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Broke? Stop whining!

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Billionaire investor Warren Buffett famously once said that you only find out who is swimming naked when the tide goes out.

The receding economic tides of the past few years have left more than a few Canadians bare — financially at least. The sad truth is that more of us are living beyond our means than ever before and, with household debts at all-time highs, we're nervously watching for an increase in interest rates or another economic dip.

For the debt-strapped, the burning question should be, 'How do I get out of this mess?'

It's a trick question because you already know the answer and the solution. You've bought too much, borrowed too much or otherwise outspent your paycheque.

The solution: cut back on frills and unnecessary expenses and, if that doesn't do the trick, cut back some more.

The need to set a budget and live within it will be one of the least-surprising things you read today — akin to, and about as popular as, pledging to go on a diet.

"Making a budget is kind of like losing weight," says Kerry Taylor, author of the book *397 Ways to Save Money*, who also writes about money issues on her Squawkfox blog and other websites. "You have got to, at some point, cut the calories, cut the costs and go a little bit hungry. You have got to stop the splurging."

Taylor, 36, lives the frugal lifestyle she regularly preaches on her blog. Last month, she told her readers, "If you're broke, please don't email me to whine about it."

Tough love perhaps, but she has the street cred to back it up. While her friends took on half-million-dollar mortgages, she lived a pared-down lifestyle in a Vancouver basement apartment, brown bagged lunch and refused to buy a car — all to maximize her savings.

"You have to want to do it. You have to save that money and track the spending and make it happen."

Today, she and her husband live mortgage-free on a B.C. farm. That geographic isolation forced her to buy her first car in 13 years — a used Smart car she purchased, in cash, through Craigslist.

Although Taylor believes the debt-burdened should focus on the big things first — such as getting rid of an expensive car or downsizing the house to reduce the mortgage — she says they should look at the little things as well.

Brown bagging lunch has probably saved her \$10,000, to say nothing of riding the bus all those years and generally living below her means.

"Carry a notebook," she adds. "You have got to track the spending."

Out-of-control spending, large and small, is what financial planners often find when they first meet clients.

"Probably the number-one reason people get into financial trouble is they are not paying attention to how much money they are spending — they clearly don't know where it is going," says Frank Wiginton, a certified financial planner with TriDelta Financial of Toronto.

His clients are routinely amazed at their expenses after he prompts them to rigorously track their spending for the past three months, part of the process he goes through in drawing up financial plans.

For Wiginton, the weapons of mass financial destruction are the little rectangles of plastic in people's wallets.

"People quickly and easily put down a credit card for anything and everything, not really conscious of how much money accumulates on a credit card," he says.

He also zeroes in on the "frivolous spending," on gourmet coffees and lunches, again mostly paid for on plastic.

"They are not conscious of the fact that they are leaking \$80, \$90 a week. The next thing you know, \$7,000 of pre-tax income is out the door — gone."

He also zeroes in on "shopping as therapy," which is evidenced in clients' homes by bulging closets and mini-Imelda Marcos shoe collections.

"This is more aimed at women, I think, but some men are pretty bad at it." With men, budget-busting behavior can often be found with high-end electronics and expensive cars.

Oakville financial planner Brian Poncelet recently visited a client, a doctor, who said he couldn't save a dollar more. Sitting beside him was a dismantled flat-screen television. It was working fine, but had been replaced by a larger, more-expensive flat screen.

"Between that and probably spending about \$1,200 a month on his (car) lease . . . Yeah, he's making some good bucks, but just don't retire, because his lifestyle would just crash and burn."

Poncelet has little sympathy for those who can't live within their budgets, or without the three vacations a year, high-end vehicles and flat screens throughout their homes.

"People acknowledge they have got a problem but it is like trying to tell someone to go to the gym. The vast majority will just continue doing what they are doing."

The real reason you are broke

Sick and tired of all the moaning and complaining on her Squawkfox blog, Kerry Taylor squawked back at her readers last month with an item titled "[The real reason you are broke.](#)"

She listed six main reasons. Here they are, with some of the snarkiness removed:

1. You spend good money on crap.
2. You don't have a budget. Do the math for once and for all and find your net worth, add up all your debt, track your spending, and build a budget that reflects your reality — not the la-la-land dream-world you prefer. Only when you face the facts by spending the time to manage your money will you stop being broke.
3. You don't earn enough. If you can't balance your budget after cutting the crap from your spending, then you're probably not earning enough money.
4. You don't pay off your debt. If you don't have a plan to conquer your debt, then you're going to be broke forever.
5. You don't save. If you're up to your eyeballs in debt, there's no doubt that it's very, very hard to save 10 per cent of your take-home pay.
6. You're clueless about your investments. Do you know what you're invested in, or did you let your financial advisor pick a bunch of posh-sounding investments without asking a single question?

— Source: squawkfox.com