

Money Management & Budgeting

The cost of living



Credit Canada
Debt Solutions



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Requests for additional copies should be directed to:

Credit Canada Debt Solutions
A not for profit charity since 1966
45 Sheppard Avenue East, Suite 810
Toronto, Ontario M2N 5W9
Telephone 416-228-DEBT (3328)
1-800-267-2272 from outside Toronto
Fax (416) 228-1164 Email info@creditcanada.com

Proceeds from sales are directed toward consumer education in money management skills.

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Money - What is it?

Money isn't just about buying goods and services. Money influences how we feel about ourselves and other people. More money is not the answer, gaining control is.

Control – how do we get it?

Managing money is a skill. Like most skills, it requires practice. Without this skill, it's likely you will experience financial stress – running out of money regularly, feeling deprived or juggling to pay bills. Even those who make lots of money can experience problems without a healthy respect for their finances.

There are people who HAVE and people who DO NOT HAVE, and it has little to do with the amount they earn. Some have difficulty getting by with a good salary, while others who earn less seem to have it "together". Herein lies the difference between those who have learned good money management skills and those who have not.

Financial planning – what is it?

A good plan acts as a guide for you. It doesn't need to be down to the penny. It needs to be easy to understand and it should require a minimum amount of time and effort. It is a reflection of your needs and wants, your values and your goals. It does not determine who you are but reflects that special unique person that is you.

A good plan is based on current income and expenses. It allows for future possibilities and probabilities. It must be flexible, allowing you to adjust it as things around you change. The plan must also provide for pleasures as well as necessities.

A plan is not a magic genie to grant your every wish. It is your servant. It will promote good spending and saving habits and improve your financial health. It is your most valuable financial resource.

Money Management Quiz

Please answer the following as truthfully as possible according to your present financial practices:

- I pay the rent/mortgage payment and utility bill on time.
Always Sometimes Never
- I save 10 percent of my net income.
Always Sometimes Never
- I try to keep three months of my net income in reserve for emergencies.
Always Sometimes Never
- I plan ahead for large expenses such as taxes and insurance.
Always Sometimes Never
- I set goals and keep a budget for my net income.
Always Sometimes Never
- I spend no more than 15 to 20 percent of my net income for credit payments, including home mortgage.
Always Sometimes Never
- I comparison shop for the purchase of most products or services.
Always Sometimes Never

- I use credit only for expensive purchases or when I have the money in the bank to cover the charge.
Always Sometimes Never
- I balance my cheque book every month.
Always Sometimes Never
- I keep myself financially updated by reading consumer articles.
Always Sometimes Never

Total your score. Give yourself:

- 0 points for each never.
- 1 point for each sometimes.
- 2 points for each always.

How did you score? A score of:

- 15 - 20 points suggest you are practicing good money management skills.
- 10 - 15 points suggests that you are making an effort toward improving your money management skills.
- 0 - 10 points suggests that you need to improve your money management skills.

Money Management

Imagine what you would like to do with your money. What do you see?

Do you see a future free of financial worries?

Are there specific items you want to buy?

If so, you need to set specific goals for how to use your money.

Good money management begins with setting goals. Goals give you direction, a purpose for the way you spend your money and the way you live.

Goals motivate and encourage you. Goals are dreams or wishes that could come true. If your goals are specific enough, you will be motivated to balance your spending and savings to reach your goals.

If you don't set goals, you will find yourself saying, "I wish I had." The idea of goal setting is to specifically decide what you want. Goals should be set and reconsidered periodically because they can change.

Take some time to think, then write down your financial goals below.

Once you have identified your goals:

- Determine how long you need to realize each goal and the money you need to put aside to reach your goals.
- Develop a plan for achieving your goals.
- Set aside a weekly or monthly amount that needs to be saved to meet a particular goal.

My Financial Goals

Short Term Goals (to be met within the next year or so).

Objective / Amount	Estimated Cost	Target Date	Monthly
1. _____	\$ _____	_____	\$ _____
2. _____	\$ _____	_____	\$ _____
3. _____	\$ _____	_____	\$ _____

Intermediate Goals (that can be reached within five years).

Objective / Amount	Estimated Cost	Target Date	Monthly
1. _____	\$ _____	_____	\$ _____
2. _____	\$ _____	_____	\$ _____
3. _____	\$ _____	_____	\$ _____

Long Term Goals (these goals take the longest to achieve, 10 to 15 years or longer).

Objective / Amount	Estimated Cost	Target Date	Monthly
1. _____	\$ _____	_____	\$ _____
2. _____	\$ _____	_____	\$ _____
3. _____	\$ _____	_____	\$ _____

Money Management

Goals guide you. Remember, goals are an important key to successful money management.

Goals can help you make your dreams come true within a specific period of time. They help you use your money to do the things that are important to you.

After goals are listed and prioritized, a workable budget should be devised. This plan for spending and saving first requires an estimate of income and expenditures. For best results, a budget should not be too complicated or rigid, but must be realistic.

Develop a realistic budget.

Now that you have listed your goals you have completed the first step in your spending plan. The next step in making a budget is estimating your family's income. Before you can plan wisely, you need to know how much money you will have during the planned period.

Using the chart below, list all household monthly net income and total the amount.

Income:	
Net Income from Wages \$	_____
Rental Income \$	_____
Pensions \$	_____
Family Allowance \$	_____
Commissions \$	_____
Self Employment \$	_____
Other \$	_____
Total Monthly Net Income \$	_____

Monthly Expenses

Estimating expenses.

After you have figured out how much your income will be for the planning period, it is time to estimate your expenses.

If you have records of family spending, they can serve as a basis for your budget.

List items of expenses that your family had, with the amount you spent for each item. Include fixed payments, contributions and other predictable expenditures.

If you do not have records, you may be able to recall some of your previous expenses. Cheque book stubs, receipts and old bills can serve as reminders. This may be all the guidance you need in estimating your expenses.

If you are new at budgeting, you may want to start by finding out where your money goes. Keep a record of current spending for two or three months.

It's easier to keep track of your budget if you have a family financial record book (Monthly Budget Tracker).

Use it to record your daily expenses and then compare these expenses to the monthly expenses you have written down.

Use the revised column of the Monthly Expense sheet to re-evaluate your monthly expenses.

Monthly Expenses

Estimating Expenses Chart

W - weekly
M - monthly
O - occasional
↓

	Initial	Revised
Housing Expenses:		
First Mortgage <input type="checkbox"/>	_____	_____
Second Mortgage <input type="checkbox"/>	_____	_____
Property Taxes <input type="checkbox"/>	_____	_____
House Insurance <input type="checkbox"/>	_____	_____
Rent / Condo Fees <input type="checkbox"/>	_____	_____
Telephone <input type="checkbox"/>	_____	_____
Cell phone <input type="checkbox"/>	_____	_____
TV cable <input type="checkbox"/>	_____	_____
Internet <input type="checkbox"/>	_____	_____
Hydro <input type="checkbox"/>	_____	_____
Water / Sewer <input type="checkbox"/>	_____	_____
Gas/oil/wood/electric <input type="checkbox"/>	_____	_____
Maintenance Contracts <input type="checkbox"/>	_____	_____
Other <input type="checkbox"/>	_____	_____
Other <input type="checkbox"/>	_____	_____
Other <input type="checkbox"/>	_____	_____
Other <input type="checkbox"/>	_____	_____
Work Expenses:		
Transit - Applicant <input type="checkbox"/>	_____	_____
Transit - Spouse <input type="checkbox"/>	_____	_____
Lunches / Breaks <input type="checkbox"/>	_____	_____
Lunches / Breaks <input type="checkbox"/>	_____	_____
Daycare <input type="checkbox"/>	_____	_____
Special Clothing <input type="checkbox"/>	_____	_____
Sub Total <input type="checkbox"/>	_____	_____

	Initial	Revised
Total Forward:	_____	_____
Living Expenses:		
Food <input type="checkbox"/>	_____	_____
Personal Travel <input type="checkbox"/>	_____	_____
Clothing <input type="checkbox"/>	_____	_____
Alimony & Support <input type="checkbox"/>	_____	_____
Auto License / Maintenance <input type="checkbox"/>	_____	_____
Insurance - Auto <input type="checkbox"/>	_____	_____
Insurance - Life <input type="checkbox"/>	_____	_____
Medical / Doctor <input type="checkbox"/>	_____	_____
Prescription Drugs <input type="checkbox"/>	_____	_____
Dental <input type="checkbox"/>	_____	_____
Laundry / Dry Cleaning <input type="checkbox"/>	_____	_____
Pets <input type="checkbox"/>	_____	_____
Personal Expenses:		
Tobacco <input type="checkbox"/>	_____	_____
Alcohol / Beverages <input type="checkbox"/>	_____	_____
Recreation <input type="checkbox"/>	_____	_____
Babysitter <input type="checkbox"/>	_____	_____
Personal Grooming <input type="checkbox"/>	_____	_____
Barber / Hairdresser <input type="checkbox"/>	_____	_____
Magazines / Newspapers <input type="checkbox"/>	_____	_____
Gifts <input type="checkbox"/>	_____	_____
Religious Donations <input type="checkbox"/>	_____	_____
School Expenses <input type="checkbox"/>	_____	_____
Donations <input type="checkbox"/>	_____	_____
Allowances <input type="checkbox"/>	_____	_____
Total Expenses <input type="checkbox"/>	_____	_____
Debt Payments <input type="checkbox"/>	_____	_____
Total <input type="checkbox"/>	_____	_____
Summary of Funds Available		
Net Income From All Sources	_____	_____
Less Total Expenses	_____	_____
Funds Available	_____	_____

Evaluation

Evaluation is the most important step.

Make the necessary adjustments to meet your needs and reach your goals. Here are some helpful tips on creating a successful budget:

1. Have at least two bank accounts.
 - a. Personal chequing – used for all household regular monthly expenses.
 - b. Savings – to meet goals, and acts as a safety cushion for emergencies.
2. Make sure everything you spend is listed in your budget booklet (Monthly Budget Tracker) including any small items such as coffee, gum, candy bars, etc.
3. Leave your instant teller card at home. The temptation to withdraw money may not be as great if you have to physically go into the bank each time.
4. Use your “piggy bank” to help you save.

Although this is not a planning tool, putting away your change on a daily basis can help you save for small ticket items.
5. Look for ways to reduce your expenses. See Pages 9, 10 and 11 of this publication for dozens of handy tips to help you cut down on your expenses.
6. Minimize the number and usage of credit cards.

10 Basic Rules of Money Management

1. **Plan.** Plan for the future, major purchases and periodic expenses.

Put money away for retirement, by opening a Registered Retirement Savings Plan (RRSP) and take advantage of current income tax rules that allow for other tax-deductible savings.
2. **Set financial goals.** Determine short, mid and long range financial goals.
3. **Know your financial situation.** Determine monthly living expenses, periodic expenses and monthly debt payments.
4. **Develop a realistic budget.** Follow your budget as closely as possible. Evaluate your budget. Compare actual expenses with planned expenses.
5. **Don't allow expenses to exceed income.** Avoid paying only the minimum on your charge cards, try to pay more. Don't charge more every month than you are repaying to your creditors.
6. **Saving is good.** Save for periodic expenses, such as care and home maintenance. Save 10 to 15 percent of your net income. Accumulate three to six months salary in an emergency fund.
7. **Pay your bills on time.** Maintain a good credit rating. If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact Credit Canada Debt Solutions for professional advice.
8. **Distinguish the difference between needs and wants.** Take care of your needs first. Money should be spent for wants only after needs have been met.
9. **Use credit wisely.** Use credit for safety, convenience and planned purchases. Determine the total you can comfortably afford to purchase on credit. Credit payments should not exceed 15 to 20 percent of net income. Do not borrow from one creditor to pay another.
10. **Keep a record of daily expenditures.** Use a “Monthly Budget Tracker” daily expenses budgeting booklet to assist you in identifying how you spend your money and where any adjustments need to be made.

Savings

Build an emergency fund.

If you are short on savings, your first budget priority should be to start an emergency fund to cover three to six months worth of expenses. Do this before you do anything else.

You need the cushion and assurance that if you should lose your income, you could still meet your obligations until the emergency is over.

Starting a savings program.

When creating a budget it is essential that you include a savings account. The savings account is not a luxury but an absolute necessity for financial comfort.

If you get into the habit of “paying yourself first” you will always practise saving. The savings account is there to meet goals. The savings account does not exist to pay bills.

The easiest approach to saving money is to take a percentage of your income and put it away each pay. Each time you receive your pay cheque, take a percentage of it and put that money in your savings account or some other type of investment vehicle.

Your personal banker can help you by setting up an automatic withdrawal to take money out of one account and put it into another account every time you get paid.

By taking money off the top before you have a chance to spend it, you will find it easier to save. If you wait to see if you have anything in your account at the end of the month, there may be nothing to put away.

It takes discipline and dedication to start a savings program but just watch how your savings grow when you do.

- If employed try to save from 10 to 15 percent of net income.
- If unemployed try to save two to three percent of net income.

According to the total monthly net income for your household, what percentage of income will be designated for savings?

Will it be possible to meet this amount or will there be expenses that will have to be reduced or eliminated? List the expenses that will be affected.

A. _____

B. _____

C. _____

Are you facing credit difficulties?

If for any reason you cannot meet your payment obligations to any of your creditors contact the creditor immediately and discuss your problems candidly.

Creditors are flexible when changes in your life make repayment of your obligations difficult but you must make them aware of your situation. Do not try to avoid your creditors; it will just make the situation worse.

If you find that your ability to deal with your creditors directly has become impossible, or you cannot see a way out of your financial situation on your own, contact your nearest Credit Counselling Service.

Credit Canada Debt Solutions offers no cost/low cost confidential credit counselling. It serves anyone who needs advice on how to handle money and reduce or eliminate debt.

Credit Canada Debt Solutions also arranges debt retirement programs to help individuals deal with their creditors and get out of debt.

Credit Canada Debt Solutions has offices and affiliated agencies to serve you throughout Canada. For a location nearest you please visit our Web site: www.creditcanada.com.

A Sample Letter to Your Creditors

Part of the process of managing your debt is getting in touch with your creditors to let them know your intentions. Here is a sample letter that you can send to creditors informing them about your financial situation and outlining terms for how you propose to repay them.

Today's Date _____

Credit Department
1 Downtown Street
Toronto, Ontario M5B 1L2

Dear [Creditor's Name]

I am writing this letter to request a temporary change in the repayment terms of my account. Since I have become unemployed, (or list other reasons) I've had to make some financial adjustments. Please find enclosed a copy of my pay stub (or other) and my monthly expenses and any other debts/obligations.

My temporary income is from (social assistance, spouse's employment, or part time earning – list what you are collecting). However, when I carefully examined my financial situation and made a strict budget for my living expenses, it has become necessary to ask (creditor's name) to accept a reduced payment of \$_____ for the next ____ months.

My current monthly take home is \$_____ (list total income) and my minimum monthly living expenses are \$_____ (list total expenses). As you can see, I have only \$_____ left each month for my proposed payment.

My Account #	Amount Owing	Monthly Pmt	Proposed Pmt
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

You can expect a certified cheque (or money order) for my first payment on (date). For the next ____ months I will make the same payment. As soon as my situation improves, or at the end of ____ I will try to catch up on the arrears and resume my normal payment.

I request that my account is not placed in the hands of a collection agency, (if it already has, ask them to pull the account back) as I wish to deal with you directly and do not want to go further in debt. Could you please consider withholding interest on my account over the next 60 (90) days as I am awaiting employment (or other) and will notify you in 60 (90) days as to any changes? I do not want to jeopardize my future relationship with (creditor's name) as this has never happened before.

Thank you for considering this proposal. Please let me know if this is acceptable for the short term. If it is, please sign this letter and send me a copy. I am eager to resolve this problem.

Sincerely,

____ Yes, I/We accept the payments offered.

Authorized signature _____ for _____ (company name).

Attach a copy of any income proof – i.e., disability, pension, welfare, employment income (EI), etc.

Credit Rating Guide

Your credit rating guide for using the common language for consumer credit.

Usual manner of payment.	0	R	I
Too new to rate; approved but not used.	0	0	0
Pays (or paid) within 30 days of billing; pays account as agreed.	1	1	1
Pays (or paid) in more than 30 days, but not more than 60 days, or not more than one payment past due.	2	2	2
Pays (or paid) in more than 60 days, but not more than 90 days, or two payments past due.	3	3	3
Pays (or paid) in more than 90 days, but not more than 120 days, or three or more payments past due.	4	4	4
Account is at least 120 days overdue but is not yet rated "9".	5	5	5
Making regular payments under a consolidation order or similar arrangement through a third party.	7	7	7
Repossession (indicates it is a voluntary return of merchandise by the consumer).	8	8	8
Bad debt; placed for collections; skip.	9	9	9

TERMS: 0 = Open Account R = Revolving or Option I = Installment

To get a copy of your report contact Equifax Canada Inc. and Trans Union Canada.

Equifax Canada Inc., Box 190 Jean Talon Station, Montreal, Quebec, H1S 2Z2
Phone 1 800 465 7166 Fax 514 355 8502 Internet www.econsumer.equifax.ca

Trans Union Canada – Consumer Relations Centre, P.O. Box 338, LCD 1, Hamilton, Ontario, L8L 7W2
Phone 1 866 525 0262 or 905 525 0262 Internet www.transunion.ca

Maintaining a Good Credit Rating

1. Pay your bills on time. If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact a counsellor at Credit Canada Debt Solutions for unbiased professional advice.
 2. Don't sign a credit contract until you have read it and understood it. If you don't understand it, ask questions until you are satisfied.
 3. Never sign a blank sheet. Your signature is your promise to pay and a contract is a legal document.
- It's a simple matter of knowing the implications of what you are getting yourself into before you get into it.
4. Try to pay off any debt quickly. Avoid those prolonged low monthly payments and avoid having to refinance at higher interest rates. Try to pay more than the minimum monthly payment.
 5. Deal with known, respected and established companies.
 6. Be sure you understand the total cost of your purchase.

Money Saving Tips for Budgeting

Housing:

- Communicate with relatives/friends via email
- Conserve water
- Do your own painting
- Learn to do simple repairs
- Use glass instead of paper cups
- Switch to energy efficient light bulbs
- Lights on only when necessary
- Lower the temperature at night
- Make your own cleaning supplies
- Improvise furniture, shop garage sales
- Use worn out towels to make wash cloths
- Make only emergency long distance phone calls
- Carry only replacement value insurance on house
- Give up all unnecessary services on your telephone
- Stand up when talking long distance or use a timer
- Equip the house with storm windows/doors if possible

Food:

- Grow a garden
- Consider no name brands
- Preserve food when feasible

- Do more cooking from scratch
- Cut down on meals away from home
- Pack a lunch – "Brown Bag" as often as possible (\$5.00 a day saves \$25.00 a week, \$100 a month, \$1,200.00 a year!)
- Use coupons for items you regularly buy
- If storage permits, buy in quantity when a regularly used item is on sale
- Plan menus in advance to avoid impulse buying
- Use leftovers (planovers) in soups and casseroles
- Avoid buying snacks or "empty calorie" foods
- Clean out fridge, then make a grocery list and use it
- Use crock-pot methods to cook less tender cuts of meat
- Stretch hamburger with bread crumbs, oatmeal or tomato sauce
- Take advantage of seasonal specials, especially fresh produce
- If space permits, store products in the freezer to prevent spoilage
- Cook only as much as will be eaten unless it can be part of another meal
- Limit food shopping to once a week – the less trips to the grocery store the better
- Use equally nutritious reconstituted dry or evaporated milk for cooking instead of more expensive whole milk

Money Saving Tips for Budgeting

Clothing:

- Carefully coordinate
- Mend clothes promptly
- Buy clothing that is washable
- Buy clothing that does not need ironing
- Sew as much as practical, repair, remodel
- Have children change old clothes for rough play
- Hang on clothesline to dry instead of using a dryer
- Do not buy clothes that require dry cleaning
- Use detergent that works well in cool and warm water
- Organize laundry to run a minimum number of loads
- Comparison shop for best quality and prices

Health & Medical:

- Serve nutritious meals
- Have regular check-ups
- Develop good health habits
- Follow safety rules to prevent accidents
- Carry only one health and accident insurance
- Stop using tobacco, alcohol and/or addictive drugs
- Investigate services offered by the health department
- Learn to take temperature, pulse and respiration

Recreation & Entertainment:

- Eliminate cable TV
- Take vacations at home
- Have potluck affairs at home
- Use public parks and picnic areas
- Consider the costs of habits such as smoking
- Attend high school and sandlot sporting events instead of more expensive pro sports
- Do family things together that are inexpensive

Savings:

- Open a savings account with a no-fee financial institution
- Save bonus income
- Keep your loose change for savings
- Alter your spending habits
- Be willing to compromise

- Make saving a family affair
- Determine your saving goals
- Use savings for emergencies
- Use payroll deductions for savings
- Put your budget on a diet
- Save on a regular basis, pay yourself first

Transportation:

- Car pool
- Consider moving closer to work
- Get rid of one car
- Do your own maintenance
- Use public transportation
- Drive small cars that cost less to operate

Personal:

- Cut children's hair yourself
- Do your own shampoos, sets and blow dries
- Select cosmetics that are reasonably priced
- Carry only pocket change needed for bus fare and small items
- Set reasonable amounts for children's allowances

Employment:

- Share transportation
- Use washable uniforms
- Secure your position by being a valuable employee
- Let your boss know you are interested in more training

Education:

- Online newspaper subscription
- Use the public library for reading materials
- Cut out subscriptions to magazines that entertain only
- Study to improve your qualifications for the job you hold
- Develop skills to enhance your position
- Use the library for free Internet services
- Comparison shop for Internet services

Feel free to contact Credit Canada Debt Solutions.

As a non-profit charitable organization we provide affordable, practical assistance and confidential guidance to people in need. We are registered and Provincially licensed.

For a free online assessment go to:
www.CreditCanada.com

416 228 DEBT (3328)
Outside Toronto: 1 800 267 2272
Mon-Thurs 8-7, Fri 8-6, Sat 8:30-4:30

