

Dealing with Debt and Credit Problems

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Wellness Tips from your Employee and Family Assistance Provider

“Money isn't the most important thing in life, but it's reasonably close to oxygen on the “gotta have it” scale.” Zig Ziglar

Are You in Trouble with Debt?

- You experience worry, anxiety, or sleeplessness over debt problems.
- An increasing amount of your income is going to debt payments.
- You pay only the minimum amount on loans and credit cards.
- You have reached your limit on credit cards.
- Debt prevents you from making contributions to your retirement plan.
- You've been in debt before, got out of it, but are burdened by debt again.

There are a few simple strategies you can implement *now* to get your own financial house in order. If you implement the following strategies over the next month or two, you will find yourself in a better financial situation in just one year from now.

Step 1: Knowledge is power (and denial isn't)

For this to work you must get a grip on your cash flow. This step does not require you to spend hours planning a budget or tracking every expense for months. Simply



go to the website of the Financial Consumer Agency of Canada (<http://www.fcac-acfc.gc.ca/>) and click on Budget Planner. Using either the easy online Budget Calculator, or downloading the excel

spreadsheet, fill out the income and expense lines that apply to you. Both tools will create a report with a financial summary and charts. Do not worry about getting everything exact - this is meant for you to get a quick, rough idea of your monthly or annual income and expenses. You may need one category simply called “cash” to record how much you take out from the ATM each month for day to day purchases. Use your bank statements from the past couple months to help.

Step 2: Find the magic numbers

Using information from Step 1, there are three numbers you need to know: a) your average monthly expenses, b) the total value of your large annual expenses like car and home insurance, and c) how much you need for fun and annual vacation. The first number is the amount you need in your main personal chequing account each month - the one you pay your basic expenses from like phone, rent/mortgage, food, gifts, cable/internet, day-to-day cash, etc.. The second number, divided by 12, gives the amount you need to save each month to have enough to cover these major bills next year (rather than pay with your credit card or use the monthly payment plan that both charge interest). The third number, again divided by 12, is how much you need to start saving each month to have fun on vacation.

Step 3: Open an electronic Piggy Bank.

Open two (2) no-fee savings accounts either at your current bank or credit union, or easily set them up online. Name one account your “annual expense fund”, and the other your “holiday/fun fund”. Make sure that (i) you can access the accounts and transfer funds easily online or through an ATM, and (ii) that you link these accounts to your main chequing account. Do this even if you don't think you have the money to save.

Step 4: Manage your money (you really can!)

Each month, leave enough money in your chequing account to cover just your basic monthly expenses that you calculated in Step 1. Transfer any additional funds (especially when any extra cash or tax refund comes in) to your new savings accounts. To do this go back to step 2 and see how much you need to put into the accounts to start saving for major expenses and for holidays/fun. If your cash-flow is pretty good right now, you can set up each account to automatically transfer funds from your chequing account to these savings accounts. That's the ideal way to do this - small automatic monthly transfers.



Step 5: Stop the bleeding.

Credit cards are not your friend. They may be convenient, and they may act as an emergency fund when needed, but too many of us have made them part of our monthly budget. Remember that this is not your money, and they charge you big bucks for the privilege of borrowing it. It's not realistic, however, to think you won't ever use credit, so do the following. Call your bank and ask if they have a low interest card or if you can attach you're your card or interest rate to your personal line of credit or your mortgage if you have one. Transfer any balances from your high interest credit cards to this new account; you'll save a lot on interest.

Step 6: Put pride aside and get help

Most of us believe that we "should" be in control of our finances, that we "shouldn't" need help with managing our money. Well, that all sounds good, but if it's not working, give yourself a break and get some help. If you're feeling shy about talking to someone directly about your situation, there are great resources online. Go to www.fcac.gc.ca, www.clearfacts.ca or www.getsmarteraboutmoney.ca for fast free help, or to your local Credit Counselling agency. If you would like personalized help, your FSEAP Employee Assistance Program offers confidential Financial and Credit Counselling.

Breathe, and remember, progress - not perfection

If you follow these steps, you will eventually make progress on managing your money. Even if you're on a low income right now, take the steps above - you'll feel better knowing what's really happening, and you'll be ready to get going when your income improves. These simple steps will make a difference - you owe it to yourself to start taking control today!

For more information, resources or support on this topic...

**call your EAP at 1-800-667-0993
(available 24/7/365)**