



Name: _____

What is a Person to do? Life Planning for the Business Cycle

Your scenario: _____

Personal Budget in an Economic Expansion

Key characteristics of an expansion:

What will be your primary sources of income?

What challenges will you face?

What advantages will you have?

Personal Budget in an Economic Contraction

Key characteristics of a contraction:

What will be your primary source of income?

What challenges will you face?

What advantages will you have?



What is a Person to do? Life Planning for the Business Cycle

Your scenario: School Only_____

Living in an Economic Expansion

Key characteristics of an expansion:

- Jobs are plentiful.
- Asset prices are high, so your parents may have more savings.
- Interest rates are low, so the cost of borrowing is cheaper.

What will be your primary sources of income?

- RESPs
- Parent's funds
- Summer job

What challenges will you face?

- You may have a worse chance of getting a job out of school if you graduate and the economy is in an economic contraction.
- Interest rates may be set to rise as the expansion progresses, making any student loan debt more expensive.
- Rental costs for student housing may be very high during an expansion.

What advantages will you have?

- Borrowing costs likely low
- Asset prices are high, can sell if you have any asset
- Jobs are plentiful if you want a summer job
- If you graduate and the economy is still booming, you may be able to get a job straight out of school.

Personal Budget in an Economic Contraction

Key characteristics of a contraction:

- Jobs are becoming scarce, layoffs abound.
- Asset prices are falling, so your parents may have less savings as they sell stocks and other investments, perhaps even your RESP.
- Interest rates are rising, so the cost of borrowing is becoming more expensive.

What will be your primary source of income?

- Likely government loans and grants
- Since your parents may not be able to help, you may have to sell off items that you do not need.
- You may not be able to find even a summer job.
- Perhaps rent sharing with a roommate

What challenges will you face?

- Your parents might be financially stressed, meaning potentially no parent help, no RESP.
- You may graduate into a continuing economic contraction, meaning jobs are hard to find.
- Your debt load may be heavy at a time when you cannot find work, so interest builds up as you look for a job after school.

What advantages will you likely have?

- Lower asset prices (driven down by higher borrowing costs)
- May graduate into an economic boom (If you are in a contraction, an expansion could be around the corner.)
- Since you are not working during university, you are not worrying about finding a job.
- Rent may fall due to lower asset prices.
- You may be exiting school into an economic expansion, so you may benefit from lower interest rates after school, more jobs, and rising asset prices.



What is a Person to do? Life Planning for the Business Cycle

Your scenario: School and work_____

Living in an Economic Expansion

Key characteristics of an expansion:

- Jobs are plentiful.
- Asset prices are high, so your parents may have more savings.
- Interest rates are low, so the cost of borrowing is cheaper.
- Finding part time work is easy

What will be your primary sources of income?

- RESPs
- Parent's funds
- Summer job
- Part-time job during school

What challenges will you face?

- You may have a worse chance of getting a job out of school if you graduate and the economy is in an economic expansion.
- Interest rates may be set to rise as the expansion progresses, making any student loan debt more expensive.
- Rental costs for student housing may be very high during an expansion
- High rent and food costs cut into your savings from school.

What advantages will you have?

- Borrowing costs likely low.
- Asset prices are high, can sell if you have some.
- Jobs are plentiful if you want a summer job
- If you graduate and the economy is still booming, you may be able to get a job straight out of school.
- You can save money from your job and graduate from school with potentially far less debt.

Personal Budget in an Economic Contraction

Key characteristics of a contraction:

- Jobs are becoming scarce, layoffs abound.
- Asset prices are falling, so your parents may have less savings as they sell stocks and other investments, perhaps even your RESP.
- Interest rates are rising, so the cost of borrowing is becoming more expensive.

What will be your primary source of income?

- Likely government loans and grants
- Since your parents may not be able to help, you may have to sell off items that you do not need.
- You may not be able to find even a summer job.
- Perhaps rent sharing with a roommate

What challenges will you face?

- Your parents might be financially stressed, meaning potentially no parent help, no RESP.
- You may graduate into a continuing economic contraction, meaning jobs are hard to find.
- Your debt load may be heavy at a time when you cannot find work, so interest builds up as you look for a job after school.
- You may have to compete to even find part time work during school, as there are less jobs available.

What advantages will you likely have?

- Lower asset prices (driven down by higher borrowing costs), so you may be able to put money into cheap assets that could go up during the expansion.
- May graduate into an economic boom (if you are in a contraction, an expansion could be around the corner).
- Since you are not working during university, you are not worrying about finding a job.
- Rent may fall due to lower asset prices.
- You may be exiting school into an economic expansion, so you may benefit from lower interest rates after school, more jobs, and rising asset prices.



What is a Person to do? Life Planning for the Business Cycle

Your scenario: Work Only_____

Living in an Economic Expansion

Key characteristics of an expansion:

- Jobs are plentiful.
- Asset prices are high, so your parents may have more savings.
- Interest rates are low, so the cost of borrowing is cheaper.

What will be your primary sources of income?

- Parent's funds
- Summer job
- Full-time work

What challenges will you face?

- If you decide to work only, you could possibly get laid off during an upcoming contraction and lack skills to get work.
- Asset prices are high, so it is not attractive to buy stocks and real estate at these levels.
- Saving cash is probably the best bet, but low interest rates make holding cash unattractive.

What advantages will you have?

- Jobs are plentiful, and high paying.
- There is the chance to gain valuable skills as the economic expansion continues.
- You can keep your debt low and save cash while you work, perhaps being able to go to school in the future during an economic contraction.
- You can try different jobs and see what you like since jobs are plentiful.

Personal Budget in an Economic Contraction

Key characteristics of a contraction:

- Jobs are becoming scarce, layoffs abound.
- Asset prices are falling, so your parents may have less savings as they sell stocks and other investments, perhaps even your RESP.
- Interest rates are rising, so the cost of borrowing is becoming more expensive.

What will be your primary source of income?

- Likely government loans and grants.
- Since your parents may not be able to help, you may have to sell off items that you do not need.
- You may not be able to find even a summer job.
- Perhaps rent sharing with a roommate

What challenges will you face?

- Your debt load may be heavy at a time when you cannot find work, so interest builds up as you look for a job after school.
- You may have to compete to even find part-time work, as there are less jobs available.

What advantages will you likely have?

- Lower asset prices (driven down by higher borrowing costs), so you may be able to put money into cheap assets that could go up during the expansion.
- Things could improve soon (if you are in a contraction, an expansion could be around the corner.)
- Rent may fall due to lower asset prices.