Money Management & Budgeting

The cost of living

Credit Canada
Debt Solutions
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.

Money Management Quiz

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

1. I pay the rent/mortgage payment and utility bill on time.
   Always □ Sometimes □ Never □
2. I save 10 percent of my net income.
   Always □ Sometimes □ Never □
3. I try to keep three months of my net income in reserve for emergencies.
   Always □ Sometimes □ Never □
4. I plan ahead for large expenses such as taxes and insurance.
   Always □ Sometimes □ Never □
5. I set goals and keep a budget for my net income.
   Always □ Sometimes □ Never □
6. I spend no more than 15 to 20 percent of my net income for credit payments, including home mortgage.
   Always □ Sometimes □ Never □
7. I comparison shop for the purchase of most products or services.
   Always □ Sometimes □ Never □
8. I use credit only for expensive purchases or when I have the money in the bank to cover the charge.
   Always □ Sometimes □ Never □
   Always □ Sometimes □ Never □
10. 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:
• 0 – 10 points suggests that you need to improve your money management skills.
• 15 – 20 points suggest you are practicing good money management skills.

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

My Financial Goals

<table>
<thead>
<tr>
<th>Objective / Amount</th>
<th>Estimated Cost</th>
<th>Target Date</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3.</td>
<td></td>
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</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Objective / Amount</th>
<th>Estimated Cost</th>
<th>Target Date</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
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<tr>
<td>2.</td>
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<td>3.</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Objective / Amount</th>
<th>Estimated Cost</th>
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<th>Monthly</th>
</tr>
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<tr>
<td>1.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2.</td>
<td></td>
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<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Income:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income from Wages $</td>
</tr>
<tr>
<td>Rental Income $</td>
</tr>
<tr>
<td>Pensions $</td>
</tr>
<tr>
<td>Family Allowance $</td>
</tr>
<tr>
<td>Commissions $</td>
</tr>
<tr>
<td>Self Employment $</td>
</tr>
<tr>
<td>Other $</td>
</tr>
<tr>
<td>Total Monthly Net Income $</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>W - weekly</th>
<th>M - monthly</th>
<th>Q - occasional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Expenses:</td>
<td>Initial</td>
<td>Revised</td>
</tr>
<tr>
<td>First Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Mortgage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>House Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent / Condo Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV cable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydro</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water / Sewer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas/oil/wood/electric</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintenance Contracts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
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<tr>
<td>Other</td>
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<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit - Applicant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transit - Spouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lunches / Breaks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lunches / Breaks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daycare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Clothing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Living Expenses:

<table>
<thead>
<tr>
<th>Initial</th>
<th>Revised</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td></td>
</tr>
<tr>
<td>Personal Travel</td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
</tr>
<tr>
<td>Alimony &amp; Support</td>
<td></td>
</tr>
<tr>
<td>Auto License / Maintenance</td>
<td></td>
</tr>
<tr>
<td>Insurance – Auto</td>
<td></td>
</tr>
<tr>
<td>Insurance – Life</td>
<td></td>
</tr>
<tr>
<td>Medical / Doctor</td>
<td></td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td></td>
</tr>
<tr>
<td>Dental</td>
<td></td>
</tr>
<tr>
<td>Laundry / Dry Cleaning</td>
<td></td>
</tr>
<tr>
<td>Pets</td>
<td></td>
</tr>
</tbody>
</table>

Personal Expenses:

| Tobacco | |
| Alcohol / Beverages | |
| Recreation | |
| Babysitter | |
| Personal Grooming | |
| Barber / Hairdresser | |
| Magazines / Newspapers | |
| Gifts | |
| Religious Donations | |
| School Expenses | |
| Donations | |
| Allowances | |
| Total Expenses | |
| Debt Payments | |
| Total | |

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


2. Set financial goals. Determine short, mid and long range financial goals.


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.

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.

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

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.

__________________________________________
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.

### A Sample Letter to Your Creditors

**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.

<table>
<thead>
<tr>
<th>My Account #</th>
<th>Amount Owing</th>
<th>Monthly Pmt</th>
<th>Proposed Pmt</th>
</tr>
</thead>
<tbody>
<tr>
<td>_____________</td>
<td>_____________</td>
<td>_____________</td>
<td>_____________</td>
</tr>
<tr>
<td>_____________</td>
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<tr>
<td>_____________</td>
<td>_____________</td>
<td>_____________</td>
<td>_____________</td>
</tr>
</tbody>
</table>

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.**

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

**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.
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.

It’s a simple matter of knowing the implications of what you are getting yourself into before you get into it.

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
- Make storage permits, buy in quantity when a regularly used item is on sale
- Plan menus in advance to avoid impulse buying
- Use leftovers (planners) 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
- Use leftovers (planovers) in soups and casseroles
- If storage permits, buy in quantity when a regularly used item is on sale

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

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

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

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

Money Saving Tips for Budgeting

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Money Saving Tips for Budgeting

Gifts & Donations:
- Make gifts instead of buying them
- Give of your time instead of your money
- Carefully consider each situation and cut out all the monetary giving that you possibly can

Child Care:
- Share child care responsibilities with a friend, neighbour or spouse

Miscellaneous:
- Investigate government or church operated nursery schools that welcome children from low income families
- Have legal aid evaluate child support payment
- Reduce pet care expenses by doing your own grooming
- Consider all costs to determine if the family really profits from two incomes
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