



Credit
Canada

Money Management & Budgeting

The Cost of Living



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

Money Management & Budgeting

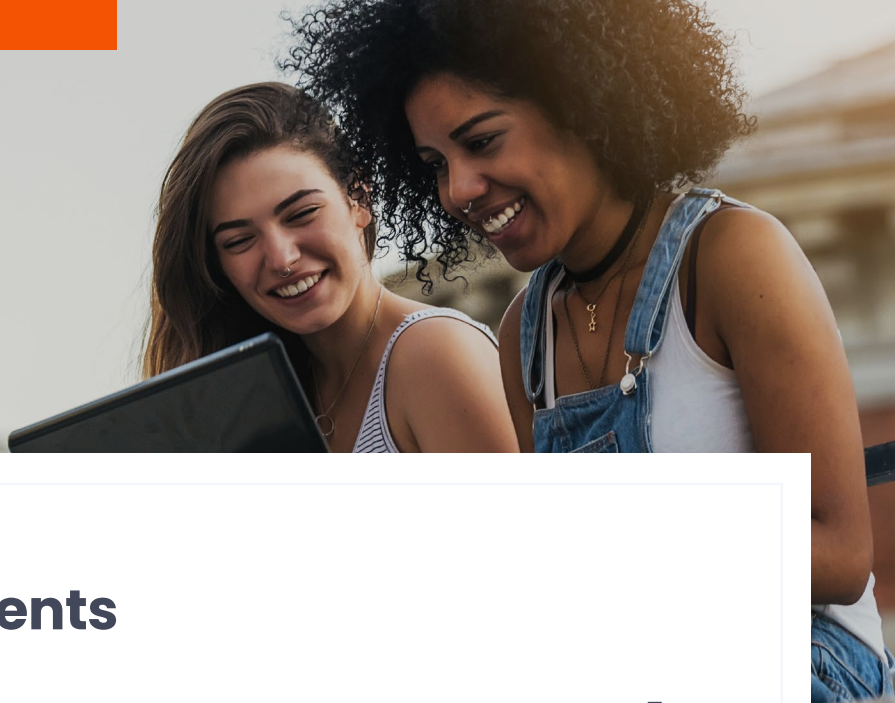


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Money – What is it?

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



Managing Your Money

Control – How do we get it?

Managing money is a skill, and 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 focus on 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 financial plan acts as a guide. It doesn't need to be down to the penny, but it should be easy to understand and require a minimum amount of time and effort. It should also reflect your needs, wants, values and goals. It doesn't determine who you are but rather supports the special unique person that you are.

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

A plan is not a magic genie to grant your every wish; it's 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

1. I pay my rent/mortgage and utility bills on time.

ALWAYS SOMETIMES NEVER

2. I save 10 per cent of my net income.

ALWAYS SOMETIMES NEVER

3. I try to keep three months' worth 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 per cent of my net income for credit payments, excluding home mortgage.

ALWAYS SOMETIMES NEVER

7. I comparison shop for the purchase of most products and 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

9. I balance my budget every month.

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:

15 – 20 points suggests 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.



Long-Term Money Goals

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 over time.

Once you have identified your goals:

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

Financial Goals Worksheet

Short-Term Goals

(to be met within the next year or so)

Specific Goal	Estimated Cost	Target Date	Monthly
<i>Example: Vacation</i>	\$1,500	1 year	\$125
1. _____	\$ _____	_____	\$ _____
2. _____	\$ _____	_____	\$ _____
3. _____	\$ _____	_____	\$ _____

Intermediate Goals

(that can be reached within five years)

Specific Goal	Estimated Cost	Target Date	Monthly
<i>Example: Used car</i>	\$7,200	3 years	\$200
1. _____	\$ _____	_____	\$ _____
2. _____	\$ _____	_____	\$ _____
3. _____	\$ _____	_____	\$ _____

Long-Term Goals

(these goals take the longest to achieve, 10 to 15 years or longer)

Specific Goal	Estimated Cost	Target Date	Monthly
<i>Example: Down payment for a home</i>	\$75,000	10 years	\$625
1. _____	\$ _____	_____	\$ _____
2. _____	\$ _____	_____	\$ _____
3. _____	\$ _____	_____	\$ _____



Your Money Goals

Goals guide you.

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

Goals are dreams you make come true within a specific period of time by using your money to do the things that are important to you.

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

Develop a realistic budget.

By listing your goals, you have completed the first step in your spending plan. The next step is estimating your household income. Before you can plan wisely, you need to know how much money you will have during a typical month.

Monthly Net Income Worksheet

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

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



Estimating Your Expenses

After you have figured out your total monthly net income, it's time to estimate your monthly expenses.

If you have records of your spending, such as credit card statements and online banking, it can serve as a basis for your budget. Start by listing all of your monthly expenses and the amount you spent on each item using the Monthly Expenses Worksheet on the next page. Include fixed payments, contributions and other predictable expenditures. If you don't have any records, try to recall some of your previous expenses. Cheque book stubs, receipts and old bills can serve as reminders.

If you are new to 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 financial record book or [Monthly Budget Tracker](#). Use it to record your daily expenses and then compare these expenses to the monthly expenses you have written down in the Monthly Expenses Worksheet. Then use the "Revised" column to re-evaluate your monthly expenses.

Monthly Expenses Worksheet

Living Expenses

Food	<input type="checkbox"/>	-----
Personal Travel	<input type="checkbox"/>	-----
Clothing	<input type="checkbox"/>	-----
Alimony & Support	<input type="checkbox"/>	-----
Auto 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"/>	-----

Subtotal

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 /	<input type="checkbox"/>	-----
Gifts	<input type="checkbox"/>	-----
School Expenses	<input type="checkbox"/>	-----
Donations	<input type="checkbox"/>	-----
Allowances	<input type="checkbox"/>	-----
Debt Payments	<input type="checkbox"/>	-----

Subtotal

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"/>	-----
Cable TV	<input type="checkbox"/>	-----
Internet	<input type="checkbox"/>	-----
Hydro	<input type="checkbox"/>	-----
Water / Sewer	<input type="checkbox"/>	-----
Gas/Oil/Wood/Electric	<input type="checkbox"/>	-----
Maintenance	<input type="checkbox"/>	-----
Other	<input type="checkbox"/>	-----
Other	<input type="checkbox"/>	-----

Subtotal

Work Expenses

Transit	<input type="checkbox"/>	-----
Lunches / Breaks	<input type="checkbox"/>	-----
Daycare	<input type="checkbox"/>	-----
Special Clothing	<input type="checkbox"/>	-----

Subtotal

Summary of Funds Available

Total Net Income	-----
Less Total Expenses	-----

Funds Available

Initial

Revised

Initial

Revised



Do an 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 three bank accounts:
 - a. Personal chequing – used for all regular household monthly expenses.
 - b. Savings – to meet goals.
 - c. Emergencies – acts as a safety net for unexpected costs and expenditures.
2. Make sure everything you spend is listed in your financial record book or Monthly Budget Tracker, including small items – like coffee, gum, snacks, etc.
3. Leave your debit card at home. You can minimize the temptation to withdraw money by physically having to go to the bank or ATM each time.
4. Set up automated savings through your bank. Some banks will round expenditures up to the nearest dollar, and push the difference into your savings.
5. Look for ways to reduce your expenses. See our Money-Saving Tips For Budgeting on pages 20-22.
6. Minimize the number of credit cards you have and how often you use them.



10 Basic Rules of Money Management

Here are some helpful tips on creating a successful budget:

- 01. Plan.** Plan for the future, major purchases, and periodic expenses.
- 02. Set financial goals.** Determine short-, mid- and long-term financial goals.
- 03. Know your financial situation.** Determine monthly living expenses, periodic expenses, and monthly debt payments.
- 04. Develop a realistic budget.** Follow your budget as closely as possible. Evaluate your budget by comparing actual expenses with planned expenses.
- 05. Don't allow expenses to exceed income.** Avoid paying only the minimum monthly payment on your credit cards. Always try to pay more. Don't charge more than you are paying back.
- 06. Saving is good.** Save for periodic expenses, such as personal care and home maintenance. Save 10 to 15 per cent 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.
- 07. Pay your bills on time.** This helps 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.
- 08. Know the difference between needs and wants.** Take care of your needs first. Money should be spent for wants only after needs have been met.
- 09. 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 per cent of net income. Do not borrow from one creditor to pay another.
- 10. Keep a record of daily expenditures.** Use a financial record book or Monthly Budget Tracker to track daily expenses, identify how you spend your money, and determine where any adjustments can be made.



Start Your Savings Program

Build an emergency fund.

If you're short on savings, your first budget priority should be to start an emergency fund and save up to three to six months' salary. Do this before you do anything else.

You need a cushion of assurance where if you were to lose your income for whatever reason, you could still meet your obligations until you find another form of income.

Starting a savings program.

When creating a budget, it's essential that you include savings. Having savings isn't a luxury but an absolute necessity to achieve financial comfort.

If you get into the habit of "paying yourself first" you will always practice saving. Your savings account is there to meet your goals, not to pay bills.

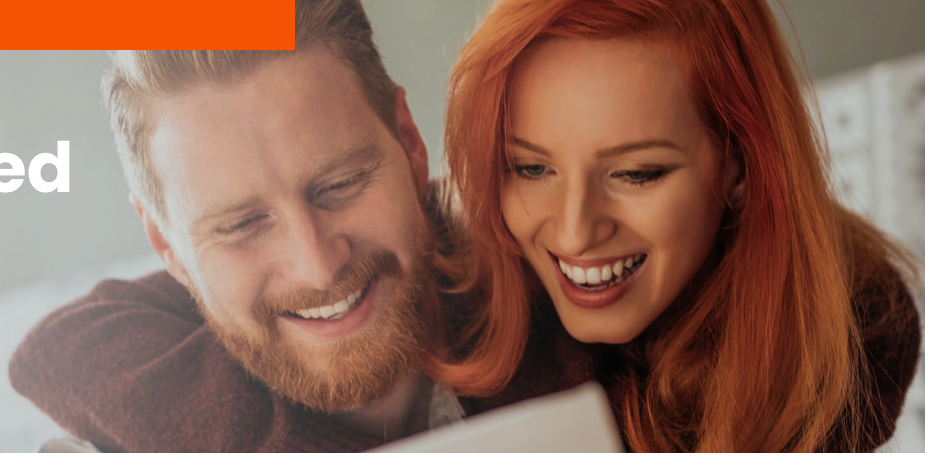
The easiest approach to saving money is to take a percentage of your income and put it away every time you get paid. Each time you receive your paycheque, take a percentage of it and put that money into your savings account or some other type of investment vehicle.

Your bank can help you set up automatic withdrawals 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 once you do, just watch how your savings grow.

- If employed, try to save 10 to 15 per cent of your net income.
- If unemployed, try to save 2 to 3 per cent of your net income.

Designated Monthly Savings



According to your monthly net income, what percentage 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 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 Credit Canada Debt Solutions.

As a non-profit credit counselling agency, Credit Canada offers free and confidential credit counselling services, as well as low-cost debt solutions. We serve anyone seeking advice on money management and how to reduce or eliminate debt.

Credit Canada also arranges Debt Consolidation Programs (DCPs) to help individuals deal with their creditors and get out of debt. We offer over-the-phone counselling and have offices and affiliated agencies across Canada to serve you.

For a location nearest you, please visit: www.creditcanada.com.

Sample Creditor Letter

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 \$_____

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

In your credit report, each credit item will have a letter and a number. The letter represents the type of credit item it is, while the number indicates whether or not you are paying those items as agreed to and to what

Type of Credit	Examples
R = Revolving or Recurring Credit	Credit cards
O = Open Account	Lines of credit, student loans
I = Installment Loan	Car loans
M = Mortgage	Mortgage loans

Credit Rating	Meaning
R0	Too new to rate; approved but not used.
R1	Pays as agreed, within 30 days of billing.
R2	Payment late by 31 to 59 days.
R3	Payment late by 60 to 89 days.
R4	Payment late by 90 to 119 days.
R5	Payment late by more than 120 days, but not yet rated a 9.
R6	This rating does not exist.
R7	Making regular payments through a special arrangement to settle debts (i.e., consolidation order, orderly payment of debts, consumer proposal, debt management program).
R8	Repossession (voluntary or involuntary return of merchandise).
R9	Bad debt, debt in collections, moved without giving a new address, or claimed bankruptcy.

It's important to pull your credit report at least once a year. You can contact Equifax or TransUnion to get a free copy of your credit report:

Equifax Canada

www.consumer.equifax.ca

1.800.465.7166

TransUnion Canada

www.transunion.ca

1.866.525.0262



Maintaining a Good Credit Rating

Steps to Maintaining a Good Credit Rating

- 1. Pay your bills on time.** If you are unable to pay your bills as agreed, contact your creditors immediately and explain your situation. Also, contact Credit Canada to speak to a certified credit counsellor for unbiased professional advice.
- 2. Don't sign a credit contract** until you have read it and understood it completely. If you don't understand something, ask questions until you are satisfied.
- 3. Never sign a blank sheet.** Your signature legally binds you to any contract you sign, whether the sheet was blank or not when you signed it. So don't sign anything— not even a blank sheet of paper— before you know the full implications of what you are getting yourself into.
- 4. Try to pay off any debt quickly.** Pay more than just the minimum monthly payment, so you avoid having to pay interest, as well as having to refinance at higher interest rates.
- 5. Deal with known companies.** Make sure any company or agency you work with is well-respected, established, credible and has a known history.
- 6. Know the total cost.** Be sure you understand the total cost of your purchase before making any purchasing decisions.



Money-Saving Tips for Budgeting

Housing

- Conserve water
- Do laundry during off-peak hours (after 7pm and on weekends)
- Do your own painting
- Learn to do simple repairs
- Switch to energy-efficient light bulbs (i.e., LEDs)
- Lights on only when necessary
- Unplug electronics when not in use
- Turn heat/air conditioning down when no one is home
- Make your own cleaning supplies
- Renovate old furniture instead of buying new
- Check out garage sales
- Give up all unnecessary telephone services
- Switch to a cheaper cellphone service provider and/or plan
- Communicate with relatives/friends via free Apps and services
- Use free Apps to make long distance calls
- Only carry replacement value insurance on home
- Equip house with storm windows/doors
- Re-caulk windows/doors and add weatherstripping

Food

- Cut down on take out and dining out
- Do more cooking
- Cook only as much as will be eaten, unless it can be part of another meal
- Use leftovers in soups and casseroles
- Preserve food when feasible
- Store products in the freezer to prevent spoilage
- Meal prep for the week
- Pack a lunch (\$5/day saves \$25/week, \$100/month, \$1,200/year!)
- Use coupons for items you regularly buy
- Shop no name brands
- Buy in bulk when regularly used items are on sale
- Limit food shopping to once a week – the less trips to the grocery store, the better!
- Avoid buying snacks or “empty calorie” foods
- Plan menus in advance to avoid impulse buying
- Clean out fridge, make a grocery list and use it
- Buy only what you need at the grocery store
- Take advantage of seasonal specials, especially fresh produce
- Use crock-pot to cook less tender cuts of meat
- Have more “vegetarian” days
- Grow a garden or join a community garden

Clothing

- Comparison shop for best quality and prices
- Shop at thrift stores
- Visit thrift stores in high-end neighbourhoods
- Have “swap” parties with friends and family
- Embrace hand-me-downs
- Mend, repair and remodel clothes whenever possible
- Buy clothing that is washable
- Buy clothing that does not need ironing
- Limit buying clothing that requires dry cleaning
- Use old clothes for rough play
- Organize laundry to run a minimum number of loads
- Dry clothes on clothesline instead of using a dryer, when possible
- Use detergent that works well in cool and warm water
- Use cold water to wash clothing whenever possible

Money-Saving Tips for Budgeting

Health & Medical

- Make nutritious meals
- Have regular check-ups
- Develop healthy habits
- Exercise regularly (e.g. walks, jog, yoga at home, etc.)
- Follow safety rules to prevent accidents
- Carry only one health and accident insurance
- Stop using tobacco, alcohol and/or addictive drugs
- Investigate free services offered by the health department

Recreation & Entertainment

- Eliminate cable TV
- Take vacations at home
- Host potlucks with friends and family
- Use public parks and picnic areas
- Attend local sporting events instead of more expensive pro sports

Personal

- Cut children's hair yourself
- Make your own hair care products, moisturizers and scrubs
- Select cosmetics that are reasonably priced
- Carry only pocket change needed for transit fare and small items
- Set reasonable amounts for children's allowances

Savings

- Open a savings account with a no-fee financial institution
- Set up automatic/automated savings through bank or credit union
- Save bonus income and tax returns
- Keep your loose change for savings
- Use payroll deductions for savings
- Set up an emergency fund
- Determine your saving goals
- Make saving a family affair
- Be willing to compromise
- Alter your spending habits
- Put your budget on a diet

Transportation

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

Money-Saving Tips for Budgeting



Employment

- Share transportation with coworkers
- Use washable uniforms and clothing
- Avoid shopping on your lunch break
- Bike to work, if/when you can
- Let your boss know you are interested in more training
- Secure your position by being a valuable employee

Education

- Check out free online newspapers
- Use the public library for free courses and materials, like language courses, DVDs, video games, books, etc.
- Cut out subscription-based content and look for free alternatives
- Use free WiFi whenever available
- Comparison shop for internet services and packages
- Study to improve your qualifications for the job you hold
- Develop skills to enhance your position

Child Care

- Share child care responsibilities with a friend, neighbour or spouse
- Share child care provider (e.g., nanny) with a neighbour

Gift & 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

Miscellaneous

- Have legal aid evaluate child support payment
- Reduce pet care expenses by doing your own grooming
- Consider pet insurance



Feel free to contact Credit Canada Debt Solutions

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

For a free Debt Assessment, go to:

[CreditCanada.com](https://www.creditcanada.com)

416.228.DEBT (3328)

Toll free: 1.800.267.2272

