

Budgeting 101



Knowledge of Financial Education

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When debt is the problem, we are the solution.

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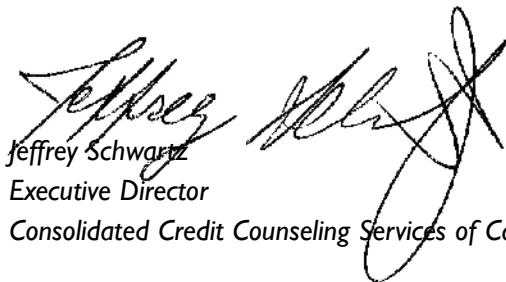
When debt is the problem, we are the solution.

Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services of Canada, Inc. has been helping Canadians across the country solve their credit and debt problems for years.

Our Educational Team has created over twenty-five publications to help you improve your personal finances. By logging onto www.consolidatedcredit.ca you can access all of our publications free of charge. We have tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit Counseling Services of Canada address range from identity theft to building a better credit rating; from how to buy a home to paying for university. On our website you will also find interactive tools that allow you to calculate your debt and see how much it is costing you.

We are dedicated to personal financial literacy and providing a debt-free life for Canadians. If you are overburdened by high interest rate credit card debt, then I invite you to speak with one of our trained counselors free of charge by calling 1-800-656-4079 for free professional advice.

Sincerely,



Jeffrey Schwartz
Executive Director
Consolidated Credit Counseling Services of Canada, Inc.

Budgeting Made Easy

What You Need to Know

Learn how to successfully manage your money and avoid credit problems. This guide will give you money management techniques that can put you in control of your money and help you plan for a successful financial future.

We've created this guide with two purposes in mind:

1. To help you create a successful budget and follow it
2. To give you proven strategies for avoiding too much debt.

Did you know...

- A student who acquires a Bachelor's degree typically owes \$27,000 in government student loans?
- 27% of that population claims having trouble paying back that debt?
- Masters degrees often cost twice the amount of a bachelor's degree?

(Source: www.ratesupermarket.ca)

But just because budgeting is challenging that doesn't mean you can't do it. In fact, now is a great time to learn how to create and live within a budget. After all, you've gone to school to create a successful future. Learning how to budget is one of the lessons that will stick with you long after you've graduated.

If you don't learn to manage your money now, the headaches your debts create may stay with you for a long time.

At Consolidated Credit Counseling Services of Canada Inc., we help many University students and recent graduates who are deep in debt from student loans and credit cards. We want to help you and other students avoid these problems and become financially successful.

Making the most of your money in school can be tough. You may also have to rely on student loans, your savings, a full or part-time job, or help from your parents to make ends meet. The money you do bring in may come in spurts rather than in a steady stream. And you may be paying for things you used to take for granted at home, like a place to live or food to eat.

Part One: Managing Debt

Many College and University-bound students get credit card offers before they even set foot on campus. Once at school, they are enticed by credit card companies with offers for free t-shirts, concert tickets, or other freebies for filling out an application. Credit card companies are competing to be the first in a student's wallets because they know that students who have their cards are likely to keep them and use them. Credit isn't all bad. In fact, establishing good credit as a student can help you get the best rates on auto insurance, rent an apartment or buy a home, and avoid deposits on

utilities or other services. The key to managing credit is to not get trapped in the mindset of "I'll buy now and pay later." When you do borrow, you want to ask yourself how and when you'll repay the debt - and how much it will cost you. We've created a Borrowing Worksheet you can use to keep track of your debt and create a repayment schedule.

Tips for Smart Credit Use:

- Shop around for the best credit card interest rate. Consider using one card for balances that you'll pay in full and another card with a low interest for times when you need to carry a balance. A list of student credit cards is available at www.fcac-acfc.gc.ca
- Don't pay interest on items you don't really need, or for things that will be gone by the time you get your bill. Otherwise, it's like buying that item marked up instead of marked down!
- Read your credit card agreements and the correspondence you get from issuers. There may be important information in them. For example, credit card issuers can generally change your interest rate with only 30 days written notice - even on a card with a fixed rate if you have missed payments.
- Always mail your payments for your credit cards at least 5 business days before the due date. Your interest

rate on new purchases as well as any current balance may be raised to a very high rate if you are late.

- If you pay your debts late, a late payment will likely be reported to the major credit bureaus and will stay on your credit report for seven to ten years. Your other credit card issuers may raise your interest rates if they see you are falling behind on other accounts.
- Call your issuers if you can't make a monthly payment on time. Ask them about alternative payment arrangements without damaging your credit or raising your interest rate.
- Notify your credit card issuer 30 days before you move, and don't assume that just because you didn't get a bill you don't have to pay it. If a bill doesn't arrive, call your card issuer or lender immediately.
- Try to pay off your total balance each month. Just paying the minimum is a trap: If you pay just the minimum of a \$1,000 debt on a card with an 18% interest rate, it will take you more than 12 years to repay.
- Aim to keep your debt payments at less than 10% of your income after taxes. "If you take home \$1100 a month, spend no more than \$110 on credit."

Student Loan Strategies

Student loans can be a lifesaver when it comes to financing school. However, they can quickly become a major burden if the payments are unmanageable or if you have a hard time finding a job at your expected salary when you graduate. Here are some tips for avoiding problems with student loans later:

- Calculate the cost of your expected student loan payments before you borrow and compare them to the salary you realistically expect to earn when you graduate. Generally, your payments shouldn't exceed 8% of your expected income. Any credit card payments should be included in that 8%.
- Graduate school can mean significantly more student loan debt if you must borrow to help pay for it. Consider looking for a job with tuition benefits and attending graduate school while you work.
- Check with your school and your provincial government for additional information regarding your career choices and loan forgiveness.
- If you anticipate having trouble paying back your student loans, look into options for flexible interest relief, debt reduction, disability benefits, and revising the terms of your loan. If you fall behind, you'll have fewer options available to you, so be proactive.

Contact the National Student Loans Service Centre for more help at www.CanLearn.ca. While you may be anxious to graduate as soon as possible, working full or part-time and attending school part-time may allow you to get valuable work experience while keeping loan balances at a more manageable level.

Your Money Guide For Getting Through School

Borrowing Worksheet

Credi- tor	Interest Rate	Amount Borrowed	Monthly Payment	Time to Pay Off	Interest Cost

Part Two: Budgeting

Step 1

List all sources of monthly income including gifts, bonuses, tax refunds, cost of living increases, allowances, etc. To keep track of income use the following Income Worksheet.

Income Worksheet

All earnings you list should be net amount (after tax and any deductions)

Income Sources	Weekly/Bi-Weekly Income	Monthly Income
Your Wages		
Allowances		
Internship Stipends		
Government Benefits		
Other		
Other		
Total		

Tips:

Smart Spending Techniques, Practices and Recommendations

- Pay yourself first. Set up a separate savings account once you get paid and immediately transfer a portion (start with 5% of your regular deposit amount) to the savings account. Attempt to forget about the account in order to prevent unnecessary withdrawals. Only access the funds upon emergency.
- Collect and write notes on your cash purchase receipts. This will help you track spending and raise awareness of your spending habits.

Step 2 - Fixed Expenses

Expenses are separated into three categories: "fixed", "flexible", and "discretionary." Credit card debt is

considered a fixed expense because it usually remains the same each month: Please use the following form to keep track of your monthly credit card debt.

Credit Card Debt Worksheet

Use this form to track your credit card debt. List all major credit cards, department store credit cards, gas credit cards, and dining cards.

When you are finished, total up the amount and transfer it to the appropriate column on the fixed expense worksheet.

Creditor's Name	Creditor Balance	Monthly Payment
1)		
2)		
3)		
4)		
5)		
6)		
7)		
8)		
Total		

Tips:

Smart Spending Techniques, Practices and Recommendations

- Stop use of all credit cards
- Close credit card accounts by returning charge cards to issuers along with a letter terminating charging privileges
- Put all extra income towards paying off debts

- Do not take on new debts - including a "consolidation loan"

Expense Worksheets

Fixed Expenses remain the same each month, i.e. rent, loans, car payments, etc.

Monthly Expenses	Current Payment
Dorm Payment/Rent	
Extracurricular Activity Fees	
Class Trips and Required Outings	
Car Loans/ Lease Payments	
Car Insurance	
Student Loans	
Books	
Total Credit Card Debt (from other worksheet)	
Other	
Other	
Other	
Total	

Step 3 - Flexible Expenses

Flexible expenses are ones where you control the amount of money you spend. Sometimes flexible expenses are items you need (like groceries) but you can control how much you spend on them by choosing less expensive items, shopping at discount stores, etc. Depending on your circumstances, a few of the items listed below may fall into the Fixed Expenses category.

Flexible Expenses

Monthly Expenses	Current Expenditure	Adjusted to Balance Income
Telephone Bill		
Electric (Hydro)/Gas/Oil Bill		
Cable Television Bill		
Groceries		
Household Supplies		
School Supplies		
Clothes		
Dry Cleaning/ Laundry		
Savings (5% is your goal)		
Other		
Other		
Total		

Tips:

Smart Spending Techniques, Practices and Recommendations

- Sell items that are losing value
- Review all insurance coverage for duplication, raised deductibles, etc.
- Take advantage of consignment shops, rebuilt, and used items
- Start doing things yourself and do not pay someone else

Step 4 - Discretionary Expenses

Discretionary Expenses are items that are not necessary for survival. If your expense to income ratio is out of balance and you are spending more money than you

earn, items from this category should be eliminated or cut back.

Discretionary Expenses

Monthly Expenses	Current Expenditure	Adjusted to Balance Income
Entertainment/Recreation		
Movies/Plays		
Dining Out		
Sporting Events		
Magazines/Newspapers		
Barber/Beauty Salon		
Hobbies		
Fund Raisers/ Organization Dues		
Other		
Other		
Other		
Total		



Tips:
Smart Spending Techniques, Practices and Recommendations

- Begin saving one dollar-a-day and all pocket change, everyday
- Wait for sales
- Comparison-shopping sometimes can save you more than 50%
- Make two shopping trips:
 1. On the first trip compare prices, value, etc. Avoid carrying credit cards, too much cash or a chequebook on the shopping trips
 2. The second trip is when you will actually make the purchase after having determined the best value
- Use coupons wherever possible and send in for rebates

Step 5

All expenses are totaled and then subtracted from the total income figure for the month.

Step 6

Next, divide total expenses by the frequency of income or the number of paycheques the household receives each month. This will tell you how much money to set aside each paycheque. If the expense total is greater than the income total, you are off track financially.

Step 7

You must begin to prioritize expenses. Keep track of when you use credit cards. Then ask yourself if you want to borrow every

month for these expenses. Each month, enough savings should be set aside to cover fixed and some flexible expenses. This reserve method will save you from living paycheque to paycheque. Review the spending-plan each income period to start. At the end of each month, compare actual expenses against what you budgeted. As time passes, you may want to only perform this comparison on a quarterly basis.

Tips:
Smart Spending Techniques, Practices and Recommendations

- Have weekly meetings on how to improve spending habits with family members. Make getting out of debt a family activity.

Ways to Save Money

Airline Fares

Include a Saturday night stay-over, and purchase your ticket in advance. You can reduce the price of a round-trip airfare by as much as two-thirds. To make certain you have a bargain fare, even if you use a travel agent, call all the airlines that fly where you want to go and ask what the lowest fare to your destination is. Keep an eye out for fare wars and be prepared to act quickly.

Car Rentals

Car rental rates can differ greatly, shop around for the best basic rates and special offers. Check with your insurance agent and credit card company in advance to see what kind of coverage you have. This way you'll avoid paying for coverage you already have.

New Cars

You can save thousands of dollars during a car's lifetime by choosing

a model that couples a low purchase price with low financing and insurance rates. Purchasing a car that has good gas mileage, low maintenance, and repair costs can save you a great deal of money in the future. Find new car guides that contain this information online or at your local library. Comparison shopping for an automobile can save you hundreds of dollars. Call at least five dealers for price quotes and let each know that you are calling others. "NOTE: Do not let dealers do a hard inquiry on your credit report until you are satisfied with the price offered. Too many hard inquiries can look bad on your credit report."

Used Cars

Before buying a used car: Compare the asking price with the Canadian Black Book or the Canadian Red Book price. Have a trusted mechanic check the car, particularly if the car is sold "as is." Consider acquiring a used car from a person you know and trust. They will be more inclined to charge a lower price and point out any problems with the car.

Leasing a Car

Consolidated recommends you use the following as a rule of thumb when contemplating leasing a car:

Do not decide to lease a car just because the payments are lower than on a conventional auto loan. Leasing a car can be very complex. Consider the price of the car, your trade-in value, down payment, monthly payments, and miscellaneous fees like, excess mileage, excess "wear and tear," and the cost of buying the car at the end of the lease. Do not lease the same car for more than 4 years. At that stage you are at the "break even point" and you need to decide to take one of the following actions:

a: Return the vehicle to its rightful owner (the lessor).

b: Trade your leased vehicle in on a new one. If there is "equity"

in the car it should not cost anything to trade it in. This will typically not be the case until you are near the end of your lease (in some cases, you may never have equity).

c: Purchase the vehicle outright from the lessor, usually for an amount equal to the residual value stated in your lease agreement plus any additional fees.

Auto Loans

If you have considerable savings earning a low interest rate, consider making a large down payment or even paying for the car in cash. This could save you several hundred or thousands of dollars in finance charges. Shop for the cheapest loan and you may also save hundreds of dollars in finance charges. Contact several banks, your credit union, and the auto manufacturer's own finance company.

Car Repairs

Each year Canadians lose billions of dollars on needless or inadequate car repairs. To save money on these repairs you must investigate and find a skilled, honest mechanic. Before needing repairs, look for a mechanic who is certified, well established, and has done good work for someone you know - Good Luck!

Auto Insurance

Call the provincial insurance department for publications showing typical insurance prices charged by various companies. Find a licensed, low-price insurer. Call four of the lowest-priced, licensed insurers and compare what they would charge you for the same coverage.

The Canadian government provides the following website with additional information and quotes for auto insurance. Visit www.insurance-canada.ca for more information.

You can also get auto insurance comparisons online at www.kanetix.ca/auto-insurance or www.e-insurers.com.

Talk to your broker or insurer about raising your deductible on collision and coverage to at least \$500, or if you have an older car, it might be wise to drop these coverages altogether. Taking these steps can save you hundreds of dollars a year.

Chequing

Save over \$100 yearly in fees by choosing a chequing account with a minimum balance requirement that you can, and do, meet. Banks frequently will drop or lower chequing fees if paycheques are directly deposited by your employer. In addition, direct deposit offers the extra advantage of convenience, security, and immediate access to your money.

Savings and Investments

Before opening a savings or investment account with a bank or other financial institution, find out if the account is insured by the federal government.

A number of assets offered, including mutual stock funds, are not insured. Guaranteed Investment Certificates (GICs), treasury bills or notes often earn the highest return on savings with little or no risk. However, you may lose access to the money for a period of time.

Credit Cards

You can save as much as several hundred dollars each year by lowering credit card interest charges by paying in full your entire bill each month. If you can not pay off a large balance, consider our Debt Management Program or call 1-800-656-4079.

Consolidated may be able to consolidate your debts, lower monthly payment commitments, and negotiate lower interest charges. Generally, clients see 50-90% monthly savings on interest

charges from our creditor negotiations. You can lessen credit card fees by avoiding over-the-credit limit fees and by throwing out all but one or two credit cards that have no annual fee.

Hydro/Electricity

Save hundreds of dollars a year on your hydro/electricity bill by making certain new appliances, especially air conditioners and furnaces, are energy-efficient. Information on the energy efficiency of major appliances is found on the Energy Guide Labels required by federal law.

Heat & Air Conditioning

A home energy audit can identify ways to save money on home heating and air conditioning. Ask your electric, hydro or gas company if they do this audit for free or for a reasonable charge. If they do not, ask them to refer you to a qualified professional.

Telephone Service

Check with your phone company to see whether a flat rate or measured service plan will save you the most money. Check your local phone bill to see if you have optional services you don't really need or use. Each option you drop could save you \$40 or more each year.

Long Distance Telephone Service

Evenings or weekend long distance calls can cost significantly less than weekday calls. If you make more than a few long distance calls each month, consider signing up for a calling plan.

Call several long distance companies to see which one has the least expensive plan for the type of calls you make. Whenever possible, dial your long distance calls directly. Using the operator to complete a call can cost you an extra \$1 to \$3.

Today's Lesson: Plastic

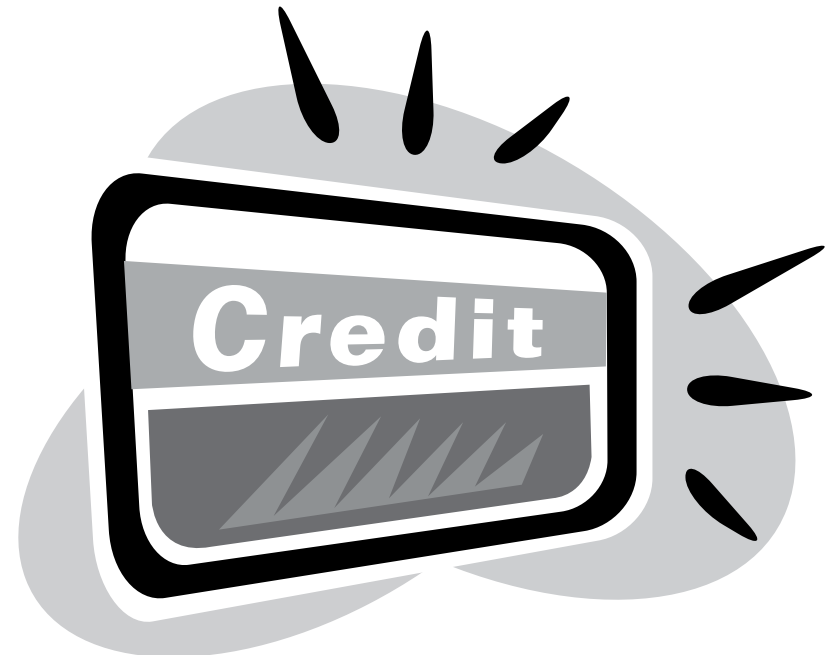
10 steps for students who want to handle credit wisely

The risks are higher than ever if a student racks up lots of credit card debt. Here are the experts' 10 steps for handling it wisely.

1. Always remember that credit is a loan. It's real money that you must repay. Before you apply for the first card, decide what the card will be used for-- Emergencies only? School supplies? -- and determine how the monthly bills will be paid.
2. Go slowly. Get one card with a low limit and use it responsibly before you even consider getting another.
3. Shop around for the best deal.
4. Study your card agreement closely, and always read the fine print flyers enclosed with every bill. Credit card offers vary substantially, and the issuer usually can change the terms at will with 30 days notice if any payments have been missed.
5. Try to pay off your total balance each month. Just paying the minimum is a trap: If you pay off a \$1,000 debt on an 18 percent card by just sending in a minimum payment of \$16 each month, it will take more than 15 years to repay!
If you increase that same payment to just \$25 per month, you decrease that payoff time from 15 to just over 5 years.
No one wants to carry a \$1,000 debt for five years. This is just an example of how a little discipline can make a huge difference.
6. Always pay on time. A single slip-up will place a black mark on your credit record-- and likely will cause your issuer to jack up your interest rate to the maximum.
7. Set a budget, follow it faithfully and watch how much you're paying on credit. A good rule of thumb is to keep your debt

payments less than 10 percent of your net income after taxes. So if you take home \$750 a month, spend no more than \$75 a month on credit.

8. Keep in touch with your issuer by notifying the company promptly when you move. In the event you must be late on a payment, call them before it's late. They want your business for life, so they may be willing to make alternate payment arrangements that won't leave a mark on your credit rating.
9. Close accounts you aren't using. Having available-but-unused credit counts against you when it comes time to buy a car. That's because lenders don't like it when you have the ability to go deep into debt quickly.
10. At the first sign of credit danger, such as using one card to pay off another, make the card harder to use. Only carry it when you plan to use it, lock it up in an inaccessible place or entrust it to your parents.



About Consolidated Credit Counseling Services of Canada, Inc.

Consolidated Credit Counseling Services of Canada is a consumer oriented, non-profit, registered charity. We are an industry leader in providing credit counselling and debt management services. Our mission is to assist individuals and families in ending financial crises and to help them solve money management problems through education, motivation, and professional counselling. Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

* If you are headed for a debt disaster visit www.ConsolidatedCredit.ca or call 1-800-656-4079 for free professional advice by a trained counsellor.

Now you can find **FREEDOM FROM DEBT!**

Consolidated Credit Counseling Services of Canada, Inc., a registered charitable non-profit organization, will provide you with professional financial education, counselling and resources.

In addition, you can benefit from customized Debt Management Programs, which incorporate a bill consolidation plan to help you regain your financial freedom.

**Our professionally trained
Counsellors will negotiate
directly with your creditors to:**

- Reduce or even eliminate interest rates!
- Lower monthly payments.
- Eliminate over-limit fees.
- Consolidate debts into one lower payment.
- Help you pay off debt faster.
- Save you thousands of dollars.
- Get you on a plan to be debt free!



Call today, and take
your first step
toward financial freedom!
1-800-656-4079
or visit www.ConsolidatedCredit.ca

