



Second Counselling Stage
Identification of Roadblocks to Solvency and Rehabilitation

Table of Contents

Overview	2
Stage 2: Planning for the Future	2
Contributing Causes of Insolvency	3
Financial Problem Analysis	3
Causes of Financial Difficulty	5
Questions to Ask Before Buying on Credit	5
Factors Affecting Financial Stability	6
Chronology of Events	8
Re-Establishing Your Credit Rating	9
Credit Reports	9
How to Rebuild Credit in Canada	10
Credit Bureau Contact Information	11
Our Locations.....	12

Overview

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. This stage focuses on the future after you have completed your bankruptcy or proposal.

Stage 2: Planning for the Future

The planning for the future stage is the second insolvency counselling stage which takes place near the end of the insolvency process. The planning for the future stage consists of one online session and one in-person session.

During the online session you will review the:

- [setting and achieving financial goals module](#) (in general, it takes about 20 minutes to complete);
- [spending habits module](#) (in general, it takes about 10 minutes to complete); and,
- [responsible use of credit module](#) (in general, it takes about 30 minutes to complete).

The modules in the planning for the future stage are critical components of post-insolvency success because they will help prepare you by providing the tools and knowledge to help you stay on track after you are discharged or obtain a certificate of full performance. The skills you will learn are meant to be practiced along with the good budgeting skills you will have established during the budgeting stage. Your list of financial goals will be discussed with your counsellor during your second in-person session.

For your second counselling session log onto here

<http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br04001.html>

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 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 your 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 Office of the Superintendent of Bankruptcy 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.

Marital Breakdown

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.

Substance 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.

Health Related Issues – illness or injury

Depending on the extent of your injury, the financial cost of injury is so drastic, including lost income and increased costs that we believe it is prudent to carry disability insurance and critical illness insurance coverage. Benefits from Worksafe BC, Canada Pension Plan Disability or Employment Insurance are generally seen as inadequate by themselves. This coverage is simply a good plan of defense.

Sometimes financial problems lead to increased stress levels which can trigger other health related issues. And vice/versa, sometimes health related issues can prevent you from working which in turn can lead to financial issues. If these problems are not dealt with by a professional i.e. a Doctor or LIT, or both, it becomes a vicious circle that will ultimately manifest itself.

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/Financial Literacy

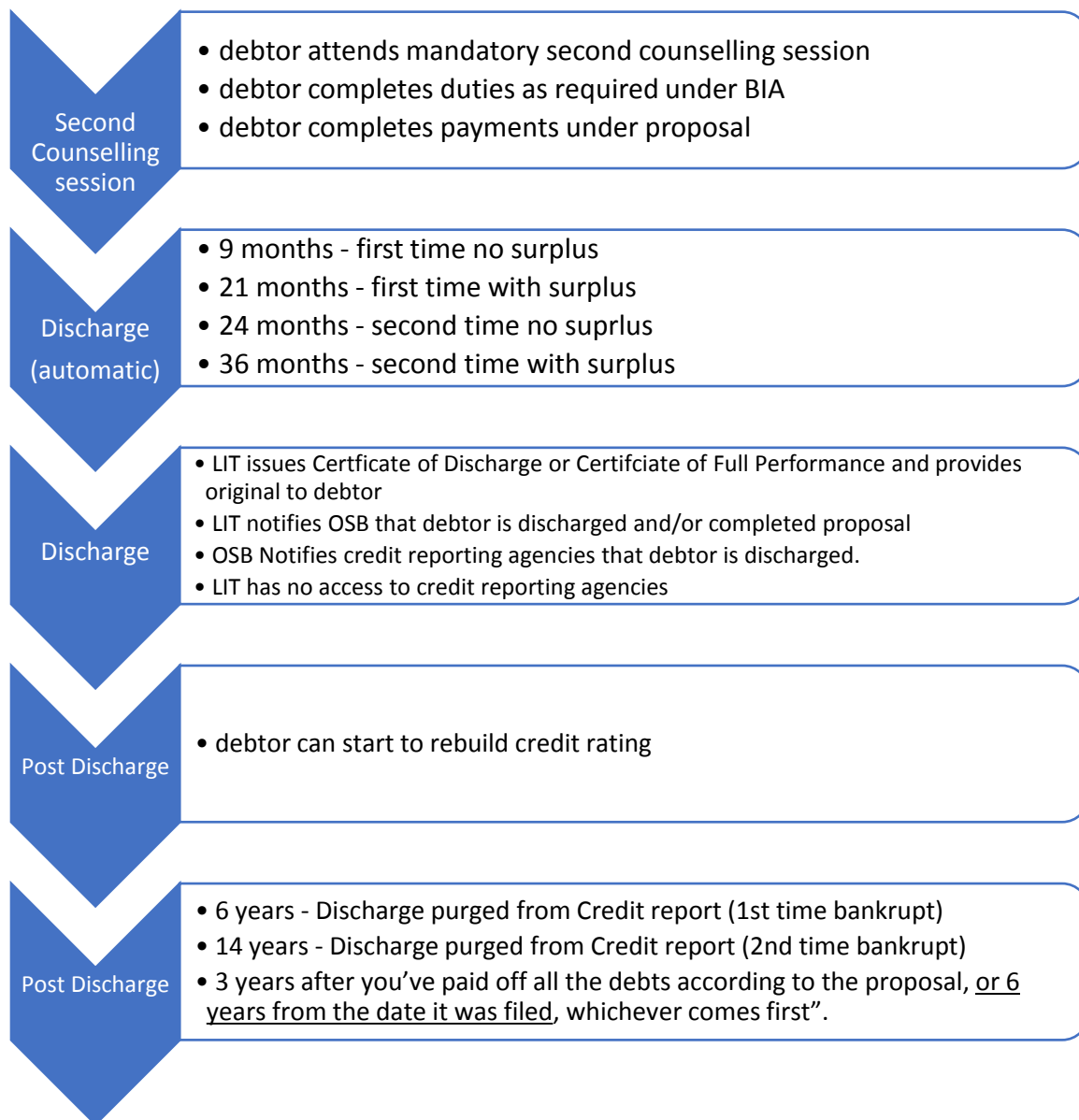
Millions of Canadians have difficulty in reading and writing and, specifically, understanding what they are reading. In order to be financially stable, debtors must understand how credit works.

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.

Chronology of Events



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:

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.

Ability to repay - You must be able to demonstrate that your income exceeds your expenses.

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.

Credit report and credit score - 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.

Credit Reports

You should make yourself familiar with the reference material relating to credit reports. There are various publications that can be helpful in understanding what your credit report actually means.

The Financial Consumer Agency of Canada provides information on your Credit Reports and Scores that can be accessed at the following link:

<https://www.canada.ca/en/financial-consumer-agency/services/credit-reports-score.html>

Equifax Canada and Transunion, the two major credit reporting agencies in Canada, both publish credit report user guides. They can be found here:

Equifax

https://www.equifax.com/pdfs/corp/CIS-105-E_Consumer_User_Guide.PDF

TransUnion

<https://www.transunion.com/docs/rev/business/clientResources/HowToReadCreditReport.pdf>

You should also be aware that the accuracy of your credit report is your responsibility. The Licensed Insolvency Trustee has no access to your credit report and no say what goes on it. All information relating to proposals and bankruptcies comes directly from the Office of the Superintendent of Bankruptcy.

Boale, Wood & Company Ltd.

(604) 605-3335

Page 9 of 12

How to Rebuild Credit in Canada

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

Check Your Credit Report

Equifax: <http://www.consumer.equifax.ca/ecm/canada/EFXCreditReportRequestForm.pdf>

Transunion: http://www.transunion.ca/docs/personal/Consumer_Disclosure_Request_Form_en.pdf

Make Arrangements to Bring Your Accounts up to Date and Pay Down Debts

Rebuild Credit with a Secured Credit Card

Adopt Good Financial Habits

There are no quick fixes to rebuild credit in Canada. But rebuilding your credit – even after a consumer proposal or bankruptcy – can be done, with some time, patience and financial discipline.

If you follow the steps outlined above, you can expect to see an improvement in your credit score and credit history. It may be difficult to get started, but once you develop momentum and you start to see the progress you've made; you'll coast your way to a better credit score.

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

Have a good relationship with your financial institution - be sure never to overdraw your account and do not have any chargebacks or NSF fees.

Pay your bills on time - make sure that your living expenses such as cable, telephone and utility bills are always paid 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 – You need to provide the credit card issuer with a deposit. Usually, the amount required for a deposit is equal to the credit limit for the credit card. When you make payments on the balance of a secured credit card, it will be reported to the credit reporting agencies in the same way as a regular credit card. This can help you build a credit history or rebuild a poor one.

Credit Bureau Contact Information

In the unlikely event your Certificate of Full Performance or Certificate of Discharge is not recorded on your credit report, you will need to contact the Credit Reporting Agencies directly.

The Credit Reporting Agencies refer to the discharge date as “date settled”. If that information is displayed as “date unknown” then this is when you need to fax your discharge information directly to the credit reporting agencies.

Equifax Canada Inc.

Consumer Relations Department
Box 190 Jean Talon Station
Montreal, QC H1S 2Z2

Online: www.equifax.ca

Disputes: <https://www.consumer.equifax.ca/personal/dispute-credit-report/>

Tel: (800) 465-7166

Fax: (514) 355-8502

Trans Union Canada

Consumer Relations Centre
P.O. Box 338, LCD 1
Hamilton, ON L8L 7W2

Online: www.transunion.ca

Disputes: <https://secure-ocs.transunion.ca/secureocs/dispute-info.html?lang=en>

Tel: (800) 663-9980

Fax: (289) 288-0030

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.

Boale, Wood & Company Ltd.

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Page 11 of 12

Our Locations

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Coquitlam 406 – 2963 Glen Drive Coquitlam BC V3B 2P7	Abbotsford 260 – 2655 Clearbrook Road Abbotsford, BC V2T 2Y6

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