Habitat for Humanity®
Camrose

Homeowner Education Program

Finance Seminar

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How many of you already keep a budget?

OVERVIEW

At the end of this seminar you will

1. Understand your perspective about money.
2. Have a better understanding about debt
3. Set some financial goals
4. Understand how to complete a budget
5. Understand how to Keep your budget on track

Introduction

Making a budget and sticking to it is a big challenge to many people. Some become very frustrated and stressed when trying to pay all their expenses and stay within their budget. These feelings are common for families, no matter how much money they make.

Developing skills to manage your money can go a long way in helping you for the rest of your life. Having good money habits will help your family in times of need. It will help keep that stress away and improve your quality of life.

The Building Financial Foundations workshops will present how you can build a good plan for the future and work towards having more peace of mind when it comes to money.

PART 1: UNDERSTANDING YOUR PERSPECTIVE ABOUT MONEY

Your Financial Health – Where are you at?

We will start with having you think about your own personal finances. Consider these questions.

In your opinion, are you a good money manager? Do you use your money wisely?

Do you need to improve your money management habits?

Maybe you know the answers to these questions. Maybe you don't know. Maybe you think you know, but really you don't.

It is important for you to know if you are managing your finances effectively.

Read the following questions and put a check in the box that applies to you.

Five important questions about your personal finances.	Always	Usually	Sometimes	Never	Don't Know
1. Do you pay all your bills, including credit card charges, completely every month?					
2. Do you pay your bills each month without ever having to use borrowed money from a loan, credit card or line of credit?					
3. If you had an unexpected expense, such as an emergency car repair, or need for a new furnace, could you pay for it?					
4. Do you put a reasonable amount of money each month into a long-term investment fund for retirement?					
5. Do you have no worries or stress about your finances?					

If you did not answer "always" to all five questions, you are in good company. The majority of the population can and needs to learn to manage their finances better. There is always more to learn to improve your situation! This course will help you to evaluate and organize your money management.

You may find the following website useful. After you have answered some questions about your finances, you will be given some advice.

https://www.cibc.com/ca/financial-advice/financial-health-check.html

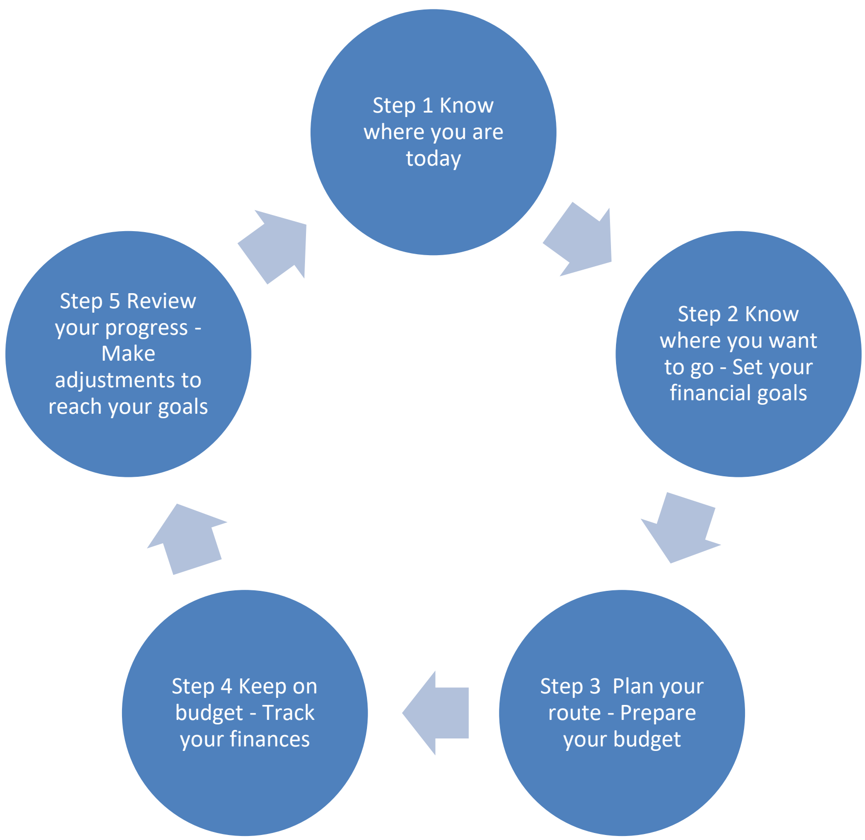
Steps to Financial Success

There is no great secret to being a good money manager. Like everything else in life, money management takes planning and self-discipline to be successful.

Successfully managing your personal finances is very important if you are to have a comfortable, relaxed life. Obviously it is easier if you have more money. But just as important are your financial decisions. If you make the right financial decisions, even a little money can make you a comfortable, secure life.

WHAT IS YOUR IDEA OF A COMFORTABLE, RELAXED LIFE? THIS DETERMINES YOUR GOALS FOR THE FUTURE.

In order to be successful you need to:

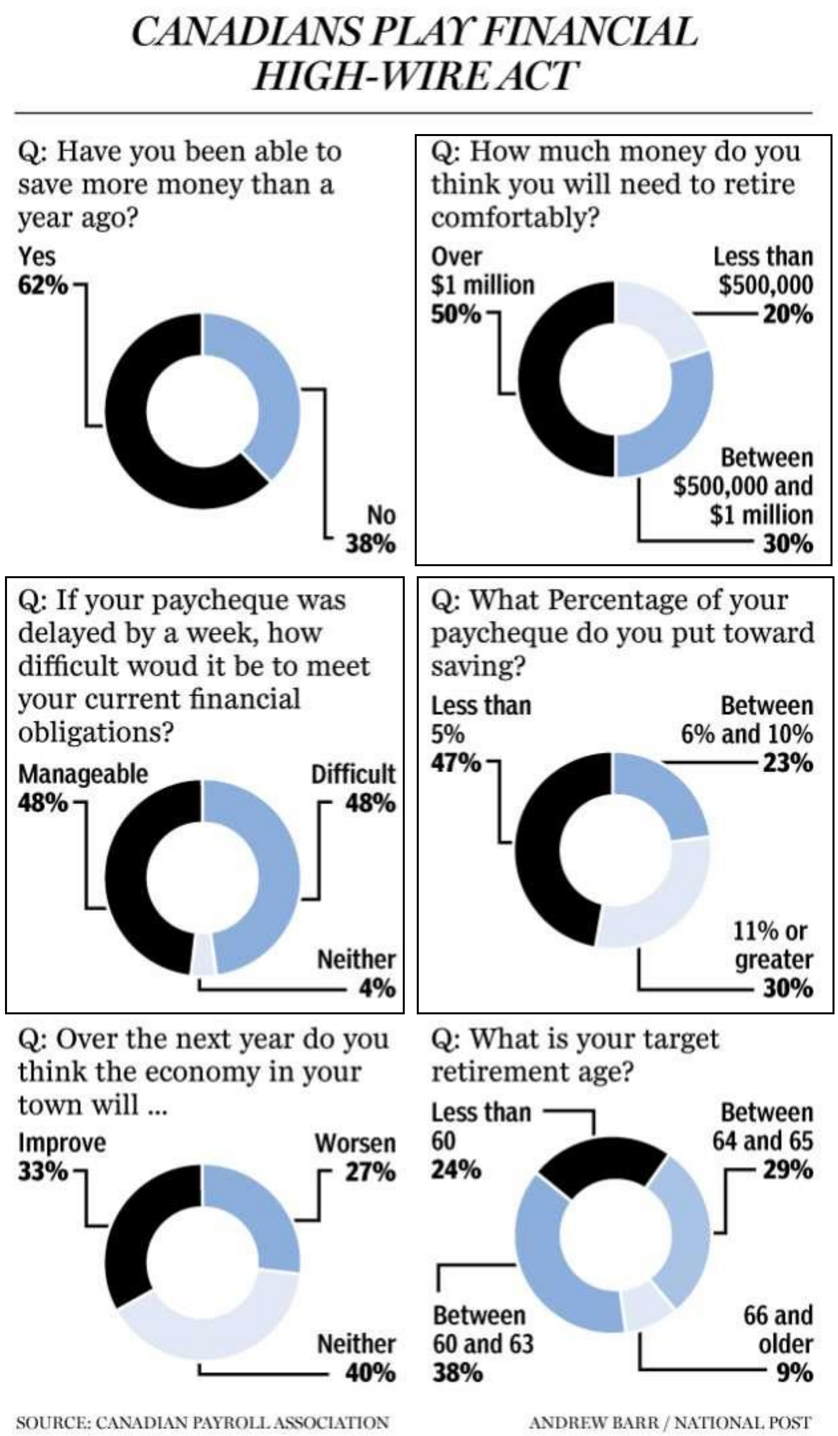


The golden rule for successful money management and for peace of mind:

Spend Less Than You Earn

Are your thoughts about your finances similar to most Canadians? Or different? Canadians were asked six questions about their finances. Read the questions and look at how Canadians answered. For each question, circle the answer that applies to you. Are you similar to most Canadians?

Being the same as most Canadians is not necessarily a good thing. Many Canadians are poor money managers. Your goal must be to be better than most Canadians. Luckily, with a bit of knowledge and some careful thinking, that is not too hard to do.



Understand Your Spending

Has this ever happened to you?

You get $100 in cash from the bank on payday and half way through the next week it is gone. You ask yourself, "Where did I spend the money?" The answer is that you don't know where or on what. Did you spend it for things that you needed, or things that you just wanted?

Know how you spend your money

You must be aware of your spending. Small purchases can add up and before you know it you've spent much more than you intended. You must not let your spending get to that point.
You must keep track of your money. Keep all your receipts. Keep all bills. Keep all ATM slips and bank statements. Keep any paperwork that indicates income or spending. Write all your income and expenses on a monthly budget sheet. Attach all paperwork for the month to the budget sheet for that month with a paper clip.

The following budget page can help you to be aware of the flow of your money.

Exercise A
Pre-Course – gather the data
You were asked to gather ALL your receipts the month previous to this seminar. We will use these receipts to start tracking your expenses.

Exercise B Step 1
This is a very basic budgeting sheet.
Use your receipts from the previous month to fill out the page below.

Monthly budget for the month of:
List your income from all sources. Total income for the month ______________________
Total expenses as shown by ATM cash withdrawals, credit card bills and all other bills. Total Expenses ________________________________
Surplus or deficit for the month __________________

How did you do? Do you have a surplus or a deficit? Budgeting can help you out of your deficit or improve on money you are already saving.

Types of Expenses

There are different types of expenses:
1. Need (N) and Want (W) Expenses
2. Fixed (F) and Variable (V) Expenses

Need and Want Expenses

If you know the difference between needs and wants, you and your family will be able to make a budget that you can follow.

A need is something that is **essential**. These are items that you need to live. Usually you have little control over these expenses

A need is:
Nutritious food   A place to live
List three other needs: ____

A want is something you'd like to have. It may be important to you but it is **not essential**. These are expenses you can control.

Some wants are:
A new car   Designer jeans
List three other wants: ____

Fixed and Variable Expenses

Some of your expenses will be the same amount each month and some amounts change each month. Another way to say that is that some expenses are **Fixed (F)** and some are **Variable (V)**.

Fixed Expenses are payments that are the same or very similar each month.

Some fixed expenses are:
Rent   Loan payment
List three other fixed expenses: ____

Variable Expenses are payments that change monthly (or year to year) depending on how much you use.

Some variable expenses are:
Food   Gas for your car
List three other variable expenses: ____

An expense can be both a need or a want and a fixed or a variable expense.

Examples of Types of Expenses

	Essential Expense	Non-Essential Expense
Fixed Expense	Rent/Mortgage	Cable/Satellite
	Insurance	Gym Membership
	Car Payment	
	Savings Program	
	Pay first and on time	**Make conscious but limited choices – know what you're paying for**
Variable Expense	Groceries	Eating Out
	Dental/medical	Coffee runs/snacks
	Utilities	Movies and other entertainment
	Know what budget amount is reasonable	**Limit spending – money leaks out quickly here.**

Identify what is important to you

You make financial decisions every day. Some decisions you make because you need to, like paying your rent. Some decisions you make because you want to, like going to the movies.

You make financial decisions based on what is important to you and to your family. These are your 'VALUES.'

For example, instead of eating in a restaurant every week you might be saving money to send your child to camp. Someone else may choose to wear their winter coat an extra season so the family can go to an amusement park for a day.

Needs Vs Wants

Balancing the needs and wants in your life

You make decisions about money every day. Sometimes the decisions seem small, like, “Should I buy a coffee?” However, many small purchases add up to a lot, and you should be aware of the overall effect. Most importantly, you must think about every purchase you make. Is it something you **NEED** or just something you **WANT**?

There are things we all need to survive each day – like food.
And there are things we want or something that would be nice to have – like designer jeans.
Deciding whether a purchase is a need or want can help your family save money and reach your financial goals. Sometimes it is hard to decide if something is a need or a want.

Needs are things that you must pay for, you have no choice. Examples are:

- Mortgage payment
- Property tax
- Car payment
- Car insurance
- Utility bills
- Groceries

Wants are things that would be nice to have, you’d like them, and it would be good to have if the money is available. Examples are:

- Restaurant meals
- Designer clothes
- Movie tickets

When you look at your expenses ask yourself these questions:

- Which expenses are for things I need? Which are for things I only want?
- Which expenses do I have a choice on price? Which ones offer no choice?
- What expenses can I lower by using the service less? Can I change the service plan? Or both?
- Think of more than just the cash you spend. Also think of other expenses you pay for. Do they cost too much?

Spending Leaks

Finding Money to Save…Even on a Tight Budget!

When you start to track your spending, you will most likely find places that you are overspending. This is ok. That's why you build a budget and track your spending.

These areas where you are overspending are called **spending leaks**. Money is just leaking out of your pocket. Spending leaks make it harder to save money. The biggest spending leaks happen when you spend money regularly on the things you want. Spending leaks become a habit.

Consider Coffee….

Latte Supreme

$4.00 per cup = $20.00 per week

Fast Food Coffee

$1.00 per cup = $5.00 per week

Brew Your Own at Home

0.25 cents per cup = $1.25 per week

Did you know?

You can save $15 per week by buying coffee at a fast food place instead of a fancy coffee shop.

Or you can save more than $18.00 a week by brewing your own.

That can mean saving $925.00 per year!

<u>The Importance of Small Purchases that Become Big</u>

Maybe you will say, "Sure drinks in a bar are not something I really need but they're something I want. I will enjoy a few drinks in a bar with friends, and its not too much money." The problem is that those small purchases add up and after a while, those drinks in the bar have become a lot of money. **Think carefully.** You have to get into the habit of thinking about every purchase decision. **You can only spend your money once.**

To illustrate the importance of purchase decisions, try the following exercise.

<u>Bill Decides to reward himself with Breakfast</u>

Bill works hard and decides to give himself a little reward every day. So each day on his way to work in the morning Bill stops at Tim Horton's and buys a breakfast. He doesn't **<u>need</u>** this but he **<u>wants</u>** it. It costs $6.18, including tax. Bill thinks that's not too much. He thinks that it adds to his quality of life, and it does, but does Bill really know how much his decision is costing?

Work it out.

He does this 20 days/month for all 12 months of the year. Calculate how much this costs Bill each year.

$6.18 x 20 x 12 = ______________

Bill does this for 25 years until he retires. How much has he spent on breakfasts over 25 years?

Yearly cost of $__________ x 25 = $________________

If Bill thought this through, he'd realize that those breakfasts cost more than he thinks.

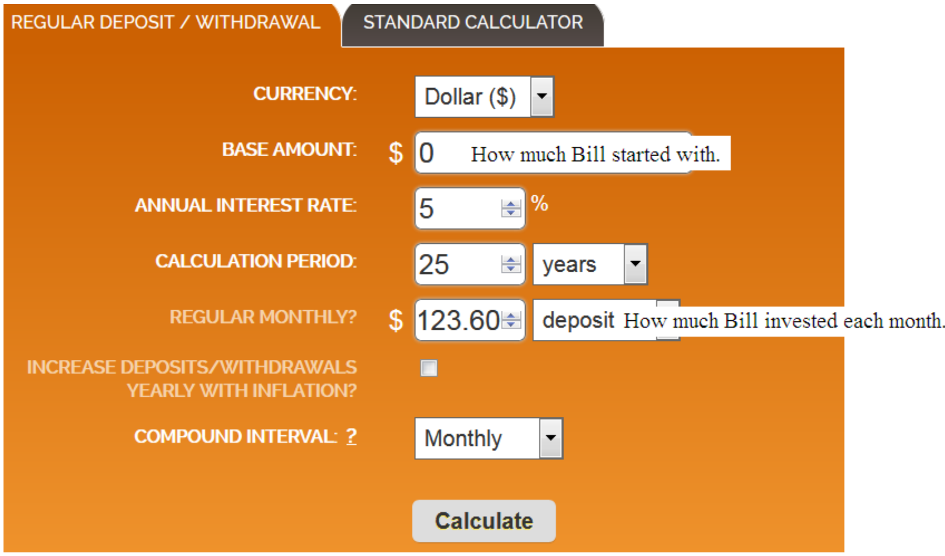
Over time, those breakfasts have cost a lot. And the money is gone – Bill has nothing to show for the money he has spent. Bill should ask himself if there was a better way that he could have spent that money.

Now imagine that Bill did think carefully and decided that a Tim Horton's breakfast each morning is not a need, it's a want that he can do without. **So instead of spending that money on breakfasts, Bill is going to invest that money in his retirement investment savings.**

Go to the following site and determine how much money Bill's investment of $123.60/month can earn for him, assuming a 5% annual interest rate. It will show you the beauty of saving your money with compound interest.

http://www.thecalculatorsite.com/finance/calculators/compoundinterestcalculator.php

Use the information below to guide you.



How much money was Bill able to save for retirement by investing his breakfast money? ________________ So, instead of spending $ _________________ on breakfasts, Bill saved $ __________ toward a more comfortable retirement.

Exercise C

Spending Leaks

For each question, put a check in the column that is correct for you.
What can you do without to reduce expenses each month?

Do you:	Never	Some-times	Often	How much does it cost?	How often do you spend on this in one week?	Cost per week	Cost per month
1. Buy bottled water?							
2. Eat in a fast food restaurant?							
3. Drink alcohol in a bar?							
4. Buy microwavable meals at the grocery store?							
5. Buy coffee at a coffee shop?							
6. Throw out food that has gone bad in the fridge?							
7. Smoke cigarettes?							
8. Buy clothes you don't really need?							
9. Buy cheese or meat that is sliced and in a package in the store?							
10. Buy lunch when you are at work?							
11. Leave the light or TV on when you are not in the room?							
12. Buy a snack when you stop at a gas station?							
13. Buy lottery tickets?							
14. Other							
15. Other							
16. Other							
					Total Cost		

Exercise B Step 2

Perhaps you filled out the chart in *Exercise B Step1* but still you can't seem to account for where all the money went. Try using the chart on the next page. It will allow you to list income and expenses in more detail. Think if the expenses that you consider "wants" were really worth the money you spent on them.

Exercise B: Step 2

Monthly budget for the month of:

List your income from all sources.

Subtract any deficit or add any surplus from last month. ________________

Total income for the month _________________

Total expenses as shown by ATM cash withdrawals, credit card bills and all other bills.

____

Expense details

Indicate the money you put into long term saving. ____

____

____

List fixed expenses that are required (needs) such as Mortgage, Insurance, Property tax, Utility and other bills (rent, food, clothing, medical, etc).

____

____

____

____

List other expenses, those that are "wants".

____

____

____

____

____

Circle the "wants" that really you think you could have done without.

Total Expenses ________________

If your income is more than your expenses, you have a surplus that you can add to next month's income.

____

If your expenses are more than your income you have a deficit. A deficit is bad. You need to subtract that from next month's income. _______________

You have to spend more carefully next month so you can eliminate your deficit.

Understanding Debt

Introduction

Debt is the biggest obstacle to financial peace of mind. Access to credit is easy and gives you the ability to buy things today instead of saving for a future purchase.

Credit and debt is not a bad thing if used properly. The challenge is to manage credit wisely so you do not get too far into debt. Too much debt is the biggest thing that will stop you from reaching your goals.

Credit and Debt Management

Credit is a helpful tool when used wisely. The trick is to keep it from getting out of control. It is a tool to help you pay for big-ticket items like a home. It becomes a problem only when you cannot comfortably repay the debt.

Credit and Debt Basics

Credit

Credit is the amount of money a bank or lender is willing to give you to purchase things you want, like a home or car, or purchases on your credit card. When approved for credit, you agree to repay any amount you borrow, with interest.

Types of Credit

There is a wide range of credit available today, with different features, fees and rewards.

The basic types of credit are:

Type of Credit	**Interest Rate**	**Basic Features**
Line of Credit	Generally the lowest interest rate	Credit limit Flexible – can withdraw or make a payment any time Minimum payment Good credit rating needed
Bank Loan	Slightly higher rate than a Line of Credit	Usually for a specific purchase Money paid to you all at once Fixed payment amount Good credit rating needed
Mortgage	3-6% Habitat mortgage 0%	For house purchase Interest rate will change every few years Fixed payment Good credit rating needed
Credit Card	Range 9 – 30%	Credit limit Flexible – can make purchases any time Minimum payments required Interest accumulates on outstanding balance No cost if paid in full each month
Pay Day Loan	Up to 500%	Short term lending Borrow up to 50% of your pay cheque Interest charges High fees and service charges

Common Questions about Credit and Credit Ratings

- What is a good credit rating?

  Anything above 700 is a good credit rating
  https://www.creditkarma.ca/credit/i/what-is-a-good-credit-score/
  https://www.debtcanada.ca/library/credit-rating-101

- Does the balance on my credit card affect my rating?

  Yes.
  Credit Utilization describes how much credit you're using. To calculate your utilization rate, divide your total balances by your total credit limits.
  A utilization rate of no more than 30% is recommended. Since carrying balances that represent a significant portion of your available credit could indicate that you're struggling financially, lenders might worry that you'll have trouble paying it back.
  https://www.creditkarma.com/credit-cards/i/how-much-of-your-credit-should-you-use/

- Does Rate Shopping affect my credit score?

  Yes and no.
  Depending on what type of credit you're shopping around for and what model your getting your score from, the extent of the damage can vary. If you're looking for an auto loan or mortgage specifically, some credit score models will allow for some level of shopping around …. The time period over which you can rate shop under these models without feeling the effect of multiple inquiries can vary and is often around 14 days and up to 45.
  https://www.creditkarma.com/advice/i/will-rate-shopping-hurt-my-score/

- When do late or missed payments show on my credit score?

  Creditors generally report late payments in the month following the late or missed payment. It usually appears on your credit report shortly after.
  https://www.creditkarma.ca/credit/i/how-do-late-payments-affect-your-credit-scores/

- How long do late payments stay on my record?

  Up to 7 years from the original delinquency rate
  https://www.equifax.com/personal/education/credit/report/how-long-does-information-stay-on-credit-report/

- Is it okay to only make the minimum payment on a credit card?

  Yes, but it depends on your balance.
  When a credit card company reports to the credit bureaus each month, it simply indicates whether you've paid as agreed or if you've fallen behind. Technically if you're making the minimum payment on your credit card, you're meeting your contractual obligations, which is good news for your credit score.
  However, another major componenet of your credit score is your credit utilization ratio, … . Carrying a balance that's more than 30 % of your credit limit may harm your score. Owing more than 30% on your card and only making the minimum payment, *chances are there's not too much left over after interest payment to make a substantial dent in your debt and* will not bring your balance below the 30%.
  https://www.freecreditreport.com/blog/what-happens-to-my-credit-score-if-i-only-pay-the-minimum/

General Credit Rating Information

- Everything you need to know about credit reports, all in one place. Understand how your financial behavior impacts you and your credit.
  https://www.consumer.equifax.ca/ca/education/en/
  https://www.equifax.com/personal/education/credit/report/
- Understand credit scores, creditworthiness, and how credit scores are used in day-to-day life
  https://www.equifax.com/personal/education/credit/score/

Debt

Debt is something owed to someone else. Debt is the amount of credit you have used.

For example:

Credit Available	—	Purchase of Coat	=	Credit now available
$5000		$100		$4900 Debt is $100

Types of Debt

There are two types of debt:

Good Debt

Purchase will increase in value

Example - your mortgage debt

Bad Debt

Purchase will lose value or you will consume it

Example - clothes or dining out

The goal is to eliminate as much of the "bad" debt as possible. Get used to saving money for when you want to go out for dinner, buy clothes, go to the movies, etc.

Good Debt vs Bad Debt

You have to be better than most Canadians at managing debt. We will spend some time thinking about debt. Most Canadians have some debt. Not all debt is the same. Sometimes taking on a debt is necessary and good, but be careful.

Some debts can be very dangerous. If you are not very careful, your debt payments can destroy your personal finances. Your debts can grow to be crushing. Debt can cause so much stress. An unmanageable debt can damage a marriage and a family.

A general rule is that you should never have more than 20% of your yearly income as non-mortgage debt. Debt payments should never exceed 10% of your monthly wages.

Some debts are not bad at all. For example, as long as it is not too big, a mortgage is good debt because it gives you something (your home) which will most likely increase in value.

a) A home is a good financial investment.
b) If you make your payments on time, a mortgage will improve your credit rating.
c) The best debt you can have is a Habitat for Humanity mortgage because you are acquiring a valuable asset (your home) at 0% interest. As long as you can make the payments, a Habitat for Humanity mortgage is excellent debt.

Definitely avoid debt for items that you don't really need, such as a vacation or new clothes. When a vacation is finished, you are left with nothing but the stress of the debt payments. Unnecessary items like vacation or new clothes should be purchased only **AFTER** you have saved the money for them.

Before going into debt, you need to think about what you are purchasing. Is the purchase really necessary? Is it a good debt or a bad debt? How expensive is the debt? Almost always,

If you don't really <u>need</u> it, it's a bad debt.

https://www.debt.ca/calculators/debt-repayment-calculator

You really need to ask yourself,

"How expensive is it for me to take on this debt?"

How Much Debt Can You Afford?

Banks are in business to lend money to people. The interest that you pay on your loan or credit card is how banks make money. What you need to think about is if your family can afford the debt that the bank or credit card company is willing to give you. Before you apply for a credit card or buy a new car, take a moment to work through this exercise to figure out if you can manage that debt.

NOTE: Your mortgage and mortgage payment is not included as part of the 20-10 rule but all other debts should be included, like student loans, credit cards, car loans.

Never borrow more than 20% of your Family Net Annual .

My Family Can Borrow…

My family's monthly net income is $ ______________________ (A)

$_________________ (A) x 12 months = $__________________(B)

My family's annual net income is $________________________(B)

My family can borrow:

$ ____________________ (B) x 20% = ______________________

Your monthly payments should never be more than 10% of your net monthly income.

My Family Can Afford to Pay…

My family's monthly net income is $ ___________________________________ (A)

My family can pay 10% of our monthly net income.

$ _________________________ (A) x 10% = $ _____________________________ (B)

My family can pay: $ ______________________________ (B)

Exercise D: Calculate How Much Debt You Can Afford

Never borrow more than **20%** of your yearly net income (excluding your mortgage)

AND

Never pay more than **10%** or your monthly net income each month (excluding your mortgage payment).

Both Families would like to buy new living room furniture. The furniture will cost **$2,000.** The store will give the family a new credit card to buy the furniture. The interest rate is **28%** and the loan must be repaid in **24 months** or the interest rate will increase to **30%** compounded on the outstanding balance. The monthly payment will be **$110.** The furniture will cost **$2,640** if the family pays the loan as agreed.

Can each family afford to buy the furniture?

	Family A	**Family B**
Net Monthly Income	$2700	$2200
Current Debts (C and D)	Credit Card $1000 Buy Now Pay Later $800	Credit Card $500
Current Monthly Payment (ii)	Credit Card $100 Buy Now Pay Later $80	Credit Card $100

Instructions:

You have two sheets to calculate what amount of debt each family can afford.
On each sheet, calculate how much debt the family can afford using the 20- 10 Rule.
After you have finished the calculation, ask the following questions.

1. Can the family afford the loan?
2. Can the family manage the monthly payment?
3. If the family cannot afford the debt, what can the family do to be able to make the purchase?
4. If the family can afford the purchase, should they go into debt to buy the item?
5. What else can the family do to purchase the furniture?

Family A Can Borrow…

Family A - Monthly Net Income is $______________________ (A)

Family A - Annual Net Income is

$__________________(A) x 12 months = $_________________ (B)

Family A can borrow

$__________________(B) x 20% = $______________________ (C)

Family A Current owes Credit Card $ ____________________
+ Buy Now Pay Later $ ____________________
= Total Family A owes $_________________ (D)

Family A can borrow $ ______________________(C)
- $ ______________________(D)
= $ ______________________(E)

Family A can pay each month…

Family A Monthly Net Income is

$__________________(A) x 10% = $_________________ (i)

Family A pays each month

Credit Card $ ____________________
+ Buy Now Pay Later $ ____________________
= Family A monthly debt payment $__________________ (ii)

Family A can manage a new debt payment of $ ______________________(i)

What Family A pays now $ ______________________(ii)

Family A can pay more each month $ ______________________ (iii)

Family B Can Borrow…

Family B -Monthly Net Income is $______________________ (A)

Family B - Annual Net Income is

$__________________(A) x 12 months = $_________________ (B)

Family B can borrow

$___________________(B) x 20% = $_____________________ (C)

Family B - Current owes Credit Card $ ____________________ (D)

Family B can borrow $ _____________________(C)
\- $ _____________________(D)
= $ _____________________ (e)

Family B can pay each month…

Family B - Monthly Net Income is

$__________________(A) x 10% = $_________________ (i)

Family B pays each month

Credit Card $ ____________________
\+ Buy Now Pay Later $ ____________________
= Family B monthly debt payment $__________________ (ii)

Family B can manage a new debt payment of $ _____________________(i)

What Family B pays now $ _____________________(ii)

Family B can pay more each month $ _____________________ (iii)

Credit Cards

A CREDIT CARD MUST BE USED CAUTIOUSLY AND WISELY.

Did you know that only 25% of Canadians pay off their credit card debt in full each month? That's one of the worst financial mistakes you can make. It a mistake that can cost you a huge amount of money.

Sometimes if a person has debt problems, the first thing a credit advisor will tell the person is to cut up their credit cards. That's because if you pay with cash, you see the money leaving your hand. You can see how much the item is costing. When you have spent all your cash, you can't buy any more. But with a credit card, it is the same whether the purchase costs a lot or a little. It feels the same and you don't even realize how much you have spent. And you don't know when to stop.

Do you ever get your credit card bill and are surprised by the amount? That's the sign of a problem. It's a problem that can quickly get you in trouble. You need to know exactly how much your credit card bill will be before you open it. During the month you should write each credit card purchase on paper so you are aware of your growing bill during the month. This is explained more in the Budget section on page 14. Most importantly,

You should never buy something with a credit card that you cannot pay off completely when your monthly bill comes due.

Credit Cards are Convenient…. and Dangerous!

Every time you use a credit card, you are borrowing money.

When you watch commercials on TV, you never think about how those credit cards will actually put you in debt. Instead, you get a good feeling about having all that fun. The ads only show you the glamour of credit. There is mention of the 12-30% interest rate. There is no mention of all the other fees and penalties for not paying the balance off each month.

Credit cards can be useful if carefully managed. If you pay your balance each month, a credit card is a convenient way to shop. But, if you are not careful, credit cards can get you in deep financial trouble very quickly.

What are some of the advantages and disadvantages of credit cards?

Advantages Of Credit Cards	Disadvantages Of Credit Cards

What does a credit card really cost?

Credit cards charge a high rate of interest on any unpaid balance on your card. That is how the credit card companies make their money.

Has this ever happened to you?

You made a big purchase on your credit card of $5000.00. and the first bill has arrived. You want to make your first payment but you are not sure how much to pay. The interest rate is 18% and the minimum payment is $30.00.

What would happen if you paid more than the minimum payment?

	Option A: If you pay the minimum $30. payment each month	Option B: If you pay the minimum $30. payment each month plus $10.00	Option C: If you pay $175.00 each month
Time to pay off	3 years and 11 months	3 years and 7 months	3 years and 2 months
Original Balance	$5000	$5000	$5000
Interest Paid	**$1983.60**	$1797.68	$1578.01
Total Paid	$6983.60	$6797.68	$6578.01
Amount Saved	.00	$185.82	$ 405.59
Time saved	------	4 months	9 months

FCAC Website

Imagine what you could do with up to $1,983.60 if you did not have to pay the interest to the credit card company.

A Big Credit Card Mistake

Let's say you have just bought a great new TV for $1000. You were lucky to get such a good price. When you get your bill, if you pay the entire bill, the TV costs you $1000. But imagine you don't have that much money so you decide to make the minimum credit card payment each month. **Big mistake.** To show you how much of a mistake, open the website

https://www.bankrate.com/calculators/managing-debt/minimum-payment-calculator.aspx

Suppose a credit card company charges the normal 21% annual interest and the minimum payment is 2%. Fill in the numbers on the calculator on the website and you will see that the $1000 debt will cost you a lot more than $1000.

By paying just the minimum, you will have to pay $ ______ each month, but your $1000 debt will take you __________ months to pay off, and in total (principal and interest) it will cost you $ ______________ to pay for your $1000 TV. That $1000 TV doesn't seem like such a bargain now, does it?

Now imagine, instead of the minimum payment of 2%, you choose to pay 5% each month. Still a mistake, but a smaller mistake. Calculate:
Cost of monthly payment $ ______
How long to pay off the debt ______ months
Total cost (principal and interest) of your $1000 TV $ _________

Better, but still far too expensive. The best advice is this. If you are using a credit card,

YOU MUST PAY YOUR TOTAL CREDIT CARD BILL EACH MONTH ON TIME.

If you can't do that, don't use your credit card.

Credit cards are a disaster for many Canadians. In order to avoid a credit card disaster, follow these suggestions.

- Pay the full amount of your outstanding balance
- Pay your credit card bills on time
- Never use a credit card for a cash advance
- Don't make impulsive purchase decisions
- Don't let your friends use your credit card

Not all Credit Cards are the Same

Which credit card should you choose to use? They are not all the same. Credit cards from different companies have different interest rates. Credit cards usually offer some "reward" such as cash back (a reduced cost for some purchases) or a sign-up bonus. Some credit cards have an annual fee. The following are two websites that may help you to choose the best credit card for you.

http://www.greedyrates.ca/blog/best-credit-cards-canada-2017/

https://www.creditwalk.ca/best-credit-card-canada/

Never go into debt with your credit card. That's bad debt. Its too expensive.

a) The most important rule for managing your credit card is that you must pay your entire credit card bill every month.
b) **If you don't have enough money to pay your entire credit card bill every month, then you have been making purchases you can't afford and you need to be a better money manager.**
c) The interest you pay on credit card debt is just too much. Its never worth it. By the time you have paid off a credit card debt, the items you have purchased with your credit card have become much more expensive.

Almost all Canadians have a credit card. Using a credit card is convenient, but it can lead to big problems. For people who are trying to manage their money, credit cards can be a dangerous trap. Many Canadians make very poor decisions with their credit cards and it leads to big financial trouble for them. You have to be better than most Canadians with your credit cards.

Tips To Manage Your Credit Cards Wisely:

- Remember that when you pay for something with a credit card you are taking out a loan and you have to pay it back.
- Keep track of what you charge on a credit card so you don't over spend.
- Pay the balance off every month.
- If you can't pay the balance in full, pay as much as you can.
- Do not take a cash advance – interest starts the day you withdraw the funds.
- Have fewer cards – keep only one or two major credit cards.
- Get a lower rate – if you are carrying a balance, look for a credit card that offers a low interest rate.
- Shop around! Consider interest rates and rewards options. Don't forget to ask about the annual fee.

Debit Cards

A small plastic card, resembling a credit card in appearance, a Debit Card is used to make cash withdrawals from a bank account, or to pay for goods and services. Debit cards work a lot like cheques. The difference is that when you use it, you are immediately taking money out of your account.

Caution

We just aren't as careful with plastic as we are with cash. Sometimes it feels easier to use a card at a store, credit or debit, than it is to spend cash. You should still spend only what you planned to spend. You might make a bunch of small purchases before you realize you've spent more money than you have in your account. And you have to consider the withdrawal fees as well.

It's good to keep your budget in mind at all times.

Advantages Of Debit Cards (Compared To Credit Cards)	Disadvantages Of Debit Cards (Compared to Credit Cards)

Other Types of Credit

Credit card debt is not the only kind of debt you can have. You could have a student loan, a mortgage, car loans and personal loans from friends and family. You may have some of these loans yourself.

Credit You Must Avoid

Beware the following loans! These loans are "predatory" loans. The companies who offer these loans are not looking after your best interest. They count on people not being able to repay the loans on time. They make money from what they collect in high interest and fees.

Pay Day Loans

Budget and Save to Avoid!

Has this ever happened to you?

You have an emergency and you need $500 right now but you will not be paid again for 14 days. Your bank account is just about empty.

What should you do?

Click on the link below to calculate how much the loan will cost you

https://www.servicealberta.ca/payday-loans.cfm

A payday loan is a short-term loan of $1500 or less.

The term of the loan must be between 42 and 62 days. The maximum fee a payday lender can charge is $15 per $100. This includes all fees and charges related to the loan.

http://www.servicealberta.ca/pdf/tipsheets/Payday_Lending.pdf

A Pay Day loan is very expensive

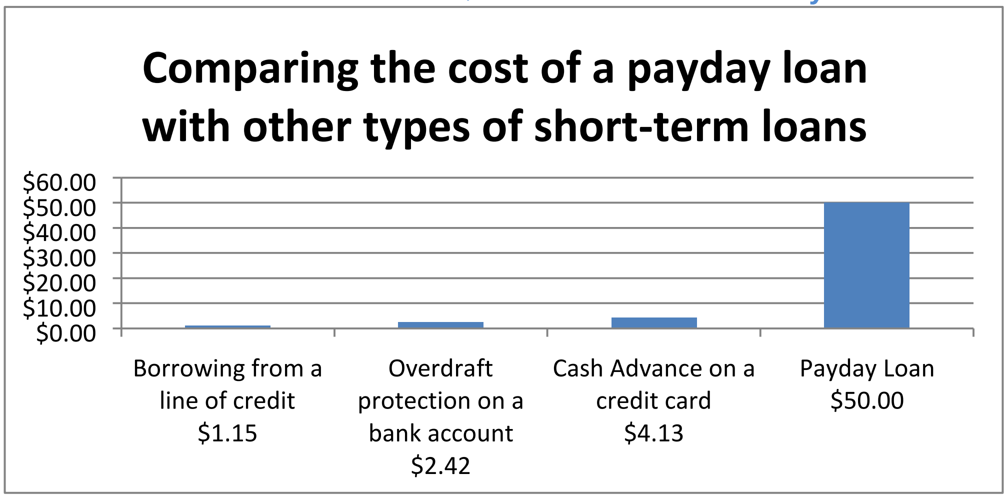
If you go to a Pay Day Loan office, it might solve your immediate problem but what will it cost you in the long-run.

You can solve your short-term money needs in other ways.

Borrowing costs for Pay Day Loans differs from province to province so make sure you check depending on where you live.

Comparing the Cost of a Payday Loan with Other Types of Short-Term Loans

Based on $300 loan taken for 14 days



FCAC Website

Never, ever, take a loan from a payday loan company. It's the worst, most expensive debt you can ever have. High fees, high interest. **If you are going to get a loan from a payday loan company, you'd better be very rich, because it is going to cost you a lot.** If you need to understand, read Robbie McCall's story.

It all began with a pair of jeans.

Robbie McCall wanted to give his daughter a new pair for Christmas. But he was short of cash, so he went into a payday loan store in Ottawa to get a quick loan. This is how his debt trap began: When he returned in January to pay back the first $200 loan, plus $20 in fees (a promotional rate as a first-time borrower), he was encouraged to take out another, bigger loan – $300. But the second time, his bill, which included other fees, came to $86.

He couldn't pay, so he took out another loan. By the next loan, at $400, the fees had grown to more than $100.

"I just about had an aneurysm," he says. "I was beside myself. Now I couldn't afford to pay my rent, or I'd have to forgo my hydro. I'm on a fixed income, so every penny counts."

He dug himself out of his first payday-debt hole, only to fall down another the following year.

He borrowed from one payday lender to pay off another. He says his credit rating is shot. He figures he spent thousands on fees in recent years. Lack of cash meant having to go to food banks. "I was in a terrible loop I didn't know how to get out of." He says it has taken him nine years to pay off a $200 loan. (CBC)

Rent-to-Own Agreements

A store may rent furniture or home appliances on a contract. The contract will allow you to become the owner after all the rental payments have been made. Rent-to-Own agreements are usually for a short period of time and have high interest or finance fees that significantly increase the cost of the item. Any time you stop making payments the contract ends. The rental company can then take back or repossess the equipment or furniture if you miss payments. No matter how many payments you have made, you only become the owner when the contract is complete. You have to have paid the full amount.

Don't Pay a Cent Events

Temptation!

Do not purchase items counting on money you do not have yet! Once you sign an agreement, you must pay back the full amount of the purchase at the date specified, usually 12-24 months in the future. You are actually paying a finance fee to delay your payment. The full amount of interest is charged if you do not pay on the due date.

How to Avoid Predatory Lending

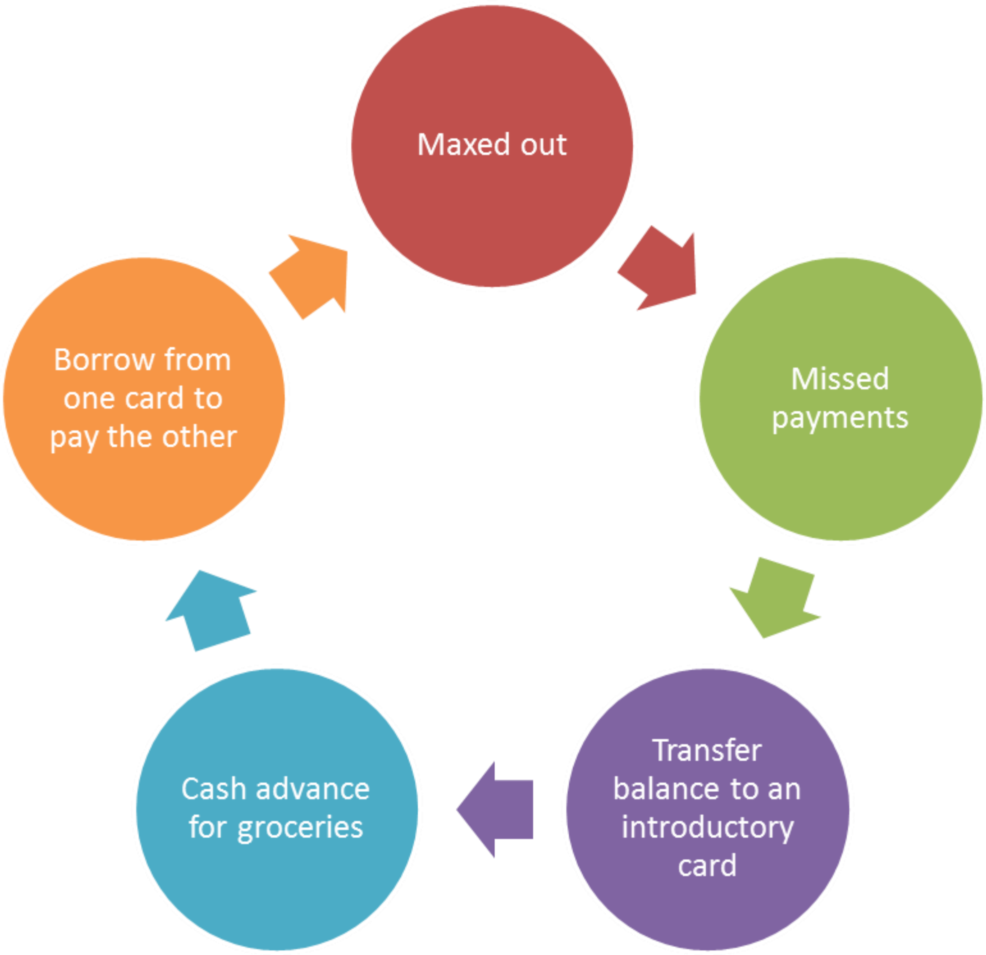
Plan - Put away money in your Long Term Savings Fund to make purchases in the future.

Set up an Emergency Fund - To use when you need cash ahead of pay day for an emergency.

Have alternatives - Have other types of credit available to you should you need it – overdraft protection, line of credit, a credit card with a zero balance.

The Credit Danger Signs

You may be in trouble with your debt if:



How to Beat That Debt

You may have some debt that you would like to get rid of. Perhaps that is one of your short-term goals. You can beat that debt and stay debt free.

Make a plan to get rid of your debt

- Budget. Always put your needs first before your wants. Track your spending and Identify areas to cut back.
- Spend less than you earn
- Pay off the debt with the highest interest rate first.
- Pay more than the minimum payment
- Switch to less expensive cards or ask your lender if a lower interest rate is available
- Set up an automatic payment to stay on schedule
- Leave your credit card at home when you shop
- Avoid predatory lending schemes
- Get a consolidation loan to lower your payments. DO NOT use your credit card in the future

My To Do List

- ✓ Reflect how you got into debt
- ✓ Change your bad spending habits
- ✓ Figure out how much debt you have
- ✓ Decide how much you can afford to pay
- ✓ Put a plan together
- ✓ Start making payments
- ✓ Don't create more debt
- ✓ Bounce back from setbacks

https://www.thebalance.com/reducing-debt-4073402

https://www.credit.com/debt/get-out-of-debt/

https://lifehacker.com/a-step-by-step-guide-to-getting-out-of-debt-1475515477

https://www.daveramsey.com/blog/first-step-to-get-out-of-debt

PART 2: Financial Goals

Setting Your Financial Goals

Goals are very personal. What is important to your family may not be the same for another family.

Financial Goals can be for:

Long Term Savings Funds

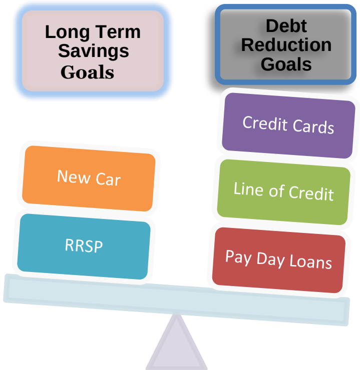
You may have a savings goal – to save for a new car or for your child's education.

OR

Debt Reduction

You may wish to get rid of your debt. Perhaps you would like pay off your credit cards and your loans.

How you manage your Financial Goals can be a balancing act, especially if you have debts you must repay.



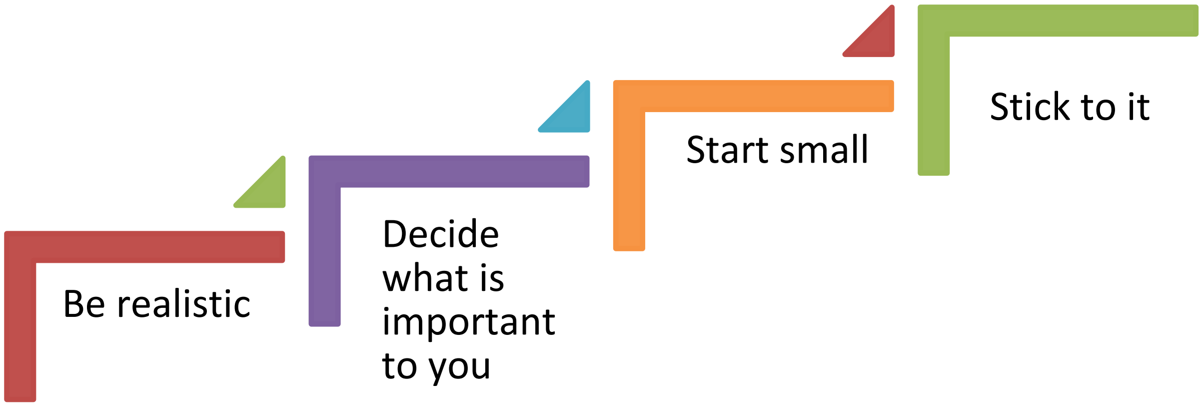
Types of Goals

There are different types of goals—short, medium, and long term.

Goal	How long will it take	Example may be
Short Term Goal	Less than 1 year	Buy a washing machine Pay off credit card debt Pay credit card purchases each month
Medium Term Goal	Not more than 5 years	Purchase a car Save 3 months income for our emergency fund
Long Term Goal	More than 5 years	Save for your child's education Save for retirement

Goals are not dreams; they are something you plan for and work to achieve.

Steps to Reach Your Financial Goals



Step 1 – Be realistic. You may have many dreams, but you only have so much money to pay your expenses and save for the future.

Step 2 – Decide what is important to you. You and your family should discuss your goals and agree what is important your family.

Step 3 – Start small. You may have many goals, but you will not be able to achieve them all at once. Start with a few goals, achieve the goals and then set more goals.

Step 4 – Stick to it. Add an amount to your budget to pay for your goals and stick to it.

Exercise E: Our Family Goals

Instructions:

1) With your family, identify your family goals in column A.

    i. List ALL your family goals. You will remove ones that are less important later.

2) How important is each of the goals to your family. Rate the goals for your family.

In column B, rate them as:

    i. #1 – very important

    ii. #2 – important

    iii. #3 – somewhat important iv. #4 – nice to have

3) Review the Family Goals and decide which ones to remove from your list.

Cross them out.

4) For the Family Goals that remain, estimate the cost to obtain the Family Goal (Column C).
5) Identify the Date that you want to purchase the item. (Column D).
6) Determine the number of months between now and the date to purchase.
7) Estimate the Amount that you will have to save each month to achieve your goal (Column E).
8) Is there something that you are prepared to give up in order to save the money to achieve the goal?
9) If your goals are to save to purchase something in the future, add that amount to the Long Term Savings Fund line in your Budget.
10) If one of your goals is to reduce your debt by increasing your debt payment, put the new payment amount in your budget.

Worksheet for Exercise E – Family Goals

A	B	C	D	E	F	G
Family Goals	Importance 1 – very important 2 – important 3 – somewhat imp 4 – nice to have	Estimated Cost	Date Want to Purchase	# Months to Save the Amount	Amount to Save Monthly	What will you do to achieve your goal?
Ie. Vacation	1	$1200	**2020**	**24**	**$50**	**Take my lunch to work**

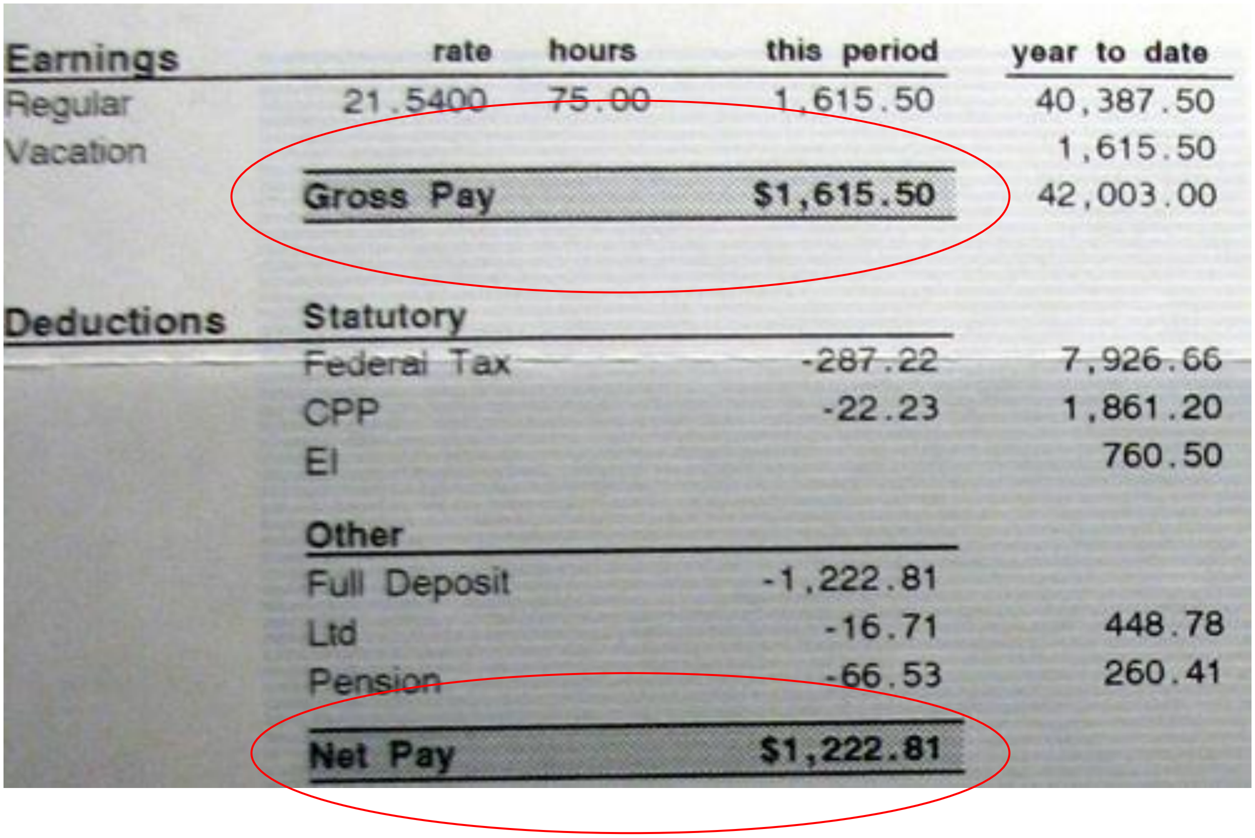
PART 3: Understanding how to complete a budget

Money Management Basics

Your Family Income

Your family income is the income of all members of your household who help to pay expenses - mortgage or rent, food and living expenses for everyone.

We talk about income in two ways. **Gross Income** - the amount you earn before all deductions from your pay. **Net Income or Take Home Pay -** the amount you receive after all deductions.



Earnings		rate	hours	this period	year to date
Regular		21.5400	75.00	1,615.50	40,387.50
Vacation					1,615.50
	Gross Pay			$1,615.50	42,003.00
Deductions	Statutory				
	Federal Tax			-287.22	7,926.66
	CPP			-22.23	1,861.20
	EI				760.50
	Other				
	Full Deposit			-1,222.81	
	Ltd			-16.71	448.78
	Pension			-66.53	260.41
	Net Pay			$1,222.81	

Use your net income to prepare your budget.

Your Cash Flow

Your bills and expenses occur at different times in the year.

Has this ever happened to you?

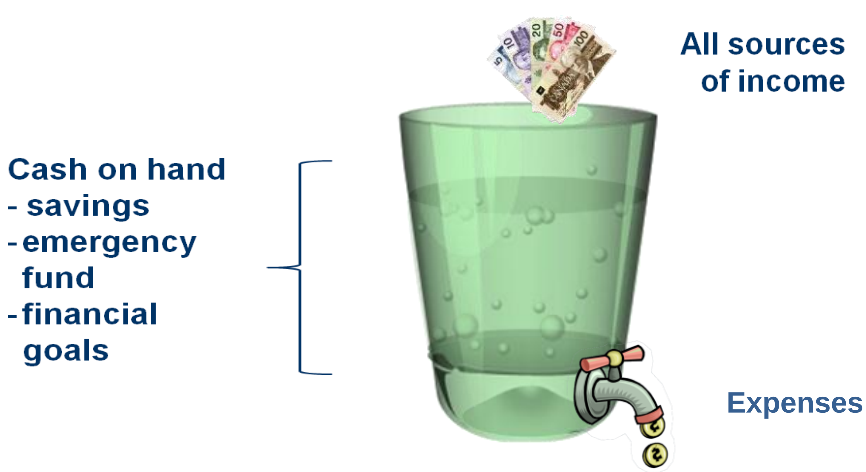
> Your car insurance is due next month, and you only have half the money you need in your bank account. What do you have to do without to be able to pay for the car insurance on time?
>
> This can be a tough decision because you have to buy the things you need.

Your money is moving all the time. That's called CASH FLOW.

Your money comes in at certain times and you need to use it at other times. They seldom match. That is why it's important to understand when you need your money.

Plan to have it on hand or in your bank account so you can use it when the time comes.

That's being a good money manager!



Expenses can Happen:

Daily, weekly and monthly expenses
Example – rent, groceries, phone, transit

Annual, twice a year or quarterly expenses
Example – license renewal, birthdays, summer camp, Christmas

Unexpected or occasional expenses
Example – broken tooth, illness, flat tire

It is important to save so you have your cash on hand to meet all your expenses and have peace of mind.

Annual, Occasional, Emergency Expenses and Long Term Savings

You can save for annual and unexpected expenses by following another good rule of money management.

Pay Yourself First

1. Set a monthly savings goal
2. Open a separate bank account called savings
3. Put money in the savings account before you pay your bills
4. Limit your use of credit

All budgets have a line for Savings in the expense section. Savings is an expense.

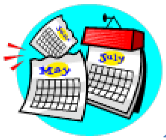
Savings is a regular monthly expense, just like paying your rent.

Benefits of Paying Yourself First

- You will be prepared to pay your bills when they are due
- You will stay out of debt
- You will be protected through life's storms
- You will have peace of mind **Reasons to Save:**

There are three things you save money for:

- Annual and occasional expenses when they come up (Annual Expense Fund)
- Emergency expenses such as a car or if you lose your job (Emergency Fund)
- Large items, such as new appliances without having to borrow money. (Long Term Fund).



Annual and Occasional Expense Fund

Many people do not plan for annual and occasional expenses. Sometimes, as a result, when a bill is due, they do not have the money to pay it. Instead, they will try to reduce other expenses, delay the payment, or borrow money to pay it.

When you plan, you are ready for these expenses when they come.

How much do you need?

The amount you save in your Annual Expense Fund will depend on how much those expenses total. Be sure to have enough to cover all of the bills you know are coming.

Emergency Fund for Unexpected Expenses

You cannot plan for everything. Unexpected things happen in life such as:

- Changes to your job – layoffs, reduced hours
- Changes to your health – reduced income due to sick leave, disability
- Changes to your family – additions, illness requiring additional expenses
- Unexpected costs for car or home repairs – roadside assistance, a car accident, a storm that causes damage to your property; they all cost money and they are not things you plan.

How much should your Emergency Fund be?

Generally, it is good to have three months of net income saved in an Emergency Fund.

You should increase this to six months income if you are:

- Self-employed
- Working on commission basis
- Have a one-income household
- Chronic medical problems in the family
- Working in an unstable job situation

Long Term Savings Fund

Long Term Savings can be for something you **need** or something you **want.** You decide. What you set aside in your Long Term Savings Funds will be money for your Financial Goals.

For example, you could save for:

- a vacation
- a used car

Everyone should save for the future. It is important for your family's future security.

How much should your Long Term Savings Fund be?
How much depends on what the item you want will cost

Excuses for Not Saving
It's impossible! - I don't have anything left to save! Pay yourself first, live within your means and take it one dollar at a time!

All extra money needs to go toward paying off debt! A person who carries high interest debt will have a harder time saving money than a person who carries little or no debt. Getting rid of debt is one of the fastest ways to free up "enough" money to contribute toward savings.

Successful Saving
Your family budget includes amounts you save towards financial goals (purchase a car, trip, children's education. etc.), annual savings and your emergency fund.

What can you do to make sure that you are saving enough to meet these expenses when they come due?

The secret to saving is to keep your goal in mind.

Start with a small amount if you need to, and work your way up. Get into the habit of saving! If you don't start, when an emergency comes up or you need to buy something…you won't have enough money saved!

Some tips to help you save are:

Pay yourself first! Set aside money for savings at the beginning of each month, rather than waiting to see what's left at the end.

Make savings automatic. Put a portion of every pay cheque you receive into your savings account by using direct deposit or automatic transfer. You'll be much less likely to spend the money that way.

Put "extra" money into savings. If you receive any extra money, put it into savings. This extra money could be from:

- a tax refund
- a raise or bonus
- a gift

If you have paid off a loan, keep making the monthly payments – to yourself, in your own savings account!

Pay your bills on time. When you pay your bills on time, you avoid:

- late fees
- extra finance charges
- disconnection of (and re-connection fees for) phone, electricity, or other services
- repossession of cars or other items
- bill collectors

Participate in government savings programs.

- Registered Retirement Savings Plans (RRSP)
- Registered Education Savings Plan (RESP)
- Tax Free Savings Account (TFSA)

Avoid check-cashing stores. At $10 or more for each cheque you cash, this can add up to several hundred dollars per year. Consider opening a checking account at a bank instead.

Start saving now!

It's Really Smart to Save for Retirement

It is not difficult to make good decisions about saving for retirement, so why do so many Canadians make bad decisions about saving for retirement? Not making the right decisions is a big waste of money. Many Canadians don't take the free gifts of money offered by the government. You can do better. You have to be better at saving for retirement than most Canadians.

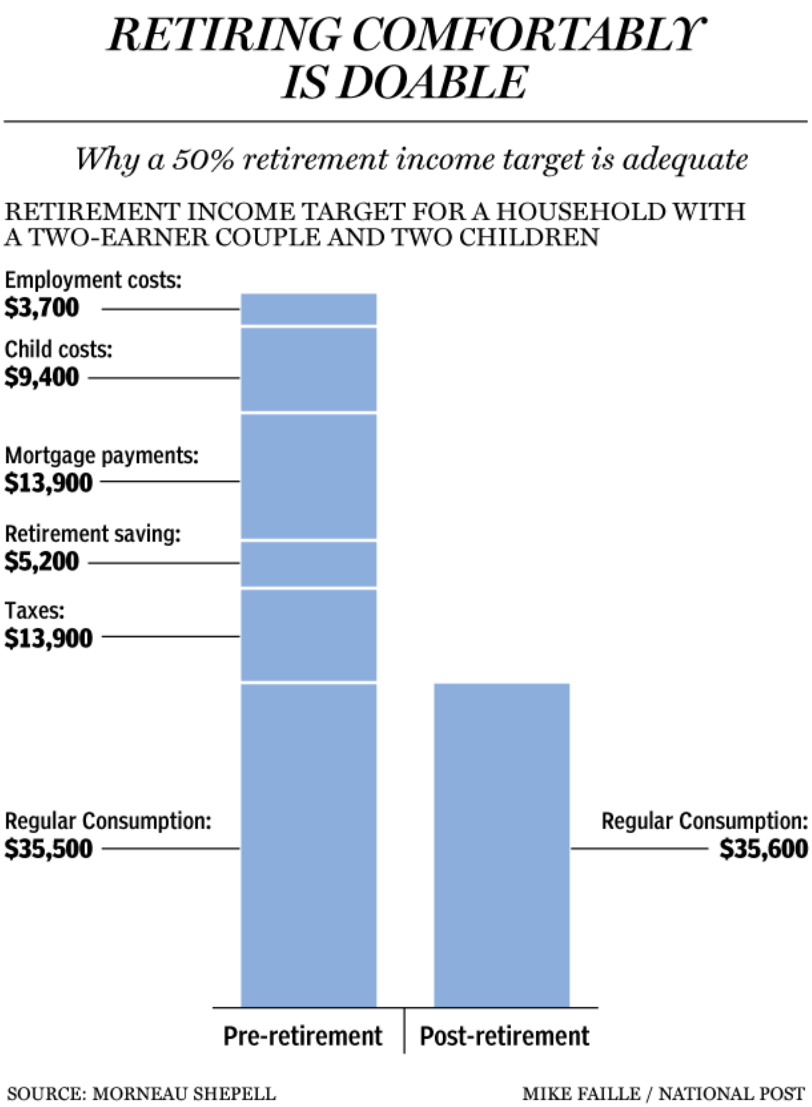
Please Take the Free Money

Some people say, "I'd like to save for retirement, but I can't afford it right now". That is a big mistake. By not saving for retirement, people are giving away free money. By putting aside a little money each month, the government lets you pay less tax. The tax you don't pay is free money for you. As well, because of compound interest, a small amount of money put aside each month will become a very large amount over time. By not having to pay tax, that's free money. The compound interest you earn on your investment is free money. Please take the free money.

> **<u>Why you should save for retirement early?</u>**
> If you start at age 25, and put aside $3,000 a year ($58/week) in a tax-deferred retirement account for 10 years - and then you stop saving – completely, by the time you reach 65, your $**30,000** investment will have grown to more than $**338,000**, (assuming a 7% annual return), even though you didn't contribute any money after age 35.

First, you need to get a financial advisor. The financial advisor you choose can be from your bank or could be from an investment firm. Select your advisor carefully. Make sure it is someone with a good reputation, who will patiently help you to develop a saving plan that will work for you.

<u>Turn Retirement Concerns into Retirement Confidence</u>



How much money do you need to save so that you can retire comfortably? You must know. Its something your financial advisor can help you answer.

Maybe you need less money than you think. The chart at the left shows that many people only need ½ the money during retirement that they need when they are younger. Everyone's needs are different. Your financial advisor can help you to make sure that your specific needs are taken care of.

Remember that you will get some help from the government.

If you retire at age 65, you will get from the government Canada Pension Plan (CPP) and Old Age Security (OAS) payments of about $1000/month. For you, it may be more or less than $1,000. Your financial advisor can help you determine exactly how much you will get.

Most people need more than that to live comfortably in retirement. If you don't have a company pension plan, you have to save the extra yourself.

Remember that it is important to start saving as early as possible.

https://www.nerdwallet.com/banking/calculator/compound-interest-calculator

Saving $100/month

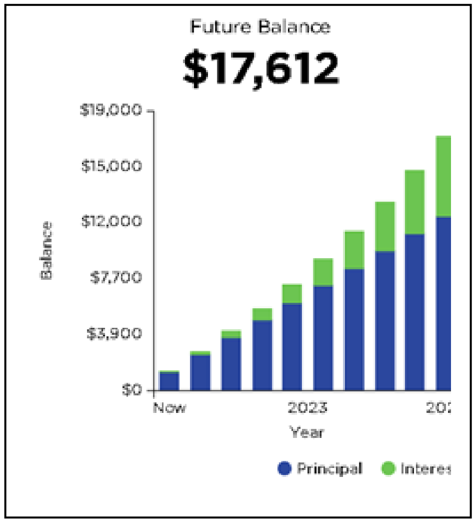
If you are saving $100/month, the longer you save, the more interest (free money you didn't have to work for) you get.
The sooner you start to save the better.

Monthly contribution	Time of saving (years)	Your total contribution	Your total interest earned	Your total savings	This column shows that you get a lot of money if you start saving early.
100	10	$12,100	$5,512	$17,612	From saving 12,100, you have $5,512 profit of $17,612
100	20	$24,100	$28,706	$52,806	From saving 24,100, you have $28,706 profit of $52,806
100	30	$36,100	$87,440	$123,540	From saving 36,100, you have $87,440 profit of 123,540
100	40	$48,100	$217,602	$265,702	From saving 48,100, you have 217,602 profit of 265,702

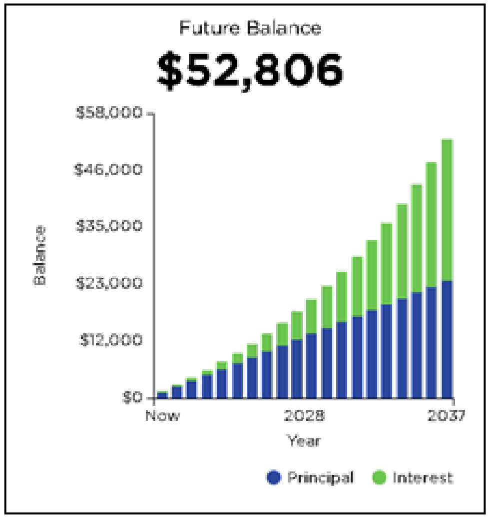
(based on 7% interest rate)

Look at the graphs below. The blue is the money you earned at work and then contributed to your savings. The green is the interest (free money you didn't have to work for). Notice that the longer you save, the more interest you are getting. If you save for only 10 years, its almost all your money (blue). There is not much interest (green). If you save for 40 years, there is so much more interest.

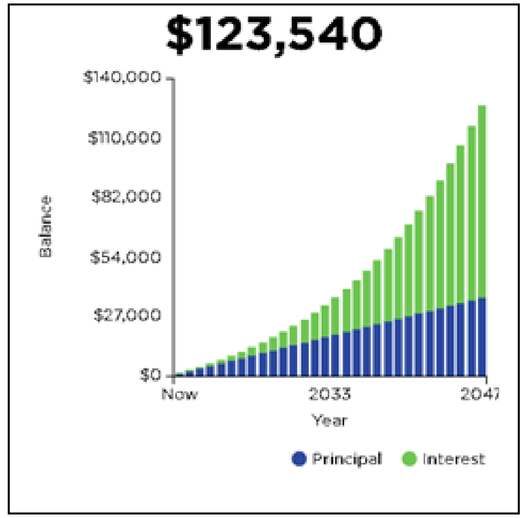
Saving for 10 years



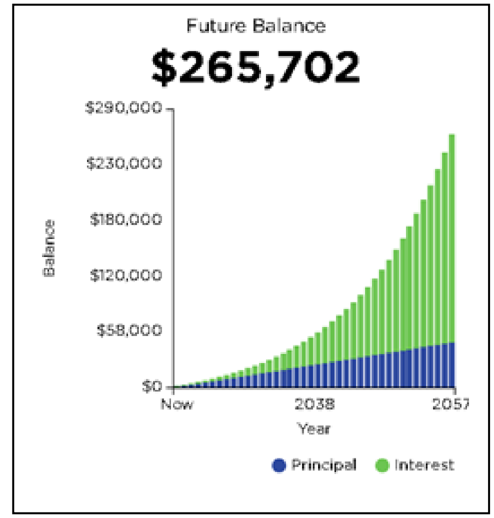
Saving for 20 years



Saving for 30 years



Saving for 40 years



You'd like to save but you can't afford to right now? That's wrong. It's far too expensive to wait until later.

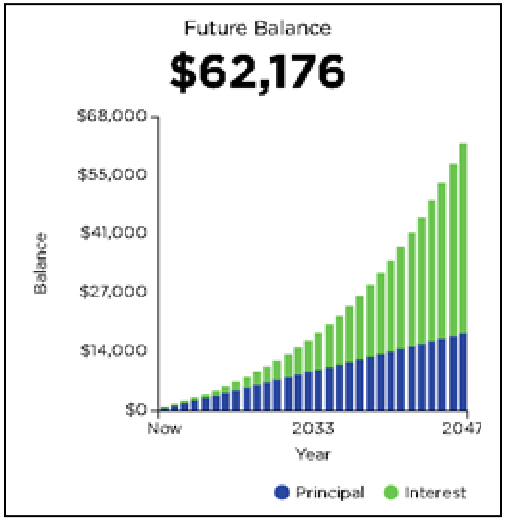
<u>Saving $50, $100 or $150/month</u>

The more you can save, the greater benefit to you.

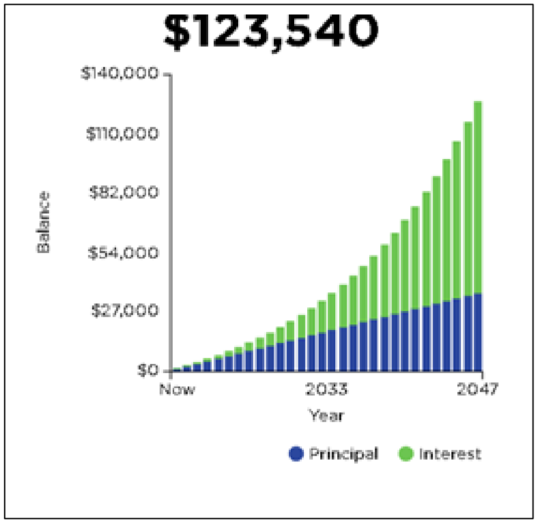
Monthly contribution	Time of saving (years)	Your total contribution	Your total interest earned	Your total savings	This column shows that its best to save as much as you can. The more you save, the greater the benefit.
$50 (starting with $100)	30	$18,100	$44,076	$62,176	From saving $18,000, you have $44,076 profit of $62,176
$100	30	$36,100	$87,440	$123,540	From saving $36,100, you have $87,440 profit of $123,540
$150	30	$54,150	$131,159	$185,309	From saving $54,150, you have $131,159 profit of $185,309

(based on 7% interest rate)

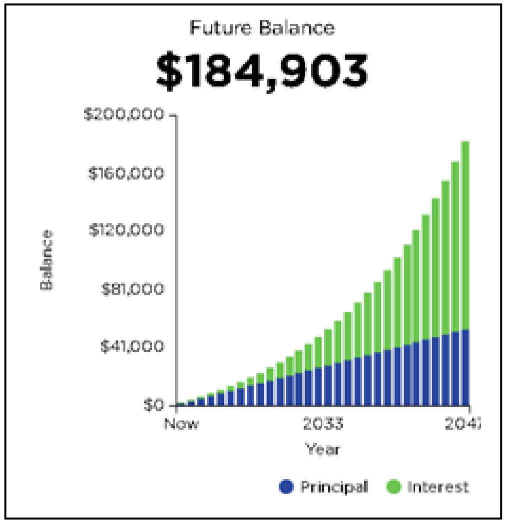
Saving $50/month



Saving $100/month



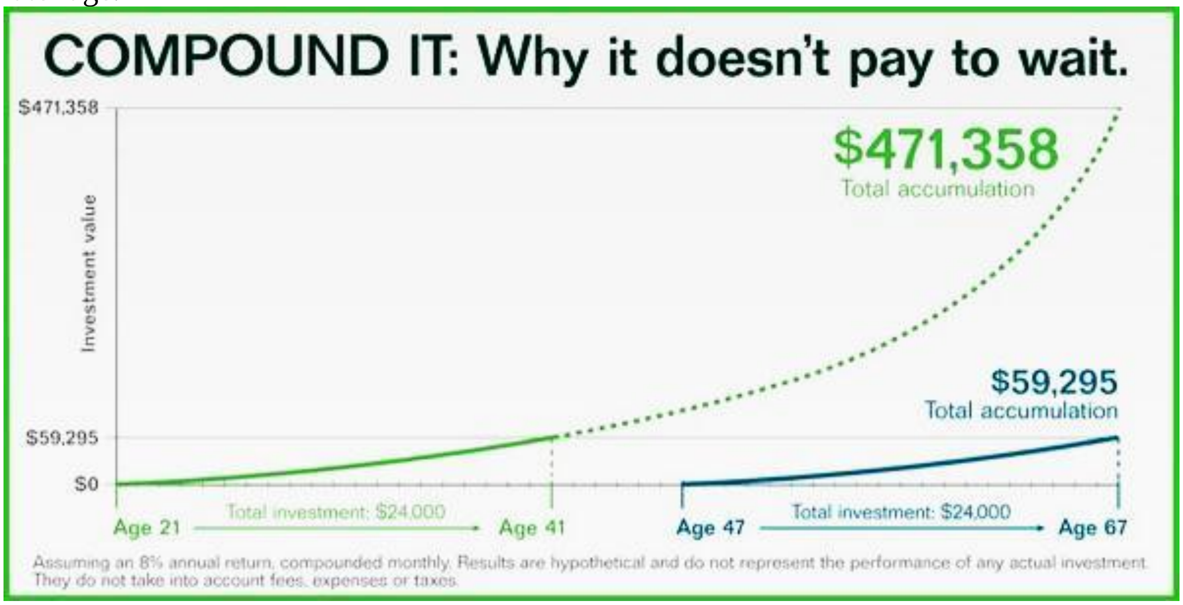
Saving $150/month



Why make your life harder?

Start Early Start Now

The following graph shows that it is much better to save $24,000 at an earlier age than the same $24,000 at a later age.



Everyone is different. Your financial advisor will help you develop a plan that is good for you, but in the meantime you can use the CIBC retirement planner to see how your savings can grow and how much you need to save for a comfortable retirement.

https://www.cibc.com/ca/retirement/article-tools/rrsp-calc-intro.html

One last thing about saving

Do you have children? Perhaps they will attend college or university. Post secondary education is very expensive. A wonderful gift you can give a child is a Registered Education Saving Plan (RESP). You give a small amount each month and your child gets a large amount of money for education. This is another thing your financial advisor can discuss with you.

RRSPS, TFSA & RESPS

Some information about Registered Retirement Savings Plans (RRSP):
An RRSP is a retirement savings plan that you establish, that [the government] registers, and to which you or your spouse or common-law partner contribute. Deductible RRSP contributions can be used to reduce your tax.

Any income you earn in the RRSP is usually exempt from tax as long as the funds remain in the plan; you generally have to pay tax when you receive payments from the plan

https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/registered-retirement-savings-plan-rrsp.html

Some information about Registered Education Savings Plans (RESP)
A RESP is a government- supported, tax-deferred savings plan to help save money for a child's post-secondary education.
The beneficiary can begin receiving Educational Assistance Payments (EAPs) from the RESP once enrolled in a qualifying post-secondary program. The student claims the EAPs as taxable income.
https://www.atb.com/learn/articles/Pages/article.aspx?aid=300

https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/registered-education-savings-plans-resps.html

Some information about a Tax Free Savings Account (TFSA)
The TFSA is a flexible way to save money for short or long-term goals. It is slightly different than the RRSP. Unlike the RRSP, you do not need earned income to make contributions to your TFSA. There is also no actual tax deduction when you contribute to your TFSA.
https://turbotax.intuit.ca/tips/how-the-tax-free-savings-account-works-6351

Savings in a TFSA grow tax-free throughout your lifetime. TFSA savings can be withdrawn from your account at any time and all withdrawals are tax-free.
https://www.scotiabank.com/ca/en/personal/investing/tax-free-savings-account/faq.html

https://www.getsmarteraboutmoney.ca/invest/savings-plans/tfsas/tfsa-basics/

https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account.html

Creating a Budget

In terms of money planning, the most important thing, **the most important thing**, ***the most important thing*** is to be aware of your spending. If you ever say, "I don't know where I spent all that money", or "I don't know how I got into debt", then you need to do a better job of budgeting.

Most Canadians do not keep track of their spending. That is a major reason why their finances are in such a mess. You must do a better job of keeping track of your spending than most Canadians. Don't worry. It's not hard to do.

Making a Budget That Works

A budget will work for you and your family if:

- You have used the right numbers for your income and expenses
- You keep track of your actual income and expenses
- Check your actual income and expenses to your budget each month
- You review your budget often to make sure you adjust it when you need to

Budgets change when your personal circumstances change

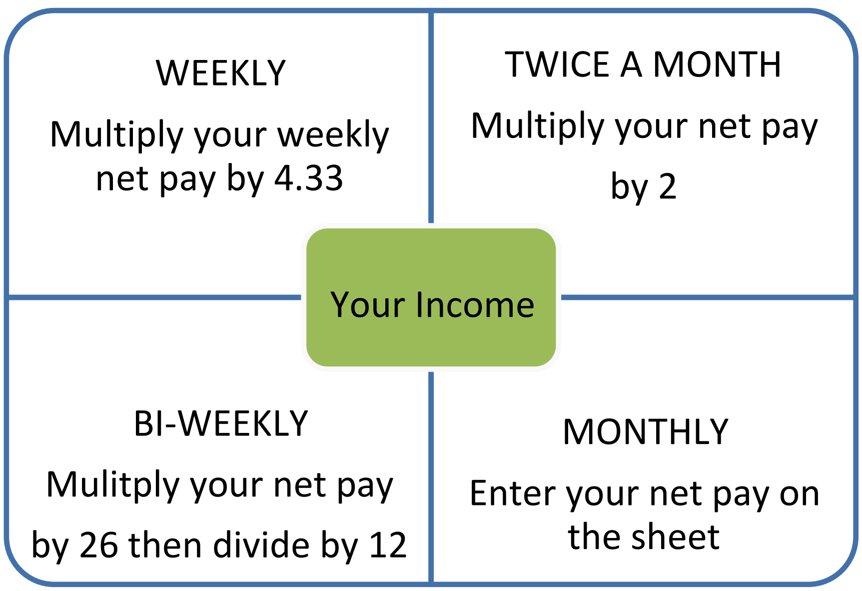
Step 1 – Know Where You are today

Before you can plan, you need to understand how you are doing right now. It is easy to know how much money you make but harder to know how much you spend and on what. Many people do not keep track of how they spend their money.

Income

How to calculate your monthly income

Personal budgets are prepared for a monthly period. How often you are paid can have an effect on how you budget for your monthly expenses. If you are paid more than once month you need to calculate what your monthly pay amount is.



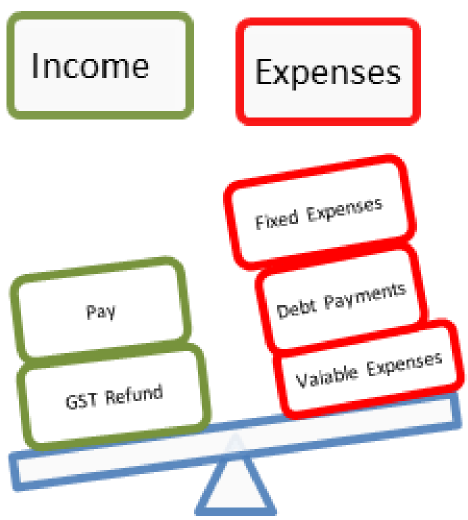
How You Spend Your Money

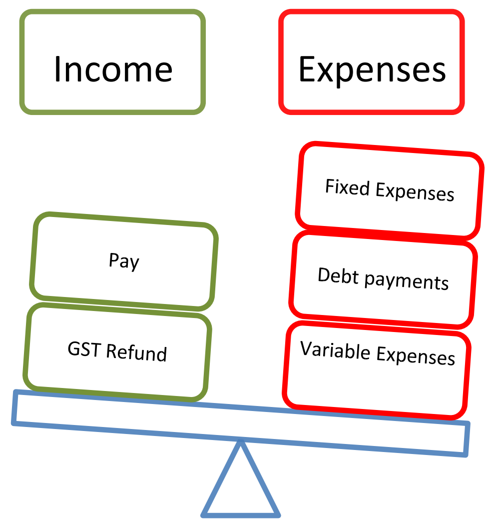
In the expenses section of the worksheet, record your expenses for the month including the amount you can save for annual or occasional expenses, the emergency fund and the long-term savings for the future.

Balancing Your Budget

Once you have entered all your family income and your expenses onto ***Exercise E***, you can now figure out if you have enough money to pay your expenses and save for the future.

Deficit and Balanced Budgets





If your budget has money left, your budget is **balanced.** You have extra money to save in your longterm savings fund, your emergency fund or to pay more on your debt.	If you do not have enough money to pay your expenses, your budget is in **deficit**. You will have to cut your spending so you stay out of debt.

Step 2: Set Financial Goals

Review your work in Part 2: Financial Goals.

With the new information you have learned, would your goals be the same as when you first completed *Exercise E*?

Take time to review your goals and make changes if you need.

Step 3: Plan Your Route – Prepare a Budget

Exercise F: Family Budget
The Process……

Getting Started –Collect:

1. Your last bank statement
2. Your last credit card statements
3. Pay stubs
4. Bills you pay annually or occasionally – like insurance
5. The worksheet your prepared in the workshop – Worksheet 3-2: Our Family Income and Expense Worksheet
6. Worksheet 3-3: Our Family Goals. A new sheet is provided.
    a. Review your goals.
    b. Identify the amount you need to save each month to reach your goals.

What Do You Earn

1. Review the deposits you made into your bank accounts. Check your pay stubs.
2. Calculate your monthly income. Refer to Worksheet 3-2: Our Family Income and Expense Worksheet for instructions. Check that you have included all your income.
3. Record the amount of your income in the **Family Income** section on the worksheet.

NOTE: If you receive income that is irregular – like an annual bonus or overtime – do not enter it under income. Use any extra money you receive to repay your debt or increase your savings when you receive it.

Savings

Emergency Fund
Use your income **Total Monthly Income** on the worksheet to figure out what amount you need for your **Emergency Fund**.

1. How long do you wish to take to save your **Emergency Fund**?
2. Divide your monthly income by the # of months you wish to save for your **Emergency Fund.**
3. Enter the amount of your monthly emergency fund expense in the Monthly Column in the **SAVINGS** section next to **Emergency Fund** on the worksheet.

Family Goals

1. Transfer the amount wish to save from the Actual Column on the Worksheet3-2: Our Family Goals to the **SAVINGS** area, next to **Long Term Savings Fund**.

Debt Repayment

1. Add up your monthly debt repayment amounts.
1. **Debt repayment goal -** If one of your Financial Goals is to reduce your debt, enter the new payment you wish to pay in the **Debt Repayment** section beside **Extra Payments.**

What Do You Spend

1. Identify your Expenses from your bank statements and bills.
2. Review Worksheet 3-2: Our Family Income and Expense Worksheet to check that you have included all your expenses.
3. If you pay an expense once a year or more than once a year but not monthly, figure out how much you pay in the year. This will be an annual expense.

Monthly Expenses: Record your monthly expenses in **Column: Monthly** on the worksheet.

Annual and Occasional Expenses: Record your expenses that you pay other than monthly into the **Annual Column**.

The Results

Adding it all up

1. Add all your income to determine your total income.
2. Add all your expenses, including savings, to determine your total expenses.
3. Subtract your total expenses from your total income.

If your budget is in surplus, give you and your family a pat on the back! Decide what you would like to do with the extra savings.

If your budget is a deficit, you need to:

1. Review your monthly and annual expenses to see which ones can be reduced. Which expenses are want expenses and can be reduced?

2. Review your Family Goals and see if you can adjust them to reduce the amount you need to save monthly.

3. Review your Emergency Fund goals to see if you can adjust them to reduce the amount you need to save monthly.

Once you make these changes, recalculate your budget until your budget is balanced.

Family Monthly Net Income		
Pay Cheque 1		
Pay Cheque 2		
Pay Cheque 3		
Pay Cheque 4		
Child Tax Benefit		
Support Payments		
Other Monthly Income		
Other Monthly Income		
TOTAL Monthly Income	**(I1)**	
Family Expenses		
	Annual/ Other	**Monthly**
HOUSING		
Rent/Mortgage		
Condo/Strata Fees		
Tenant/Home Insurance		
Water/Hydro		
Heat		
Home Maintenance		
TRANSPORTATION		
Gas		
Car Maintenance		
Car Insurance		

Family Monthly Expenses	**Annual /Other**	**Monthly**
MEDICAL		
Prescriptions		
Eyeglasses		
Dental		
Life/Disability Insurance		
Other Medical		
CHILDREN		
Child Support		
Childcare		
Kids Allowance		
School Fees		
School Supplies		
DEBT REPAYMENT		
Personal Loan		
Credit Cards		
Extra Payments		
ENTERTAINMENT		
Eating Out		
Alcohol/Beer		
Subscriptions		
Books/Music		
Cigarettes		
Movies/Sports events		
FAMILY		

Parking/Taxis				Gifts- Birthdays		
Car/Driver License				Gifts- Holidays		
Car Loan/Lease				**SAVINGS**		
Bus Fare				**Emergency Fund**		
FOOD/PERSONAL CARE				**Long Term Savings Fund**		
Groceries				**Other**		
Convenience Store				Bank Charges		
Personal Car/Hair Cuts				Donations		
Cleaning Supplies				Memberships		
CLOTHING						
Clothing				**Subtotal**	**(A2)**	**(M2)**
Laundromat/Dry Cleaning				**Subtotal**	**(A1)**	**(M1)**
COMMUNICATION				**Total (A1) + (A2) and (M1)+ (M2)**	**(A3)**	**(M3)**
Cable TV				**Monthly savings for annual expenses (A3) /12**		**(A4)**
Phone/Cell Phone				**TOTAL MONTHLY EXPENSES (M3) + (A4)**		**(E1)**
Internet						
PETS				**TOTAL INCOME (I1)**		$
Pet Food						
Vet/Grooming				**Less Total Expenses (E1)**		$
SUBTOTAL **Transfer these totals to the next column.**	**(A1)**	**(M1)**		**Surplus or (Deficit)**		$

Preparing your Budget for Moving into a New Home

Homeownership is a dream for most Canadians. You and your family will soon realize that dream. Moving from renting to owning will probably change the amount of money you spend on housing.

Housing expenses typically include:

- Rent or mortgage payment (the HFH mortgage payment includes property taxes)
- Condominium or strata fees
- Heat, hydro, and water
- Contents insurance (if renting) or property insurance (if a homeowner)

Additional Home Expenses

Owning a new home means you will have additional financial responsibilities. **When you move into your home, you will need to modify your family budget to include four items:**

	Replace your rent payment with your mortgage payment
	Add a line for the utilities you will be paying. You can estimate the amount.
	Add a line for home maintenance costs. Budget a small amount each month for seasonal maintenance and small repairs.
	Your home is new but you will have to replace the roof one day or build a fence or deck. You can consider these things when your family discusses your Financial Goals once you are in your home.

PART 4: Keeping your budget on track

Step 4: Keep on Track – Keep it Simple

Is Your Budget Working?

Your family put in time to build a budget. Has that time been worth it? You will know if you got it right by tracking your actual income and expenses and then comparing them to your budget.

Tracking your spending goes hand in hand with controlling spending.

When you track your spending, you will see where your money is going and if you are meeting your savings goals. Then you can make adjustments to stay on track to reach your savings goals.

How you track your spending is your choice. The goal is for you to find your own way, one that will work for you.

My To Do List

Choose a budget tracking method

Budget Tracking Techniques

Choose one or a combination of several to find what works for you.

1. The Jar or Envelope Method

This tool is useful if you pay your bills in cash each month.

How - Label a jar or an envelope for each expense category.

- On payday, put your money in the jars or envelopes according to your budget
- Only pay for things with the money you have in the envelope.
- Do not spend the money on something else.
- Replace the money with your receipts.
- When your money is gone, you cannot buy anything until next pay day.

Advantage - You will see when the jar is getting empty and know that you have to stop spending.

Disadvantage - You will need to use another payment and tracking method for expenses you pay by cheque or debit card.

2. Separate Accounts

This is useful to set your savings aside for your long term, emergency and annual expense fund and live on the rest!

How - Open a new bank account. Use the new account to save for annual expenses, long-term savings and your emergency fund

- Calculate the savings you need to make each month
- Deposit the savings amount into the new account
- Deposit the balance of your pay into your other account for spending
- The account for your savings should not have a debit card!

Advantage - You will see your savings grow. You will be less likely to touch the money without a debit card access. The balance in the savings account will go up and down in the year as you pay the expenses that only happen from time to time.

Disadvantage - You may pay more bank charges to have two accounts. In an emergency you may not be able to get to the bank.

3. Use a Notebook

Use a book to track your expenses.

How - Write the budget about for each expense on separate pages. As you spend your money, record the amount spent in each category in the binder. Subtract the amount as you spend it from the budget amount. When you get to zero you cannot buy anymore in that category.

Advantage – You will have a record of the money you are spending.

Disadvantage – It can be hard to remember to write everything down and you have to work at doing it.

4. Monthly Payment Calendar

The monthly payment calendar is another way to help you keep a record of your bill payments and due dates. This is a good way to help you plan for your expenses and savings.

How - On a monthly calendar:

- write all your expected income the dates when you receive the money
- do the same for when expenses are to be paid. Use your budget amounts.
- use different colored ink for income and expenses if you wish.
- check off each bill as it is paid.

Advantage - A monthly payment calendar is really useful if you get paid weekly or bimonthly. You can mark which expenses to pay with different pay cheques. You will have a chart of some of your expenses.

Disadvantage - You could forget to write down what you spent.

5: Maintain a Chequebook

How - Use a chequebook register to record all your bank transactions.

Advantage - You have a list of your money received and what you spend.

Disadvantage - You are not comparing what you spend to your budget.

6: Keep all the Receipts

How - Keep all your receipts and record what you spent each week.

Advantage - You will have a record of all your spending.

Disadvantage - You will need to make time each week to do this faithfully, or it becomes a bigger job.

7: Financial Software for Your Computer

How - Buy or find free software that will do the work for you. Financial software programs let you set up a budget, download your banking transactions and give you a report to see how you are doing against you budget.

Advantage - It is a very accurate way to manage your money. No stress, no math and you have a record.

Disadvantage - You need to have a computer and know how to use it

For Example: Financial Tools and Calculators
https://www.canada.ca/en/services/finance/tools.html

Free Interactive Budget Calculator Spreadsheet for Canadians – Easy to Use Excel Template to Help You Create a Personal Budget
https://www.mymoneycoach.ca/budgeting/budgeting-calculators-tools/budgeting-spreadsheet

Easy Budgeting Tool - RBC
https://online.royalbank.com/cgi-bin/tools/easy-budgeting-tool/calculator.cgi

Step 5 – Review Your Progress and Make Adjustments

Never forget:

YOU MUST SPEND LESS THAN YOU EARN.

Do you want to keep track of your budget on the internet? The following link connects you to the CIBC budget calculator. It is a good site if you would like to try doing your budget online.

https://www.cibc.com/ca/advice-centre/savings-plan/budget-calculator.html

Ways to reduce expenses and save money

Groceries

We need healthy nutritious food. We all spend a lot of money on groceries, but we have to make sure we are getting good value for our money. With some planning and lots of practice, we can become good at getting what we need without spending too much. You must become better than most Canadians at buying food wisely. Here are some ways to help you save money on food.

1. See what's on sale. Look at grocery store flyers or coupons for products you normally buy.

2. Make a grocery list but also walk through the store to see if there are products you normally buy on sale. Maybe you could stock up on items that you can use later.

3. Get to know the food prices. If you know the usual price of items you normally buy, you can quickly tell if items on your list are a good price. Often no-name or bulk is cheaper than brand name products.

4. Buy frozen or canned. When fresh is out of season or too expensive, buy frozen or canned vegetables and fruit.

5. Make your own meals. Whenever you can, make your own meals. It is less expensive than buying ready-to-eat, prepared meals. If you are cooking something like a stew, cook more than you need and put the extra in containers to freeze for later.

6. Grow your own. If you can, grow your own vegetables and herbs in the summer – even if you don't have a backyard. Tomatoes, lettuce, basil, radishes, cucumber, spinach and many others can be grown in containers or in a backyard garden. And they are so good fresh.

When you get used to thinking about prices, you will find that some things are very expensive. Here are some examples of overpriced items.

1. Ready cooked or processed meat
2. Brand-name breakfast cereal
3. Fruits and vegetable that are already chopped in a package
4. Microwavable meals
5. Convenient breakfasts and lunches

<u>Track your spending</u>

Fill out and follow your budget. Step 3, or step 2, or in the very least, Step 1
Keep your receipts
Make adjustments when necessary

Budget Homework

1. Choose a tracking method
2. Continue to keep track of your income and spending
3. Look for spending leaks and plug them
4. Try some of the savings tips

PART 5: Other things to consider

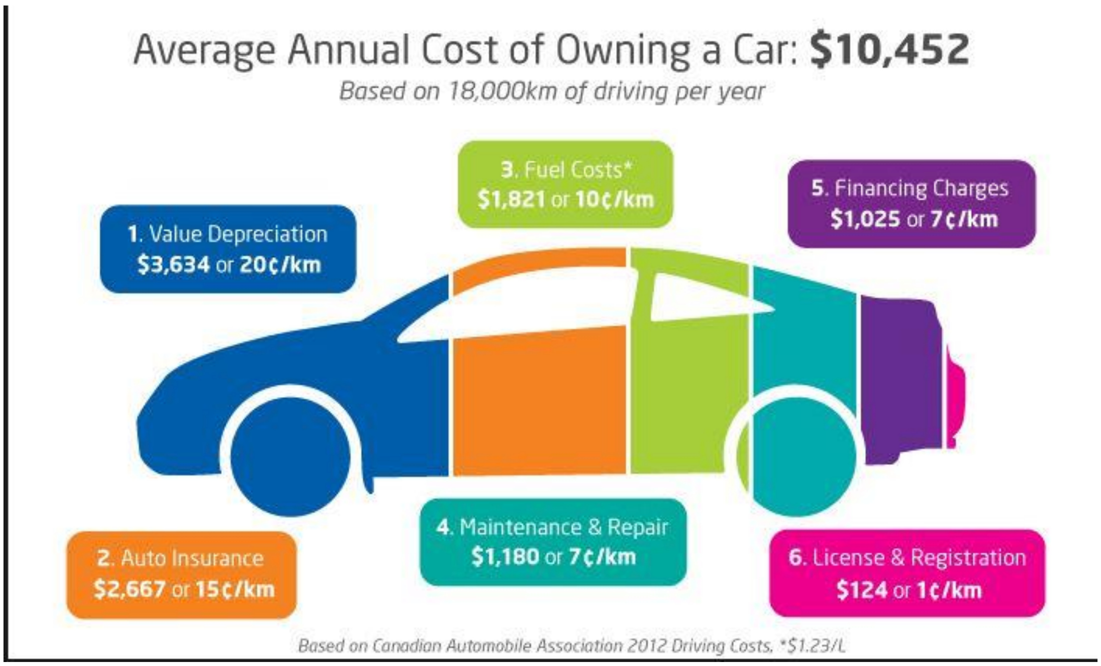
Vehicle Purchases - The Cost of a car

We really like our cars. We like them so much we don't think. People make expensive mistakes about cars. They should spend more time thinking before buying. You must be better at thinking about the cost of a car than most Canadians.

The biggest purchase a family makes is their home. A home is considered to be a good, safe investment. A home, once paid for, is a valuable asset. Normally, a home maintains its value, or even increases in value over time. A home is normally a safe investment. Rarely do owners lose money on their home.

These things cannot be said for a family's second biggest purchase, a car. Cars are very expensive. You may say, "But I need a car. It's a necessity." Yes, but you still have to know how much you are paying. You still have to think, "Is the car I am considering a good value for the money?"

Car dealers are no help. A car salesperson wants to sell you the most expense car he/she can even if you don't know the true cost of that car. A car salesperson will tell you how much a car costs, but not everything it will cost you to own that car. If the salesperson tells you how much you have to pay per month, don't listen to that. It sounds nice, but it's not the whole picture. There are other things you need to find out on your own. Look at the diagram below and then we will think about some of the hidden costs of owning a car.



Depreciation

An important consideration is the vehicle's depreciation. Depreciation is the value that a car loses as it gets older. Just driving a new car off the dealership lot, the car is worth less than you paid for it. Some types of cars are well built and reliable so they have low depreciation. Other cars are poorly made and have high depreciation.

Highest depreciation. These are some cars that lose their value more quickly so you will get less money when you resell them.

Buick Regal

Fiat 500

Nissan Maxima

Kia Cadenza

Lincoln MKS

Lowest Depreciation. These are some cars that retain their value. They are worth more if you sell them.

Jeep Wrangler

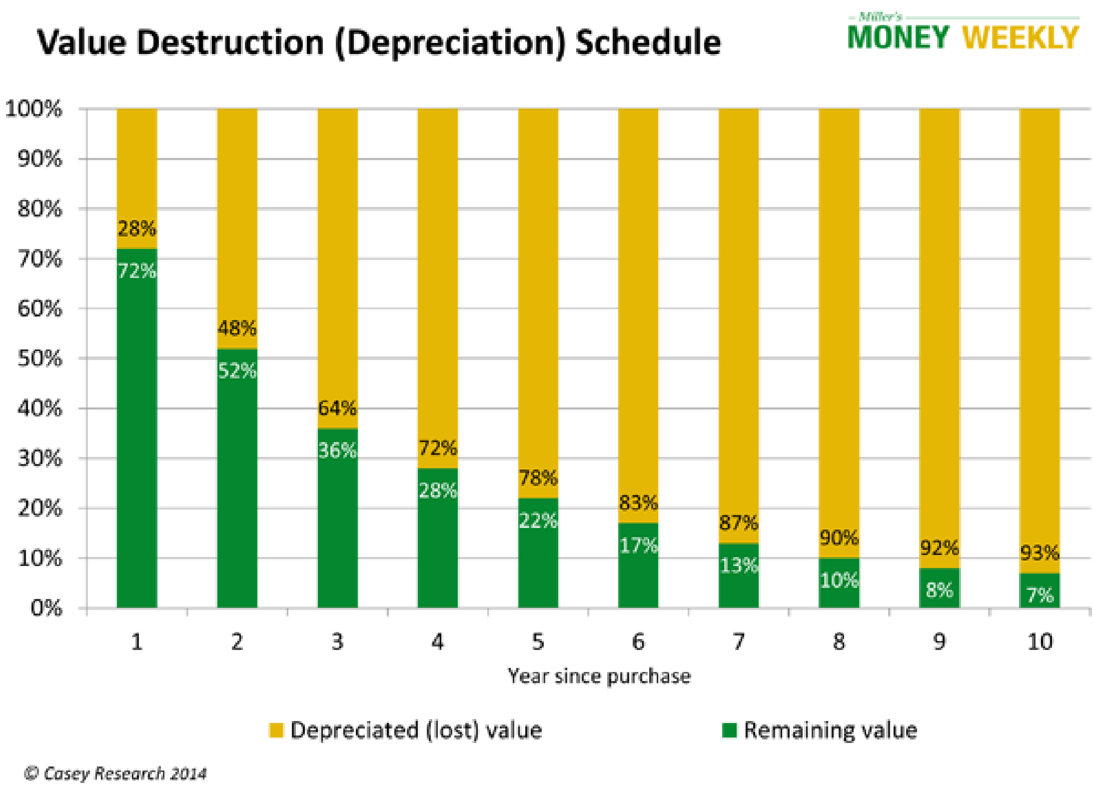
Toyota FJ

Toyota Corolla

Subaru Crosstrek

Honda Fit

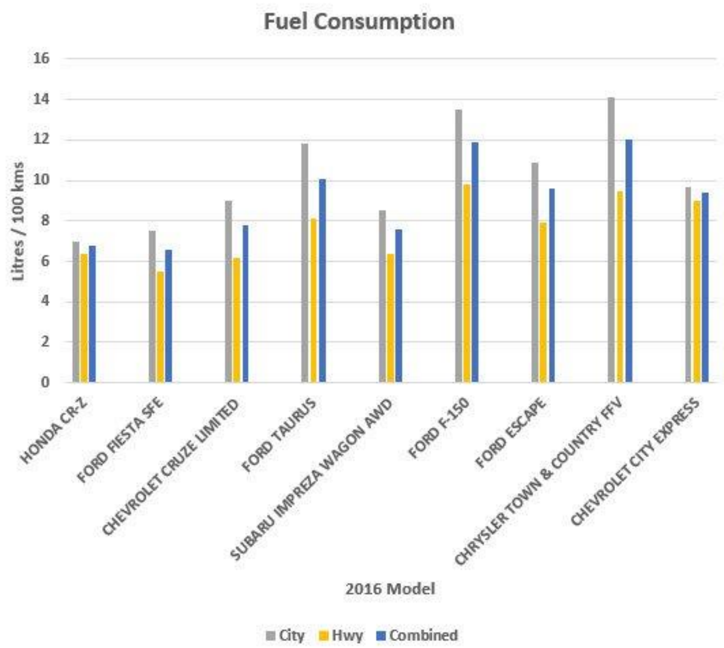
The following graph shows approximately how much value cars lose due to depreciation. Notice that depreciation is huge for a new car, but not at all for an older car.



Use the table above to calculate the cost of three years depreciation on a new Honda Civic and Ford F-150.
For the Honda:
$22,821 x 0.64 = $ _____________
After three years, your car is now worth $22,821 - $_________ (depreciation) = $ ____________

For the Ford:
$36,800 x 0.64 = $ _____________

After three years, your car is now worth \$36,800 - \$_________ (depreciation) = \$ ____________



Calculate the cost of fuel for one year assuming you drive 18,000 km. For the Honda:
6.4 L/100 km = 0.064 L/km
0.064 x 18,000 km = __________ L fuel used
_________ L x \$1.10/L = \$ _________

For the Ford F-150:
12 L/100 km = 0.12 L/km
0.12 x 18,000 km = ___________ L fuel used
_________ L x \$1.10/L = \$ _________

Insert the cost of three years of depreciation for the Honda and the Ford in the table below.
Insert the cost of fuel for the Honda and Ford in the table below.

The table below shows some of the things you need to consider when buying two common vehicles.

	Honda Civic	Ford F150 truck	Car you would like
New price with some options	About \$22,821	About \$36,800	
Insurance	About \$960/year	About \$1200/year	
Cost of fuel for one year			
Cost of three years of depreciation			
Cost of set of 4 tires	About \$600	About \$1,000	

There are a lot of other things to consider too. The table above doesn't mention anything about financing a car. It also doesn't mention maintenance cost which will vary from vehicle to vehicle.

Cost Saving Tips to Think About Before You Buy (from Car Cost Canada)

1. **Cheaper Isn't Always Better**: A cheaper-priced car does not necessarily cost you less year over year. Other important factors come into play such as fuel consumption, maintenance costs and depreciation.

2. **Drive Your Car A Long Time**: The longer you own a particular car, the less it will cost you to own per year. This has a lot to do with depreciation costs.

3. **Buy A Car With Good Resale Value**: Depreciation costs are the most expensive factor in your car purchase so find a car with a good resale value and you can save.

4. **Depreciation Costs Are High In Year 1**: When you drive a car off a dealership lot, you can lose between 15-20% of its value immediately.

5. **Larger Vehicles Are Expensive**: Large and luxury SUVs vehicles are the most expensive to own. Pickup trucks are almost as expensive. If saving matters, think twice before you choose one of them.

Last Will and Testament

Do you have a will? If not, you need one. Now. It doesn't matter how old you are. It should be a top priority.

What is a will?

A will is a document that identifies who will inherit all of your assets after you die. You can leave everything to one person or divide it up among friends and relatives. But a will is much more than this - especially if you have children.

For parents, a will is the single most important thing you can do to make sure your child is cared for by the people you want if anything should you die. In your will you can designate a guardian to care for your children if you die before they become legal adults and you can designate a property guardian to manage your money for your children until they reach adulthood.

In your will, you can name an "executor" to wrap up your affairs after you're gone. An executor pays your debts and taxes and then makes sure the rest of your estate goes to the people you've chosen.

If you don't have a will, your assets will be distributed according to a government formula and it may not be what you would want. You would not be able to name your choice of guardian for your children. The government will decide who cares for your children and it may not be what you would want.

Does a will cost money?

Most likely, yes. The easiest thing is to go to a lawyer who can set up a will for you. This will cost at least $350 and maybe more than $1,000. That is expensive, but you can be confident that it will be written correctly and there will be no problems after you die.

You can even write a will on a piece of blank paper. Then the cost is nothing at all. But be very careful. For your will to be legally binding, it must contain all the correct things, written in the correct way, using the correct vocabulary. If you are going to write your will yourself, you had better make sure you have done your research and you know exactly what you are doing.

If your will is not written by a lawyer, you should take it to your bank, or where ever you have your money and ask if it is acceptable. You would be surprised how often financial institutions will not accept a will. The will then has to go to probate. If you die and the financial institution does not accept your will, your survivors are facing a very large legal bill at that time.

If you'd like to learn more about wills online, the following is a good site.

https://www.babycenter.ca/a562848/why-every-parent-needs-a-will#ixzz54km8CeZH

Power of Attorney

You should have an Enduring Power of Attorney because if you suffer a serious accident or illness, you may become incapable of deciding financial matters for yourself. In this event, you authorize someone to act for you and your best interests in conducting your financial and property matters.

By preparing and Enduring Power of Attorney now, while you have mental capacity, you can ensure that your property is managed by someone who knows you and what you want, someone you trust to act in your best interests when you cannot make decisions for yourself. It is a simple and inexpensive way to plan ahead.
https://www.cplea.ca/enduring-power-attorney/

Summary

1. Manage debt wisely. Keep your debts as small as possible and never take on bad debt.

2. Keep your credit card under control. Never let it control you.

3. It's really smart to have a retirement savings plan that you start as early as possible.

4. A budget is your way to keep your finances under control. Know what you're spending!

5. A car is just too costly to not think carefully about

6. We all need a will. Just get it done.

Resources

Books

There are many books available on money management. The information is basically the same, but the authors will say it in their own way. Look for a book that seems to speak to you. Here are some titles:

Personal Budgeting Kit – *Self-Counsel Press*

You're Broke Because You Want To Be – *Larry Winget*

Personal Finance for Canadians for Dummies

The Total Money Makeover Workbook – *Dave Ramsey*

Personal Budgeting Kit – *Self-Counsel Press*

Debt-Proof Living – *Mary Hunt*

Earn Spend Save – *Kira Vermond (Chatelaine)*

Debt-Proof Living – *Mary Hunt*

Debt-Free Forever – *Gail Vaz-Oxlade*

Internet

Canada Revenue Agency 1-800 -622-6232

www.cra-arc-.gc.ca

Canada Learning Bond (CLB)

Canada Educations Savings Grant (CESG)

Registered Education Savings Plan (RESP)

Credit Canada www.creditcanada.ca

1-800-267-2272

Credit Canada, the operating name for Credit Counselling Service of Toronto, is a not-for-profit charitable service that has assisted thousands of people with credit counselling and debt management programs since 1966. They offer:

- Financial coaching
- Phone counseling
- Educational seminars

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Financial Consumer Agency of Canada www.FCAC.gc.ca

Various consumer information about personal finance including - Credit Card Payment Calculator, Credit Card Selector Tool Get Smart About

Money www.getsmartaboutmoney.ca

In Camrose

CDSS
www.camrosefcss.ca/

List some resources in Camrose that you know or have heard about:

1. ____

2. ____

3. ____

4. ____

5. ____

Ie. Boys and Girls Club, Kidsport, Camrose Library, Oscar After School Program, daycare subsidies

Glossary

Below is a list of some of the most commonly used credit terms.

Amortization - Loan payments you make during a set period of time (term of the loan).

Annual Fee - A fee a lender charges you for the privilege of having a credit card.

Annual Percentage Rate (APR) - The total costs of the loan, which includes finance charges and fees. The APR is given as a percentage rate.

Available Credit - The total amount of money that you can borrow from a lender.

Balance - The total amount of money you owe on your debt. This includes principal, interest, and all fees.

Collateral - Property that is used as security to a creditor that can be repossessed if you fail to pay as agreed.

Co-signer - The person who applies for a loan with you and who is equally responsible for paying the debt.

Creditor - The institution (e.g. bank) or person that you borrow money from.

Debt - The total amount of money you owe to your creditors.

Delinquent - You are delinquent if you are behind on your payment schedule.

Finance Charge - The amount of money you pay to borrow money from your lender.
This includes interest, service fees, and any insurance premiums.

Gross Monthly Income - The money you make from your job before any deductions are taken

Grace Period - The time a borrower is allowed after a payment is due to make that payment without adding to the interest owed.

Interest Rate - The rate of interest on your loan.

Judgment - This is a legal order that says you owe money.

Late Fee - The amount of money you are charged for making your payment(s) after the due date or grace period.

Late Payment - A payment you make after the due date and grace period.

Lien - A claim made on your property. This property can be repossessed if you fail to pay as agreed.

Net Income - The amount of money you receive in your paycheque after all deductions are made.

Principal - The amount of money you owe without interest and fees.

Repossession - The act of a creditor taking back what you bought from them (e.g. your car) if you don't pay your loan as agreed.

Secured Credit Card - A type of credit card that requires you to make a deposit into a bank account. This amount is your credit limit. If you don't make your payments as agreed (default), the bank is guaranteed payment because it already has your money and will take it out of your bank account

Term - The length of time from the start of your loan until you are scheduled to pay it in full.

Title - A legal document that proves who owns the property.

Unsecured Credit Card - A type of credit card that doesn’t require you to deposit money into a bank account in order for you to get the card.

Unsecured Loan - A loan where you do not put up your car, home or household goods as collateral to secure the loan.