

Money Management Basics

7 easy steps to help you create your first budget



We Help. We Educate. We Give Hope.



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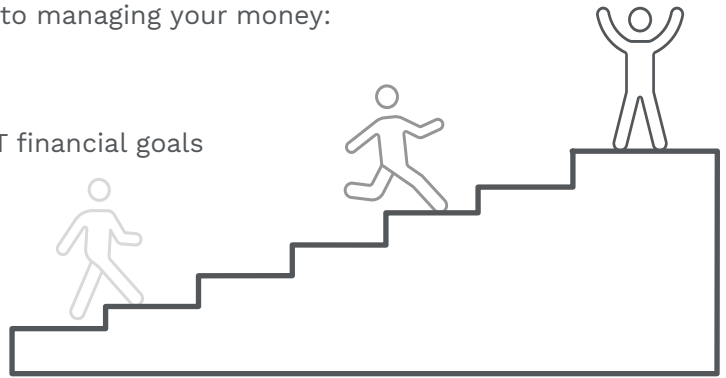
What's in it for Me?

A brighter financial future, of course! Money in the bank. No debts to drag you down. Pay cheques that are yours again. Freedom to make choices with your savings. Possibly a financial legacy for your children.

The reality is that money management is a skill set. And most of us were not just born with a talent for it; we weren't necessarily taught by our parents, and we likely didn't learn about it in school. Yet somehow, we expect ourselves (and others) to intuitively know how to manage money as soon as we get our first pay cheque or credit card. Well, we don't hand out driver's licenses without instruction and an exam so why is money management any different?

Join us on a bit of a journey as we explore the 7 steps to managing your money:

1. Getting organized
2. Identifying your money values and setting SMART financial goals
3. The numbers (income and expenses)
4. Dealing with irregular and seasonal expenses
5. Bumped not bruised
6. Creating savings
7. Pay cheque planning

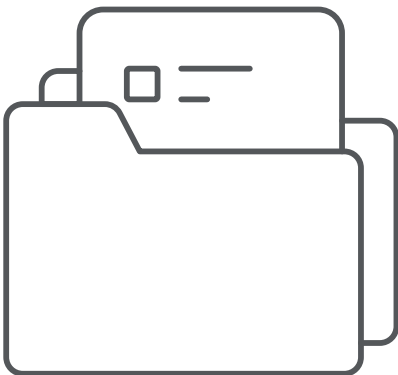


Step 1: Getting Organized

To get you started on your road to financial success, here are some tips for getting organized. You'll be amazed at how good you'll feel once you get a system in place. When you're in control of your finances, you'll feel in control of your life!

Supplies to create an Office-in-a-Box:

- File Box – plastic, cardboard, or accordion style or use a filing cabinet
- File folders
- Labels
- Felt pen



Create a file folder for each of the following categories:

- Income
- Bank information
- Regular bills (hydro, cellphone, etc.)
- Income taxes
- Home (and other properties)
- Insurance (life, disability, health, critical illness, home, car)
- Vehicles
- Credit products (credit cards, lines of credit, loans)
- Retirement & investment accounts
- Warranties
- Wills and estate
- Legal documents
- Two "bills" folders – one labelled "Bills 1-15" and the other labelled "Bills 16-31"

Keeping things organized:

- Sort through your paperwork and organize your documents into the folders listed above.
- Make a weekly date with your money. Pay your bills in the same place each week so that you have everything you need on hand.
- Annual clean up. Go through your office in a box and shred bills and receipts that you no longer require for budgeting or tax purposes.

Step 2: Identifying your Money Values and Setting SMART Financial Goals

Let's change gears a little and reflect about what money means to you. This is important because once you understand what purpose money serves in your life, you can make decisions that best reflect what you value. **We apply money toward the things we value.**

Let's try something. Complete this sentence:

Money gives me a sense of _____

Safety and security	Wealth	Competence	Self-respect
Belonging	Aspiration	Status	Fun
Purpose	Freedom	Independence	Peace

You can have more than one value. For example, money may make you feel *safe* and *secure* as well as give you *freedom* to do the things you want. And these values can change over time and/or as life circumstances change (e.g. starting a family).

Dream Big! What are Your Goals?

Now that you understand what money means to you, let's start thinking about what you want to do with your money. Goals can give you direction, purpose and motivation.

What do you really want?

- Savings?
- A car?
- A family trip?
- A home of your own?
- A dinner out with your spouse or partner?

Write down 3 things you want to do with your money:

I want _____

Good money management starts with **setting goals**. They can be as grand or as simple as you wish. The point is, they are *your* goals and they matter.

Let's make them **SMART** goals. **SMART** stands for: **Specific, Measureable, Achievable, Relevant, and Timed.**

Think back to the section on values, where we discussed what money means to us. How do the things you want match up to your values?

For example:

My goal is to go on vacation in Mexico.

I want to achieve it within 12 months.

The total cost of my goal is: \$2000

I will have to set aside \$77/bi-weekly or \$167/month in order to achieve my goal.

I'm doing this because I want to spend time with my family and have an adventure.

I will stay on track in the following ways: put a picture of the resort on my fridge; make automatic transfers into a vacation savings account; save up all of my spare change for spending money.

Great! Now your turn:

My goal is (specific and relevant) _____

I want to achieve it by (timed) _____

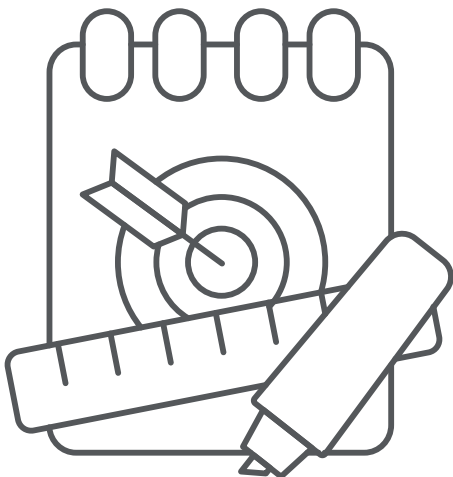
The total cost of my goal is (measureable) \$ _____

I will have to set aside (achievable) \$ _____ each month in order to achieve my goal.

I'm doing this because (value) _____

I will stay on track in the following ways: _____

Typically goals have 3 timelines: short, medium, and long-term. Take some time and write down your short (up to 1 year), medium (1-5 years), and long term (5+ years) goals.



Review your goals often; update and change what no longer fits. Create new goals. Remember, goals guide your spending and saving behaviour. You should always be working toward at least one!

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 / home equity line of credit		
rent		
property taxes *		
strata fee / pad rental		
house / tenant insurance		
electricity		
gas		
alternate heating source		
water / sewer / garbage *		
phone (incl. long distance)		
cell phone(s)		
cable / streaming services		
internet		
storage locker		
home security		
repairs / maintenance *		
other		
TOTAL HOUSING EXPENSES		
LIVING EXPENSES		
groceries		
personal care (e.g. grooming, cosmetics)		
baby / infant needs (e.g. diapers, formula)		
laundry / dry cleaning		
bus / taxi / rideshare		
fuel (vehicle 1 / vehicle 2)		
vehicle insurance / registration		
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)		
pets / vet bills / insurance *		
bank fees / safety deposit box		
income tax deductions		
other living expenses		
TOTAL LIVING EXPENSES		

	INITIAL	REVISED
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		
TOTAL WORK EXPENSES		
PERSONAL EXPENSES		
clothing & shoes (adults) *		
tobacco / vaping / cannabis		
alcohol		
recreation (e.g. sports equipment & fees, activities)		
fitness memberships		
eating out		
entertainment (e.g. movies, event tickets, social activities)		
lottery / gaming / bingo		
babysitting		
haircuts & services		
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		
TOTAL PERSONAL EXPENSES		
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 repayment		
RRSP		
RESP		
other savings payment		
TOTAL PAYMENTS 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: The Numbers

When it comes to building your budget, the numbers you need to know include your net income (your earnings after tax and deductions) and your monthly expenses.

Let's start with your income. Enter all of your income information into the budget table.

Now let's look at monthly expenses. Have you ever asked yourself, "Where did all of my money go this month?" Does it seem like your cash just disappears into thin air? To find out what actually happens to it, keep track of your spending.

Expense tracking is the:

- Best way to see where you can save money (cha-ching!).
- *Only* way to find out where your money is really going.
- First step in creating a realistic spending plan (we'll get to that later).

Maybe you've found yourself thinking: *This is too much work! I don't need to do this. I already know where I spend my money. It's depressing!*

Budgets aren't typically broken by big ticket items (your hot water heater doesn't need to be replaced monthly, thank goodness!). They're often broken by the small purchases that we're not paying attention to, like our morning coffee, buying lunch every day, drive-thru meals, etc.

Find a budget tracking method that works for you (paper and pen, smartphone app, collecting receipts, using a spreadsheet) and try it for a few months. If you're overwhelmed, simply track a few key categories to start, like eating out, entertainment, and groceries.

Make sure you set regular times to review your tracking. Now that you are completely aware of where money is going, you can work towards changes that will help you reach your financial goals!

Here are some tricks to make tracking a bit easier and to help save time (and money!):

USE AN EXPENSE TRACKING BOOKLET

A booklet small enough to carry with you in your purse or pocket makes tracking easier. When you spend money, just jot it down under the labelled categories in your tracker. Check out our online and printable tracker:

nomoredebts.org/tracker

REQUEST RECEIPTS

Request receipts for everything! Get some envelopes, label them with various expense categories like gas, groceries, utilities, entertainment, etc. Put the receipts in labelled envelopes and calculate the totals at the end of the week and the month to see where your money is going.

COMPUTER SOFTWARE

Tracking expenses using computer software or a pre-made online expense tracker may be more appealing to someone on the go. You could even text or email your expenses from your smart phone to your home computer with some systems.

USE A SMARTPHONE APP

There are plenty of smartphone apps available for download but essentially there are two types. The first is where you have to manually input all of your expenses and the second is where you give the app permission to gather information from your bank and credit card transactions and it compiles that information for you. Drawbacks to the second system are that it doesn't track cash and that you need to read the fine print as it may impact your bank contract if you're ever a victim of fraud.

Planning Your Budget!

It's as easy as 1, 2, 3.

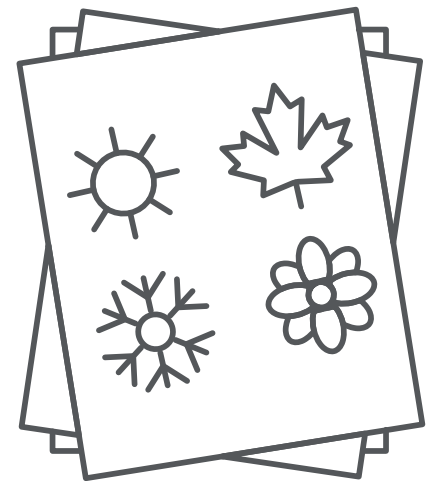
1. Write down the income you typically earn and/or receive each month.
2. Write down your expenses (fixed, variable, and savings). Don't forget about the seasonal and irregular expenses (see below for help).
3. Subtract your expenses from your income. If you have a shortfall, then it is time to rethink your income, expenses, or maybe both.

Step 4: Dealing with Irregular and Seasonal Expenses

Irregular and seasonal expenses are ones that happen every once in a while (e.g., every three months, twice a year, or even annually). They can include things like dentist appointments, school supplies, membership fees, or oil changes. They mess up our budget because we don't typically plan for them and so when the bills come in, we turn to our credit card or line of credit to pay them.

Here's an easier and stress-free way to handle irregular and seasonal expenses:

- ✓ **Step 1:** Open up a savings account that is for irregular and seasonal expenses only.
- ✓ **Step 2:** Add up all of your irregular and seasonal expenses and total them for the year. They are the ones with the asterisk (*) beside them on the budget.
- ✓ **Step 3:** Divide the total amount for the year by the number of pay cheques you receive in a year (12, 24, or 26).
- ✓ **Step 4:** Every payday, transfer that set amount into your irregular and seasonal savings account.
- ✓ **Step 5:** When you have an irregular or seasonal expense, transfer the money from that savings account and pay the bill. Keep track of your ins and outs!



For example, if your irregular and seasonal expenses cost \$2400 a year, you could save up one of the following amounts, depending of the timing of your pay cheques: if you get paid once a month: \$200; twice a month: \$100; or twice a week: \$93.

Make sure you keep a list of your irregular and seasonal expenses so that you can update it for the following year. You can also prepare for events (family weddings, baby showers, etc.) – and the expenses that come with them – in the months ahead.

Step 5: Bumped, but not Bruised - Planning for the Unexpected

We all run into unexpected financial bumps which can be small inconveniences, serious emergencies, or all-out catastrophes. These bumps can create a lot of stress for us if we're not prepared.

Ask yourself these questions as you set yourself up for success:

1. Looking back, how have I dealt with financial crises in the past?
2. How well has that coping strategy worked for me financially?
3. What can I start doing today to avoid a financial crisis?

With a little pre-planning and some quick thinking, these are a few strategies that can help us deal with the unexpected:

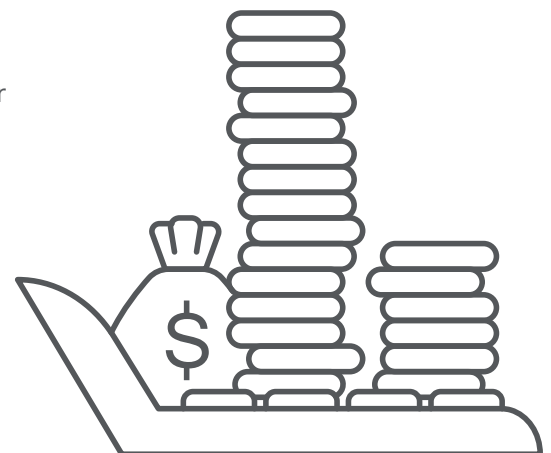
- ***Avoid crises by pre-planning:*** Setting aside money each month for emergency expenses will go a long way to dealing with a crisis when it arises. For example, saving \$50/paycheque x 26 paycheques = \$1300 in one year.
- ***Sidestep a crisis:*** Ask yourself if the financial crisis needs to be dealt with immediately or if it can wait a bit. For example, if you got a flat tire on your car and didn't have the funds set aside to repair it this week, could you ride your bike to work, take public transit or catch a ride with a co-worker until you get paid next week?
- ***Deal head-on with the crisis:*** Take the bull by the horns and deal with the financial crisis immediately, find ways to trim your budget (e.g., not eating out, less shopping, smaller allowances, etc.). If the expense is a larger one, you may need to take extreme measures *temporarily* to solve the crisis, like totally eliminating any unnecessary expenses for a month. Short-term belt tightening is doable if you work to stay committed to your goals.

Step 6: Creating Savings

The question is: How? Why?

Let's break this down.

- ✓ Decide what you want to save for (irregular and seasonal expenses, emergencies, goals, etc.)
- ✓ Open a savings account or multiple accounts, but watch your bank fees.
- ✓ Create a plan to put money into savings regularly.
- ✓ Make it automatic so you don't have to think about it.



Here are some examples of ways to create savings:

- ✓ **40-40-20 Rule:** When you get a lump sum of money, take 40% and top up your savings, take another 40% and pay down debt, and then take the last 20% and have some guilt-free fun!
- ✓ **52 Week Money Challenge:** On week 1, put \$1 into your savings account, week 2, put \$2, and so on and so on. On the 52nd week, you'll transfer \$52 and have a total of \$1378 saved up!
- ✓ **Pop Bottle Challenge:** Save up enough dimes to fill up a 2L pop bottle. Once it's full, it should amount to about \$500!
- ✓ **Spare Change Challenge:** Save all of your spare change or \$5 bills.
- ✓ **Make at Home:** If you love to go out for coffee or lunch, make your own at home and bring it with you. Put what you would have spent into a savings account.
- ✓ **Clean Sweep:** Sell stuff you don't need and top up your savings with the proceeds.

While you're saving money, it's important that you keep those savings safe from temptation (you know, that cute pair of shoes or that amazing power tool). Here are some options that can help you:

- ✓ Remove access to your savings account from your debit card.
- ✓ Set up an automatic transfer to an account that you have limited access to.
- ✓ Force yourself to go into your financial institution's branch to take money out of your savings.
- ✓ Set up a joint account that requires both signatures to take money out.
- ✓ Be crystal clear on your goals and why you're saving money to avoid temptation.

Step 7: Pay Cheque Planning

Use the pay cheque plan on the next page to help you match your income and expenses to your budget.

1. Go back to your budget and identify all of your fixed, cash/variable, and savings expenses.
 - a. Fixed expenses (F) are the same amount on the same day of every month – they don't change. A few examples include: rent/mortgage, insurance, and bank fees.
 - b. Cash/Variable (C) are expenses that occur every month but can vary in amount and fall on different days. A few examples include: gas, groceries, and entertainment.
 - c. Savings expenses (S) are funds for spending later. They include: your irregular/seasonal expenses, and your emergency and goal-setting funds.
2. Add up all of your fixed expenses. If you're paid semi-monthly or bi-weekly divide these by 2. This is the amount that you need to take from each pay cheque to meet your monthly obligations. This money should be held in a separate account (fixed expenses account) where money is transferred into it every pay cheque, and expenses are automatically deducted out of it. You should not operate out of this account.
3. Repeat this process for all of your Savings expenses.
4. Add up all of your Cash/Variable expenses and then divide them by 4 so that you have a weekly amount (if you prefer, you can divide by 2 so that you have money to cover 2 weeks of expenses). You can take the money as cash or keep it in an account separate from your fixed expenses, keeping in mind that once the money is gone, it's gone until you pay yourself again (weekly, bi-weekly, semi-monthly, or monthly).

It might take a little while to get used to managing your money this way, but it's worth it. Stick with it and you'll start to see some great results.

Pay Cheque Planning Worksheet

FOR THE MONTH OF:	BUDGETED AMOUNT	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5
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 / cannabis / vaping						
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)						

Congratulations!

Well done! You've completed the 7 steps to managing your money effectively! Here are a few things to remember before we part ways:

- ✓ There is no *right* way to budget your money. There is the way that works for **you**. If it's working, keep doing it. If it's not, try something else.
- ✓ No one is perfect. If you make a mistake, take a breath, learn from it, and move on. There's no test at the end.
- ✓ 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 and compromise, but you won't be able to maintain a budget if the whole family isn't on the same side.
- ✓ Ask for help if you get stuck. Most of us didn't learn how to manage our money when we were young. There is no shame in getting some help. Read books and blogs, take a workshop or webinar, or speak with a credit counsellor to get more information. We make better decisions when we have more information and better resources. You are worth the effort!
- ✓ Credit counselling is not just for people whose finances are in trouble, a counsellor can talk to you about budgeting, improving your finances, and other resources available to help you.

Pay it Forward

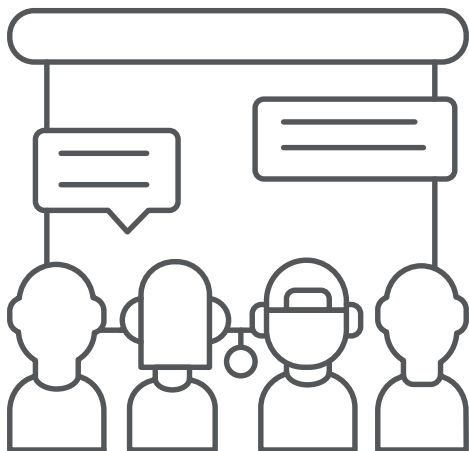
Our Mission: We Help. We Educate. We Give Hope.

If you know of anyone; a friend, family member, or colleague that might need to take back control of their money, please pay it forward and let them know about us. We're here to help.

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We offer no-cost confidential credit counselling, personal budgeting counselling, educational workshops and webinars, and low-cost debt repayment programs.

We are able to offset the costs of workshops, webinars, and publications through voluntary contributions. To make a tax-deductible donation please contact us at 1-888-527-8999.

A Note About Credit:

Credit can afford us opportunities that may not be available otherwise. Most consumers who purchase their first home need a mortgage. If you would like to book a vacation online, 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. Here are 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 visit nomoredebts.org for more information, additional resources, and downloadable worksheets.

Is this you or someone you know?

- ✓ Are you stressed about your debts and losing sleep?
- ✓ Are you sometimes late paying your monthly bills?
- ✓ Do you feel that only making minimum payments isn't getting you ahead?
- ✓ Do you use credit to make ends meet?
- ✓ Are you having trouble sticking to your budget?
- ✓ Are you receiving collection calls or letters?
- ✓ Is stress about your debt making it hard to cope with everyday life?
- ✓ Are you embarrassed by your current financial situation?



By dealing with your debt problems at the first sign of difficulty, it will help you get back on track sooner.

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