

First Counselling Session

Consumer and credit education

Now that you've taken action to resolve your financial difficulties through filing a Consumer Proposal or Bankruptcy, the next step in the process is to attend two financial counselling sessions required under the Bankruptcy and Insolvency Act.

In the first counselling session, we will present information to you with consumer advice in the areas of:

- Money management
- Spending and shopping habits
- Warning signs of financial difficulties
- Obtaining and using credit

We aim to provide you with the skills and knowledge to properly track your monthly income and expenses and help you develop an appropriate budget.

Money problems can cause a great deal of stress. Take this opportunity to make the most of your financial fresh start by adopting the ideas outlined in this booklet and applying them to achieve your financial goals.

Managing your money

How to develop a realistic budget

Budget is an uncomfortable word for many people. It can seem synonymous with limitations and deprivation — and directly opposed to freedom and fun. It's time to let go of that line of thinking.

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 smart choices with the money you have. Most importantly, a budget will help you map your way to reaching your goals.

Following are steps you'll take to develop your budget (or spending plan):

- Set realistic goals
- Estimate and track your income and expenses
- Develop your budget
- Put your plan into action

Step 1: Set realistic goals

Before building an appropriate budget, you must determine your short- and long-term financial goals. This process will help you assess your ability to make your goals a reality and how you'll need to adjust your expenses to reach them. Deciding on and planning for your financial goals will help you take control of your money.

Think about what you want in the short- and long-term. This helps you figure out how to adjust your spending to achieve those goals.

1. List all your goals.
2. Rank them by importance.
3. Separate needs (essential) from wants (nice to have).
4. Discuss goals with your partner if managing a household budget together.

Consider if your goals are realistic. It's good to challenge yourself, but success builds over time. Short-term goals could be buying a new appliance. Medium-term goals might include saving for a vacation. Long-term goals could be owning a home or planning for retirement.

When setting goals, think about how much you need to save and for how long. For example, if you want to save for a new fridge, estimate the cost, decide the timeframe, and calculate the monthly amount to set aside.

Now, take a moment to jot down your financial goals using the worksheet below.

Goal	Cost	Target Date	Monthly Amount Needed	Order of Importance
New Fridge	\$960	12 months	\$80	2
Family trip	\$6,000	48 months	\$125	3
Buy a used car	\$2,400	12 months	\$200	1

Consider opening a separate bank account for each of your goals. This will allow you to set money aside from your regular day-to-day finances and see the balance increase as you get closer to your goals.

We strongly suggest you include an emergency fund among your short and long-term goals. You should do this before anything else — and continue building it as your budget changes and evolves. If you lose your income or encounter an unexpected expense, your emergency fund will ensure you can still meet your obligations while you get back on your feet. Try to save between three and six months of your monthly expenses.

Step 2: Track income and expenses

Start by listing all your monthly income sources and amounts. Include only two paycheques, whether you're paid semi-monthly (24 paycheques per year) or bi-weekly (26 paycheques per year). Use the extra payments to boost savings or support financial goals.

If your income varies, estimate by dividing the total income for the last year by 12. Alternatively, use the lowest income month in the last 12 months.

You may receive other income throughout the year, such as GST or tax refunds. Do not include these in your regular monthly budget. Again, use these instead to increase your savings or support one of your financial goals.

Fill in your income amounts in the initial column on the budget worksheet.

Now, track your expenses. This can be difficult because it's usually clear where your money comes from, but it's not as easy to recall where it goes. Monitoring your expenses and spending habits will require some effort. Still, it's worthwhile to understand where you spend your money and whether your current spending habits will support your financial goals.

Here are some tips for tracking your expenses:

1. Review your monthly bank or credit card statements. Categorize your spending by groceries, hobbies, transportation, etc. Identify patterns and totals to align with your budget.
2. For those who prefer cash transactions, designate a spot to store paper receipts. Sum up your expenses weekly or monthly to gain insights into your spending habits.
3. Explore budgeting apps with features for manual or linked account expense tracking. Choose apps with transparent privacy policies to safeguard your information.
4. If the simplicity of pen and paper works best for you, keep a dedicated spending notebook. Log each expense, categorize, and tally them according to your budget.

Some spending is seasonal or unpredictable (gifts, vet bills, clothing). You can estimate and include these in your budget by calculating the total spent in each category over the past few years, dividing by 12 for the monthly amount.

Tracking spending can be challenging, and you might forget some items occasionally. Don't track how you think you should be spending — accurate results are what help you improve. Make adjustments when putting your plan into action.

Write down your expenses in the *initial* column on the budget worksheet.

Budget worksheet

Income	Initial	Revised
Wages / pension		
Second income		
Child tax benefits		
Child support		
Commission / tips		
Other		
Total		

Housing expenses	Initial	Revised
Rent / mortgage		
Property taxes		
Strata (condo) fees / Pad rental		
House contents insurance		
Hydro / power		
Gas		
Phone		
Cable		
Internet		
Streaming services		
Storage		
Repairs / maintenance		
Other		
Total		

Transportation expenses	Initial	Revised
Car payments		
Vehicle insurance		
Fuel		
Parking		
Maintenance		
Roadside assistance membership		
Public transportation		
Taxi		
Other		
Total		

Budget worksheet

Living expenses	Initial	Revised
Groceries		
Restaurants / takeout		
Personal care (grooming, cosmetics)		
Baby / infant needs		
Laundry / dry cleaning		
Clothing (adults)		
Clothing (children)		
Daycare / childcare		
Pet costs (food, vet care, etc.)		
Children's school costs		
Children's allowances		
School supplies		
Other children's costs		
Other		
Total		

Lifestyle expenses	Initial	Revised
Entertainment		
Annual memberships		
Hobbies / recreation		
Tobacco / alcohol		
Magazines / books / newspapers		
Total		

Food	Initial	Revised
Groceries		
Restaurants / takeout		
Total		

Budget worksheet

Health expenses	Initial	Revised
Fitness memberships		
Health insurance		
Life insurance		
Eye care		
Prescriptions		
Over the counter medications		
Specialists		
Other		
Total		

Other expenses	Initial	Revised
Donations		
Gifts (birthdays, holidays, etc.)		
Bank service charges		
Emergency savings fund		
Retirement savings		
Education savings		
Other		
Total		

Summary	Initial	Revised
Total income		
Total expenses		
Difference		

Step 3: Develop your budget

Now, let's create a budget that ensures your spending is less than your income. Use the revised column on the budget worksheet to balance your budget — this means adjusting spending to match or be less than your income.

Ask yourself: Will this budget help me reach my goals? You might need to spend less in some areas than you'd like or have in the past.

If your expenses still exceed your income, consider boosting your earnings by working more or taking on a part-time job. If that's not enough, reassess your spending.

If your income exceeds your expenses, that's great! Take this chance to:

- Increase your emergency fund contributions
- Save more monthly to reach your goals
- Consider adding another goal

Review your worksheets to pinpoint necessary expenses, desired spending, and areas where you can cut back. Small daily purchases, like a \$2 coffee every morning, can accumulate to about \$520 annually. Your budget helps identify such expenses, allowing you to eliminate or reduce them.

If kids influence your spending, involve them in the budgeting process. This not only makes their requests more realistic but also nurtures a sound financial mindset. Determine their allowance based on what you can afford, let them create a budget and financial goals, and show them how the family budget operates.

Keep tracking your daily spending to stay within your budget. Adjust categories when needed due to changes in income, relationship status, or unexpected expenses. A budget is always a work in progress.

Step 4: Putting your plan into action

It's time to create a tailored budget management system that fits your skills and abilities. There are several ways of paying expenses; selecting one that feels comfortable and is likely to be consistently used is key to long-term success.

Consider this process akin to starting an exercise or diet program — the initial steps may pose challenges, but as you progress toward your financial goals, forming good habits becomes more natural over time. By aligning your budgeting approach with your preferences and lifestyle, you enhance the likelihood of sustaining positive financial practices.

Some helpful tips to consider

- Review your bank statements every month
- Research banking options available. Find a bank / product that works best for you and only pay for necessary services
- Use debit instead of credit for convenience purposes
- Limit the amount of cash you carry
- Arrange automatic bill payments to prevent procrastinating on bills
- Use mobile banking to save time and energy
- Use an equalized payment option for utility accounts to avoid seasonal fluctuations
- Set up monthly payments of property taxes and insurance
- Buy gift cards or prepaid credit cards from grocery stores and other retail stores that allow you only to spend that amount of money in your specified timeframe
- Record your expenses on paper or using an app. Compare your spending to your budget projections and adjust your budget or spending as required
- Don't wait until the end of the month to find out whether you are on or off budget

Spending and shopping habits

Smart shopping tips

- Don't buy something just because it's on sale. It's only a bargain if you really need it
- Reconsider any purchase you require credit to pay for
- Shop at second-hand or thrift stores wherever possible, especially for clothing

Grocery shopping tips

- Make a list and stick to it
- Use coupons
- Reduce food waste by planning your meals each week
- Price match. Compare deals store-to-store to ensure you're getting the best price
- Buy bulk for non-perishable items
- Keep an eye out for food that goes on sale
- Go meatless once or more per week — and buy less expensive cuts of meat
- Avoid convenience and packaged foods
- Avoid grocery shopping when you're hungry
- Buy generic products rather than name brand
- Buy seasonal produce as they are usually cheaper than out-of-season options
- Avoid corner and convenience stores, which generally have higher prices
- Buy frozen fruit and vegetables in the winter instead of costly fresh produce

More tips

- Find ways to reduce water and electricity consumption
- Review and reduce your internet / phone / cable / subscription services
- Use public transit as much as possible
- Pay utility bills and credit cards on time and in full each month to avoid interest, penalties, and low credit score
- Maintain vehicles regularly and shop around for a good mechanic before you need one
- Carpool
- Take advantage of loyalty programs
- Consolidate errands to save gas money
- Stop or reduce smoking
- Avoid purchasing brand name items
- Move to a less expensive area or house
- Do home repairs yourself, if possible
- Reduce your long-distance phone calls and data usage
- Let people know what you need when asked for gift ideas
- Invite friends over for a homecooked meal instead of going out to a restaurant
- Invite friends to share a meal instead of going out to a restaurant

Spending and shopping habits

Do you indulge in impulse spending or overspending?

Other expenses	Yes	No
Have you felt the urge to shop after a setback or a disappointment — or when you feel angry or scared?		
Do you find your spending habits emotionally troubling? Have they created problems in your life?		
Have your shopping habits created conflicts between you and a loved one (spouse, partner, parents, children)?		
Have you bought items on credit that you wouldn't / couldn't buy with cash?		
Do you feel a rush of euphoria mixed with pangs of anxiety when you shop?		
Do you often feel like shopping is a dangerous / reckless / forbidden act?		
Do you feel embarrassed, guilty, or confused after shopping?		
Are many of your purchases seldom or never worn or used?		
Have you lied to family or friends about how often you shop / how much you spend?		
Do you feel lost without your credit cards?		
Do you think about money excessively (i.e. how much you have, how much you owe, how much you wish you had) and then go out and shop again?		
Do you spend a lot of time juggling accounts and bills to accommodate your shopping debts?		
Does your spouse or partner complain that you spend too much money?		
Are you often surprised to discover you charged more than you thought when your credit card bill arrives?		
Do you own every gadget known to man (or woman)?		
Do you come home from the mall with items you had no intention of buying?		
Do you spend money on things that you didn't realize you needed until you saw them on display in the store?		

Warning signs of financial difficulty

Watch out for certain red flags which may indicate you're in financial trouble, such as:

- Having no savings
- Failing to budget or make a financial plan
- Not knowing what your actual monthly expenses are
- Spending all your money before payday
- Buying things impulsively
- Borrowing money from friends or family
- Using payday loans
- Carrying a credit card balance from one month to another
- Requesting credit limit increases
- Applying for additional credit cards
- Using your credit cards or other loans to pay for everyday expenses
- Not qualifying for consolidation loans
- Receiving frequent calls or letters from creditors or collection agencies
- Stalling one creditor to pay another
- Having trouble making the minimum payments on your credit cards

If you find yourself in any of the above situations, it is time to re-evaluate your financial goals and re-commit to your budget plan. Work hard to end the cycle of poor money management before you need another Bankruptcy or Consumer Proposal.

Obtaining and using credit

One of the major causes of financial difficulty is a lack of control over credit spending. Credit creates the illusion you have money and allows you to put the purchase out of your mind long before the bill is paid. When you make a purchase on credit, either set aside the money to pay the credit card bill or, even better, make a payment to your credit card immediately.

Credit can afford us opportunities that may otherwise not be available. You need a good credit history to obtain a mortgage. You'll likely need a credit card to book a vacation online. However, you must plan how to use credit responsibly and within your budget to avoid burdensome and expensive debt.

Some things to keep in mind to protect your credit rating as well as your financial plan:

- Only apply for credit you really need. One credit card with a reasonable limit should be all you need. Pay it off every month.
- Keep all credit card balances well below the credit limit at all times.
- Your credit card company cannot increase your credit limit without your permission. If they do, you have the right to call and request they reduce it.
- Remind yourself that credit costs money in the form of interest charges.

Other things to keep in mind:

- Build the foundation for a good credit rating by making regular deposits in your savings account.
- Borrow money for only what you need and can comfortably repay.
- Know what you can afford for a loan payment before approaching a lender.

Remember

While you are bankrupt, you may not obtain credit for \$1,000 or more without disclosing you are an undischarged bankrupt.

Ways to rebuild your credit

A Bankruptcy or Consumer Proposal — as well as poor credit management habits before your insolvency — will have a temporary detrimental impact on your credit. Following are steps you can take to begin rebuilding your standing with creditors:

Apply for a secured credit card: The lender will request a security deposit and you will be issued a credit card with a limit roughly equal to the deposit amount. Use it for regularly budgeted purchases and pay any balance off every month. Do not carry a balance as you will incur interest charges, which is money out of your pocket.

Apply for an RRSP loan: If you build a relationship with your financial institution, they may be willing to offer you a small loan (say \$500) to put towards an RRSP.

Know your loans

If you are trying to obtain a loan, understanding the differences between the types of loans is a big help.

If you buy a house or a car, your loan is secured. A secured loan means you guarantee the loan with an asset. If you miss payments or default on the loan, the lender can repossess the asset.

An unsecured loan (i.e. personal loan) is not guaranteed with an asset. Your promise to repay is the only basis on which the lender makes the loan. Since the lender is taking a bigger risk, the interest rate is usually higher — or you may be asked to find a co-signer who agrees to pay the loan if you default.

Whether your loan is secured or unsecured, it will have a term, which is the number of months or years you must repay the loan. The longer the term, the smaller each payment will be. But the longer you take to pay the money back, the more you'll pay in interest. You'll have to weigh the extra cost against how much you can comfortably afford to pay each month.

Additional information regarding credit and consumer awareness is available from the Financial Consumer Agency of Canada at www.fcac-acfc.gc.ca

Check your credit

Credit bureaus maintain a record of all Bankruptcies and Consumer Proposals for several years — though the length of time varies depending on the province. If you would like additional information concerning the damage to your credit, we suggest you contact the credit bureaus directly. We also encourage you to follow up with both credit reporting agencies to ensure they remove any record of your insolvency from your report at the time they have committed.

Equifax Canada Inc.

1.800.465.7166

www.equifax.ca

Trans Union

1.800.663.9980

www.transunion.ca

Conclusion

This booklet is intended to provide you with the information and tools to supplement your discussions during the First Counselling Session required by the Bankruptcy & Insolvency Act. Please take as many tips and strategies for money management as possible from this booklet and develop a plan that works for you.

About MNP Ltd.

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