

Credit Counselling Society Presents

Planning for Reduced Income

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We Help. We Educate. We Give Hope.

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Objectives



By the end of the session, you will be able to:

- Describe 2 ways to increase income
- List 2 ways to reduce expenses
- Create a course of action to move forward in face of reduced income

Agenda



- Dealing with reduced income
- Manage income
- Reduce expenses
- Manage impulse spending
- Manage credit
- Manage debt

Top Reasons We See for Financial Trouble

- 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

Focus on What is in Your Control



- Your feelings
- Your behaviours
- Your spending
- Resources you access

Our Emotions



Some feelings you may be experiencing during this time:

- Stress, worry and/or anxiety
- Anger and resentment
- Depression

Remember To



- Get a reference letter or references
- Apply for Employment Insurance or Income Support (if necessary and applicable)
- Deal with your finances

5 Steps for Dealing with Reduced Income



- Find income
- Reduce expenses
- Manage impulse spending
- Manage credit
- Deal with debts immediately

01

Step 1

Your Income

Possible Sources of Income



- Employment Insurance
- Emergency funds
- Investments (TFSA & RRSP's)
- Pensions
- Increasing income

Registered Retirement Savings Plan (RRSP)



- Tax-deferred investment vehicle
- Withdrawals from RRSP are added to our taxable income in the year that they are withdrawn
- Withholding tax applies at time of withdrawal

Registered Retirement Savings Plan (RRSP)

| Amount Withdrawn | CRA withholding tax deducted |
|-----------------------|------------------------------|
| Up to \$5,000 | 10% Withholding Tax |
| \$5,001 to \$15,000 | 20% Withholding Tax |
| Greater than \$15,000 | 30% Withholding Tax |

Registered Retirement Savings Plan (RRSP)

| Withdraw \$15,000 from RRSP | True Cost of Withdrawing from RRSP |
|----------------------------------------------------|--------------------------------------------------------------------------------|
| Marginal Tax Rate | 30% (\$4,500) |
| Withholding tax at time of deduction (20%) | \$3000 >> forwarded to CRA |
| Remaining tax to be paid at time of filing (April) | Taxes still owing for following year is \$1500 ($\$4,500 - \$3000 = \1500) |
| Taxable income | Taxable income increased by \$15,000 |

Increasing Income



Find ways to increase your income – it's temporary!

- Part-time work
- Temporary work
- Start a business
- Garage sale

02

Step 2

Your Expenses

Dealing with Reduced Income



Budget, Budget, Budget

- Track your expenses to find out where your money is really going
- Cut your expenses

What is a Budget?



- A written spending plan – spending now and saving to spend later
- It's based on our own choices and priorities

A Budget Includes:



- Our take-home (net) pay
- Our monthly living expenses
- Money to be put aside for
- Irregular expenses
- Emergency expenses
- Savings goals

Expense Tracking

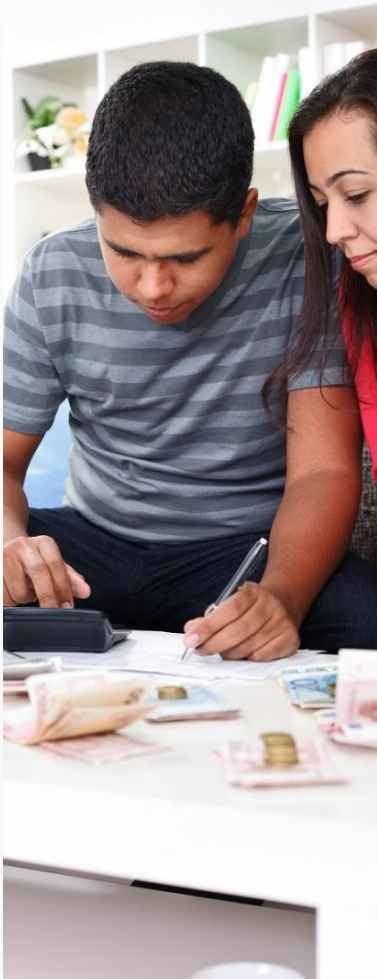
**How is tracking your
spending going to help you?**

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

Ways to Track Expenses



- Pencil & paper
- CCS tracking booklet
- Spreadsheet or other software
- Envelopes for receipts
- Smartphone app
 - Start with a few categories
- Find the system that works for you!

Dealing with Reduced Income



- Identify specific areas to target
- Your tracking will show you where to start
- Small changes add up
- Give everything consideration

Housing



- Can you look at downsizing?
- What about finding cheaper rent?
- Could you get a roommate, tenant or student?

Transportation



- Do you need your vehicle(s)?
- Can you “park” it and reduce the insurance & fuel costs?
- Can you take public transportation?
- Are ride shares available in your area?
- Are you eligible for discounts?

Food



- Create weekly meal plans
 - Create your shopping list based on your meal plan
- Shop on discount days
- Price matching, rebates and coupons
- Look for sales
- Bulk buys
- Community markets

Eating Out



- Make your own lunches & dinners
- Make your own coffee
- Go out for lunch or dessert instead of dinner
- Share a meal
- Have everyone over for a potluck

Utilities



- Do you need as much as you're paying for?
- Have you asked your energy companies for discount programs?
- Equal payment plans can help you budget

Entertainment



- Are you paying for cable & streaming services?
- Have you looked into discount programs at Parks & Recreation?
- Have you tried local free activities?
- Have you considered giving the gift of service versus money or stuff?

Health



- Are there ways to reduce your health expenses?
- Generic brands of medication
- Samples from your doctor
- Provincial prescription programs
- Preventative measures

Family and Friends



- Are family and/or friends costing you?
- Do you have adult family living at home and not contributing financially?
- Are you “helping” someone out financially but cannot afford it?
- You need to put yourself first

03

Step 3

Manage Impulse Spending

Why Do We Spend Impulsively?



- We spend money impulsively because:
 - It makes us feel better (temporarily)
 - We're not paying attention
 - We want to keep up with the Jones'

TEMPO



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

Time



- Is there a time of the day when you spend more?
 - Grocery shopping before or after work
 - Weekend grocery trips

Environment



- Are there certain environments that make you feel like you want to spend more money?
 - Sample tables
 - Waiting in the grocery store line-up
 - Store placement and advertising

Mood



- Are there certain moods that make you more prone to impulsive shopping?
 - Do you impulse shop when you are stressed?
 - Happy or celebratory?
 - Sad or depressed?
 - Bored or tired?

Place



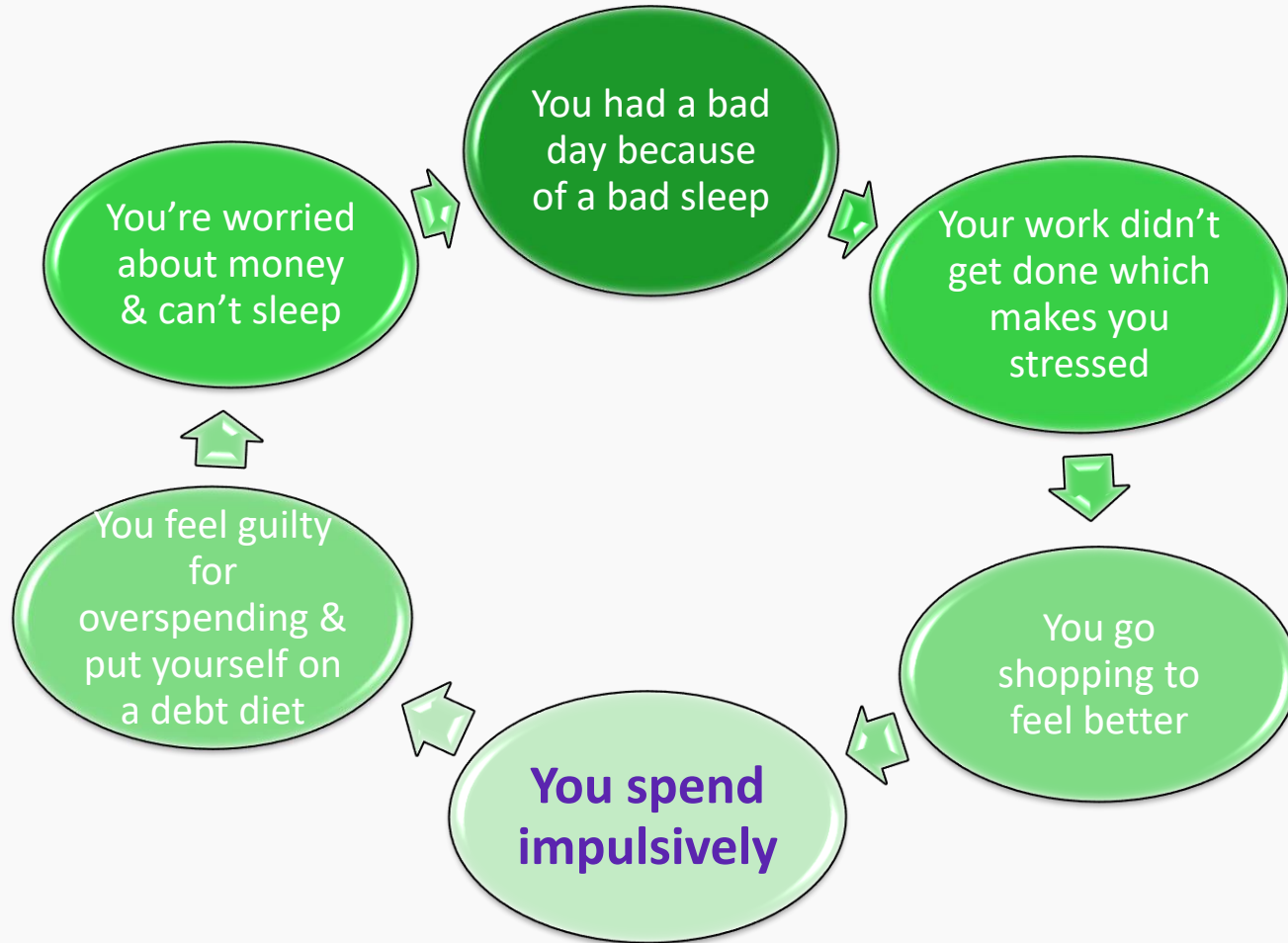
- Is there a certain store or place that is your weakness?
- Do you spend more in certain stores?
- Does your store have a particular scent or type of music that triggers you?

Occasion



- Is there a specific holiday, event or tradition that causes you to impulse buy?
 - Holidays
 - Family events
 - Sporting events

Impulse Spending Cycle



TEMPO Action Plan

| Possible Triggers | I tend to spend impulsively when... | Instead I can... |
|--------------------|--------------------------------------------------------|--------------------------------------------------------------|
| Time | I'm tired, right after work. | Go grocery shopping in the evening or weekend. |
| Environment | It's spring and everything is turning green. | Save money separately for home & garden and shop seasonally. |
| Mood | I'm bored. | Go for a walk, bake, read a book. |
| Place | I love the hardware store and the deals always get me. | Avoid going to the store or leave my credit card at home. |
| Occasion | It's Christmas! | Make a list; shop year round; ask for help. |

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Step 4

Manage Your Credit

Don't Add to Your Debt



- Stop using credit – use cash/debit!

Using Credit Cards Wisely

| Original Balance | Interest Rate | Monthly Payment | Time to Pay Debt | Interest Paid | Total Repaid |
|------------------|---------------|-----------------|------------------|---------------|--------------|
| | | | | | |
| | | | | | |
| | | | | | |

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Step 5

Deal With Your Debt

Dealing with Debt



- Consider your circumstances
- Think about paying off smaller debts to free up monthly cash flow
- If you think you might need help, ask for it sooner than later. You'll have more options

Dealing with Debt



- Communicate with your creditors even though instinct says to avoid them

Resources



- Indeed (a centralized job search site)
 - www.indeed.ca
- Government of Canada Job Bank
 - <http://www.jobbank.gc.ca/home-eng.do?lang=eng>
- Help Getting EI and re-training programs:
 - <http://www.esdc.gc.ca/eng/home.shtml>

Resources



- How to Deal with Mortgage Payment Difficulties (CMHC):
 - http://www.cmhc.ca/en/co/co_005.cfm
- Red Book 211
- Contact your local library and community centers

Conclusion



Now you are able to:

- Describe 2 ways to increase income
- List 2 ways to reduce expenses
- Create a course of action to move forward in face of reduced income

Money Tips



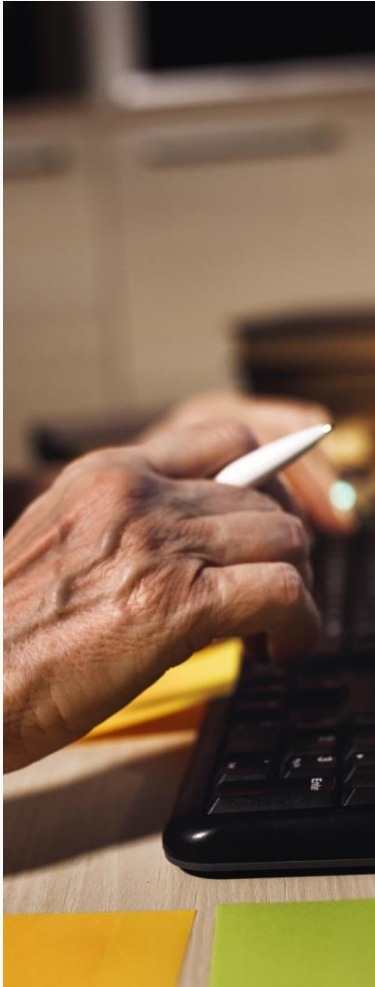
- Look at current spending habits and identify where you can make changes
- Create a realistic budget
- Get information, options, and help sooner rather than later
- Put your plan into place and stay positive – the benefits will outweigh the costs!
- Free tools and resources available at: www.mymoneycoach.ca



ADDITIONAL RESOURCES

Some helpful
resources for
you to get
started

Learn More



- Sign up for our monthly newsletter
- Check out our social media for daily tips and articles
- Subscribe to our blog
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How We Help



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one of our Credit Counsellors

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