money management basics

7 steps that will help you build a budget that works

CREDIT COUNSELLING SOCIETY

The Non-Profit Debt Solutions Service

NoMoreDebts.org

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

Think back to your very first pay cheque – paper route money, babysitting income or a cheque from a part–time job.
Did it come with instructions?

Instructions seem to be included with the simplest devices these days, and yet, with something as important as our pay cheques, we're left to figure it out on our own. No one is born with money management skills. By the time we're adults, we are expected to be able to manage our money effectively; however few of us are taught how. Therefore, many people experience the usual emotions that occur when they don't know how to do something well. These may include:

- FRUSTRATION
- GUILT
- ENVY
- ANGER
- SHAME
- DISAPPOINTMENT

Like driving a car or playing an instrument, the skill of managing money must be learned – and it's never too late to start! Doing so usually pays immediate benefits. People might not earn more money if they budget well, but they will be able to use the money they do have wisely. Someone who manages their finances responsibly has *peace of mind* and knows how to:

- PAY THEIR LIVING EXPENSES
- KEEP DEBTS TO A MANAGEABLE LEVEL
- SAVE FOR THE EXTRAS THAT MAKE LIFE ENJOYABLE
- AVOID CONSTANT MONEY ANXIETY

It's not how much you make, but what you do with what you've got. Proper money management does not involve a magic formula to find more money. It simply means getting the most from the money you do have.

Before you read any further, take a quick look at your current money management skill level. Answer the following questions truthfully, based on what you do today. You do not need to share your answers with anyone – they are merely to help you identify how you may want to improve your own money management skills.

MONEY MANAGEMENT QUIZ

Please answer the following as truthfully as possible according to your present financial practices and circle the most accurate answer.

1] I pay the rent / mortgage payment and utility bills on time. **ALWAYS | SOMETIMES | NEVER**

2] I save 10% of my net income. **ALWAYS | SOMETIMES | NEVER**

3] I try to keep 3 months of my net income in reserve for emergencies. **ALWAYS | SOMETIMES | NEVER**

4] I plan ahead for large expenses such as taxes and insurance. **ALWAYS | SOMETIMES | NEVER**

5] I set goals and keep a budget for my net income. **ALWAYS | SOMETIMES | NEVER**

6] I spend no more than 20% of my net income for credit payments, excluding my mortgage payment. **ALWAYS | SOMETIMES | NEVER**

7] I comparison shop before I purchase goods and services. **ALWAYS | SOMETIMES | NEVER**

8] I use credit only for expensive purchases or when I have the money in the bank to cover the charge. **ALWAYS | SOMETIMES | NEVER**

9] I balance my cheque book every month. **ALWAYS | SOMETIMES | NEVER**

10] I keep myself financially updated by reading consumer and financially related articles. **ALWAYS | SOMETIMES | NEVER**

Total your score: 0 points for each never; 1 point for each sometimes; 2 points for each always

HOW DID YOU SCORE?

15 - 20 points suggests you are practicing good money management skills.

10 - 15 points suggests that you are making an effort toward improving your money management skills.

0 - 10 points suggests that you need to improve your money management skills.

The steps to building a budget involve:

1. SETTING GOALS
2. IDENTIFYING INCOME AND EXPENSES
3. SEPARATING NEEDS AND WANTS
4. DESIGNING YOUR BUDGET
5. PUTTING YOUR PLAN INTO ACTION
6. MANAGING SEASONAL EXPENSES
7. LOOKING AHEAD

The foundation of sound money management is the budget. However, for many people, the word "budget" evokes feelings of fear or frustration. Your budget is your plan for your money. It is based on choices you make and priorities that you identify.

Building a spending plan, or budget, is a step–by–step process. Once complete, your budget is the solid foundation with which you can manage your current income and expenses and plan for future possibilities.

Step 1: Set Goals

Before you can begin to manage your money, you need to identify what is important to you. Then you have a foundation to decide what you want to do with your money. Write down what is important to you and use your list to help you determine goals for your money. Some ideas to help you get started are:

IF IT IS IMPORTANT TO YOU TO...	YOUR GOAL MAY BE TO...
live without money worries	pay off credit cards
have a home for your family	save 3 months of rent for "just in case"
spend time traveling	build up savings to take time off work
enjoy camping with friends	buy new camping supplies with money you've saved
help your children gain an education	contribute to an RESP
start a business	save enough to apply for a business loan
drive a particular kind of vehicle	save up a moderate down payment

This isn't as complicated as you may think. A short–term goal might be to pay off debt or buy a new appliance. A medium–term goal may be to take a cruise or save the down–payment for a new car. Long–term goals typically include plans for retirement, paying off a home or helping children start out on their own.

The goals you set are yours; you have the power to choose what is important to you and design your goals accordingly. Most people's money problems occur because they don't clearly know what they want to do with their money and therefore spend it randomly. Clear goals are the targets you are aiming for and help you build your plan. After that, it's a simple process to map out how you will achieve your financial goals.

When setting financial goals, think about how much you need to save and for how long. Then think about how you will accomplish that savings. For most people, this means putting a set amount aside each month, according to their pay schedule. This monthly amount is the difference between just having a wish… or making your wish a reality.

Be realistic when setting your goals. You can always increase your savings later, but start by planning for success!

It can be strangely motivating to see your plans in black and white, so take some time to write down your financial goals on the next page:

FAMILY COOPERATION

A household spending plan involves all members of the family. Take the time to set goals that everyone can agree on. This may take some negotiation, but you won't be able to maintain a budget if the whole family isn't on side. If you have younger members of your household, consider incorporating a family goal so that they can be part of what you are working towards, e.g. let them see the coins add up in the jar and use the money for an annual pass to their favourite recreation activity. Learning how to save is a valuable habit that will last a lifetime!

All members of the household need to actively participate to ensure the budgeting process is successful. Have family meetings to check on progress and make adjustments if necessary. Everyone needs to be aware of how the spending is carried out. Draw on each other's strengths and use them for your family's benefit. One person may be good at organizing the shopping list while another is the number cruncher and can record the spending in a notebook, ledger or use money management software efficiently. If everyone is aware of how the spending is decided, it's easier to support each other during the challenging times. Focus on solutions, rather than blame, if the going gets tough.

SHORT TERM GOALS: (within about a year)

OBJECTIVE	ESTIMATED COST	TARGET DATE	MONTHLY AMOUNT NEEDED	PER PAY

INTERMEDIATE GOALS: (within five years)

OBJECTIVE	ESTIMATED COST	TARGET DATE	MONTHLY AMOUNT NEEDED	PER PAY

LONG TERM GOALS: (10-15 years or more)

OBJECTIVE	ESTIMATED COST	TARGET DATE	MONTHLY AMOUNT NEEDED	PER PAY

Step 2: Identify Income and Expenses

Once you have established some goals for your money, it's time to look at where it comes from and where it goes right now. When we manage our money, it's easy to get into habits. Some money management habits are positive and allow us to reap rewards later on. Others are negative and can lead us into trouble. Start by making a list of all your household income sources and the amounts. Include everything: wages (after taxes), commissions, self–employment income, child tax benefits, pensions, child maintenance & spousal support, and other regular income. Fill this in on the Budget Worksheet on page 4 in the column labelled "initial."

Now it's time to record your spending. This can be difficult because, for most people, they are clear about where their money comes from, but not as certain about where it goes. Spending includes everything you spend your money on; all of what you may typically think of as "expenses" (utility bills, groceries, transportation costs), but savings for a rainy day, debt payments, life insurance premiums and RRSP contributions are all expenses as well.

If you keep records of family spending, this is the best place to start. Many families don't record their spending, so you may need to gather spending information from bank account or credit card statements, cheque register books, receipts or bills.

Some of our spending is on a weekly or monthly basis, e.g. fuel for the car, groceries, paying utility bills. There are also seasonal or annual expenses that need to be accounted for in our budget, e.g. gifts, vet bills, holidays, home repair, new glasses or clothing. To calculate monthly amounts for your annual expenses, simply divide the amount that you spend each year on these items by 12.

Looking back and identifying expenses is a valuable start. You may, however, have noticed that there seems to be more money going out than you have records for. That's because every family has spending "leakage" – the little things that aren't accounted for, but add up.

Jot all of your spending down, even if it's just $2 for a parking meter or bottle of water.

TRACKING EXPENSES

To be absolutely sure where your family's money is going, record everyone's spending for two or three months. You may want to use the Credit Counselling Society's Monthly Expense Tracker booklet, a spreadsheet or money management program. Again, there is no need to make this process more complicated than it needs to be – a notebook and pencil will do. The purpose of tracking everyone's spending is to find out where all the money is going.

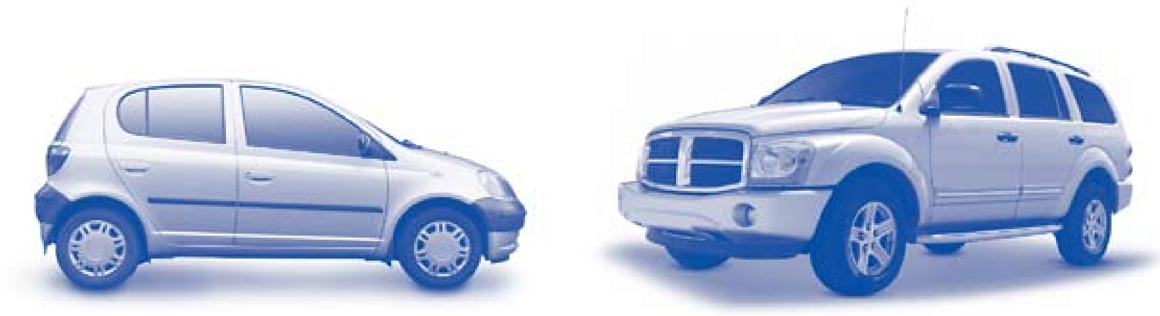
It may not be easy at times or you may forget to record some items. However, tracking is a very important part of identifying your expenses. When you start tracking, you may be tempted to track how you think you should be spending. Try not to do this, because your results won't accurately reflect your spending. This is the time to learn what you are currently doing with your money – there will be time later to make adjustments and choices when you prepare to put your plan into action (step 4). Do the best you can; you may be surprised by what you find.

Budget Worksheet

	INITIAL	REVISED
INCOME		
wages / pension		
second income		
commission / tips		
child tax benefits		
support payments		
other		
TOTAL INCOME		
HOUSING EXPENSES		
first mortgage		
second mortgage		
rent		
property taxes *		
strata fee / pad rental		
house / tenant insurance		
hydro		
gas		
alternate heating source		
water / sewer / garbage *		
phone (incl. long distance)		
cell phone(s)		
cable		
internet		
storage locker		
home security		
repairs / maintenance *		
household items (e.g. décor, gardening supplies) *		
other		
LIVING EXPENSES		
groceries		
personal care (e.g. grooming, cosmetics)		
baby / infant needs (e.g. diapers, formula)		
laundry / dry cleaning		
bus / taxi		
fuel (vehicle 1 / vehicle 2)		
insurance (vehicle 1 / vehicle 2) *		
parking		
auto maintenance *		
auto membership *		
health expenses		
provincial medical premiums		
specialists (e.g. massage, chiropractor, physiotherapy)		
eye care *		
prescriptions *		
dental / orthodontist *		
over-the-counter *		
deductibles / out-of-pocket *		
other		
insurance		
life insurance		
disability		
extended health		
other (e.g. critical illness, payment protection)		

	INITIAL	REVISED
pets / vet bills / insurance *		
bank fees / safety deposit box		
income tax instalments *		
other living expenses		
WORK EXPENSES		
daycare		
lunches / breaks (person 1)		
lunches / breaks (person 2)		
special / professional clothing *		
license fees / professional dues *		
work supplies (e.g. tools, classroom supplies) *		
other		
PERSONAL EXPENSES		
clothing & shoes (adults) *		
tobacco		
alcohol		
recreation (e.g. sports equipment & fees, activities)		
fitness memberships		
eating out		
entertainment (e.g. movies, event tickets, social activities)		
lottery / gaming / bingo		
babysitting		
hair care *		
salon services (e.g. tanning, aesthetics) *		
magazines / newspapers / books		
education (tuition & supplies) *		
gifts / special occasions *		
hobbies *		
travel / vacations *		
donations / charity / assisting family *		
annual memberships (store, online, family, etc.) *		
other		
children		
clothing & shoes (kids) *		
allowance		
lessons / activities		
school supplies / fees *		
gifts *		
other		
PAYMENTS		
child / spousal support		
secured debts		
money owed to family / friends		
credit cards		
loans		
line of credit		
student loan		
lease		
other debt payment		
emergency savings		
income tax (additional)		
RRSP		
RESP		
other savings payment		
TOTAL EXPENSES		

The items identified with an asterisk (*) occur irregularly throughout the year. It's important to set money aside for these instead of paying for them with credit.



Step 3: Separate Needs from Wants

As people track their spending, they discover that some of their money gets used for things they really don't need. Instead, they merely want them and often buy them impulsively. Impulse spending is unplanned spending; purchasing things that you may or may not need, or spending more on an item than you'd planned.

People spend impulsively for a variety of reasons. If they're in a good mood, they spend out of pleasure and to keep the good mood. If they're in a bad mood, they spend to try and make themselves feel better. Some people spend in certain places or at certain times because they feel obligated to do so, e.g. on vacation, during special holiday seasons, when they're with certain people, or while engaging in specific activities.

Impulse spending habits are often linked to stress levels. A little stress can be motivating but a lot of stress can rob you of your ability to make wise choices between needs and wants. If you would like to learn more about why you spend impulsively and what you can do to change your spending patterns, please request a copy of the Credit Counselling Society's handout, Impulse Spending.

The key to good money management is separating needs from wants. If you aren't sure if an item is a need or a want, do without it for a period of time. If after that time you truly can't live without it, it may be a need. However, even the essentials like shelter or transportation involve a want vs. need calculation. For instance, you may have evaluated all possible transportation methods for you to get to work and determined that you need to purchase a car. Fine, but which car you buy is another choice you make. Do you buy the more expensive SUV that you want, or will a less expensive, more economical vehicle meet your need? Almost everything you buy involves a want vs. need determination and ultimately, how you make these choices will determine if you reach your goals or not.

Stick a picture of one of your goals on your coffee maker or computer desktop to help you stay focused.

Learn to have separate looking trips and buying trips. Leave your debit and credit cards at home on looking trips and use that time to plan what you need to buy on your shopping trip.

You can have almost anything you want; you just can't afford everything you want.

Step 4: Design Your Budget

Many people don't like the word "budget" because they think it means limitations, deprivation and no money to spend on the fun stuff. Relax, your budget is your spending plan – it will allow you to live within your means, avoid the stress of money troubles and give you the freedom to make choices with what you have. Most importantly, a budget will allow you to map your way to reaching your goals. Remember the goals you filled in on page 3?

Before you can go any further, you need to ensure that your expenses are not more than your income. This is where you need to make some choices based on what you learned when you tracked your spending and when you separated your needs from your wants. Expenses include everything you spend your money on, not just the bills. Money you deposit to your children's RESP is an expense. Money you deposit to your savings account for your vacation next year is also an expense.

Turn back to your Budget Worksheet on pages 4 & 5 and use the "revised" column to make your budget balance – your total spending can not be more than your total income. Also, ask yourself, will this budget allow me to reach my goals? This might mean that you are not able to spend as much in one area of your budget as you did in the past. Your money could be needed somewhere else in your budget. If you have a surplus, you need to make some choices about what to do with the extra money and may want to add it to your savings for now.

PROTECTING YOURSELF AGAINST FINANCIAL DISASTER

If you are experiencing financial difficulty, savings may be the furthest thing from your mind, however, even during this time, it is vital that you plan to have money for the unexpected. Setting money aside for savings is the difference between having a budget that works and one that doesn't. Not only does it protect you from financial disaster, it also helps you to meet your financial goals.

People who have savings available to pay for living costs and seasonal expenses if an emergency arises, do not need to rely on credit that they may not be able to afford to pay back.

Emergency savings covers your basic living costs in case there are changes in your income. For example, in the event of a job loss, it typically takes 3 months to get back on track with either a new source of income or outside assistance. During this time, you still need money for rent, groceries and other essentials; this is what your emergency savings is for. If you face an expensive car or home repair bill, emergency savings will be available to pay for it. Using income tax refund money, unexpected bonuses or gift money can jump start the emergency savings account.

In addition to emergency savings, it is necessary to have general savings which you can use to meet your financial goals and ensure your sound financial future. Some people refer to this as "paying yourself first." This savings is for the seasonal expenses you identified in your budget as well as for your goals. The best way to build savings is to have the money put aside before you see it. Talk to your bank or credit union about automatic transfers to savings accounts each time you are paid.

HOW MUCH SHOULD YOU SAVE?

There is no magic number that tells you what you should be saving each month. It depends on your income level, your debt load, your life stage, if you are employed, unemployed or retired as well as your financial goals.

At first you may find it difficult to set savings aside. If you have outstanding debts to pay or you aren't in the habit of saving, it's important to get started. Save a small amount from each pay cheque at first and increase the amount as you are able to. You'll be amazed at how quickly your savings can add up once you *just get started!*

Step 5: Put Your Plan into Action

You've set goals, identified your income and expenses, determined how much to save for seasonal expenses and made choices around needs and wants. Take another look at your Budget Worksheet on pages 4 & 5 and fill in any revised monthly amounts that may still be missing. Now it's time to put your plan into action!

Use a pay cheque plan to match your spending patterns to your income schedule. If you are paid every two weeks, then align your spending to a two-week schedule; if monthly, then a monthly schedule. Use the Pay Cheque Planning Worksheet on page 9 to help you get started:

1] In the budget column, record what you need to spend. Money that you set aside in a savings account is an expense that you deduct from your income.
2] Note your pay dates across the top.
3] If you have money in your bank account that you need for this month's expenses, note that as income for this month as well. Don't forget to subtract any cheques you have written that have not cleared your account yet.
4] Record your net pay cheque amount for each pay date. List any other income you receive during the month in the week you will receive it.
5] Decide when the expenses from your budget column will be paid. This will depend on your pay dates. Start with expenses that are due on specific dates, e.g. rent, hydro or car insurance. Try to balance the expenses evenly throughout the month.
6] Total your income from each pay period and if there is any left over, add it to your savings account. If you are short, re-examine your expenses to see what you are able to reduce or evaluate if you are able to increase your income.

IRREGULAR INCOME

Not everyone has a steady job with a steady paycheque. You may have seasonal work, be self-employed or you may be on commission. In these cases, you can't count on money coming in on a regular basis. That doesn't mean that you can't create a budget, but it does mean that you need to plan in more detail. Part of the planning process must include a separate savings account for income tax payments at the end of the year. And if you are self-employed, you must take deliberate steps to separate your personal and business finances.

If you have had irregular income for a few years, one strategy is to calculate the average net income you've had per year for at least 3 years, divide by 12 and use that amount to build your current budget. If this amount is not enough to meet your expenses, you must consider how you can increase your income or decrease your expenses to make your budget balance.

Another way to build a budget if you have irregular income is to set up a holding account. All of your income is deposited into the holding account. You pay yourself a monthly amount based on what you have identified you can afford and what will allow you to meet your obligations. During months of higher income, the holding account will have a larger balance. During the leaner months, the holding account balance will decrease. However, the amount you pay yourself does not vary from month to month.

The holding account method also works well for students. If you have a sum of money saved from employment, or if you receive a lump sum of student loan funding, set it all aside in a separate account so that you don't spend it all at once. Pay yourself a monthly or weekly amount to meet your obligations. You may also choose to supplement your weekly amount with part-time income while you are attending school. This will not only beef up your resume, but can lower your long-term educational costs as well.

A third way to deal with irregular income is to have two budgets, one for the better months and one for the leaner months. For most people, this is the hardest way to manage their money effectively because it's easy to get into a spending habit during the better months and then feel deprived during the leaner months. People are tempted to spend because they expect to have money again in the better months ahead. Then they use credit to supplement their leaner times. As a result, they develop a debt cycle that becomes expensive and difficult to break.

Look for small ways to cut costs in all areas of your spending – eating out, utility bills and personal spending are all areas that you need to keep a close watch over.

Pay Cheque Planning Worksheet

FOR THE MONTH OF:	BUDGETED AMOUNT	WEEK1	WEEK2	WEEK3	WEEK4	WEEK5
pay dates						
CASH BALANCE IN BANK ACCOUNT (A)						
INCOME						
wages / pension						
second income						
child tax benefits						
support payments						
other						
TOTAL INCOME (B)						
EXPENSES						
rent / mortgage / strata fees / property taxes						
utilities						
phone / cell phone(s)						
cable / internet						
household expenses						
daycare						
lunches / coffee breaks						
other work related expenses						
groceries						
transportation (fuel, parking, transit, taxi)						
vehicle insurance						
provincial medical premiums						
health care expenses						
life insurance						
clothing						
tobacco / alcohol						
recreation						
eating out						
entertainment						
personal spending						
children's lessons / activities						
other living expenses						
savings for seasonal expenses						
loan & debt payments						
other savings						
TOTAL EXPENSES (C)						
CLOSING BALANCE (A + B – C)						

Step 6: Manage Seasonal Expenses

Now that you have created a workable budget and have planned your pay cheques, the last step is to plan your savings money so that you are able to track and manage your seasonal expenses. The Seasonal Expense Worksheet on page 11 will help you get started.

Set up a binder with one page for each seasonal expense item listed on your Budget Worksheet. The first page is what is actually in your savings account (A). List the date and how much you deposit or withdraw each time. The subsequent pages are for the items you will need money for when the time comes, e.g. car repairs, vacations, gifts, clothing, etc.

For example, you deposit $300 to your savings account twice a month and record this on the first page of your binder (A). Then, based on your budget, you record the amount you need for your seasonal expenses on each of the next 4 pages (clothing (B), car repairs (C), gifts & festivities (D), travel & vacations (E)).

When an expense occurs and you spend money from your seasonal savings account, e.g. $40 on a gift for a friend, record on the first page (A) what you withdrew (e.g. $40). Then on the “gift” page (D), subtract $40 from the amount listed there and note the reason.

Make your savings account hard to access: move it to the “other” spot on your debit card.

Arrange your debit card so that you can not debit from your line of credit.

Add unexpected money you receive to your seasonal expense savings account. It’ll add up to a nice surprise when you least expect it!

The important thing to remember is that the total of your seasonal expense pages (every page *except* page one) **must** total what you actually have in your savings account.

Planning how to spend your saved money, just as you do your pay cheques, will allow you to have the money you need when you need it. This will help you avoid the stress of debt and give you the freedom to make choices.

Seasonal Expense Worksheet

(A) SAVINGS ACCOUNT FOR SEASONAL EXPENSES*

DATE	IN ($)	OUT ($)	BALANCE ($)	NOTE
01/15/08	300.00		300.00	
01/31/08	300.00		600.00	
02/15/08	300.00	40.00	860.00	
02/28/08	300.00		1160.00	
03/05/08		155.00	1005.00	
03/15/08	300.00		1305.00	

(B) CLOTHING

DATE	IN ($)	OUT ($)	BALANCE ($)	REASON
1/15/08	100.00		100.00	
1/31/08	100.00		200.00	
2/15/08	100.00		300.00	
2/28/08	100.00		400.00	
3/5/08		125.00	275.00	spring clothes
3/15/08	100.00		375.00	

(C) CAR REPAIRS

DATE	IN ($)	OUT ($)	BALANCE ($)	REASON
1/15/08	75.00		75.00	
1/31/08	75.00		150.00	
2/15/08	75.00		225.00	
2/28/08	75.00		300.00	
3/5/08		30.00	270.00	oil change
3/15/08	75.00		345.00	

(D) GIFTS AND FESTIVITIES

DATE	IN ($)	OUT ($)	BALANCE ($)	REASON
1/15/08	50.00		50.00	
1/31/08	50.00		100.00	
2/15/08	50.00	40.00	110.00	gift for Sarah
2/28/08	50.00		160.00	
3/15/08	50.00		210.00	

(E) TRAVEL AND VACATIONS

DATE	IN ($)	OUT ($)	BALANCE ($)	REASON
1/15/08	75.00		75.00	
1/31/08	75.00		150.00	
2/15/08	75.00		225.00	
2/28/08	75.00		300.00	
3/15/08	75.00		375.00	

*B + C + D + E **must** total A at all times.

Step 7: Looking Ahead

Any good plan must involve monitoring, periodic review, and occasional re-evaluation. A spending plan is no different. Circumstances may change, mistakes can be made and your needs will vary at different times in your life.

When you first build your spending plan, you are going to need more time to monitor it to ensure that it is based on realistic information. It will take a month to start falling into place.

During the second month, you will work out some of the kinks and the routine will start to become part of your daily thinking. It should now start to fall into place more easily.

By the third month, your spending plan should be up and running. Congratulations, you have taken control of your finances! However, if it isn't working yet, ask yourself a few questions:

- DID I CALCULATE MY INCOME CORRECTLY?
- ARE MY EXPENSE FIGURES ACCURATE?
- IS EVERYONE'S INCOME AND EXPENSES ACCOUNTED FOR?
- IS MY PLAN BASED ON ACTUAL NUMBERS OR WHAT I HOPE I CAN EARN OR SPEND?
- DID I GIVE IT A FAIR CHANCE?
- DO I NEED PROFESSIONAL ADVICE?

For the first year, you will need to review your plan monthly. If it is working, during the second year you can review it every 3 – 4 months. After that, you will need to review it annually. However, if there are any major changes in your financial life, you will need to re-evaluate your plan and possibly change it. Some major changes might include increased transportation or housing costs or a loss or increase of income. Similarly, large purchases or expenses may mean that you will need to cut back somewhere else so that everything fits again.

If you can afford it, give yourself a little "mad money" each pay. You don't need to track what you spend it on. This can be the best way to help yourself stick to your plan!

As you become more in the habit of managing your money effectively, your plan will feel natural and develop into a part of how you do things in your household. Some of the steps may blend together at times or you may add a step or two to make it easier for yourself.

Life happens; give yourself permission to make changes that benefit you and your family. Having a plan with a solid foundation will allow you to come out ahead, rather than in debt.

Good luck!

A note about credit:

Credit can afford us opportunities that may not be available to us otherwise. Most consumers who purchase their first home need a mortgage. If you would like to book a vacation on-line, you usually need a credit card. However, in order to avoid burdensome and expensive debt, you need to plan how you will use credit responsibly within what your budget allows. Some things to keep in mind to protect your credit rating as well as your financial plan:

- Only apply for credit that you need. One, maybe two credit cards, with very reasonable limits based on your income, are all you should need. Pay them off in full every month.
- Keep all credit card balances well below the limits on all of your cards at all times.
- Reduce your monthly debt payments (excluding mortgage payments) to no more than 15% – 20% of your take–home pay. This will allow you to manage unforeseen financial challenges effectively.
- Keep credit limits reasonable – if you used or charged them all to the limit, you should be able to pay the full balance off within a year and leave it paid off.
- Pay more than the minimum payment due each month on a credit card and work on bringing the balance owing down. Limit your use of the card until it is paid in full.

The Credit Counselling Society has more helpful information available about using credit wisely and paying debt off. Please contact us to receive your copy, 1.888.527.8999 or NoMoreDebts.org.

The Credit Counselling Society is the operating name of the Credit Counselling Society of British Columbia. We are a non-profit community service organization offering no-cost confidential credit counselling, personal budgeting counselling, educational workshops and low-cost debt repayment programs.

Our mission is to educate Canadians in personal money management and the wise use of credit, and to help individuals and families to find solutions to their financial difficulties through unbiased counselling and debt repayment alternatives.

We are able to offset the costs of seminars, workshops, and publications through voluntary contributions. To make a tax-deductible donation please contact us at the telephone number listed below.

CREDIT COUNSELLING SOCIETY

Telephone: 604.527.8999
Toll Free: 1.888.527.8999
E-mail: info@nomoredebts.org

NoMoreDebts.org | MyMoneyCoach.ca

Accredited member of:

BBB ACCREDITED BUSINESS

Credit Counselling Canada Accredited Member Agency

Office Locations

Head Office & Toll Free Telephone Counselling Centre
Columbia Sky Train Station Building
330 – 435 Columbia Street
New Westminster, BC V3L 5N8

Abbotsford
209 – 2316 McCallum Road
Abbotsford, BC V2S 3P4

Kelowna
230 – 1855 Kirschner Road
Kelowna, BC V1Y 4N7

Nanaimo
203 – 335 Wesley Street
Nanaimo, BC V9R 2T5

New Westminster
330 – 435 Columbia Street
New Westminster, BC V3L 5N8

Surrey
101 – 15399 102A Avenue
Surrey, BC V3R 7K1

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600 – 890 West Pender Street
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547 Michigan Street
Victoria, BC V8V 1S5

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200 – 5 Donald Street
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