



## **Second Counselling Stage**

### **Identification of Road Blocks to Solvency and Rehabilitation**

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## **CONTRIBUTING CAUSES OF INSOLVENCY**

Financial problems occur from events unexpected or external to families and from their own mismanagement. Financial problems resulting from unexpected changes occurring partly or wholly from outside the control of the family necessitate an evaluation of the management and use of resources. When changes occur due to reduced income, wrongful debt obligation, loss of health or family tragedy, you may become overwhelmed and financial problems may appear insurmountable.

A financial crisis may be the final result of poor management over time; insufficient income or inappropriate spending patterns.

## **FINANCIAL PROBLEM ANALYSIS**

Listed below is a comprehensive list of factors which have may have contributed to your financial difficulty:

- Illness or disability? Accident or natural death?
- Divorce or separation?
- Major or unexpected house or car repair?
- Lawsuit?
- Purchase of a house?
- Events or celebrations of friends/relatives/children with unusual expenses?
- Underestimating expenses because of inexperience, few or no records?
- Forgetting incidental costs or purposely minimizing costs to justify expenditures?
- Overestimating income by not considering pay cheque deductions and taxes withheld.
- Being overwhelmed with bills and expenses to the point of being afraid, yet doing nothing?
- Lack of planning or staying with a realistic plan?
- Not designating one person to assume responsibility as the main manager to control money flow, keep records, meet financial obligations, and communicate financial position to others?
- Counting just the monthly payment and not the total cost over a period of time?
- Buying and then trying to plan how to pay, rather than vice versa?
- Lack of a system for paying bills or business organization?
- Forgetting to get promises in writing?
- Promising to pay more in repayments than income and expenses allow?
- Poor handling of money, such as not keeping chequebook up-to-date?
- Using ineffective consumer complaint procedures and lack of knowledge of consumer or legal rights?
- Change in income level due to a lower paying job or change in employment status?
- Unscrupulous or fraudulent advice, practice or scheme?
- Elderly or younger relative(s) moving into the home or their prolonged dependency?
- Premature death of spouse?
- Birth of child?

## **CAUSES OF FINANCIAL DIFFICULTY**

Consider and reflect what you think caused your financial difficulty.

Consider what you've done to put yourself on the road to financial stability. What sort of things can you do to avoid finding yourself in financial difficulty again in the future?

## **QUESTIONS TO ASK BEFORE BUYING ON CREDIT**

The use of credit is very prevalent in our culture. Here are some suggestions of the things to consider before you buy an item on credit:

Is this a need or a "want"?

Do I need it now?

Is it worth the extra credit cost to have it now?

Is it worth the risk of losing the money I have put into it if I don't/can't meet the payments?

Will this purchase help achieve a family or personal goal?

Is the interest cost reasonable?

Will I still be using the item when I have finished paying for it?

Will this purchase meet with family approval?

Am I buying it from a fair and honest person or business?

Can I buy it without committing an anticipated increase in income?

Do I usually make payments on time?

Have I been able to pay charge card statements in full and thus avoid finance charges?

Can I make these payments without skimping on necessities?

Do I have a saved emergency fund to take care of unforeseen expenses?

Is my credit good enough so that I can borrow in case of illness or emergency?

Have I avoided dipping into savings to meet regular expenses?

Do I avoid borrowing to pay off other credit or debts?

Am I always honest with myself, my spouse or others about my expenses?

Am I always current in my rent or utility payments?

Are my assets greater than my debts?

The best and safest way to deal with consumer credit is to immediately put some money aside after buying the goods or services or, ideally, always make sure that the money is already saved before buying something.

## **FACTORS AFFECTING FINANCIAL STABILITY**

The Superintendent of Bankruptcy's office has developed a list of key factors believed to be the most common contributing causes of insolvency. Their research has shown that it is not uncommon to see more than one factor present in a debtor's insolvency and it is not unusual to see as many as six or seven. Some of these factors are as follows:

### ***Family Role Models***

Family life is important in our daily lives and children need good role models so they will learn the tasks of adulthood. If good role models are not available, children may be unsure of themselves when they get older. As adults, they will lack confidence in themselves, and they will lack the necessary money management skills to become responsible and self-sufficient.

### ***Early Marriage and Relationships***

Individuals who marry at an early age may lack the skills which will make the relationship last. Not only do these young people have to learn everything about their new partner, but they are still learning about themselves. Most have difficulty in discussing their needs and wants, as well as their goals. If both partners do not share common needs, wants and goals, then disagreement and arguments develop. Adding children or other responsibilities to this equation increases the stress and eventually the family unit starts to disintegrate.

### ***Marriage Breakup***

On breakup, there is the requirement to support two households rather than one, still using the same family income as before. This is seldom the true cause of insolvency and partners need to look for the real reason why the marriage or relationship broke down in the first place. This reason will likely be the significant factor that has contributed to financial insolvency.

### ***Alcohol and Drug Abuse/Gambling***

Substance abuse and gambling can lead to financial difficulty because all or a good portion of the family income is being used to support the habits. In addition to financial problems, physical and emotional problems develop for the user and other family members. If these factors are not dealt with through professional counselling, the financial problems will resurface again and again.

### ***Compulsive Spending***

The enjoyment of spending money and having certain things is compelling. Impulsive shoppers buy now and think later, not realizing what they are doing. People buying on impulse are usually feeling down or they don't feel good about themselves at all. They buy things to feel good, in their own eyes and in the eyes of others, instead of thinking about the reasons why they are feeling down or bad.

### ***Lack of Education***

Millions of Canadians have difficulty in reading and writing and, specifically, understanding what they are reading. In order to be financially stable, debtors must understand how credit works.

## ***Loss of Employment***

Loss of job income can be devastating to the family unit, often pushing it over the edge beyond recovery. As a cause of financial difficulty, it can be divided into two groups - beyond the control of the debtor such as job changes, layoffs, plant closures; and within the control of the debtor, such as substance abuse, chronic unemployment, lack of education.

Bankruptcy is often the inevitable conclusion of not knowing how to change your situation. The information we have provided may help you to understand the factors that may have affected how you have dealt with money in the past.

Included in this handout is a list of the most common agencies which you can contact if you feel you have a problem in any of the areas that were discussed today. If you require the names of further agencies, please contact us.

## **RE-ESTABLISHING YOUR CREDIT RATING**

Whether you're trying to establish credit for the first time or re-establish credit after experiencing financial difficulties, a lender will be looking for assurance that you can pay back the money you borrow. You must be able to show:

1. **Stability** - You must prove that you can hold a steady job with a dependable income and that you have lived in the same place for a certain length of time.
2. **Ability to repay** - You must be able to demonstrate that your income exceeds your expenses.
3. **Assets** - Lenders will look more favorably on your application for credit if you have assets such as a home, car or savings account that can serve as collateral on your loan.
4. **Credit references** - Lenders will look to see if you have credit references and a good credit standing. You can obtain a copy of your credit rating from either Equifax Canada Inc. or Trans Union Canada. Their contact information is at the end of this handout.

The following steps apply whether you're trying to establish credit for the first time or you're rebuilding credit:

- **Open a checking account** - Balance your checkbook each month so that you can be sure never to overdraw your account.
- **Open a savings account** - Make regular deposits and try to avoid taking money out of your savings account. To help you establish credit, some banks will allow you to take out a small personal loan secured by your savings account.
- **Establish good credit references** - Even if you've never had a credit card or installment loan, you can still demonstrate your creditworthiness by having a stable relationship with a bank or credit union and a record of paying your rent and utility bills on time.
- **Apply for a RRSP loan**- You can help re-establish your credit by making your monthly payments as well as reduce your taxable income, helping generate income tax refunds and save for your retirement.
- **Apply for a secured credit card or prepaid credit card**- Generally the secured credit card company will ask for a security deposit of approximately twice the card limit to be placed with

them first. This means that you would have to provide a security deposit of \$1000 if you want a limit of \$500 on a credit card.

- Apply for a gasoline or department store credit card - These types of credit cards are usually easier for first-time card holders or those re-establishing credit to obtain because they offer lower credit limits. By using this card and paying on time each month, you can develop a positive record with the credit bureaus.
- Have a relative or friend cosign for a credit card or a loan - Sometimes you can begin building a good credit history by having someone agree to assume responsibility for your loan or credit card if you're not able to make the payments. You need to request that your payment history on this loan or credit card be reported on your credit report in addition to that of your cosigner's.
- Obtain a copy of your credit report once a year (there is no charge by mail). **We strongly recommend you obtain a copy of your credit report BEFORE you apply for any credit.** Errors or omissions on your file should be corrected before any of the credit grantors review your file. As you set about trying to build or rebuild a good credit history, remember not to apply for too much credit at once. Each time you apply, a lender submits an inquiry to the credit bureau. Too many inquiries serve as a red flag to lenders, who may then deny your application.

## REFERRAL SOURCES

### ***Vancouver Information Services/The Red Book***

**(604) 875-6381**

[www2.vpl.vancouver.bc.ca/dbs/redbook/htmlpgs/home/html](http://www2.vpl.vancouver.bc.ca/dbs/redbook/htmlpgs/home/html)

Central information and referral service for the Lower Mainland municipalities. Provides information on and referral to community and social services. The most complete online guide to *community, social* and *government* agencies and services across the Lower Mainland. If you require additional help with a general enquiry call 604 875-6381 (Inform Vancouver) to talk to an Information and Referral Specialist.

### ***Enquiry BC***

**(604) 660-2421**

This is another information line regarding referral and social services within your community. Call this line if you have any questions.

### ***Debtors Anonymous***

**(604) 878-DEBT (3328)**

[www.debtorsanonymous.org](http://www.debtorsanonymous.org)

A fellowship of men and women who share their experiences, strength and hope with each other so that they may solve their common problem and help others recover from compulsive debt. Primary purpose is to stay solvent and help other compulsive debtors achieve solvency.

### ***Adult Children (ACOA)***

**(604) 878-8500**

[www.adultchildren.org](http://www.adultchildren.org)

Support group for people 19 years and older who grew up in an alcoholic, addictive, or otherwise dysfunctional family and who want to improve their lives by better understanding their past and examining old patterns. Based on the 12-step program of AA.

***Al-Anon/Al-Ateen***  
*www.bcyukon-al-anon.org*

**(604) 688-1716**

Provides contact information, and meeting times and locations for Al-Anon, Adult Children, and Al-Ateen groups on the lower mainland. Al-Anon is a fellowship of relatives and friends of alcoholics, who meet for mutual help and support in dealing with the effects of alcoholism.

***Alcoholics Anonymous***  
*www.bcyukonaa.org*

**(604) 435-2181**

Alcoholics Anonymous is a fellowship of men and women who share their experience, strength and hope with each other that they may solve their common problem and help others to recover from alcoholism.

***Gamblers Anonymous***

**(604) 878-6535**

Fellowship of men and women whose main purpose is to quit gambling and to assist others to do likewise.

***Narcotics Anonymous***  
*www.bcrsna.bc.ca*

**(604) 873-1018**

Organization of recovering addicts who meet regularly to help each other stay drug-free. Call for information about meetings on the lower mainland.

***Literacy BC***  
*www.literacy.bc.ca*

**(604) 684-0624 or (800) 663-1293**

Connects adults who want to upgrade their reading and writing skills with local literacy programs. Also connects volunteers with adult literacy tutoring programs. Provides information, resources, and support to adult, workforce, and family literacy programs, as well as to business, labour, government, and the general public. Operates a lending library of literacy resources, publishes a bi-monthly newsletter, assists with the development of regional literacy networks, plans and implements training events, and hosts conferences. Consults with all levels of government regarding literacy issues in BC.

***BC Housing Registry***  
*www.bchousing.ca*

**(604)433-2218**

Affordable housing is available for families, seniors and people with disabilities. Generally, people are eligible for housing if their rent exceeds 30 percent of their incomes. Demand is high, so each applicant's need for housing is assessed.

***Food Bank Vancouver***

**(604)876-3601**

***Battered Women's Support Services***  
*www.bwss.org/index.htm*

**(604)-687-1867**

**Legal Services Society**  
[www.lss.bc.ca/default/Default.asp](http://www.lss.bc.ca/default/Default.asp)

**(604) 408-2172**

**Family Maintenance Enforcement Program**  
[www.ag.gov.bc.ca/family-justice/help/fmep/index.htm](http://www.ag.gov.bc.ca/family-justice/help/fmep/index.htm)

**(604) 678-5670**

**Employment and Educational Access for Women (YWCA Focus)**  
[www.ywcavan.org/index.cfm?Group\\_ID=3086](http://www.ywcavan.org/index.cfm?Group_ID=3086)

**(604) 688-4666**

**BC Seniors Line**

**(877) 600-1180**

Provides resource information relating to Seniors and will provide referrals to relevant community resources and social services.

## **CREDIT BUREAU CONTACT INFORMATION**

### **Equifax Canada Inc.**

Consumer Relations Department  
Box 190 Jean Talon Station  
Montreal, Quebec  
H1S 2Z2  
Website: [www.equifax.com/EFX\\_Canada/](http://www.equifax.com/EFX_Canada/)

Tel: (514) 493-2314 or (800) 465-7166  
Fax: (514) 355-8502

Fax discharge papers to: (800) 323-2598

### **Trans Union Canada**

325 Milner Avenue  
Suite #1501  
Toronto, Ontario  
M1B 5N1  
Web: [www.tuc.ca/TUCorp/home.asp](http://www.tuc.ca/TUCorp/home.asp)

Tel: (416) 609-2070 or (866) 525-0262  
Fax: (416) 609-1994

If you have any questions regarding the information in this booklet kindly contact our office at (604) 605.3335 or please ask us at your second counseling session.