

# Credit Counselling Society Presents

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## Fresh Start: Debt in the Rear-view Mirror

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We Help. We Educate. We Give Hope.



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# Agenda



- Review of budgeting concepts
- Your life and credit
  - How it will look
  - How you can rebuild it
- Strategies to save effectively

# Why People Come to Us



- 20% of Canadians saved \$0 last year
- 35% of Canadians struggle to pay monthly bills
- 50% of Canadians have no budget

# Top Reasons We See for Financial Trouble

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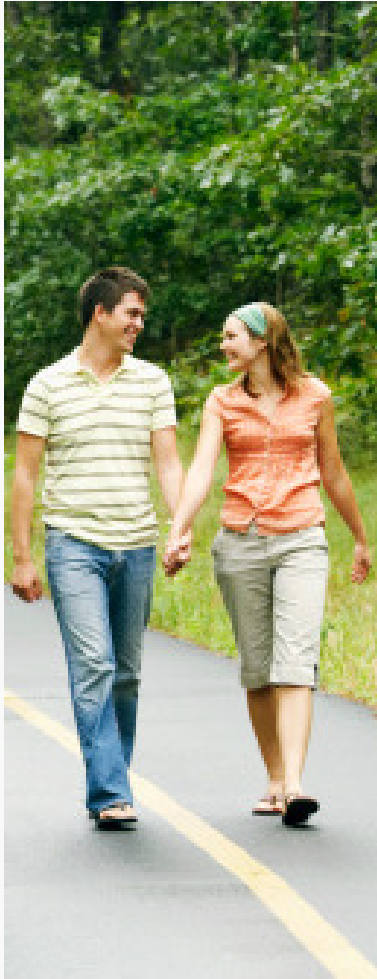
1. Unemployment / Underemployment
2. Excessive use of Credit or Using Credit for Living Expenses
3. Injury / Illness
4. No Budget / Lack of Financial Education
5. Separation / Divorce and Family Expenses
6. Failed Business/Used Credit for Business Expenses
7. High Housing Costs

# Being Better Means

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What do you want to get out of staying in control of your money?

# Being Better Means



- Reduced stress
- Better sleep
- Control of my money
- A sense of pride and accomplishment
- Achieve my financial goals

# Budgeting is Key



- Stick to a plan
- Set goals
- Track expenses
- Plan for irregular expenses
- Manage your spending
- Create savings



# Example Budget: \$1982 Net Income

Fixed Expenses	Cost	Variable Expenses	Cost	Savings Expenses	Savings Type	Cost
Rent	\$450	Groceries	\$250	Car Maintenance	Irregular	\$55
Electricity	\$50	Personal Care	\$35	Clothing/Shoes	Irregular	\$65
Cell Phone	\$70	Gasoline	\$80	Gifts/Occasions	Irregular	\$30
Cable/Internet	\$60	Entertainment	\$55	Prescriptions	Irregular	\$20
Car Insurance	\$120	Lunches/Breaks	\$40	RRSPs	Goal	\$50
Bank Fees	\$12	Eating Out	\$40	Emergency Savings	Emergency	\$50
<b>Debt Payments</b>	<b>\$450</b>					
<b>Total</b>	<b>\$1212</b>	<b>Total</b>	<b>\$500</b>		<b>Total</b>	<b>\$270</b>

# Reintegrating the DMP Payment



- Put it all into savings
- Emergencies, Goals
- Portion it off (50% into savings; 50% into your budget)
- Put it all into your budget

# A Word on Savings



- Each of us has a ‘money set point’ – the amount we need to give us peace of mind to cover unexpected expenses
  - Do you know yours?

# Setting Goals



- Goals will guide your decisions and help you determine how to spend your money
  - Short term: 6 – 12 months
  - Medium term: 3 – 5 years
  - Long term: 10 – 15 + years
- Break your goals down into realistic amounts, according to your pay cycle.

# Set SMART Goals



- Set SMART goals for the choices you make!
  - Specific
  - Measurable
  - Achievable
  - Relevant
  - Timed

# Set SMART Goals



- Goal setting in action:
  - My goal is \_\_\_\_\_
  - I want to achieve it \_\_\_\_\_
  - The total cost of my goal is \$ \_\_\_\_\_
  - I will set aside \$ \_\_\_\_\_ / pay to achieve this goal

# Set SMART Goals



- Goal setting in action:
  - My goal is to go on a vacation.
  - I want to achieve it in one year.
  - The total cost of my goal is \$1000.
  - I will set aside \$39 / bi-weekly pay to achieve this goal

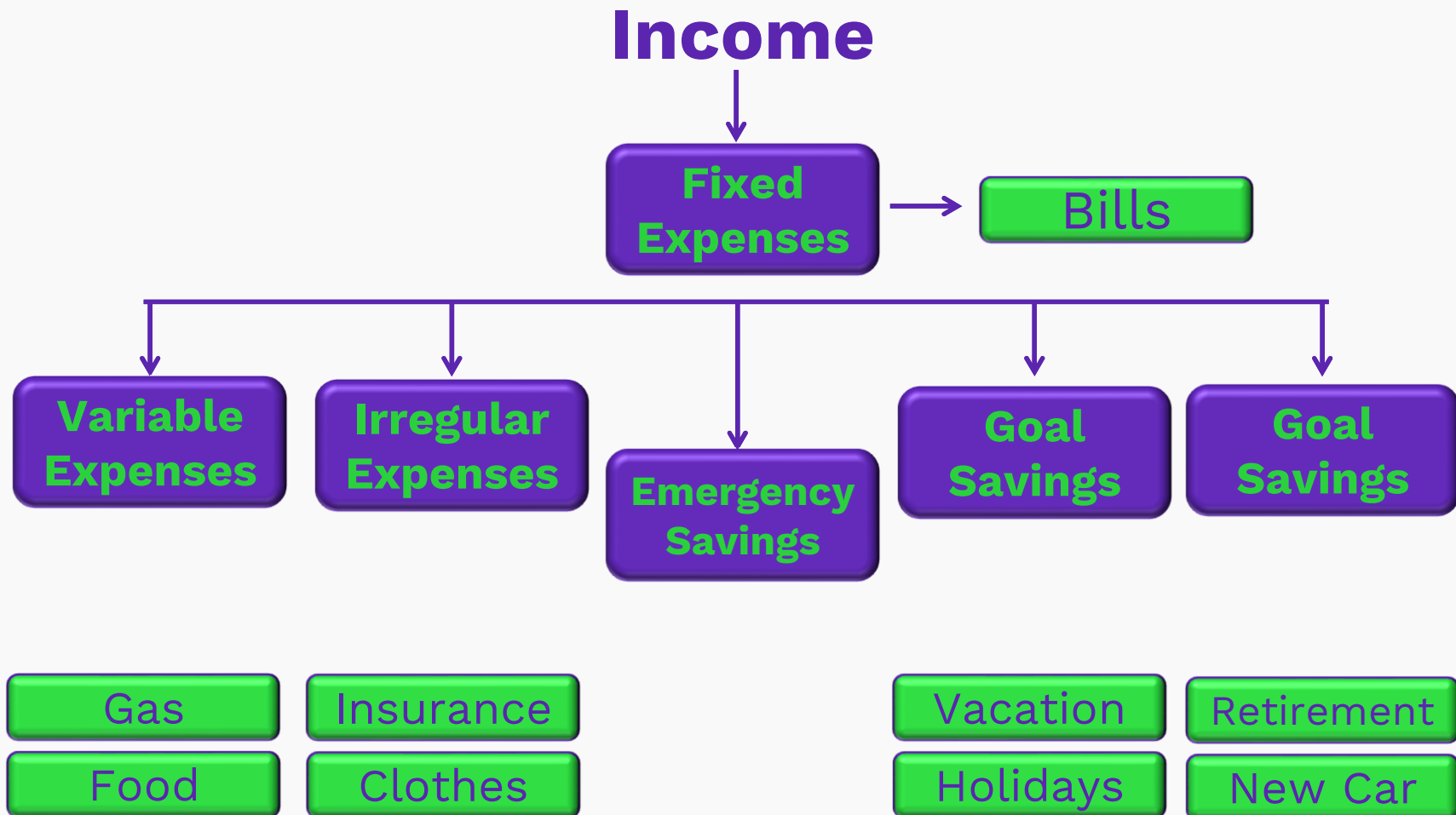
# Goal Setting Tips



- Set clear goals – life happens so they may change over time, and that's ok
- Pay yourself FIRST!
  - Make saving automatic
- Use separate accounts for each goal
  - But watch for fees
- Start small – but get started!



# Organize Your Money

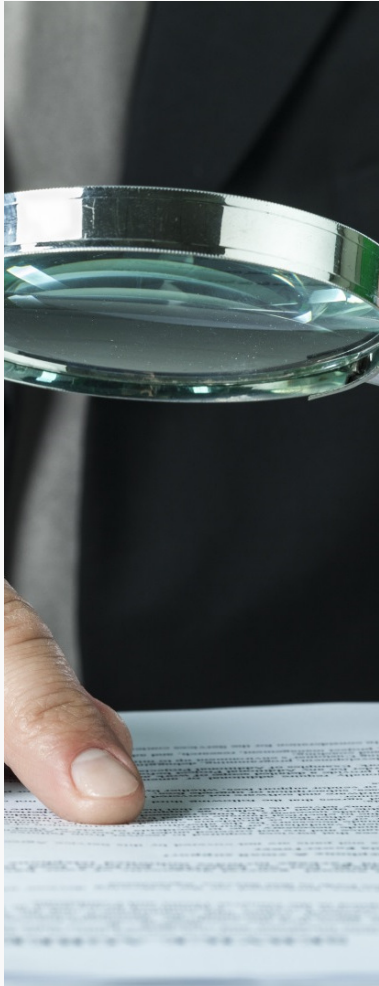


# Tracking Expenses

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# Expense Tracking



- Tracking makes a budget work!
- It tells us the truth
- It shows our habits
- It shows where we can make changes
- It gets us in control

# Manage your Impulse Spending



- Be aware of your triggers:
  - Time
  - Environment
  - Mood
  - Place
  - Occasion

# TEMPO Action Plan

Possible Triggers	I tend to spend impulsively when...	Instead I can...
<b>Time</b>	I'm tired, right after work.	Go grocery shopping in the evening or weekend.
<b>Environment</b>	I'm at a home and garden store.	Save money for home & garden and shop monthly.
<b>Mood</b>	I'm bored.	Go for a walk, bake, read a book.
<b>Place</b>	I am at the tool store.	Avoid going there or leave my credit card at home.
<b>Occasion</b>	It's Christmas!	Make a list, shop year round, ask for help.

# Your Credit



- Now it's time to rebuild your credit!

# Your Credit Report



- The DMP will show up on Public Records
  - Your debts will report as 7's
- This information will be removed from your credit report 2 years after successful completion to a maximum of 6 years, whichever is less

# Credit Ratings

<b>Payment Status</b>	
Too new to rate	<b>0</b>
Paid as agreed	<b>1</b>
Paid late but within 30 days	<b>2</b>
Paid up to 60 days late but not more than 90 days; 2 payments past due	<b>3</b>
Paid up to 90 days late but not more than 120 days; 3 payments past due	<b>4</b>
Account is at least 120 days overdue but not rated 9 yet	<b>5</b>
<b>Making payments under consolidation order, debt repayment or similar arrangement</b>	<b>7</b>
Repossession	<b>8</b>
Bad debt; placed for collections; settled debts; bankrupted debts	<b>9</b>



# Your Credit



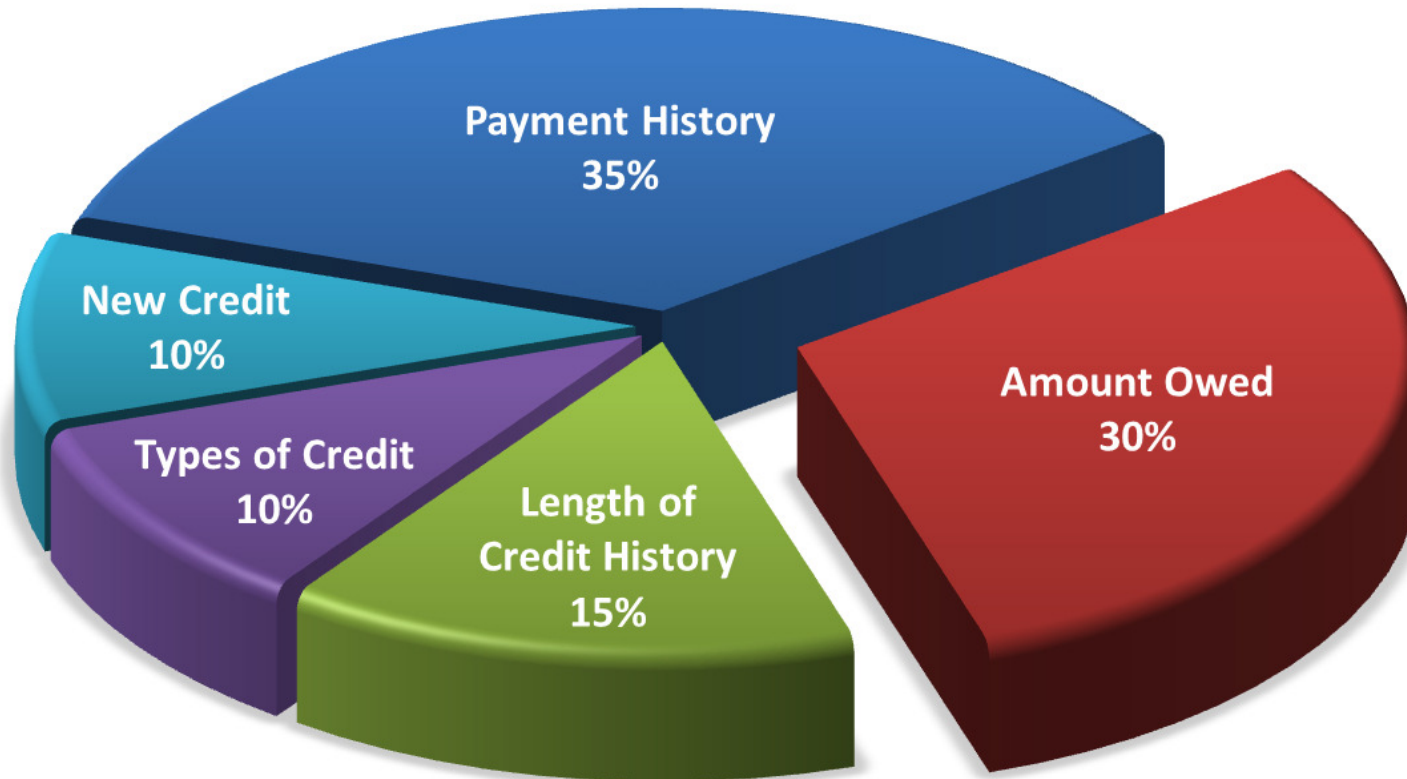
- What will my credit score be once I'm done?

# Your Credit Score



- We don't know – but you can check your credit score through Equifax and Transunion
  - There is a cost to checking your credit score
- Remember credit can be rebuilt over time

# Your Credit Score



# Credit Reporting Agencies



- Equifax - [www.equifax.ca](http://www.equifax.ca)
  - 1-800-465-7166
- Transunion - [www.transunion.ca](http://www.transunion.ca)
  - 1-800-663-9980

# Credit Report Facts



- It's free to check your credit report 1x/year
- Checking your own credit report does not affect you negatively
- Creditors choose what they report to each agency, so you should check your own report with both companies
- If there are mistakes on your credit report, it is up to you to get them fixed

# Who is interested in your credit?

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- Lenders
- Employers
- Landlords

# TRUE or FALSE



- I can afford the minimum payment so it's okay to buy it
  - FALSE

# Making Minimum Payments



- Making minimum payments is required to have your credit product rated as a 1
  - \$5000: 19.9% interest, declining balance, paying 2% of balance
    - \$22,416 total interest
    - 65 years to pay off!



# TRUE or FALSE



- I need a lot of credit cards to build credit
  - FALSE

# Building Credit



- More open credit = more risk for your lenders which decreases your credit score
- Having lots of credit available can be very tempting!

# TRUE or FALSE



- Maxing out my credit card then paying it off builds credit
  - FALSE

# Max Out/Pay Off



- By exceeding 60% of your credit limit on a regular basis, your credit score will be negatively impacted
- Your lenders will assume that you're over extending yourself financially

# TRUE or FALSE



- I use my credit card for points so I put everything on it
  - IT DEPENDS

# Credit Cards for Points



- Are you paying it off in full every month?
- How much are you paying in:
  - Interest? Annual Fees?
    - Does it make sense?
- Missed payments can void your points

# TRUE or FALSE



- I don't need high limits to build good credit
  - TRUE

# High Limits



- High limits, even with no or low balances means more risk for your lenders
  - Four \$10,000 credit cards means RISK for your lender because you could be \$40,000 in debt tomorrow



# TRUE or FALSE



- To build good credit, I pay my credit card as soon as I use it
  - FALSE

# Pay As Soon As I Use



- If you use and pay right away, you aren't building credit
  - A balance owing has to hit your statement before a payment goes through or it always shows you owing nothing

# TRUE or FALSE



- I need to pay a monthly fee to ensure that my credit and identify are protected
  - FALSE

# Monthly Credit Check



- Checking your credit report one per year with both Equifax and Transunion is sufficient
  - Monitoring is helpful in identity theft situations but not day to day

# TRUE or FALSE



- I can rebuild my credit in 6 months using credit rebuilding companies
  - FALSE

# Rebuilding Credit



- These companies are trying to sell you a higher interest loan
  - Making payments will work to rebuild your credit but you're getting into debt to do so
- Some things, like bringing balances down, work faster than others

# TRUE or FALSE



- Good credit is everything
  - FALSE

# Good Credit Is Everything



- Not at the expense of:
  - High debt loads
  - Making only minimum payments
  - Money stress
  - Money fights with your family
  - Self-worth



# Does Not Build Credit



- Visa Debit card
- Pre-paid credit cards
- Pre-paid cell phones
- Payday loans

# Rebuilding Your Credit



- Credit can be rebuilt with time and the right behaviours
  - Talk to your Credit Counsellor about the Canadian Tire Fresh Start program
  - Make all of your payments on time
  - Pay your credit card in full
  - Consider a secured credit card
  - Cell phone contracts build credit

# Fresh Start Program

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- Credit Counselling Society can approve you for a small, unsecured credit card with Canadian Tire MasterCard
  - The credit card can be used anywhere
  - As you use it and pay it off monthly, you are rebuilding your credit

# Rebuilding Credit

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Can I get credit once I'm done?

# Your Credit



- There are limitations within the banking system
  - Items in Public Records may be interpreted as a Bankruptcy
- Take your Successful Completion letter with you
  - Connect with CCS to get a Letter of Support ahead of requesting credit

# Credit Traps



- Remember how hard you worked to become debt-free with the DMP!
- Beware of various credit traps!

# Retail Credit

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**No payments  
for 18  
months!!**

**Pay no  
interest for 12  
months!!**

**Low  
introductory  
interest!!**

# Buy Now, Pay Later

Purchase \$3,000 of furniture at 30% interest over 5 years

**\*No interest, no payments for 18 months!!\***

Payment frequency	Payment	Total Interest	Total Cost
Monthly for 18 months	\$167	\$0	\$3,000
Monthly for 5 years	\$97	\$2,823.61	\$5,823.61
Monthly for 3.5 years (start after 18 month no payment period)	\$139	\$2,823.61	\$5,823.61



# Pay Day Loans



- Small unsecured loans based on your pay cheque
- Repayment due on next pay day
  - No credit check
  - High interest
  - Automatic withdrawals

# Interest Rate Comparison



- Line of Credit: 6% APR
- Credit Card: 19% APR
- Bank Overdraft: 21% APR
- Pay day loans: annualized interest is up to 599.84%
  - 15-23% over a 2 week period

# Life After Your DMP



- Wealth Accumulation

# Who Can Help Me Move Forward?

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- Financial institutions
- Financial investment companies
- Fee-based financial planners
  - Make sure you ask about your Financial Planner's qualifications and how they are compensated

# RRSPs and TFSAs



- Types of savings “vehicles”
- These vehicles can be invested into various products
  - It is crucial you understand the costs and fees associated with investing your money

# Registered Retirement Savings Plan (RRSP)



- Contributions are tax deductible
  - Taxes are deferred until the money is withdrawn
- Withdrawals can not be put back in
- Contribution limit is noted on your CRA Notice of Assessment
  - Accumulates if unused in past years

# Tax Free Savings Account (TFSA)

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- All income generated is tax free
- Withdrawals are not penalized or taxed
- Withdrawals can be recontributed
- Contributions limited to \$6000 annually

# Investment Products

## Risk vs. Return of various Investment Products

**Expected Risk**

**Savings  
Accounts  
Canada Savings  
Bonds**

**GICs**

**Mutual Funds**

**Bonds**

**Stocks**



# Investment Products



- Dollar Cost Averaging
  - Invest a regular amount of money on a regular basis in an effort to reduce risk
  - This helps offset risk by averaging out the purchase price

# Insurance



- Protect yourself:
  - Life insurance
  - Homeowner's insurance
  - Renter's insurance

# Other Coverage to Consider

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- Disability Insurance
- Long Term Care Insurance
- Pet Insurance
- Travel Insurance

# Who Can Help Me With Insurance?

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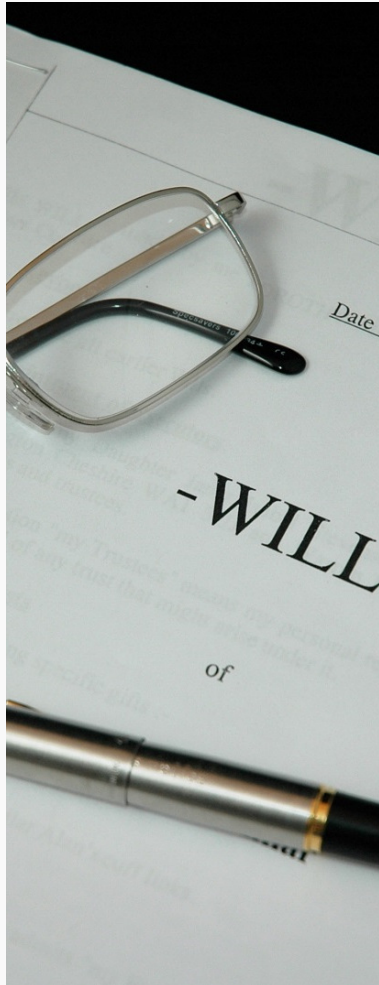
- Insurance Bureau of Canada
  - [www.ibc.ca](http://www.ibc.ca)
- Insurance Brokers Association of Canada
  - [www.ibac.ca](http://www.ibac.ca)

# Legal Documents



- Legal Documents
- Wills
- Health Care Directives

# Wills



- Details what is to be done with a person's belongings and assets once they are deceased
- If no will is present, the government determines how these items are to be distributed and charges a fee for taking care of the matter

# Health Care Directive

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- Specifies what actions are to be taken to care for a person's health if they are no longer able to communicate that information themselves
- Also known as a living will

# Other Legal Considerations

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- Executor
- Power of Attorney
  - Talk to a legal professional



# Looking Ahead



- I have a plan
- I use tracking to support my budget
- I am aware of my TEMPO
- I am managing my savings
- I am a credit aware consumer

# Money Tips



- Reintegrate your DMP payments into savings
- Rebuilding credit takes time
- Order your credit report for free once a year from Equifax and Transunion
- Connect with us if you need a letter of support for your creditor
- Free tools and resources available at: [www.mymoneycoach.ca](http://www.mymoneycoach.ca)

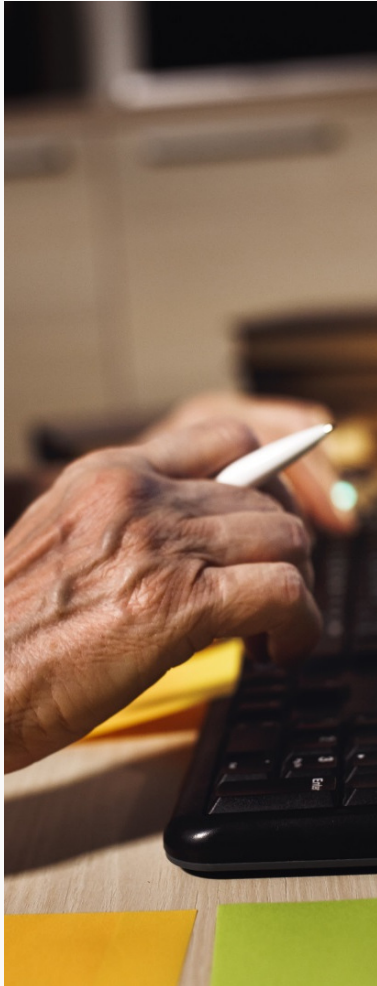


# ADDITIONAL RESOURCES

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Some helpful  
resources for  
you to get  
started

# Learn More



## #LearnWithCCS

 Facebook - @MyMoneyCoach.ca

 Twitter - @MyMoneyCoach\_ca

 Instagram - @MyMoneyCoach

- Sign up for our monthly newsletter
- Check out our social media for daily tips/articles
- Subscribe to our blog
- Follow us on Social Media

# #LearnWithCCS

**Share your experience today for a chance to win a \$50 Sobey's gift card!**

1. Using **#LearnWithCCS**, share your experience on social media by commenting on any of our posts *or* making your own.

**Every comment or post gives you 3 entries for the draw!**



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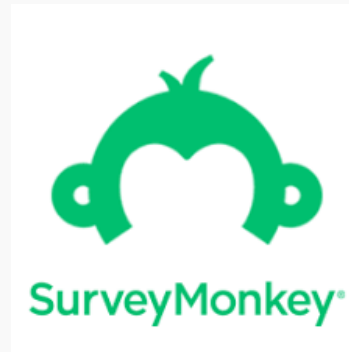
# We Want Your Opinion

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**QR Code**



**Survey Monkey**



<https://www.surveymonkey.com/r/6CNYLD6>

# How We Help



Book a free financial consultation with  
one of our Credit Counsellors

**1-888-527-8999**

Message us through our online chat

**[nomoredebts.org](https://nomoredebts.org)**