

# Financial Basics

Be a smart consumer

OCTOBER 2014

# Budgeting

Budgeting an organized way to managing your money.

Knowing how to manage your money will protect you financially and help you reach your goals.

The information provided in this booklet is for people taking steps toward managing their finances effectively. Although, it will not cover financial management in depth, our hope is to introduce you to the topics you need to know about how to successfully manage your money. In addition, it will point you toward resources where you can learn more.

Our goal is to provide you with tools to help you make better financial decisions.



## Monthly Budget Worksheet

<b>Income:</b>			
Net income from wages (after deductions)	\$	Other income	\$
Self-employment Income	\$	Other income	\$
Government benefits	\$		
<b>Total Monthly Income</b>	\$	<b>(A)</b>	

<b>Expenses:</b>			
Housing Expenses		Transportation Expenses	
Rent or Mortgage	\$	Car	\$
Heat	\$	Gas	\$
Hydro	\$	Parking	\$
Cable/internet	\$	Public Transit	\$
Telephone/Cell	\$	Cabs	\$
Insurance	\$	Other	\$
Other	\$	Other	\$

<b>Living Expenses</b>		<b>Personal Expenses</b>	
Food	\$	Recreation and Entertainment	\$
Clothing and Laundry	\$	Eating Out	\$
Loan Payment	\$	Cigarettes and alcohol	\$
Credit Card Payment	\$	Magazines and newspaper	\$
Prescription drugs	\$	Gifts and donations	\$
Pets	\$	Vacation & travel	\$
Other	\$	Additional Saving goal	\$
<b>Total Monthly Expenses</b>	\$	<b>(B)</b>	\$

<b>Overall Balance</b>	
Total Monthly income (A)	\$
Subtract total Monthly Expenses (B)	\$
=(-) Overspending or (+) Saving	\$

## Being a Smart Consumer



You can be proactive in reducing your costs. By shopping around and negotiating with service providers, you can get better deals that will save you money. Small behaviour changes will result in big savings.

### Ways to Reduce your Cost of Living

#### Areas to Save

- Check your bills.
- Negotiate better plans (banking fees and services, telephone, cell phone).
- Pack a lunch.
- Consider whether you need to own a car, a home or the latest high tech gadget.

#### Check Your Bills

- Spot mistakes and overcharges.
- Pay less in late fees, interest and penalties.
- Get errors corrected before it's too late.

#### Negotiate Better Plans

Most service providers except power utilities will negotiate and match the prices of their competition, especially if you have done some homework and tell them what the competition is offering. Call the customer retention of each service provider and ask:

- How can I cut back my monthly bills?
- Am I currently on any plans?
- Do you have a better plan or deal for me?
- If so, what is the time frame?
- Will I be put on contract for any new deals?
- Can I bundle services to save money?
- Can I avoid interest or late payment penalties?

## **Reduce Banking Costs**

You can reduce your costs of banking by asking the right questions and making changes to your service package.

- What am I paying in monthly service charges?
- How much am I paying for ATM fees?
- Can I save by doing more banking online?
- Am I eligible for a low-fee deal if I'm a student?
- Can I get a reduced fee if I keep a minimum balance?
- Can you suggest a better plan for me?

Use the Financial Consumer Agency of Canada cost of banking guide to find the best banking service package for you. [www.fcac.gc.ca](http://www.fcac.gc.ca) under Tools and Calculators click Banking.

## **Compare Phone Costs**

- What am I paying for land line and cell phone?
- How much do my long-distance calls cost?
- Can I bundle services together to save?
- Can I switch suppliers to save money?
- Do I have a contract?
- When does it expire?
- Have I called suppliers to ask how to cut costs?

If you are tied into a long term contract, you have less flexibility to negotiate your costs, and you may have to pay exit fees to get out of your contract, thus raising your costs. Bundling services pays big-time. Ask your service provider what discounts you can get if you combine two or more communication services (home phone, cell phone, internet or cable).

## Save on Food Expenses

- Eat breakfast at home.
- Bring your lunch, drinks and snacks (and coffee).
- “Veg out” on meatless meals once a week or more.
- Cook one big dish on weekends and freeze.
- Shop with a buddy at discount supermarkets and split quantities.
- Set a budget and stick to it.
- Bring a list and don’t shop on an empty stomach.

## Cut your Car Costs

Do you really need a car? Given the real costs of car ownership, you may be better off cycling, taking transit, taking taxis, joining a car sharing organization (car pooling) or renting a car when you need it.

- Add up the real costs of ownership (gas, insurance, depreciation, interest and maintenance).
- The CAA estimates that the total costs of a typical car range from about \$140 to about \$175 per week, or about twice what you paid for it over the life of the car.
- Check out driving costs brochure [www.caa.ca](http://www.caa.ca), select Public Affairs
- Try the Lease or Buy Calculator [www.ic.gc.ca](http://www.ic.gc.ca), select Resources and click Take Charge of your Debts





## **Needs and Wants**

Small behaviour changes will result in big savings. It's important to know the difference between needs and wants.

A need is something essential. A want is something nice to have. It may be important to you, but it's not essential.

Your needs and wants may change over time. For example, a car may be a want at one stage but may become a need if you require it to get to and from work, or to do your job.

Get into the habit of asking yourself if something is a need or a want. It's important to learn to set spending priorities so you will have money for the things you really need and want.

## **What is your Latte Factor?**

Your "latte factor" is the small – or large – extravagance you love to spend money on.

"We've all got a latte factor, regardless of our income level."

- Designer coffees
- Lunch in restaurants
- Impulse buys
- The latest, greatest {fill in the blank}

## Be Aware of Why You Spend

### Questions to ask yourself:

- When does a want become a need?
- What motivates me to buy – advertising, friends, and trendy styles?
- Does the urge to buy die the next day?
- Do my purchases make me happier?
- What “needs” are now collecting dust?
- What can I learn to live without?



### Reduce Impulse Buying

- Avoid trips to stores and shopping malls and online buying sites.
- Pay cash or cheque for purchases, and only carry the cash you are willing to spend.
- Reduce available credit on your credit card and line of credit. (Federal regulations say that credit card companies have to ask your permission to raise your credit limit.)
- Leave credit cards at home.
- Sleep on it and see if you still want it the next day. Or try the 30-day test: Write down a list of things you want, wait 30 days and recheck the list. Do you still want these things?
- Take baby steps and cut costs by increments.



## **More information on needs and wants**

- Your money or Your life by Joe Dominguez and Vicki Robin  
[www.yourmoneyoryourlife.org](http://www.yourmoneyoryourlife.org)
- Money-saving coupons and discounts  
[www.redflagdeals.com](http://www.redflagdeals.com)  
[www.frugalshopper.ca](http://www.frugalshopper.ca)

**At the grocery store** - You can find many coupons at your local grocers. You will find pads of coupons near the product promoted. Be aware while you shop and make sure you use them if you are buying the product. Also take enough for your personal use you will require until the expiry. Also look at the Checkout find calendars and booklets that also contain coupon,

**In the newspaper fliers** - There are two nationally distributed coupon fliers - Shop & Save and Smart Source Magazine they are distributed about once a month. Look here for a schedule of when each come out. Expect national brands like Tide, Pampers, Arm & Hammer, etc.

**In Magazines** - look for Canadian coupons in and the Clip n' Save booklet with your Canadian magazines

**Online Printable** - some companies offer promotions where you can immediately print a coupon right from your own printer, cut it out and take it to your local stores. Look at Frugal Shopper Canada's directory of in-store coupons

**Online Ordered** - some companies run promotions where they mail coupons (for free product, or money off) and the coupon(s) are mailed to you via Canada Post. There are also companies like save.ca that send out coupons you order from them on behalf of companies (national brands like Pampers, Gerber, Heinz, Food Products, and Pet

Food) You may also find out where to find these by checking out Frugal Shopper Canada's in-store coupon directory

**On or In Product Packaging** - look for sticker coupons on the packaging that are available for immediate redemption on the product you are purchasing, as well as coupons that may be available on or in the product you are purchasing that may be used for future purchases, look on packaging for promotions! For example when you may find a sticker on a yogurt product that is being promoted or nearing its expiry date that you can use immediately, or you may find a cereal box that is marked with an offer to save \$ on your next purchase of Orange Juice and too look inside the box for details and coupon.

**Mailing Lists** - join Mailing lists of the companies that you often buy from. Call the numbers on the packages on products to ask if they have a mailing list. And check the box during promotions that allows companies to send you coupons and other promotions (if it is company you would like coupons from)

**Writing Companies** - you can write companies and ask to be put on their mailing list for further promotions They will (if they have a mailing list) send out coupons as they become available. You can also write and tell them you thoughts and ideas about their products. Often companies will reward your effort with coupons.

## Ringling in the Savings



- Cellphone choices for Canadians  
[www.ic.gc.ca](http://www.ic.gc.ca), select Resources for Consumers and click Cellphone Choices for Canadians
- Long-distance phone plan shopping  
[www.telecomparisons.com](http://www.telecomparisons.com)
- Spend smart save bigger by Margot Bai  
[www.spendsmarter.ca](http://www.spendsmarter.ca)
- Before you sign any contract: 10 things you need to know  
[www.fcac.gc.ca](http://www.fcac.gc.ca), under Resources, selects Publications and click Your Rights and Responsibilities

## Cutting Back

Where could you cut back in your life?

- Bring a lunch instead of eating out
- Take transit instead of driving
- Buy a reusable water bottle instead of buying bottled water
- Have one less coffee or cappuccino a week
- Ride-share with a colleague instead of driving alone
- Buy none or few each week: cigarettes, candy bars, after-work snacks
- Stop buying or buy fewer lottery tickets
- Skip the popcorn at the movies
- Share a magazine subscription with a friend
- Borrow DVDs from the library instead of buying them
- Eat out less often
- Return library books and DVDs on time and skip fines and late fees





## Own or Rent a Home?

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- People think it's better to own your home so you have equity in it and forced savings, but that's not necessarily true.
- You can't rely on increasing property value to make home ownership worthwhile. Property values can go down as well as up.
- When looking at the costs of home ownership, consider not just the interest rate on the mortgage but also at any fees or penalties associated with mortgages, including property tax, home insurance, condo fees and maintenance fees.

### Owning a home doesn't make sense if:

- You move frequently  
It takes at least 5 years to make it worthwhile
- If you have a very low down payment  
You'll need mortgage default insurance  
You may have a higher interest rate
- If your income covers only mortgage payments and taxes

### Can you afford it?

Try it out:

- Put the monthly costs of owning a home (mortgage, property taxes, maintenance, etc.) into a savings account.
- Can you afford to live on what's left?
- Could you afford higher costs for heating, taxes or insurance?

Use a buy or rent calculator:

[www.ic.gc.ca](http://www.ic.gc.ca), select for consumers and click money, credit and debit  
[www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca), tools and calculators, calculators



## The Cost of Credit

Credit is a helpful tool but it can get out of control. Pay your bills in full and on time. Pay down your most expensive debt first.

Credit isn't a bad thing; it's a tool to help you pay for big-ticket items and meet your financial goals. It becomes a problem only when you can't comfortably repay the debt.

- A wide range of credit cards are available, all with different features, rewards and fees.
- You need to choose carefully to get the card and plan that best suits your needs and plan to use the card.
- The interest rate isn't the only issue; find out what kind of fees you will pay to use your card.
- Fees can be charged for
  - Cash advances
  - Going over your credit limit
  - Converting purchases in foreign currencies
  - Having an inactive credit balance
  - Purchasing lottery tickets
  - Reprinting statements or making copies
  - Rewards points
- A tool to use: [www.fcac.gc.ca](http://www.fcac.gc.ca) A credit card selector tool for you to use to find compare features and find the credit card that best suits your needs.

- Also, included is a tool to find out how long it would take you to pay off your credit card balance if you only made the minimum payments. This tool also shows you other options to pay off your credit card faster and pay less interest.

### How to stay out of trouble

- Remember that when you pay for something with a credit card, you are taking out a loan and you have to pay it back.
- Pay the balance in full each month.
- If you can't pay it in full, pay as much as you can.
- Pay more than the minimum payment.
- If you always carry a balance; get a low-rate card.
- Transfer the balance to a line of credit with a lower rate.
- Pay a few days before the due date.

### Tips for managing debt

- Shop around.
- Compare interest rates. Don't accept your first offer.
- Keep within your budget.
- Borrow only what you can afford to pay back regularly and on time.
- Pay back more and pay more often.
- Additional payments mean you'll pay it off sooner and pay less interest.

### Two online credit card payment calculators

- [www.fcac.gc.ca](http://www.fcac.gc.ca)
- [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca)

### If you run into trouble with debt

- There are three steps you can take:
  - Credit counselling: you will be put on a debt management program (average is 4 to 5 years)
  - Consumer proposal through a bankruptcy trustee (average duration to discharge is 4 to 5 years)
- All of these will affect your credit score, but they may be necessary. As a first step, talk to Credit Canada. [www.creditcanada.com](http://www.creditcanada.com)
- Another resource [www.consolidatedcredit.ca](http://www.consolidatedcredit.ca)

## Recognize the Danger Signals

Your use of credit may be out of control if:

- You use your credit cards as a necessity instead of a convenience.
- You use credit or cash advances for your daily living expenses.
- You miss payments or due dates.
- You're near the credit limit on most of your cards.
- You borrow from one card to pay another.
- You transfer balances every few months just before the introductory offer expires.

Take control of your debt

- Use savings to pay off balances.
- Pay down your highest interest rate debts first.
- Switch to less expensive credit cards.
- Call creditors to negotiate for lower rates.
- Start automatic/online bill payment to stay on schedule.
- Leave your credit card at home.
- Avoid "buy now, pay later" offers.
- Get a consolidation loan to make one low-interest payment.

## Consolidation

A consolidation loan means getting one single loan to pay off all your existing debts so you have just one payment to make. For the consolidation loan to save you money, it must have a lower interest rate and a lower monthly payment than all the other loans put together. It is also important to stop using any credit cards that you consolidated into the new loan.

## Other Types of Debt

Credit card debt isn't the only kind of debt people incur. They also take out student loans, mortgages, car loans, personal loans from friends or relatives, etc.

Canada Student loans

- For students in financial need.
- Interest-free while you are enrolled in post-secondary education.
- Become payable 6 months after you leave your studies.
- Apply for this federal support through your student assistance office.
- For more information, visit [www.canlearn.ca](http://www.canlearn.ca)

## Student Debt Calculator

- Estimate the costs of tuition, room and board, books and more as well as what it takes to pay for your education with Investor Education Fund. [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca), tools and calculators.
- Compare your loan options, and determine how best to pay back your student debt with the Investor Education Fund payback calculator.

## Credit Record

- Your credit record is a history of how much credit you have taken out and how consistently you pay your bills.
- You should get a copy of your credit report every year and correct any mistakes.
- Understanding Your Credit Report explains what your credit report and credit score are, what they're important, and how to get them for free.
- Lenders use your credit score to determine whether to loan you money.
- If you are planning to apply for a mortgage, you should check your credit score in advance and do what you can to improve it.



## Additional Monthly budget worksheet

<b>Income:</b>			
Net income from wages (after deductions)	\$	Other income	\$
Self-employment Income	\$	Other income	\$
Government benefits	\$		
<b>Total Monthly Income</b>	<b>\$</b>	<b>(A)</b>	

<b>Expenses:</b>			
Housing Expenses		Transportation Expenses	
Rent or Mortgage	\$	Car	\$
Heat	\$	Gas	\$
Hydro	\$	Parking	\$
Cable/internet	\$	Public Transit	\$
Telephone/Cell	\$	Cabs	\$
Insurance	\$	Other	\$
Other	\$	Other	\$

<b>Living Expenses</b>		<b>Personal Expenses</b>	
Food	\$	Recreation and Entertainment	\$
Clothing and Laundry	\$	Eating Out	\$
Loan Payment	\$	Cigarettes and alcohol	\$
Credit Card Payment	\$	Magazines and newspaper	\$
Prescription drugs	\$	Gifts and donations	\$
Pets	\$	Vacation & travel	\$
Other	\$	Additional Saving goal	\$
<b>Total Monthly Expenses</b>	<b>\$</b>	<b>(B)</b>	<b>\$</b>

<b>Overall Balance</b>	
Total Monthly income (A)	\$
Subtract total Monthly Expenses (B)	\$
=(-) Overspending or (+) Saving	\$

# Cutting Grocery Costs

## Improve the way you shop

- Do **NOT** pay full price.
- Do buy **BUT** only when you need it.
- Do stockpile with items that you & your family will use.
- Do buy only at the lowest price.
- Do pay with as many coupons as possible.



## Let's start Couponing

### Couponing Tips:

1. Always know your prices, start a price book so that you know if that “deal” is really a deal!
2. Price Match. Search your local flyers/stores/store websites to see if you can find the item at a lower price. Make sure you have a copy of the flyer & item # when you visit your store.
3. Ask customer service or the Manager to beat that price. Most stores will beat the competition by 10% making it a much better deal when combined with your coupons.
4. Find out when your stores have customer appreciation day. You can save another 10 – 15 %.
5. Lose your Brand loyalty. It is costing you!
6. Buy smaller items. You will have greater savings when you combine your coupons with a smaller item. Again, know your prices!
7. Always buy on Sale!
8. Stock pile. Deals on products usually run every 3 to 4 months so get enough to last you.

## Places to Find Your Coupons



- Flyer inserts
- Clip your coupons. Organize by expiry date and then by category, food & non-food
- Manufactures. Most companies if you call to complain, compliment or request samples will send you coupons
- Stores. In store flyers, tear pads along the isles and online via their websites and even Facebook pages
- On Products. Always keep an eye out for products offering a FREE product with purchase. Cereal is great for this
- Social Media. Facebook, Newspapers & Magazines. If your store has their own magazine you can usually find coupons there as well
- Trade and swap with friends the ones that you won't be using for one that you will use
- Online

## **Web Places to Find Your Coupons:**

Save.ca

Couponclick.ca

Websaver.ca

Brandsaver.ca

Livingwell.ca

Lifemadedelicious.ca

Extremecouponingcanada.net

Scjohnson.ca

Thinkcoupons.ca

Flyerland.ca

Dealcetera.ca

Beingagirl.ca

## **Couponsing Etiquette:**

- Know your stores coupon policy
- Have your coupons organized and ready at the till
- Do not take all tear pad coupons, only what you will use
- If you want a large quantity of a product, call the store ahead and have them order it in.
- Do not clean out the shelves.
- Do not photo copy coupons as this is fraud!

## **County of Dufferin**

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