



Debt & Taxes: The Basics

Show Notes

Guests: The Financial Empowerment Initiative

- Tayo EL-Nathan, Executive Director and Dotun Ayodele, CPA

Episode Summary:

This episode covers the essentials of financial literacy, focusing on debts, loans, and taxes. The episode discusses different types of loans—such as credit cards, lines of credit, mortgages, and payday loans—highlighting their pros and cons. The speakers emphasize the importance of managing debt responsibly, understanding interest rates, and the dangers of consumerism. They also explain how poor financial decisions can lead to long-term consequences, including damaged credit scores and mental stress. The episode wraps up by discussing the importance of filing taxes annually, even for those without income, and how missing tax deadlines can result in lost government benefits and penalties.

Websites:

- The Financial Empowerment Initiative: thefei.ca
- Equifax: consumer.equifax.ca
- TransUnion: transunion.ca
- Credit Karma: www.creditkarma.ca

Key Terms and Definitions:

- **Loan:** a borrowed sum of money that is expected to be paid back with interest.
- **Principal:** the original borrowed sum of money.
- **Interest:** the amount a lender charges a borrower; a percentage of the principal.
- **Default:** failure to meet the legal obligations of a loan.

- **Collections:** if a customer does not pay back their lender within the terms specified, the amount becomes past due and is sometimes submitted to a collection agency.
- **Bankruptcy:** a legal action taken by a business or individual when they are unable to pay off their debts.
- **Credit Score:** a prediction of your credit behavior, such as how likely you are to pay a loan back on time, based on information from your credit reports.
- **Line of Credit:** an account that enables customers to draw funds when they need them. Interest is paid only on funds withdrawn.
- **Tax Credits/Deductions:** Tax incentives provided by the government to reduce taxable income (deductions) or to reduce the tax owed (credits) directly.
- **T4:** A slip issued by employers to their employees that summarizes the total income earned and deductions taken that year, used when filing income taxes.
- **Tax Benefits:** Financial reliefs provided by the government to qualifying taxpayers.

Discussion Questions:

- Have you ever felt overwhelmed by the idea of managing debt? What strategies did you use to cope with it?
- What was your experience like when you first applied for a loan or credit card? Was there anything you wish you had known beforehand?
- Can you share a time when you struggled with understanding interest rates or loan terms? How did you overcome that challenge?
- Have you ever faced difficulties with paying off credit card debt? How did you manage to address those challenges?
- Have you ever taken a payday loan or other high-interest loan? What impact did it have on your financial situation?
- What are some ways you've learned to avoid impulse spending or falling into debt?
- How has your perspective on loans or borrowing changed over the years?
- What advice would you give to someone who is just starting to build their credit history?

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