financial pressure.
- **Security & Stress Reduction:** A financial safety net provides stability during seasonal or project-based work.
- **Pursuing Passions:** Enables exploration of fulfilling career opportunities and personal interests.
- **Greater Flexibility:** More control over work-life balance and job selection.
- **Ability to Take Risks:** Confidence to start a business or pivot careers without financial fear.
- **Building Generational Wealth:** Passing down financial literacy skills and strong money habits as well as assets.
- **Reduced Financial Reliance:** Independence from borrowing or relying on others for financial support.
- **Adaptability to Economic Changes:** Preparedness for shifts in inflation, interest rate hikes, and housing affordability.

# WHY THE SKILLED TRADES ARE THE BEST PATHWAY TO FINANCIAL INDEPENDENCE?

Skilled trades offer a clear and practical path to financial independence. Apprentices earn while they learn, gaining valuable skills without incurring student debt. Here's why skilled trades are a smart choice:

- **Early Earning Potential:** Start making money from day one while building skills.
- **Short Training Period:** Pre-apprenticeship programs take approximately half a year.
- **Low cost of Technical training:** The in-school portion of technical training is low cost compared to other programs, many apprentices are eligible for EI during their training and many employers offer financial incentives for their apprentices.
- **Practical Skills:** Save money by handling household repairs yourself.
- **High Demand:** Certified tradespeople are needed worldwide.
- **Networking Opportunities:** Connect with contractors and industry pros.
- **Entrepreneurial Freedom:** Quickly progress to self-employment or business ownership.

# ROAD TO FINANCIAL INDEPENDENCE

Achieving financial independence isn't just about money, it's about mindset. Your relationship with money, shaped by past experiences and beliefs, *impacts your financial choices. Shifting your mindset can transform your path to financial freedom.*

## Common Money Mindsets

These mindsets limit your ability to achieve financial independence:

- Consumer: Earns well but spends it all on lifestyle upgrades, leaving no room for savings.
- Borrower: Takes on debt to maintain lifestyle, struggling during off-seasons.
- Pension Entitled Holder: Relies solely on employer pension without diversifying income.

## Key Takeaways

- Change Your Money Mindset: Let go of limiting beliefs and embrace financial literacy.
- Save and Invest Early: Focus on long-term goals and emergency funds.
- Think Beyond One Source: Diversify income streams to reduce risk and increase stability.

*Financial independence isn't about how much you make, it's about how much you keep.*

# IMPORTANCE OF A BUDGET



[Budget Template](#)

A budget is your financial blueprint, a tool to track income and expenses, set goals, and build long-term stability.

Here's why budgeting is essential:

## Why Budgeting Matters

- **Spend Within Your Means:** Avoid overspending and debt by tracking your cash flow.
- **Reality Check:** Understand your spending habits to set realistic financial goals.
- **Achieve Your Goals:** Allocate funds for both short-term needs and long-term plans.
- **Automate Savings:** Set aside a portion of income for savings or debt reduction.
- **Emergency Preparedness:** Build a safety net for unexpected expenses.
- **Track Financial Habits:** Identify trends and make informed adjustments.

## Tools for Budgeting

- **Apps:** Use apps like Buddy or TD MySpend for easy tracking and insights.
  - <https://www.td.com/ca/en/personal-banking/solutions/ways-to-bank/td-myspend>
  - <https://buddy.download/>
- **Government Resources:** Check out the Financial Consumer Agency of Canada's budget planner for templates and tips.
  - <https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner-tool>
- **Banking Apps:** Most banks offer built-in budgeting tools.

## Tax Tip

Include estimated taxes in your budget to avoid surprises. Some benefits and grants are taxable, so plan accordingly.

# EXPENSE ALLOCATION

Managing your money effectively means allocating your income wisely. One popular strategy is the 50/30/20 rule:

## The 50/30/20 Rule

- 50% Needs: Essential expenses like housing, groceries, utilities, and debt payments.
- 30% Wants: Non-essential comforts like dining out, entertainment, and vacations.
- 20% Savings: Emergency funds, investments, and debt repayment above minimums.

### Example:

George earns \$34,000 after tax. He allocates:

- Needs (50%) - \$17,000
- Wants (30%) - \$10,200
- Savings (20%) - \$6,800

## Building an Emergency Fund

Life is unpredictable. An emergency fund should cover 3-6 months of living expenses, starting with at least \$1,000.

### Example:

Kelly spends \$3,500 monthly. Her emergency fund goal is:

- 3 months: \$10,500
- 6 months: \$21,000

### Tax Tip:

Interest earned from emergency savings is taxable. Plan for taxes to avoid surprises when filing.

# STRATEGIES TO INCREASE SAVINGS PART 1

Achieving financial independence starts with maximizing your savings rate. Aim to save 50%-70% of your income to speed up your journey. This can be challenging in high cost of living areas, but consider the power of compound interest to help your savings grow exponentially over time.

## Compound Interest Example

Jordan invests \$1,000 at 10% annual interest:

- Year 1: \$100 interest → \$1,100 total
- Year 2: \$110 interest → \$1,210 total
- Year 10: \$2,593.75 total

Letting savings accumulate over time significantly increases wealth through compounding.

## Ways to Increase Income

- Overtime Work: Earn 1.5 times the regular rate for extra hours.
- Camp Jobs: High-paying roles in remote locations with room and board covered.
- Side Income Projects: Use trade skills for small jobs through platforms like TaskRabbit or Handy.
- Short-Term Certifications: Increase earning potential with quick, low-cost credentials.
- Learn New Technologies: Stay ahead with innovations that boost job value.
- Self-Employment: Start your own trade business to maximize income.

## Tax Tip: Side Income

Report any additional earnings to the CRA. Deduct allowable expenses to lower taxable income.

# STRATEGIES TO INCREASE SAVINGS PART 2

## Ways to Decrease Expenses

- Work at Camp Locations: Meals and lodging covered, reducing personal costs.
- Pack Lunches: Save daily on food expenses, when working in town.
- Use Employer Benefits: Take advantage of healthcare, insurance, and training.
- Out-of-Town Assignments: Employers often cover accommodation and meals.
- Negotiate Education Funding: Many employers support continuing education.
- DIY Home Maintenance: Use trade skills to cut repair costs.
- Reduce Commute Expenses: Choose jobs closer to home or with transit options.

## Tax Tip: Employer-Funded Training

Training related to your job is often not taxable. Employers can deduct the cost, and you benefit from the added skills.

## Build an Emergency Fund

Aim to save 3–6 months of living expenses to handle unexpected costs without taking on debt.

Maximizing savings and minimizing expenses will fast-track your financial independence. Stay proactive in earning more and spending less to build wealth efficiently.



[SMART Goals  
Worksheet](#)

# DEVELOPING SMART FINANCIAL HABITS

Skilled trade workers earn while they learn, reducing student debt compared to many degree or certificate programs. This gives them a significant financial advantage right from the start.

## Making S.M.A.R.T. Goals

Creating financial goals helps you take control of your money and build a clear path to financial independence. The S.M.A.R.T. framework makes goal-setting effective:

- **S** – Specific: Clearly outline the goal and action steps.
- **M** – Measurable: Define how you will track progress.
- **A** – Achievable: Make sure the goal is realistic and attainable.
- **R** – Relevant: Align the goal with your broader financial aspirations.
- **T** – Time-Based: Set a deadline to maintain focus.

## Example: S.M.A.R.T. Goal

Jacob is a mobile crane operator with a Red Seal Endorsement. His current project ends in 8-12 months, and he wants to save for potential downtime.

**Goal:** Contribute \$1,500 on the 1st of each month to a high-interest savings account for 8 months to build an emergency fund.

- Specific: Save a fixed amount monthly.
- Measurable: Track contributions and balance growth.
- Achievable: Full-time work and no debt make it realistic.
- Relevant: Having an emergency fund protects against gaps in employment.
- Time-Based: Complete savings goal within 8 months.

## Review and Adjust

Regularly review your goals to ensure they stay relevant and adjust as your financial situation evolves. Set higher goals as you gain confidence and stability.

# SPONSOR- EMPLOYER RELATIONSHIP

*A sponsor employer plays a vital role in a trade apprentice's journey, guiding them through practical training and ensuring all requirements are met for certification.*

## **Sponsor-Employer Responsibilities**

- **Workplace Training Plan:** Develop a clear plan outlining which certified journeypersons are responsible for training the apprentice. The plan should cover the full scope of the trade.
- **Registration with Apprenticeship Authority (SkilledTradesBC):** Be registered with the provincial or territorial apprenticeship authority to officially train apprentices.
- **Apprentice Registration:** Record each apprentice with the organization to track work-based hours.
- **Track and Report Hours:** Monitor and report the apprentice's training hours to the apprenticeship authority, ensuring supervision by a certified tradesperson.
- **Documentation Review:** Verify records and report any discrepancies to the apprenticeship authority.
- **Technical Training Release:** Allow apprentices to attend block training, approximately 20% of their apprenticeship, without work obligations.
- **Certification Recommendation:** Once all training and exams are completed, confirm that the apprentice is working at a certified skill level.

## **Shared Responsibility**

Apprenticeships are a joint effort between apprentices, sponsor employers, educational institutions, and training authorities. All parties must stay committed to training and professional growth.



# INDEPENDENT CONTRACTOR OR EMPLOYEE

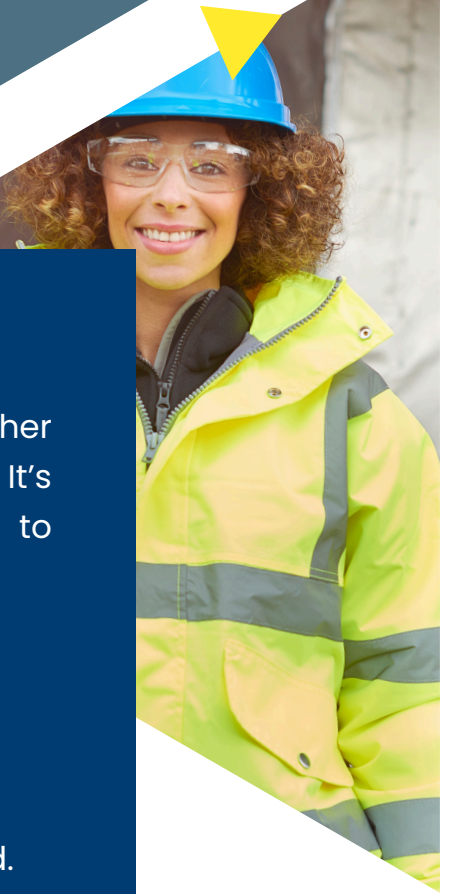
In the trades industry, workers can be either independent contractors or employees. It's essential to understand the difference to ensure proper pay and obligations.

## Key Criteria to Determine Status

- **Control:** Employees follow specific instructions from employers, while independent contractors have more control over how tasks are completed.
- **Financial Risk:** Independent contractors may face profit or loss, while employees typically do not bear financial risks.
- **Integration:** Employees are part of the employer's business, while independent contractors operate their own business.
- **Tools and Equipment:** Independent contractors provide and maintain their own tools, while employees typically use employer-provided equipment.

## Construction Industry Considerations

Most trade apprentices are classified as employees since they work under the supervision of certified journeypersons and lack financial risk. Understanding your classification helps ensure proper pay and compliance with regulations.



# DIFFERENT EMPLOYER, MORE PAPERWORK

Starting a new job as a trades worker means handling some essential paperwork.

## **Employment Agreement**

An employment agreement is a legally binding document that outlines:

- Job title and responsibilities
- Working hours
- Compensation and benefits
- Other terms and conditions

It serves as legal protection for both parties and helps resolve disputes. If working with a union, also review the collective agreement to understand your rights and benefits.

## **Tax Forms with a New Employer**

Whenever starting with a new employer, you'll need to complete:

- Form TD1 - Personal Tax Credits Return (Federal)
- Provincial/Territorial TD1 Form

These forms determine the amount of tax deducted from your paycheck. Updating your TD1 forms regularly (if your income goes up) helps avoid unexpected tax bills.

## **Tax Tip:** Changing Tax Situations

Frequent employer changes or status shifts (like moving from student to worker) may affect your tax situation. Update your TD1 forms as needed to ensure accurate deductions.

## **Registration with Trades Training Authority**

As an apprentice, register with the Provincial or Territorial Trades Training Authority (SkilledTradesBC). Ensure your new sponsor employer updates your registration to track work-based training hours.

Being organized with paperwork and tax forms helps you stay compliant and avoid issues later on.

# EMPLOYMENT RIGHTS

**Worksafe bc:** <https://www.worksafebc.com/en>

**Employment standards:**

<https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards>

**Workplace Rights:**

<https://www.workbc.ca/access-employer-resources/manage-employees/workplace-rights>

Whenever an employment relationship exists, it is important that both the employer and employee are aware of their rights and responsibilities. Employment standards in Canada are primarily under provincial or territorial jurisdiction.

**Minimum Wage:** Employees have the right to receive at least the minimum wage set by their province or territory.

**Overtime Pay:** Employees working more than a specified number of hours in a week, typically 40 hours, are entitled to pay at one and a half times the regular rate.

**Other Pay:** Depending on the province or territory, employees may be eligible for vacation pay, paid sick days, and statutory holiday pay.

**Equal Pay:** Employees should not be paid differently based on gender, race, or other protected characteristics.

**Pay Frequency:** Employees have the right to receive paychecks on a regular schedule as set out by local legislation. For example, British Columbia does not allow monthly pay schedules, while Ontario does.

**Safe Working Environment:** Employers must provide a safe and healthy workplace, including necessary safety equipment. Trade workers have the right to refuse unsafe work without repercussions.

**Protection from Discrimination and Harassment:** Employees have the right to a workplace free from discrimination and harassment based on gender, race, religion, age, or other protected characteristics.

**Privacy:** Employers must protect personal financial information, including social insurance numbers and payroll details, in accordance with privacy laws.

As a trade apprentice, it may be helpful to consult with the Provincial/Territorial training authority, employer, or union representatives to fully understand your employment rights.

# GETTING CREDIT FOR ALL APPRENTICESHIP HOURS WORKED

## Reconciling Paycheck to Time Records

- Keep a daily log of time worked, including regular, overtime, and sick days.
- Verify that pay slips match the recorded work hours, including pay period dates.
- Check that all earnings and other pay items align with your employment agreement.
- Confirm that taxable benefits and net pay calculations are correct.
- Report any discrepancies to your employer first.



## Reconciling Time Records to Apprenticeship Hours

- Log daily work hours, including overtime, job site location, and supervising journey person.
- Cross-check your logged hours with the Provincial or Territorial Apprenticeship Training Authority.
- Group logged hours by employer or date as needed.
- Ensure all recorded hours are accurately reported to the Apprenticeship Training Authority.
- If discrepancies arise, address them with your employer first, then the Apprenticeship Training Authority if necessary.



# SHORTAGE OF WORK



Trade workers may experience job loss due to project completion, seasonal industry changes, or cost-cutting measures. In such cases, they may be eligible for Employment Insurance (EI) – Regular Benefits.

## Employment Insurance (EI) – Regular Benefits

EI provides financial support when workers lose their jobs through no fault of their own. The basic benefit rate is **55% of average insurable weekly earnings**, up to a maximum of **\$668 per week** (as of January 1, 2024). Typically, **10%** is withheld to cover potential tax liability.

Benefits can be received for **14 to 45 weeks**, depending on the regional unemployment rate and the number of insurable hours accumulated in the last 52 weeks or since the last claim.

## Applying for EI Benefits

Apply for EI through **Service Canada** as soon as you stop working, even if you haven't received your **Record of Employment (ROE)** yet. Applying more than **4 weeks** after the last workday may result in no benefits being paid.

Employers must issue an ROE when there is an interruption of work. The ROE is essential to determine eligibility and the benefit amount. If submitted electronically, it can be accessed through the **My Service Canada Account**.

While receiving EI, you must file a report every **2 weeks** to confirm eligibility. This requires a **4-digit access code** and your **Social Insurance Number (SIN)**.

## Applying Multiple Times in One Year

If you apply for EI more than once within a **52-week** period, Service Canada will automatically renew your existing claim. In some cases, it may be beneficial to **cancel or end the old claim** to increase the benefit amount or extend the benefit period.

## Government Support for Trade Workers

Many government programs support skilled trades workers in finding employment, such as **WorkBC, Alberta Learning Information System, Manitoba Career Prospects, and Employment Ontario**. These initiatives help tradespeople return to work and advance their careers.

# TAXES: THE MAMMOTH PRICE TAG

Bills, bills, bills! Taxes are probably your biggest expense, even more than rent or groceries. Understanding how the Canadian tax system works is crucial to keeping more of your earnings.

## Types of Taxes

### Income Tax

Taxes owed on earnings, are calculated annually on your Income Tax and Benefit Return (T1). Both federal and provincial taxes are applied. In some provinces, the combined tax rate can exceed 50%.

### Sales Tax

Taxes on most goods and services. Canada has three types: GST (Goods and Services Tax), PST (Provincial Sales Tax), and HST (Harmonized Sales Tax).

### Property Tax

Local governments calculate these taxes based on the value of your land and buildings.

### Custom Duties and Tariffs

Federal taxes on imported and exported products.

### Health Services Taxes

Some provinces charge additional taxes to fund healthcare services.

## Example: Tax Breakdown

Amber works as an Automotive Service Technician in PEI, earning \$80,000 a year. She owns a \$450,000 home and pays property tax at 1.5%. She also spends on meals, goods, and fuel, which are subject to various taxes.

Total Income Taxes: \$23,559 (29.45% of gross income)

- Total Other Taxes: \$11,118
- Total Taxes Paid: \$34,677 (43.35% of gross income)

Amber's total tax bill is 43.3% of her annual income, highlighting how significant taxes are as a financial factor.



## Tax Tools

- Wealhtsimple Tax Calculator
- EY Personal Tax Calculator
- TurboTax Canada Income Tax Calculator
- TaxTips.ca

Taxes are a big part of your financial picture. Knowing how they work helps you plan and keep more of your earnings. Familiarizing yourself with tax laws and strategies can minimize your liability and accelerate your journey to financial independence.

***"It's not how much you make, but how much you keep."***

# WHY FILE MY TAX RETURN?

Filing your tax return may not always be mandatory, but it comes with significant benefits. Even if you don't owe taxes, staying up to date with your Income Tax and Benefit Return (T1) is essential.

## Why File Your Taxes?

- **Get Your Refund:** You must file to receive any refund owed to you. Without filing, you're giving the government an interest-free loan.
- **Receive Benefits:** Programs like GST/HST credit or the Canada Child Benefit (CCB) rely on your tax return to determine eligibility.
- **Claim Tuition Credits:** Unused credits can be carried forward or transferred to reduce future taxes.
- **Build RRSP Room:** Filing increases your registered retirement savings plan (RRSP) contribution room, helping you save more for retirement.
- **Qualify for Financial Assistance:** Some programs and benefits, such as the Canada Recovery Benefit (CRB) and the Canada Housing Benefit, require up-to-date tax filings.

## **Tax Tip:** Delinquent Filings

If you're behind on filing, seek professional help. Programs like the Voluntary Disclosure Program (VDP) may reduce interest and eliminate penalties if accepted.

Filing your tax return is not just about paying taxes—it's about unlocking benefits and maximizing financial opportunities. Stay compliant and proactive to secure your financial future.

# CANADA'S INCOME TAX SYSTEM

## Understanding Progressive Tax Rates

Contrary to common belief, not every dollar of high income is taxed at the highest rate. Instead, the system works in brackets, where each bracket has a set tax rate. Income in the lowest bracket is taxed at the lowest rate, and only the portion of income that falls into higher brackets is taxed at higher rates.

## Federal Tax Brackets (2023):

- First \$53,359: 15.00%
- \$53,360 to \$106,717: 20.50%
- \$106,718 to \$165,430: 26.00%
- \$165,431 to \$235,675: 29.32%
- Over \$235,675: 33.00%

## Example: Tax Brackets (Federal Tax)

Theresa, a trades worker, earns \$170,000. Her federal tax liability before credits is \$35,547.54. Not every dollar is taxed at the highest rate of 29.32%.

## Example: Tax Brackets (Provincial Tax)

Theresa works in Saskatchewan, where the top provincial rate is 14.50%. Her provincial tax liability before credits is \$21,686.34.

## Effective vs. Marginal Tax Rates

- Effective Tax Rate: The average rate of tax on total income.
- Marginal Tax Rate: The rate of tax on the next dollar earned.

## Example: Effective and Marginal Rates

Theresa's total tax liability is \$52,924.27, with an effective tax rate of 31.13% and a marginal tax rate of 43.82%.

## Why It Matters

Understanding both rates helps estimate your tax burden and plan your finances effectively. Knowing how the system works can alleviate concerns about losing extra income to higher taxes and help make better financial decisions.

# DIGITAL SERVICES FROM CANADA REVENUE AGENCY



The Canada Revenue Agency (CRA) offers several online tools to help individuals manage their taxes securely and efficiently.

## **My Account for Individuals**

A secure online portal that lets you:

- Track refunds and view your tax balance
- Change or update your tax return
- Check benefits and credit payments
- Connect with certified tax software to auto-fill your return

Having a My Account makes managing your taxes faster and more convenient. You can even make adjustments to past returns directly online.

### **Tax Tip:** My Account Benefits

If you missed claiming a refundable tax credit like the BC Trades Training Credit from a past year, you can easily request a change through My Account for up to 10 years of filed returns.

## **Direct Deposit**

Direct deposit ensures fast and secure payments directly to your bank account, including refunds and GST/HST credits. You can sign up through the My Account portal.

## **Represent a Client**

This service allows you to authorize someone, like a family member or accountant, to manage your tax information on your behalf.

- Choose from three levels of authorization, ranging from view-only to full management.
- Great for letting professionals handle your tax updates and adjustments directly online.

Using CRA's digital services makes managing your taxes simpler, faster, and more secure. Stay connected and up to date with your tax information.

# Certified Tax Software Accepted by CRA



In 2023, 92.6% of Canadian individual tax returns were filed electronically, mostly through CRA-approved software. Filing taxes online using NETFILE offers several benefits over paper filing:

- Direct submission to CRA, reducing errors
- Immediate confirmation of receipt
- No need to send supporting documents unless requested
- Faster refund processing, especially with direct deposit

## CHOOSING CERTIFIED TAX SOFTWARE

CRA publishes a list of certified tax software each year, offering both free and paid options. Most programs guide you through your return with easy-to-follow questions and can even pre-populate your tax slips directly from CRA with your authorization.

Many software options are free for full-time students or those with low income, making them ideal for apprentices. Most paid versions also include basic free options based on your income level.

## MAXIMIZING YOUR TAX BENEFITS

Whether filing yourself or using a professional, ensure all relevant credits are included, like the BC Trades Training Credit or RRSP contributions. Since software may only display common forms by default, double-check for missed deductions or credits.

Using CRA-certified software simplifies tax filing, reduces errors, and speeds up refunds. Take advantage of the free options available and make sure to claim all your eligible benefits.



# BREAKDOWN OF THE INDIVIDUAL INCOME TAX RETURN – PART 1

The T1 Income Tax and Benefit Return is the form used by individuals to calculate their annual tax liability and file with the Canada Revenue Agency (CRA). Tax returns are due by April 30th (or June 15th if self-employed).

## **Step 1: Identification and Personal Information**

Includes personal details needed to correctly identify the taxpayer and determine benefits and credits, such as the Federal Training Tax Credit or Provincial Trades Training Credit.

## **Step 2: Total Income**

Summarizes worldwide income from all sources. For apprentices, this includes:

- Employment Income (salary, taxable benefits)
- Employment Insurance (EI) during training
- Grants or Bursaries related to trade certification
- Workers' Compensation Benefits

## **Step 3: Net Income**

Reduces total income by deducting eligible expenses, such as:

- RRSP Contributions
- Union or Professional Dues
- Employment Expenses (e.g., tools or travel)
- Mandatory EI Repayments

## **Step 4: Taxable Income**

Further deductions from net income to reduce tax liability, like the Northern Residents Deduction for those living in specified zones.

## **Step 5: Federal Tax**

Calculates federal tax based on taxable income and progressive tax rates, minus any non-refundable tax credits (e.g., basic personal amount, CPP contributions, EI premiums).

# BREAKDOWN OF THE INDIVIDUAL INCOME TAX RETURN – PART 2

## Step 6: Refund or Balance Owing

Combines federal and provincial tax liabilities, subtracts credits, and determines if a refund or balance is due.

- Refund: Excess credits over the tax payable.
- Balance Owing: Tax payable exceeds credits.

## Example: T1 Tax Return

John, a Refrigeration Mechanic with a Red Seal Endorsement, earned \$80,000 in 2022 and qualified for a \$2,500 BC Training Credit. He also paid \$1,350 in tuition and contributed \$1,200 to his RRSP.

- Federal Tax Liability: \$33,092.34
- Provincial Tax Liability: \$19,831.93
- Total Tax Liability: \$52,924.27
- Effective Tax Rate: 31.13%

## Checklist for Accurate Filing

- Personal information is correct.
- All income and tax slips (T4, T4E, T4A, T5007, T2202) are included.
- All income sources are reported (employment, investment, rental).
- Deductions and credits are accurately claimed (RRSP, union dues, employment expenses).
- Review the last Notice of Assessment for available credits.
- Check My Account for Individuals for any carry-forward credits.

Filing your T1 accurately ensures that you maximize your credits and minimize your tax liability. Stay organized and double-check all entries to avoid errors.

# REASONS FOR SIGNIFICANT FUNDING TOWARDS THE SKILLED TRADES

## **Skilled Labour Shortages :**

There is a major shortage of skilled workers in Canada. To encourage more people to enter these high-demand industries, grants and incentives are offered to make training more accessible.

## **Economic Growth:**

Investing in skilled workers strengthens the Canadian economy. Certified trade workers boost innovation and productivity in key industries like construction, manufacturing, and automotive repair, creating more job opportunities.

## **Industry Promotions:**

Partnerships between government, educational institutions, and private companies lead to grants, bursaries, and scholarships. These collaborations help promote skilled trades while attracting talent and increasing networking opportunities.



## **Workforce Diversity:**

Many funding opportunities target underrepresented groups such as women, Indigenous people, newcomers, persons with disabilities, racialized individuals, and LGBTQ2+ individuals. This helps build a more inclusive workforce while addressing labour shortages.

## **Technology Innovations:**

As technology evolves, funding supports micro-credential training to keep trade workers up to date. Investing in new skills helps workers stay relevant in a tech-driven industry.

## **Infrastructure Expansions:**

Skilled trades are essential for building and maintaining public infrastructure. Governments invest in training to ensure a competent workforce for large projects like roads, buildings, and transportation systems.

Supporting Skilled Trades Careers

# Methods of Obtaining Funding



## Tax Tip: Tuition Fees Paid

If the apprentice pays tuition directly to an accredited institution, they receive a T2202 Tuition and Enrolment Certificate for tax credits (around 20% of the tuition fee). If the employer pays directly, no tax credit is available.

### METHOD 1:

#### SPONSORING ORGANIZATION DIRECT PAYMENT

The employer directly pays tuition and fees to the training institution on behalf of the apprentice. This amount is not considered income.

Example:

Kevin, a metal fabricator apprentice, has Level 2 training fees totaling \$1,700. His employer, ABC Company, pays the amount directly to the school. Kevin doesn't need upfront cash, and the payment is not taxable.

### METHOD 2:

#### TRADE APPRENTICE PAYS UPFRONT AND GETS REIMBURSED

The apprentice pays the full amount first and is later reimbursed by a sponsoring organization or bursary.

Example:

Julie, an automotive mechanic apprentice, pays \$1,700 for Level 3 training. She receives a \$2,000 bursary from XYZ Transportation Association afterward. A T4A slip will be issued to report the bursary as income.



# TYPES OF FUNDING OPPORTUNITIES

Trade apprentices can access funding through grants, bursaries, and scholarships. These funds provide financial support that does not need to be repaid.

## **Grants**

Typically provided by government or charitable organizations, grants support specific groups or causes. They may also be based on financial need.

## **Bursaries**

Usually given to students to support education costs, bursaries are often based on financial need or other criteria.

## **Scholarships**

Awarded for academic achievement or skills, scholarships also help cover education expenses.

Although the terms grants, bursaries, and scholarships are often used interchangeably, the key is to understand the eligibility criteria, application process, and amount of support available.

# TAXATION OF GRANTS, BURSARIES, AND SCHOLARSHIPS

Grants, bursaries, and scholarships are often taxable and reported to the Canada Revenue Agency (CRA). Recipients usually need to provide their Social Insurance Number (SIN) to receive the award. The following year, a T4A slip will be issued, indicating the amount as income.

## Tax Exemptions for Students

- Full-Time Students: Scholarships and bursaries are generally exempt from tax if received while enrolled in a full-time educational program.
- Part-Time Students: The exemption is limited to tuition paid plus program-related costs.
- High School Students: Awards connected to secondary education are completely tax-exempt.
- Basic Exemption: Non-student recipients are eligible for a \$500 exemption from taxable income.

### Example 1: Full-Time Qualifying Student

Riley, a full-time carpentry apprentice, receives a \$1,500 bursary from a construction association. Since Riley is a full-time student, the entire amount is exempt from tax, and no additional income tax is owed.

### Example 2: Non-Qualifying Student

John receives a \$1,500 scholarship from a non-profit but is not attending school full-time. The first \$500 of the scholarship is exempt, but the remaining \$1,000 is taxable income.

## Tax Tip: Plan for Potential Tax Liabilities

Some grants or bursaries may not have taxes withheld upfront, which could lead to a tax bill when filing your return. It's essential to budget for potential taxes on the amount received to avoid surprises.

# GOVERNMENT INCENTIVES FOR TRADE APPRENTICES

*Governments and organizations offer numerous incentives to support trade apprentices. Here are the most common ones:*

## Employment Insurance (EI) for Apprentices

Apprentices attending full-time technical training (block-release) may be eligible for EI benefits.

- **Application Process:** Apply up to 7 days before leaving work. A 16-digit reference code from the training institution is required.
- **Benefit Rate:** Typically 55% of average weekly earnings, up to a maximum of \$668 per week.
- **Taxable Income:** Benefits are subject to income tax, reported on a T4E slip.



## Federal and Provincial Tuition and Education Tax Credit

Trade apprentices who pay tuition to accredited institutions may claim non-refundable tax credits:

- **Federal Credit:** 15% of eligible tuition fees.
- **Provincial Credit:** Varies by province (e.g., 5% to 12%).
- **Claim Process:** Report on Federal Schedule 11 as part of the T1 Tax Return.



## Apprentice Incentive Grant (AIG)

A taxable cash grant of \$1,000 per year or level, up to a lifetime maximum of \$2,000.

- **Eligibility:** Must be registered in a Red Seal trade and complete training levels.
- **Application Deadline:** 12 months after progression or by March 31, 2025.



# GOVERNMENT INCENTIVES FOR TRADE APPRENTICES

## Apprentice Completion Grant (ACG)

A one-time taxable grant of \$2,000 for those who complete a Red Seal certification.

- **Application:** Through Service Canada.
- **Deadline:** March 31, 2025.

## Canada Training Credit (CTC)

A refundable tax credit for eligible training fees, accumulating \$250 per year to a maximum of \$5,000.

- **Eligibility:** Ages 25-64 with eligible tuition paid.
- **Claim Process:** Use Federal Schedule 11 when filing the T1 Tax Return.

## Canada Tradesperson's Tool Deduction

Deduct the cost of tools purchased for work, up to \$1,000 per year.

- **Claim Process:** Complete Form T777 with Form T2200 from the employer.

## Tuition Tax Credit – Licensing Examination Fees

Deduct fees paid for licensing exams related to trade certification.

- **Claim Process:** Use Federal Schedule 11 and submit proof if requested.

## Sample Provincial Apprenticeship Funding

British Columbia (BC) Training Tax Credit:

- **Refundable tax credit:** For completing levels of trade training.
- **Enhanced Credits:** For First Nations or persons with disabilities.
- **Form:** BC Tax Form T1014.



# Non-Profit Organizations Assistance




Non-profit organizations offer valuable support to recruit and prepare individuals for skilled trades. These programs are usually government-supported and targeted at those who are unemployed or not in full-time education.

Pre-apprentices and those who have just completed a Foundations program are typically eligible. These programs bridge the gap between training and employment, providing essential resources and support.

## TYPES OF ASSISTANCE PROVIDED:

- **Tools and Equipment:** Support to obtain essential tools and CSA-approved work boots.
- **Safety Gear:** Access to additional safety equipment.
- **Job Readiness:** Assistance with resume writing, interview preparation, and job search support.
- **Counseling and Guidance:** Personal and career counseling to help navigate the transition to employment.
- **Employment Expenses:** Funding for transportation to interviews, groceries, and living expenses.
- **Short-Term Certifications:** Financial support for training like Occupational First Aid and Forklift Certification.

Non-profit assistance helps remove barriers to entry in the skilled trades, making it easier for individuals to start their careers confidently and safely.



# PRIVATE BURSARIES (BUSINESS AND UNIONS)

Private bursaries offered by businesses, industries, and unions can provide significant financial support to trade workers. These bursaries typically range from \$500 to \$5,000, with some even covering up to \$20,000 for a complete trades program.

To increase your chances of being selected, it's important to provide thoughtful and well-crafted answers to common bursary application questions.

## **Typical Bursary Application Questions:**

Why are you interested in a career in the skilled trades?

What are your career goals and aspirations?

Have you faced financial challenges in pursuing education?

How will this bursary make a difference for you?

What contributions have you made to the community or industry?

## **Tax Tip: Award as Qualifying Student**

If a trade apprentice is awarded a scholarship or bursary greater than \$500, it is tax-exempt if the recipient is considered a qualifying student. This usually applies to those enrolled in a full-time program at a recognized institution.

## **Tax Tip: Schedule 11 of Individual Tax Return**

Even if you do not owe taxes, file Schedule 11 with your T1 Tax Return to ensure the tuition credit amount is properly recorded. This credit can be carried forward and used in future years to reduce tax liability.



# TYPES OF DEBT

Many Canadians carry some form of debt, with mortgages often being the largest. To manage debt effectively, it's essential to understand the different types and how costly borrowing can be.

## Secured Debt vs. Unsecured Debt

**Secured Debt:** Backed by collateral, like a car loan where the vehicle can be seized if payments are missed.

**Unsecured Debt:** Not backed by collateral, relying on credit history and financial stability. Common examples include credit cards and student loans. Without timely payments, interest charges and penalties accumulate.

## Good Debt vs. Bad Debt

**Good Debt:** Generally involves low interest rates or helps increase future income, like:

- Mortgage within financial means
- Student loans
- Small business loans

**Bad Debt:** Often drains finances with high fees or depreciating assets, such as:

- Credit cards
- Payday loans
- Personal lines of credit
- Automobile loans

Even "good" debt can become problematic if market conditions change or job opportunities are scarce. Living debt-free helps build savings and financial stability.



# LOAN ASSISTANCE FOR TRADE APPRENTICES

Trade apprentices have access to various funding opportunities to cover tuition, textbooks, and tools. In addition to grants and bursaries, there are loan options available to support apprentices during their training.

## **Canada Apprentice Loan**

The Canada Apprentice Loan provides up to \$4,000 per period of full-time technical block training for Red Seal apprentices, with a maximum of \$20,000 across five periods. The loan is interest-free for up to six years, making it an excellent option for apprentices who are not earning income while in training.

## **Provincial and Territorial Student Loans and Grants**

Most provinces and territories partner with the Government of Canada to offer financial assistance to students. These loans and grants are based on:

- Province or territory of residence
- Family income
- Dependent status
- Tuition fees and living expenses
- Disability status

Grants do not need to be repaid, while loans must be paid back after completing the program. This option is especially useful for students in pre-apprenticeship or foundation training programs.

## **Student Aid Estimator**

The Government of Canada offers a Student Aid Estimator to help forecast potential financial assistance, allowing students to plan ahead for their educational expenses.

# STRATEGIES TO ATTACKING DEBT

Eliminating debt is a crucial step towards financial freedom. Having a clear strategy helps reduce stress and keeps you focused on your goals. Start by listing all your debts, including:

- Total amount owed (principal and interest)
- Minimum monthly payments
- Interest rates (APR)

## Debt Snowball Method

The debt snowball method prioritizes paying off the smallest balances first. Make minimum payments on all debts, then apply extra funds to the smallest debt. This method builds momentum as small debts disappear quickly, boosting motivation. However, it may result in higher interest costs over time.

## Debt Avalanche Method

The debt avalanche method focuses on paying off debts with the highest interest rates first. Make minimum payments on all debts, then apply extra funds to the debt with the highest interest rate. This approach saves the most on interest costs in the long run, but it may take longer to see results.

## Debt Consolidation

Debt consolidation involves taking out a low-interest loan to pay off multiple high-interest debts. This simplifies repayment and may reduce total interest.

## Avoid Taking on More Debt

To succeed with any debt strategy, avoid accumulating new debt. Additional debt can:

- Increase financial stress
- Disrupt your budget
- Delay savings for the future
- Lower your credit score



# LIVING DEBT-FREE AS A TRADES WORKER

Trade workers have a unique advantage in earning income while advancing in their trade, reducing the likelihood of accumulating significant debt compared to traditional university students. However, it's crucial to practice responsible spending to maintain a debt-free lifestyle.

## Debt Reduction Strategies (Part 1)

- **Adjust Your Budget:** Dedicate a portion of your monthly budget to debt repayment. Use methods like the debt snowball or debt avalanche to prioritize payments efficiently.
- **Take on Camp Jobs:** Working at remote camp locations often comes with higher pay, as well as room and board covered by the employer. Use the extra income to pay off debt faster, but remember to set aside money for taxes, as taxable benefits may apply.
- **Work Overtime:** Overtime hours pay 1.5 times the standard rate, boosting income and allowing for faster debt reduction.
- **Coordinate Business Trips and Vacations:** Combine out-of-town conferences or work trips with vacation days to minimize travel expenses. This strategy helps reduce vacation costs as the employer often covers flights and accommodations.
- **Apply for Union Roles:** Unions can help maintain steady employment by lining up new projects as one ends, ensuring consistent income to cover bills and reduce debt.

# LIVING DEBT-FREE AS A TRADES WORKER

## Debt Reduction Strategies (Part 2)

- **Register as a Trade Apprentice:** Employers may receive subsidies and tax breaks for hiring apprentices, making it beneficial for both parties. Completing certification can lead to higher wages, which helps tackle debt.
- **Leverage Employer Support:** Negotiate with your employer to cover expenses like tools, certifications, and conference travel. Employers can often deduct these costs, while you save money.
- **Negotiate with Creditors:** If payments become unmanageable, reach out to creditors to discuss reduced payments or interest rate adjustments. Be aware that debt settlements may affect your credit score.

Living debt-free as a trade worker is achievable with strategic budgeting, leveraging high-earning opportunities, and effectively using employer support. By staying disciplined and making the most of your earning potential, you can maintain financial stability and independence.

# Primary Pillars to Retirement



Retirement income is like a three-legged stool: the stronger and more balanced the legs, the more secure your retirement. The three main pillars are:

## GOVERNMENT PROGRAMS:

- **Canada Pension Plan (CPP):** Monthly payments based on contributions.
- **Old Age Security (OAS):** Monthly payments for seniors over 65.
- **Guaranteed Income Supplement (GIS):** Extra support for low-income seniors.

## EMPLOYER PLANS:

- **Pension Plans:** Regular payments based on salary and years of service.
- **Group RRSPs:** Tax-advantaged savings through your employer.

## EMPLOYER PLANS:

- **RRSPs:** Tax-deferred retirement savings.
- **TFSAs:** Tax-free growth and withdrawals.
- **Investments:** Stocks, bonds, and real estate.





# GOVERNMENT ADMINISTERED PLANS

Government-administered plans provide financial assistance to eligible Canadians upon retirement. The three main programs are:

## **Canada Pension Plan (CPP)**

- Monthly, taxable pension payments upon retirement.
- Both employees and employers contribute (5.95% each in 2024).
- Additional contributions apply on earnings above the maximum pensionable amount (4% in 2024).
- Overpayments can be refunded through your tax return.

## **Old Age Security (OAS)**

- Monthly pension for Canadians aged 65 and older.
- Funded by general tax revenues.
- Payments vary based on your income and length of residency in Canada.

## **Guaranteed Income Supplement (GIS)**

- Additional benefit for low-income seniors receiving OAS.
- Eligibility based on age, residency, and income level.

# EMPLOYMENT WORK ARRANGEMENTS

Many trade employers offer retirement savings plans that involve both employee and employer contributions. The most common types are:

## Defined Benefit (DB) Pension Plans

- Guaranteed lifetime income upon retirement.
- Benefit amount based on salary and years of service.
- Employer bears the risk of covering promised payouts.
- Less common in 2024 due to financial risk to employers.

## Defined Contribution (DC) Pension Plans

- Primarily funded by the employee, with optional employer matching.
- Investment performance affects the final retirement amount.
- Low risk and easy to administer for employers.

## Group Registered Retirement Savings Plans (Group RRSP)

- Employer sets up individual RRSP accounts for employees.
- Employer matching contributions are common.
- Contributions are taxable when made but deductible on the tax return.

## Tax Tip: Be Prepared for Withholding Taxes

Employer contributions to Group RRSPs are taxable in the year made. Make sure to account for potential taxes when filing your annual return.



# PERSONAL SAVINGS

## Tax-Advantaged Accounts

These accounts let your money grow tax-free or tax-deferred, helping build wealth faster. Here are some of the most common ones:

### Registered Retirement Savings Plan (RRSP)

- Contributions reduce taxable income.
- Earnings grow tax-free until withdrawal.
- Withdrawals are taxed as income.
- Useful for saving for retirement.

**Tax Tip:** Delay claiming your RRSP deduction if your income will be higher in future years to maximize tax savings.

### Tax-Free Savings Account (TFSA)

- Contributions are not tax-deductible.
- Earnings and withdrawals are tax-free.
- Great for saving and investing with no tax hit.

**Tax Tip:** Withdrawals increase your contribution room the following year.

### Registered Education Savings Plan (RESP)

- Save for a child's education with government grants.
- Contributions are not tax-deductible, but earnings grow tax-free.
- Withdrawals for education are taxable to the student.

### First-Home Savings Account (FHSA)

- Save for your first home tax-free.
- Contributions are tax-deductible, and withdrawals are tax-free when used for a first home.
- Annual limit: \$8,000, lifetime limit: \$40,000.

## Taxable Accounts

Non-registered accounts where investment earnings are taxed annually. These include dividends, interest, and capital gains.

### Tax Tip: Use Each Account for Its Purpose

Keep it simple and use each account for its intended goal: retirement, education, or home buying to minimize tax issues and maximize benefits.



# THE EFFECT OF COMPOUND INTEREST

Compound interest is a powerful tool to grow wealth over time. Unlike simple interest, which is calculated only on the principal amount, compound interest works by earning interest on both the principal and the accumulated interest. This creates a snowball effect, where your money grows faster the longer it's invested.

## Example: Compound Interest

Louis deposits \$15,000 in a savings account with a 5% interest rate per year.

- Year 1: \$750 interest ( $\$15,000 \times 5\%$ ) → Total: \$15,750
- Year 2: \$787.50 interest ( $\$15,750 \times 5\%$ ) → Total: \$16,537.50
- Year 3: \$826.87 interest ( $\$16,537.50 \times 5\%$ ) → Total: \$17,364.37

## Tips to Maximize Compound Interest

- Invest Early: The sooner you start, the more time your money has to grow.
- Contribute Regularly: Even small, consistent contributions add up over time.
- Leave Funds Unused: Avoid withdrawing to let interest compound.

Saving through tax-advantaged accounts like RRSPs and TFSAs can amplify the benefits of compound interest by shielding earnings from taxes. Start early and stay consistent to maximize your financial future!

# TYPES OF INVESTMENTS

Investing is a great way to grow your wealth, but each type of investment carries a different level of risk and return. Here's an overview of some common investment options:

## High-Interest Savings Account

Offers higher interest rates than regular savings accounts. Ideal for emergency funds due to quick access and low risk.

## Guaranteed Investment Certificates (GICs) / Term Deposits

Low-risk investments where the principal and interest are guaranteed. Suitable for short-term goals like saving for a house or education.

**Tax Tip:** Interest income from GICs or high-interest savings accounts in taxable accounts is taxed at the same rate as employment income. Consider the after-tax returns when choosing these investments.

## Stocks

Buying stocks means purchasing ownership in a company. Stocks can provide high returns but come with higher risk.

## Bonds

Lending money to a corporation or government in exchange for interest payments. Generally safer than stocks, but lower returns. Bond values often increase when interest rates fall.

## Mutual Funds

Pooled investments managed by a fund manager. A diversified option that invests in a combination of stocks, bonds, and other securities. Suitable for long-term growth and medium risk tolerance.

**Tax Tip:** Transferring cash to an investment account isn't enough, be sure to actually invest it. Leaving it idle in the account doesn't protect it from inflation.

Choosing the right investment depends on your risk tolerance, time horizon, and financial goals. Diversifying your portfolio across different types of investments can help manage risk while aiming for growth.

# MUTUAL FUNDS VS. INDEX FUNDS VS. ETFs

Mutual funds, index funds, and ETFs are all investment vehicles that pool money from many investors to buy a diversified portfolio of stocks, bonds, or other securities. They help spread risk by investing in numerous companies at once.

## Mutual Funds

- Actively managed by professional fund managers who make investment decisions.
- Typically have higher fees due to active management.
- Bought and sold only at the end of the trading day at the fund's net asset value (NAV).

## Index Funds

- Passively managed, tracking a specific index like the S&P 500.
- Lower fees compared to mutual funds.
- Bought and sold at the end of the trading day at NAV.
- Great for long-term, low-cost investing.

## Exchange-Traded Funds (ETFs)

- Usually passively managed and track an index, but can also be actively managed.
- Traded on stock exchanges throughout the day like individual stocks.
- Lower fees similar to index funds but offer more trading flexibility.
- Can be bought and sold at any time during market hours.

## Investment Tip

Consider your investment goals and trading preferences when choosing between these options. Mutual funds are good for hands-off, long-term investing but come with higher fees. Index funds offer low-cost, passive growth. ETFs provide more flexibility and lower fees while being easily tradable like stocks.



# The Cost of Investing



Investing isn't just for the wealthy, anyone can start with the right approach. There are three main types of investment accounts, each offering a different level of control and cost.

## MANAGED PORTFOLIOS

- **Full-service brokerage accounts** with professional managers making decisions.
- **Fees:** Typically 1.5% - 2.5% of assets per year.
- **Pros:** Professional management and guidance.
- **Cons:** High fees, which can add up significantly over time.

## ROBO-ADVISORS


- **Automated investment portfolios** that adjust based on your chosen risk level.
- **Fees:** Around 0.5% - 1.0% per year.
- **Pros:** Lower costs than managed portfolios, automatic rebalancing.
- **Cons:** Limited customization and no personal advisor.

## SELF-DIRECTED ACCOUNTS

- **Full control** over investment choices and trades.
- **Fees:** Minimal, usually just trading fees or small maintenance costs.
- **Pros:** Low cost, full flexibility.
- **Cons:** Requires knowledge and hands-on management.

## INVESTMENT TIP

Choose the type of account that matches your comfort level with risk and involvement. Managed portfolios are good for hands-off investing, robo-advisors for a middle ground, and self-directed accounts for those who prefer full control and lower costs.





## KEEPING IT SIMPLE!

Investing doesn't have to be complicated. Start simple and focus on strategies that minimize costs while maximizing growth.

### Simple Strategies for Investing

- **Use Tax-Advantaged Accounts:** Grow your wealth tax-free and reduce current tax liabilities.
- **Contribute Regularly:** Set a consistent amount each month. Dollar-cost averaging helps smooth out market fluctuations.
- **Minimize Costs:** Choose low-cost index funds or ETFs instead of expensive managed funds.
- **Diversify Your Portfolio:** Spread risk by investing in a mix of mutual funds, index funds, or ETFs.
- **Tax Efficiency:** For taxable accounts, focus on investments with capital gains and eligible Canadian dividends for lower tax rates.

### Tax Tip

Stick to one of each type of tax-advantaged account (like RRSP and TFSA) to make tracking easier and avoid over-contribution penalties. Simplifying your accounts keeps your financial management stress-free.

# GLOSSARY

## **Bank statement**

list of all transactions within a bank account over a set period, usually a month

## **Budget**

an estimate of the income and expenses over a specific time period, usually a month or a year

## **Budget tool planner**

a tool that can be in the form of a worksheet, template, spreadsheet or app to assist in creating a budget

## **Business expense**

any costs incurred for the purpose to earn business income

## **Canada Pension Plan (CPP)**

a government administered retirement pension plan that is available to all individuals who made contributions to the program

## **Canada Revenue Agency (CRA)**

agency that administers tax, benefits, and related programs to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians

## **Certificate of Qualification**

official document issued by the provincial or territorial trades training authority recognizing that you are qualified to work in a particular skilled trade

## **Certified journeyperson**

individual who is fully certified and can work in the full scope of the trade. Many trades require a Red Seal Endorsement to be fully trade certified in Canada.

## **Chief Executive Officer (CEO)**

highest-ranking person in a Company, ultimately responsible for Company's direction and managerial decisions

## **Compound interest**

the interest on savings calculated on both the initial principal amount plus the accumulated interest from previous periods (interest earned on interest)

# GLOSSARY

## **Debt**

an asset, usually money, that is owed or due

## **Defined contribution pension plan**

a retirement plan, where an employee typically remits a fixed amount or percentage of their paycheck to fund their retirement. The employer may make a prescribed matching contribution amount to the plan as an added benefit. The contributions are invested on your behalf, but there is no certainty on how much your pension will be worth upon retirement.

## **Disposable income**

amount of remaining income available to be spent once income taxes and deductions have been taken

## **Effective tax rate**

the average tax rate for an individual, calculated by the total tax (net tax liability) divided by taxable income

## **Emergency fund**

a separate set of funds that can be available at any time to cover unexpected expenses or financial emergencies

## **Employment Insurance (EI)**

a government administered program that provides temporary income support to unemployed workers while they look for employment or upgrade their skills

## **Financial freedom**

the state of having enough assets or passive income sources to cover one's living expenses perpetuity without support from further employment. Also called financial independence

## **Financial independence**

the state of having enough assets and/or passive income sources to cover one's living expenses in perpetuity, without support from further employment.

# GLOSSARY

## **Financial literacy**

having the knowledge, skills, and confidence to make responsible financial decisions

## **Gross income**

an individual's total earnings prior to any taxes and other deductions

## **Income Tax and Benefit Return (T1)**

the Canadian tax return that individuals complete every year to calculate whether they owe tax on their income. A return must also be completed and submitted to Canada Revenue Agency to receive federal and provincial or territorial benefits and credits.

## **Interest rate**

the rate expressed as a percentage of the loan amount to borrow money

## **Marginal tax rate**

the tax rate that will be applied to a taxpayer on the next dollar of taxable income

## **Microcredential**

accelerated training programs offered by post-secondary education institutions that are intended to help people retrain or upgrade their skills in a variety of sectors

## **Money mindset**

a person's unique set of core beliefs about money and the attitudes associated with it

## **Net cash flow**

the amount of cash generated or lost over a specific period of time

# GLOSSARY

## **Net worth**

the value of net assets that an individual has calculated by total assets less total liabilities

## **Overtime hours**

generally hours worked by an employee greater than 8 hours a day or 40 hours a week, depending on Provincial and/or Territorial employment laws

## **Passive income**

any income earned with little or no active effort, not to include such working hours as an employee

## **Pay rate**

the regular amount of money that an employee is paid, usually expressed on a per hour or annual basis

## **Paystub**

a document, either paper or electronic form that is issued to an employee with every payday. Also referred to as a pay slip

## **Pre-apprenticeship program**

educational theory and hands-on work program, usually encompassing several months up to a year, that assists new entrants into the Trades preparing them to find work as an apprentice

## **Principal residence**

the private dwelling that an individual or family occupies most of the time. Unit can be in the form of a house, condominium, cottage, apartment, or mobile home.

## **Record of Employment (ROE)**

form completed by employer showing information on an employee's employment history when an employee experiences an interruption of earnings

# GLOSSARY

## **Red Seal Endorsement**

stamped mark on the provincial or territorial trade certificate recognizing that one has the knowledge and skills necessary to practice that trade across Canada

## **Red Seal Trade**

a designated skilled trade in Canada governed by regulations under the Provincial and Territorial Apprenticeship Acts. These regulations outline the administrative procedures and in some case the standards and conditions of training for specific trades (eg. methods of registering apprentices, curriculum, accreditation, and certification).

## **Registered Retirement Savings Plan (RRSP)**

a retirement savings and investment plan that individuals can open an account for and contribute to. Deductible contributions can be used to reduce your income tax.

## **Return on investment (ROI)**

a ratio measuring the amount of return or benefit on a particular investment, relative to its costs

## **S.M.A.R.T. goal**

an acronym for setting intentions to ensure that the aims meet all the criteria of being Specific, Measurable, Achievable, Relevant, and Time-Based

## **Savings rate**

the percentage of after-tax income that is put towards savings

## **Social Insurance Number (SIN)**

a unique nine-digit number that identifies a person in Canada for tax purposes and other government programs. Needed for employment and being paid in Canada

# GLOSSARY

## **Source deductions**

amount of funds that employers are obligated to withhold from their employees and remit to Canada Revenue Agency. Includes Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, and income tax

## **Sponsor employer**

organization that commits to ensuring a trade apprentice receives high-quality on-the-job instruction and progresses through the apprenticeship education program outlined by the Provincial or Territorial Apprenticeship Authority

## **Tax credits**

amounts that help reduce the taxes that you owe

## **Tax-advantaged account**

any type of investment, financial account, or savings plan that is either tax-exempt, has the ability to defer tax, or offers other tax benefits

## **Tax-Free Savings Account (TFSA)**

a registered savings account that individuals 18 and over with a valid Social Insurance Number (SIN) can open to set money aside tax-free throughout their lifetime

## **Taxable income**

amount of your income that is subject to tax. It is used to calculate federal and provincial/territorial tax amounts.

## **TD1 - Personal Tax Credits Return**

tax form used to determine the amount of tax to be deducted from an individual's employment income or other income. Federal and provincial/territorial TD1 forms are completed separately

## **Trades apprentice**

an individual who is registered in a specialized trades training program acquiring skills and competencies through a combination of on-the-job training and classroom learning