First Counselling Stage

Consumer and Credit Education

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Overview

As part of the insolvency process, there are two counselling sessions **that are mandatory** to attend to receive the Certificate of Full Performance or the Certificate of Discharge.

You are required to participate in BIA insolvency counselling in order to complete your obligations as part of the insolvency process

As part of this process, the office of the Office of the Superintendent of Bankruptcy has designed several online modules to be completed.

The Insolvency Counselling Program is divided into two stages. Each stage has an online component followed by an in-person session. The first stage focuses on budgeting.

Stage 1: Budgeting

The budgeting stage is the first insolvency counselling stage which takes place near the start of the insolvency process. The budgeting stage consists of one online session and one in-person session. During the online session, you will review the introduction and the budgeting module.

The introduction will provide you with orientation information and outline what you can expect during the Insolvency Counselling Program. In general, it takes about 10 minutes to complete.

The budgeting module will help you develop a personalized, basic budget that is realistic and achievable. In general, it takes about 35 minutes to complete this module. Your personal budget will be discussed with your counsellor during your first in-person counselling session.

For your first counselling session, please log onto to this website and begin the program

http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br03993.html

Managing your Money

There is no right or wrong way to manage money. Everyone is unique and has different needs and wants. However, there are some basic rules that everyone can follow to be an effective manager of their money.

Listed below are some basic rules of smart spending which can assist you in keeping costs down and getting maximum value for your money.

> Pay yourself first. Set aside 10% of your net paycheque as savings, before all other expenditures are calculated. This is easier said than done. If 10% is too much, then set aside a minimal amount that you can afford for savings.
>
> Ensure that all your spending falls within one of your budget categories. If not, or if no funds are left in that category, postpone the expenditure until a later date if at all possible. Don't forget the little things that can nickel and dime you to death.
>
> Recognize that budgets change as prices change. Therefore, as time evolves, your budget may need to change.
>
> To save money on food, prepare a meal plan each week and buy for the meal plan. This will help in eliminating frivolous food purchases. Take a lunch or make your coffee at home.
>
> Avoid "impulse" buying based on attractive store displays. This is the downfall of many budgets.
>
> Comparison shop and look for sales.
>
> Do not hesitate to bargain or "haggle" with the seller and ask for a discount if you are paying cash. While such bargaining may not be possible in department stores or chains, it can often result in a reduced price from owner-managed shops.

Spending and Shopping Habits

The average person falls into a pattern of spending, though not necessarily saving, almost unconsciously. The way we dispose of our money is deeply ingrained in our personalities - our backgrounds, occupations, lifestyles, values and tastes.

What type of consumer are you?

We live in a society in which consumers are under constant pressure from advertisers to pick their products out of a vast array of others. We should be aware of these pressures and our own psychological response to them so that we can exercise our best judgement in making spending decisions that match our financial needs and goals.

Our buying habits are highly individualistic, growing out of such personal factors as our upbringing, schooling, experience, personal relationships, neighbourhood and occupation. Although no two consumers are exactly alike, marketing experts have been able to identify the buying habits of a few general types of personality and focus on these in preparing their advertising and promotional material.

The type of consumer you are exerts more influence over your shopping behaviour than you might imagine. In fact, you might not even know you belong to a certain type until you've examined the way you spend. For instance, have you ever stopped to consider why you choose a certain brand of food or cleaning product? Could it be that it's what your mother always used? That would indicate you're a **conservative, traditional-minded type** - as a consumer at least. Or is the product something new and different you saw advertised on television? In that case you may be a rather **impulsive consumer** who is willing to take a chance. Or, you might be a **combination** of the two - impulsive about small purchases, conservative when buying expensive items.

Do you go for prestige products that boast a premium price? In other words, are you inclined to be **status-conscious**? Or do you reach for the item that's on sale, regardless of the brand name? If so, you **lean toward thrift**. Some consumers will buy the most popular brand on the market because they like to feel *"like everybody else"*. Another will haunt small speciality shops to find things that appeal to their *sense of individuality.*

People also vary in their reactions to advertising. Some will feel a small thrill when an ad tells them that a product will make them more exciting persons to be with. Others will perk up at the sight of some expensive luxury. You'd be surprised at how much you can learn about yourself by monitoring your own responses to advertising and sales displays. Psychologists say that behaviour can be modified by self-knowledge.

By analysing your buying habits, you learn that they are habits and as such they can be changed. There's no need to become a different kind of person. But it does help to know what basic type you are.

What can you do?

... The self-aware competitive type might fight back the temptation to spend more than the household can afford to have something better than the neighbours.

... Impulsive people who know their own tendencies might be less likely to grab at items in the supermarket which only end up going to waste.

... People who long for luxury might give a second thought to whether some purchases are necessary.

... Those who tend to be impressionable may become somewhat more critical of advertising claims.

The object of this self-analysis is simply to bring a little thought to bear on something that was formerly done out of habit. And with that thought may come a little extra restraint.

Ten Steps to Successful Budgeting

Budgeting is just another word for planning, except with money. While many consumers say they don't know how to budget, they do know how to plan. Below are some tips for successful money planning.

From past experience, make a detailed list of all income and expenses on both a monthly and yearly basis. Don't be limited to the categories appearing on pre-printed budget forms. This list must be complete because it will be the basis for setting future goals and developing an action plan.

Start preparing another detailed list of income and expenses, which will represent the planned expenditures for the next year.

Set aside some money for savings. Some suggest that 10% of net income be put aside as savings before all other expenditures are calculated. This is easier said then done. If 10% is not achievable, then put aside some minimal amount hat works within the budget.

Plan non-discretionary ("needs") expenditures first, such as food, housing, clothing, transportation and health care. Remember that even these types of expenses often have some flexibility and consider 5% to 10% reductions if possible, in order to comply enable some monthly savings. Don't make the mistake of overusing the "needs" category.

Next set goals for discretionary ("wants") expenditures. Set reasonable goals, i.e. ones that probably can be achieved and/or which can be sustained.

Apart from a mortgage, avoid planning any future debt and make the payment of existing debt a top priority for your "discretionary" expenses.

Recognize that the budgeting process is a family effort. Obtain family agreement on all major budget goals and objectives.

Don't be impatient about achieving results, or worse, guilt-ridden if goals aren't achieved quickly. Changing personal spending and budgeting habits takes time and perseverance.

Find positive motivations for saving money - example, quit smoking to improve health. Don't adopt a "do without" mentality for all cost-saving measures.

Ensure a system is in place whereby records are adequate to monitor progress against the planned budget.

Tracking Income & Expenses

In order to set up a budget, you must know where every penny is being spent. By tracking expenses, you will be able to see where the money is going and where to make changes in your spending patterns. You will then be ready to set up a personal budget plan. The first step is to track income.

INCOME **(after taxes and deductions)**	**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Total**
Employment Income					
Spousal/Child Support					
Pension Income					
Social Assistance					
Other					
Total Income (after taxes and deductions)					

The second step is to track expenses on a regular basis using the Budget Planner on the next two pages. There is no right or wrong way to track expenses. Debit is a great way to track expenses as charges are itemized on your bank statement. But you cannot use debit for everything. There are also free apps out there that can be used to track those expenses that debit might not be used for. You will need to track expenses **throughout the duration of the bankruptcy.**

Use the monthly chart so you can plan annual or irregular expenses. To catch all of these, you may have to go over your spending for the last year to obtain yearly amounts and the dates of when certain annual payments are due. These expenses can include things like car insurance, house insurance, life or contents insurance premiums, and membership fees. Irregular expenses can include costs of gifts for birthdays or holidays, home repairs, and vacations.

Expenses

	REGULAR MONTHLY EXPENSES	**Week 1**	**Week 2**	**Week 3**	**Week 4**	**Total**
HOUSING EXPENSES						
	Rent/Mortgage					
	Property Tax/Strata Fees					
	Telephone					
	Cable & Internet					
	Electricity					
	Water					
	Furniture					
	Other (specify)					
PERSONAL EXPENSES						
	Smoking, Alcohol					
	Dining/Lunches/Restaurant					
	Entertainment/Sports					
	Gifts/Charitable Donations					
	Allowances					
	Other (specify)					
NON-RECOVERABLE MEDICAL EXPENSES						
	Prescriptions					
	Dental					

	Other (specify)						
LIVING EXPENSES							
	Food/Groceries						
	Laundry/Dry Cleaning						
	Grooming/Toiletries						
	Clothing						
	Other (specify)						
TRANSPORTATION EXPENSES							
	Car lease/payment						
	Repairs/Maintenance/Gas						
	Public Transportation						
	Other (specify)						
INSURANCE EXPENSES							
	Vehicle						
	House						
	Furniture/Contents						
	Life Insurance						
	Other (specify)						
OTHER EXPENSES							
	Payment to Trustee						
	To Secured Lender (other than mortgage/car)						
	TOTAL						

Seasonal or Irregular Expenses

Seasonal or Irregular Expenses may include: Vehicle Expenses, house or apartment insurance, birthday, anniversary gifts, property taxes.

JANUARY	FEBRUARY	MARCH
	Valentines Day	
APRIL	MAY	JUNE
Easter **TAXES!**	**Mother's Day**	**Father's Day**
JULY	AUGUST	SEPTEMBER
Vacation	**Vacation**	**School Supplies**
OCTOBER	NOVEMBER	DECEMBER
Halloween		**Holidays**

Warning Signs of Financial Difficulty

One of the causes of consumer indebtedness is lack of control over credit purchasing. Credit creates the illusion that the buyer has money and often the purchase is put out of mind even before the bill is received. A person who has trouble meeting the minimum payment is seriously at risk to financial difficulty.

Learning good money management skills and following a controlled budget help prevent financial difficulty. Other warning signs of financial difficulty include:

You continually go over your spending limit.

Use your credit cards as a necessity rather than a convenience.

You are always borrowing money to make it from one payday to the next and need for short-term loans from family and/or friends.

You pay only interest or service charges monthly and do not reduce the total debt.

Utility companies cut off service because of outstanding bills.

Not being able to keep up with current bills and reoccurring NSF cheques. Dipping into savings to meet regular expenses, such as rent or utilities.

Selling personal goods which would otherwise not be sold.

Creditors harass you for payment, threaten to sue or repossess your car, furniture or television, or hire a collection agency to recover the money for them.

The Use of Credit

Credit can be defined as the advance of goods and/or services in exchange for a promise to pay at some future date. In short, "buy now and pay later". When you think about credit, remember these factors:

1. Credit is a mutual expression of faith between the lender and the borrower.
2. Credit is a privilege extended by the lender; not a right owed to every consumer.
3. Credit is a form of debt

Advantages

Purchasing Power: *Credit Cards enable users to make big ticket purchases they might not otherwise be able to afford.*

Rewards: *Many cards offer rewards programs that will accrue points, discounts, or other benefits like frequent flyer miles.*

Convenience: *Credit cards reduce the need to carry cash. Most retailers accept credit cards and they are pretty much required for online purchases.*

Trackability: *The electronic record keeping that comes with credit cards make it easy to track your spending and identify fraud.*

Use during an emergency: *There are times when money is the simple solution to an emergency. If you get hit with an unexpected expense, credit cards can be the quick and easy solution you need.*

Builds credit history: *Responsible use of a credit card over time builds your credit history, qualifying you for better interest rates and other financial benefits.*

Disadvantages

Overspending: *Credit cards can make life easier, but they can also make overspending easier as well. With a credit card, you're spending money you don't necessarily have yet. If you're not careful, this can quickly lead to unexpected debt.*

Interest and fees: *Using credit is essentially borrowing. And you're not borrowing for free. Mismanaging a credit card can lead not only to a high balance, or maxed-out card, but also to debt in the form of interest and fees.*

Fraud: *Credit cards (and other electronic forms of payment) carry unique dangers. Credit cards can be stolen, their numbers can be copied, and they can be used to steal your money and identity.*

Mounting Debt: *If you carry a balance on your credit card from month to month, it can be very easy for charges and interest to rack up. Many people don't expect credit cards to be gateways to extra debt, but if you're not careful, that's exactly what happens.*

Rules to Follow When Using Credit

Below are some basic rules to use when using credit.

Where possible, save for purchases rather than use credit. Avoid using credit unless necessary.

Ensure that your Total Debt Service (TDS) for mortgages and other loans is manageable. Most financial institutions set upper limits of about 40% of net income for TDS. Consumers should strive for a lower TDS percentage. For example, if your gross income is $3,000 a month, monthly payments on your loans, credit cards and mortgage (or rent) should not total more than $1200 a month.

Arrange credit in advance. If you wait until afterwards, your flexibility is reduced, and you will probably end up paying a higher interest rate.

If it will take more than a few months to pay for a credit purchase, get a bank loan.

Do not use credit cards that have relatively high interest rates unless you can pay for the purchase within the interest-free period.

Watch out for hidden costs of credit, such things as credit card fees and prepayment penalties. Comparison shop and remember that the lending institution is really selling you a service.

If it is not possible to meet your credit obligations on time, contact your creditors and make appropriate arrangements. This will minimize the damage to your credit rating.

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.

Our Locations

Vancouver 1140 – 800 West Pender Street Vancouver, BC V6C 2V6	**Sunshine Coast** #301 – 5500 Wharf Avenue, Sechelt BC V0N 3A3
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