

Borrowing Solutions

5 Principles for Better Borrowing



RBC Royal Bank®





Better borrowing lets you get more from your money

Most people end up borrowing money at some point in their lives. But we know life isn't about borrowing – it's about realizing your goals. The way you manage your money can help you achieve your goals more easily, and sooner.

Becoming a better borrower gets you more for your money. Whether you're borrowing for the first time, or have been borrowing for years, there are 5 principles that can help you borrow better.

5 Principles for Better Borrowing

1 Think about your goals and how borrowing can help you achieve them

You may have an immediate goal in mind, such as purchasing appliances or buying a car. It's also good practice to keep in mind your financial goals for two, five or even ten years from now. So, if you're planning a wedding two years from now, you may reconsider how much you borrow for a car today.

2 Determine how much you can afford

To understand how much you can afford, create a budget. Calculate your monthly earnings minus your monthly expenses – the amount you have left over can be used to repay new debt. Remember to include fixed costs like rent, phone and utilities, variables like groceries and transportation, and discretionary spending like clothing and entertainment in your calculations.

Try our budgeting tool and see your financial picture

Understand how much you spend and how much you can afford to borrow. Get started with our online budget tool at

[www.rbc.com/
budgeting](http://www.rbc.com/budgeting)



3 Choose the borrowing solution that's right for you

After considering your goals and what you can afford, consider how you manage your finances. Do you have a budget and stick to it? Does your salary vary from month to month? Are you likely to put extra against your debt to pay it down quickly? Or are you the type of person who would benefit from a structured payment plan? Take the time to consider what makes you most comfortable when evaluating borrowing solutions.

When evaluating your options, be sure to take a close look at the details. “Buy now, pay later” offers may seem attractive, but a missed payment can incur hefty penalties and high interest rates. Be sure you will have funds available for when payment comes due.

4 Make sure you have a repayment plan

Know how long it will take you to repay what you borrow, and make sure the timing is in line with your goals. You don't want to still be paying for your car loan when the time comes to replace your car. However, when you spread out payments over a longer time period, borrowing can become more affordable on a monthly basis.

5 Understand your true cost of borrowing

Your true cost of borrowing will depend on how much you borrow, how long you borrow for, and your interest rate. Because your cost is a combination of factors, a low interest rate over a long term can actually end up costing more than a higher interest rate over a short term.

To reduce your cost of borrowing on existing debts, focus on paying down higher interest rate debts first, and increase your payments so your debt is paid off more quickly. And remember, by making your payments on or before your due date you're automatically developing a strong credit history, which will help you borrow better in the future.



Smart borrowing starts with you

It's about your goals, and the way you want to manage your finances. At RBC Royal Bank® we can show you borrowing solutions that are ideally suited for you and your individual needs.

Loans are ideal when you have a single one-time expense. With structured payment plans, you'll know your exact payments: how much, how frequently and for how long.

- **Personal loan** – finance purchases such as new appliances, refurnishing your living room, buying a boat or furthering your education
- **Car loan** – arrange a structured payment plan for your new or used vehicle
- **RRSP Loan** – maximize your annual RRSP contribution
- **RBC Energy Saver™ Loan** – finance energy-efficient products or services such as hybrid vehicles, energy efficient home improvements and even solar panels

Lines of credit are ideal when you may be making several purchases over a period of time. A line of credit gives you flexible access to a set amount of funds. There's no charge unless you use it, and you can make the minimum monthly interest-only payment or pay off as much as you want.

- **Royal Credit Line®** – manage everyday expenses, home renovations or investments, or pay off higher interest debt
- **Royal Credit Line® for Students** – build a credit history and manage the costs of going to school



Smart borrowing includes protecting your goals and plans

You may have spent the last few months planning to buy a new car, take a long vacation or invest in a home renovation. And you've spent time getting a loan to finance these plans. How can you protect them?

LoanProtector[®] life and disability insurance¹ acts to protect your loan obligations in the event of the unexpected. It can help pay your insured loans and lines of credit balances in the event of your death. It can also help maintain your regular loan payment(s) if you become disabled.

Be sure to ask your RBC advisor about protecting your loan with LoanProtector insurance.

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¹ LoanProtector insurance is creditor's group insurance program underwritten by The Canada Life Assurance Company. Please see the LoanProtector booklet for full details, including eligibility requirements and exclusions, pre-existing health condition exclusions, privacy and confidentiality of personal information.

We can help you borrow better

We can help you put the 5 principles of better borrowing into action, and help you meet your borrowing goals.

- Visit your local RBC Royal Bank branch
- Call **1-800 ROYAL® 1-1**

For more information,
visit www.rbc.com/betterborrowing

Advice you can bank on™