Life After Debt

How to move forward from a Consumer Proposal and make the most of your financial fresh start

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Introduction

Congratulations, you've reached a massive milestone in your personal and financial growth! While completing your Consumer Proposal likely feels like the end of a difficult journey, it's also the beginning of a well-deserved financial fresh start.

You have so many opportunities ahead of you — and none of the debt to hold you back. Of course, the hard work isn't over. In many ways you've simply exchanged one challenge for another.

The process of rebuilding your credit and pursuing your financial goals is not easy. You'll need to be vigilant to avoid old patterns that caused your debt in the first place. But if you can be mindful of what you've learned throughout your insolvency, this next phase will be even more rewarding than the one you just finished.

You will face stress and difficulties along the way. But there will also be opportunities to persevere, to celebrate, and achieve things you never imagined were possible just a short time ago.

To help you confidently take your next steps forward, the following articles include some helpful tips to help you make the most of your fresh start. If you can embrace this advice with the same commitment and eagerness as you did your Consumer Proposal, you'll surely achieve any goal you set for yourself.

How to rebuild after a Consumer Proposal

After completing a Consumer Proposal, rebuilding your credit can feel nearly as daunting as getting out of debt — like you've spent all your energy summiting one insurmountable peak only to face another equally daunting climb ahead. But remember how much stronger and more capable you are now then when you started all those months ago.

As with any climb, you don't have to do it all at once. Just a few steps every day will get you where you want to go. Use the following roadmap to help focus your goals, plan your progress, and keep your eyes on the reward that's waiting at the end.

Step one: Get your credit report

The very first thing you need to do is request your credit report from Equifax and TransUnion and check it for accuracy. Familiarize yourself with the good, bad, and ugly details, and immediately fix any inaccuracies.

A report that is full of errors, poor reporting and incorrect ratings will delay your ability to rebuild credit.

Step two: Set financial goals

Get clear on where you're going and what you need to get there. Think about your financial destinations and write them down. Depending on your goals, certain types of credit products may help you get there.

Some common objectives include:

- Purchasing a house one day
- Buying a new vehicle in a few years
- Borrowing money for home renovations
- Borrowing money to further your or your children's education
- Peace of mind knowing credit will be there when it's needed

These goals are all achievable, but only with the right process and a clear sense of direction. The sooner you set your intentions, the sooner you'll get there.

Step three: Pick your path

Not all paths to rebuilding your credit will be right for you. Select credit products that are within your risk tolerance, fit your current skillset, and help you rebuild your credit history at a manageable pace.

Secured credit cards

Some lenders may require you to pay a security deposit to qualify for a credit card. This provides added insurance to your lender if you miss any payments. Your lender will keep your deposit and pay you interest on it until you qualify for an unsecured card.

Your limit will be low — but try to keep your balance even lower (ideally zero). And only use the card for something you will pay back immediately.

Once you build rapport with the lender, they may offer to increase your limit and / or remove the secured status on the card. Only take this offer if you feel certain of your ability to manage credit responsibly.

Instalment loans and lines of credit

Eventually, you can start looking at longer-term credit products like an instalment loan or line of credit.

An instalment loan with a set payment schedule is one of the safest ways to rebuild your credit, as you are unable to access the money you've repaid. Just make sure your lender reports your monthly payments to the credit bureaus.

A line of credit is pre-set borrowing limit that can be used any time. These offer low interest rates and minimum payments comprised of both a principal and interest portion. But be careful — ready and repeatable access to credit makes it easy to fall back into the cycle of debt.

Multiple types of credit

If one of your financial goals is to purchase a home, a multi-leveled path is your best bet.

Access two to three forms of revolving credit, like credit cards or lines of credit. Actively use these credit accounts for two to three years. And consistently build your limits up over time.

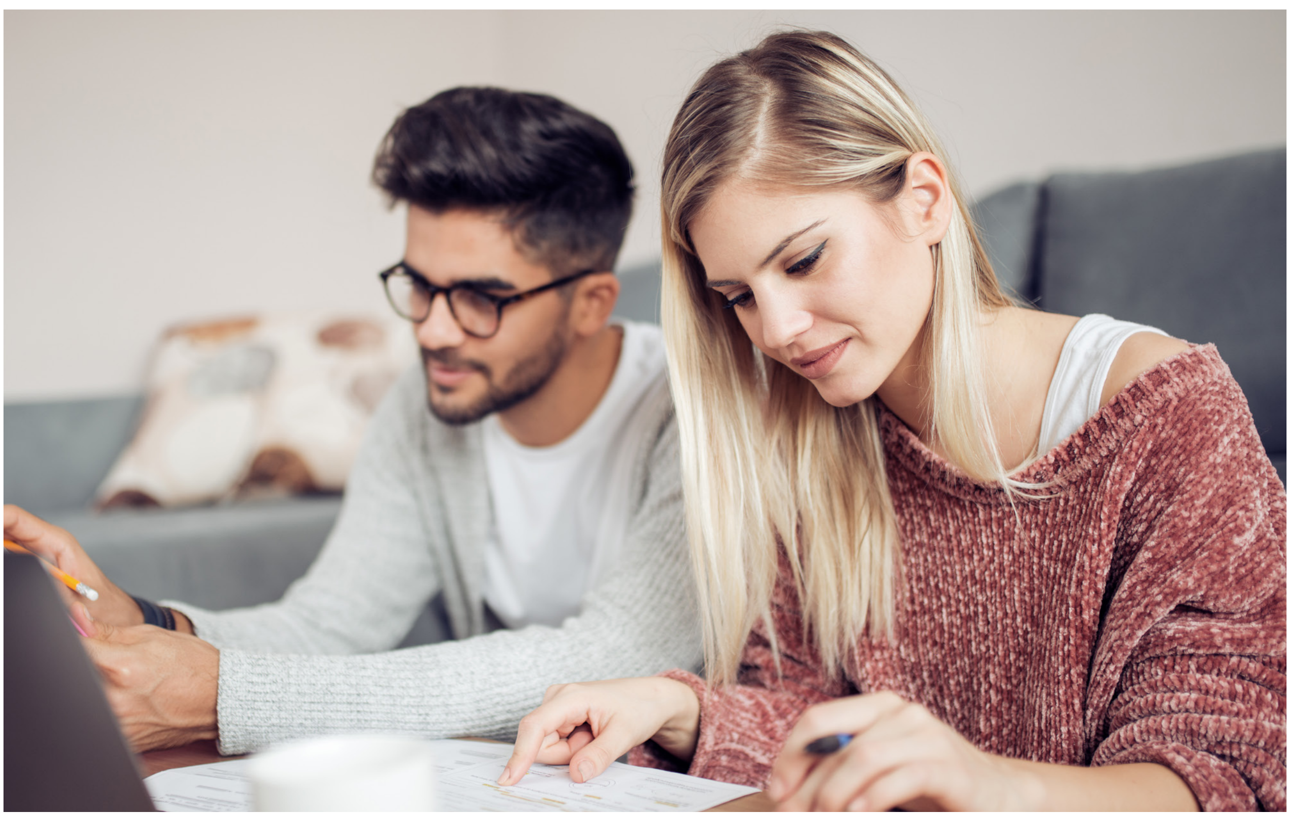
This is the path many mortgage professionals recommend for establishing a quality credit history and score, and to qualify for a mortgage when you're ready. This road is longer and more intensive. But what it costs in time and effort, it more than makes up for in options and opportunities down the road.

Step by step

There's an old proverb that says: *If you want to go fast, go alone. If you want to go far, go together.*

Learn from other's experiences and expertise. Explain your goals to a financial professional. Ask for recommendations and help evaluating your options.

Finally, take your journey one step at a time. Don't forget to stop every now and again to appreciate the journey, enjoy the view and celebrate how far you've come.



My debts are gone. Now what?

For many people, the next priority after completing a Consumer Proposal is to re-establish and rebuild their credit rating. And this is certainly an achievable goal. But like any journey, knowing where to start is just as important as knowing where you want to go.

Obtain Your Credit Report

Within two to three months of completing your Consumer Proposal, request a copy of both your Equifax and TransUnion credit reports to ensure all information is current and accurate, and that you've truly wiped your financial slate clean.

Mail and Fax [Free]

Each bureau has forms on their website which you can print, complete and submit by mail or fax for a free credit report.

You should receive your report within a couple of weeks, provided you include all the information and documentation required to verify your identity.

Online [Paid]

If you're willing to pay (approx. $15-35), both bureaus will provide an instant report online. However, the information will only be available for a limited time.

They also offer additional fee-based services, such as automatic monthly credit reports, credit check alerts and identity theft insurance.

"Free" Third-party Options [CAUTION]

Be wary of vendors (other than Equifax, TransUnion, or financial institutions) who offer a free subscription-based credit report and score.

These companies are almost always in the money lending business and want you to purchase high-interest credit products under the promise of improving your credit. They also have a reputation for selling, leaking or otherwise compromising customers' personal information.

How to Read Your Credit Report

In general, your credit report details every credit product you have either had in your name or jointly held with someone else – along with your payment history and a credit rating for each product.

Account Status

Any open credit products, such as a vehicle loan, will show as current. Deactivated accounts will show as closed. And any debts you included in your insolvency proceeding will show as written off in bankruptcy, or similar.

Debt Rating

Each debt also receives a rating based on your payment history. The debts included in your Consumer Proposal will show as R7 for three years from your completion date – though they would have shown as R9 (Bankruptcy) while the proposal was active.

Check for Errors

Read through each line and ensure the credit products listed belong (or belonged) to you and the payment history and pay off dates are correct. This includes the debts from your insolvency proceeding.

Also, confirm personal details like the spelling of your name, your social insurance number, birth date and address. Note any errors and report these to the credit bureau. Ignoring them can damage your credit going forward.

Why fix mistakes on your credit report?

Your credit report is a cumulative monthly record of your lending history. Potential errors don't only damage your credit score once, but every time they're reported. They will continue to damage your credit history until you correct them.

If you're applying for credit, your prospective lender will see that error and its potentially lengthy history. That's not something you can explain away as a simple misunderstanding. If they're forced to choose between your word or the credit bureau, the lender will trust the credit bureau every time.

How to correct a mistake on your credit report

When you receive your credit report by fax or mail, you will likely also receive a form to update your credit report. If you checked your credit report online, this form should be available through your web account. Use it to document the mistakes or inaccuracies on your credit report and return it to the credit bureau as soon as possible.

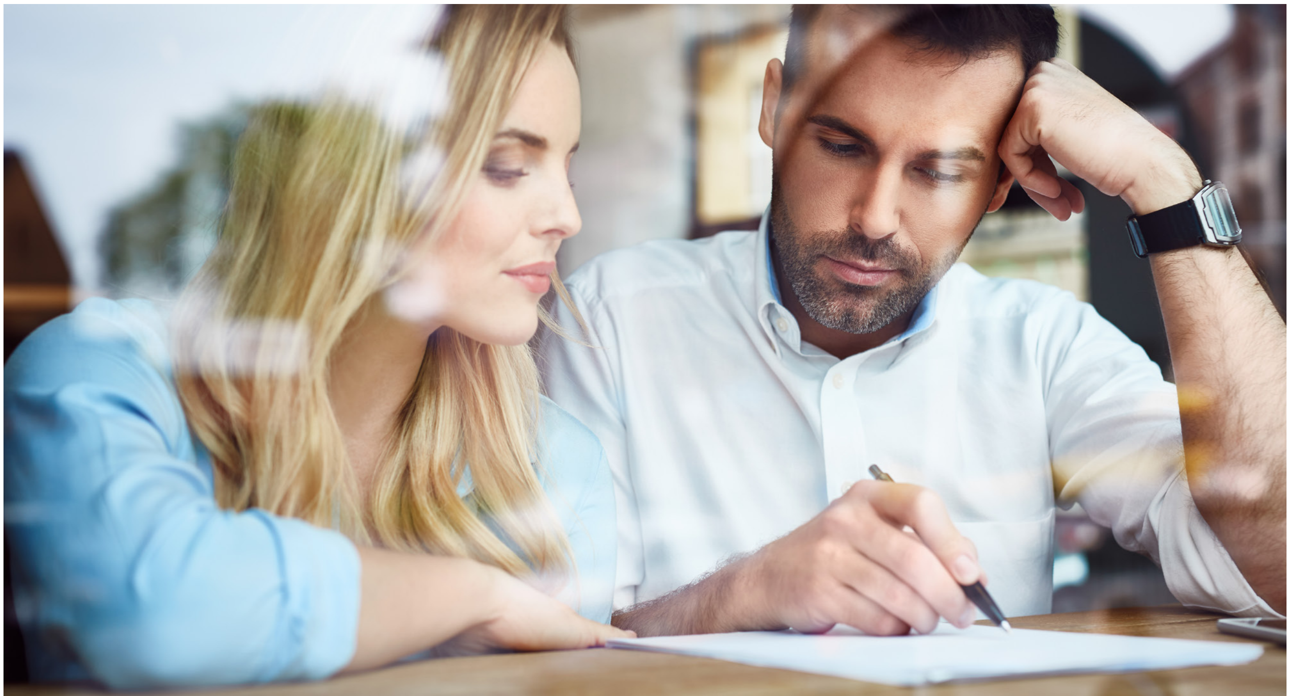
The credit bureaus will launch an investigation and send you a follow-up report explaining their findings. Equifax says this process typically takes between 10 and 20 days, while TransUnion quotes up to 30 days. This service is free, and the credit bureaus are responsible to fix any errors.

Moving forward

Checking your credit report a few months after the successful completion of your insolvency proceeding will go a long way to helping you re-establish and rebuild your credit.

You'll be confident in the proper reporting, write-offs, and rating of the debts in your Consumer Proposal. Also, in the accuracy of your personal information and that you've had the opportunity to correct any errors.

Now, when you decide to start rebuilding your credit, you will truly have a clean financial slate.



Should I get credit again?

Now that you've completed your Consumer Proposal, you may be considering getting credit again. Remember, credit is merely one of many items in your financial toolbox. Many people live wealthy and happy lives without it. By no means is it necessary to rebuild your credit after an insolvency proceeding if you don't want to.

However, if this is something you're curious about, there are several factors you'll need to consider. These will determine whether: (1) you can safely manage your credit, (2) how credit will help you on your financial journey, (3) potential alternatives to credit, and (4) whether you're truly ready to apply for credit.

What are your current and future income expectations?

An honest appraisal of your income can reveal whether credit will contribute to your financial wellbeing or potentially harm it.

Some questions you'll want to ask include:

- Do I earn enough after taxes to pay all my bills and living expenses?
- Does my household have one or multiple incomes?
- Do I expect my income situation to change in the near future (retirement, new job, etc.)?
- Do I have enough savings (or any at all)?

Having credit is a choice. And if your financial circumstances don't align, it may become the choice between paying your rent and paying off an impulsive credit card purchase you made last month.

When deciding whether credit is right for you, consider how you'll manage your payments if spending gets out of control – the less wiggle room you have, the less appropriate credit is right now.

For example: If you are retired, on a disability pension or have limited income with no potential for higher future earnings, credit is probably not affordable for you.

In fact, if your income places you at or below the poverty line (approximately $22,000 in Canada in 2017), you simply cannot afford credit at all.

What is your age and lifestyle?

Depending on your age and lifestyle, pursuing a better credit rating could be more hindrance than help.

If you're at or nearing retirement, consider whether your Canada Pension Plan and Old Age Security benefits are enough to cover your living expenses and credit card use. Even if you have additional investments, you need to evaluate the potential tax consequences of withdrawing higher amounts from your RRSPs to offset higher credit spending.

Alternatively, if you're in the early family planning stages, consider how you'll plan for all the unexpected and long-term expenses that comes with having a family. Ideally this won't include using credit to make ends meet and creating potential financial burdens down the road.

With all that said, if you have several working years and earning potential ahead of you, credit may be a necessary steppingstone to reach your financial goals – such as buying a house or new vehicle. Still be cautious and only take on as much credit as you can afford to repay within a reasonable timeframe.

Why do you want or need credit?

There are as many answers to this question as there are credit card options. But it may be the most important question of all.

Your answers will reveal a lot about your future credit use. It will also offer clues to whether credit is necessary, whether you're ready, or whether there's a better alternative.

Online shopping or reservations

It used to seem like no matter what you want to do, you'd need a credit card to do it. However, things like online shopping and reservations, rarely require a traditional credit card anymore.

Visa-Debit cards offer all the functionality of a credit card with few of the risks. You can use it in place of a credit card in most cases, but the purchase funds come directly from chequing account — and you can never exceed that amount. Knowing your absolute limits will keep you from overspending or impulse shopping.

A reloadable, bank-issued prepaid credit card is a convenient solution for hotel or rental car reservations. There is no credit attached to the card and therefore no risk of going into debt. What you transfer onto the card is what you can spend – and once you've spent it, it's gone.

Neither of these cards will build your credit, but they are convenient and sustainable tools that will help you manage your spending without going into debt. Especially if your credit history has been a rocky one.

Credit for purchasing a home or vehicle

Rebuilding your credit for a larger purchase, such as a vehicle or a house, is only realistic if those goals are within your financial means. It will require being gainfully employed and having several years of progressive earning potential ahead of you.

If you're serious about buying a home and confident it's something you can manage, discuss your plans with a mortgage broker or financial planner. They can offer specific strategies to raise your credit profile. They can also help you calculate some clear savings goals and timelines for you to work toward.

Credit for just in case

Just in case is the most dangerous phrase in credit. It can quickly give way to, "It's just a coffee here and there." Or, "This is such a great price… I'll just figure out how to pay the bill later."

Prior to your Consumer Proposal, you may have grown accustomed to having a credit card to supplement your income for those just in case times. But all it did was create extra strain on your budget by encouraging you to charge non-essential items now and worry about paying for them later.

Remember how much easier it was to spend on a credit card and forget about it? Do you get that feeling with debit or cash? The distance between when you buy something and when your credit card bill is due mentally detaches you from the purchase and its long-term consequences. That rarely happens with the instant pain of paying right now.

It takes willpower to live within your means and be content with what you have. And it's much easier to hold your ground without a credit card to tempt you.

Are you ready for credit?

If you feel like you should get credit but find yourself continually asking whether you're ready for it, pay attention to the hesitation.

Reluctance to leap back into the credit pool is totally normal and positive. Ignoring your doubts could be the first slippery step toward another insolvency. Even if you feel credit is necessary to achieve future financial goals, consider whether now is the right time. Maybe you need to keep building your confidence before adding credit back into the mix.

I've decided to get credit again. How do I manage it? [Part 1]

Securing new credit is a difficult decision following a Consumer Proposal. The idea fills some with fear and anxiety, while it's necessary for others to begin a new chapter in their financial journey.

Regardless where you sit on that continuum, you need to prepare for the challenges and potential roadblocks ahead — like improving your confidence with managing credit, positioning yourself as a desirable client for potential lenders, and putting checks and balances in place to avoid indulging in unproductive habits and temptations.

But we're getting ahead of ourselves. First, let's look at the milestones you need to achieve before ever filling out a credit application.

Design your personal spending plan

Managing credit begins with managing your household income and expenses. You need a comprehensive spending plan to know whether you can afford credit in the first place, and how you will consistently pay off your purchases.

Create a budget you will stick to month after month. Review different methods and techniques and find one that works for you. You can use an app connected to your bank account, an Excel spreadsheet or a simple notebook. You can also refer to the materials provided during your counselling sessions and do some additional research online.

If you expect to use credit cards, include each credit card as a specific spending category. This is how you will keep your debts in line.

If there's no money in your budget to allocate to credit cards, you can't spend on your credit card. No amount budgeted means no spending, period.

Boundaries, not restrictions

Your budget is not a punishment or restriction. It's an opportunity to make the most of your money. Think of it as setting boundaries.

You're building a fortress around your spending to help you understand if, when, and why your finances might be trending toward uncomfortable territory. When holes appear, you'll know exactly what areas you need to reinforce.

Save money

You may wonder what saving money has to do with managing your credit. One, savings make you more appealing to lenders. And two, it ensures you won't be reliant on credit to get by financially.

You'll be a lower credit risk

Say a friend comes to you for a loan. You know he's always broke and behind on his rent. He can't keep a job for more than a few weeks, and he didn't pay you back the last time he borrowed from you.

Now imagine another friend. She tells you she's short on paying her mortgage because a family emergency forced her to take a week off work without pay. She gives you a clear explanation in writing of how she will pay you back over the next two months.

Which friend will you lend to?

Creditors face the same dilemma all the time. If you have money saved – in a savings account, an investment, or even equity in a home or vehicle – it shows the lender you are organized and managing your finances responsibly. Money in the bank simply tells a better story.

You'll use credit less often

Building up multiple savings pots can help you resist using credit cards for emergencies or large purchases that may be difficult to pay back in a timely fashion.

Pot one: Emergencies	Pot two: Occasional expenses	Pot three: Specific goals
Designate one pot as a safety net for unexpected expenses. You will never touch this is money unless it is truly an emergency. Start with a small achievable goal, like \$1,000. Continue building from there until you've saved between three- and nine-months' living expenses.	This is for expenses that come up only a few times a year, like memberships, property taxes, or school supplies. Make a list with the approximate cost of each. Add these together and divide by twelve. Set aside this amount each month in a separate account which you will only use for one of these expenses.	Build a third pot for a specific savings goal. Anything remaining after paying your living expenses and contributing to your other two savings pots can go here. Use this for a down payment for a car or house, vacation or a large purchase. Make it personal and something you're passionate about.

Peace of mind

Consider how much better your life will be with the confidence of having access to credit, but not needing it because you've already covered your financial bases. Also, knowing that even if you do use credit, you will only spend exactly what you can afford to pay back within a month.

Managing your income and expenses and knowing exactly where your finances stand at any given time is the textbook definition of financial peace of mind.

Do your research

If you're new to credit, ask questions. Do your homework and read the fine print before applying, signing for or purchasing anything on your credit product of choice. Know exactly what you are getting into and don't assume anything. Familiarize yourself with the interest rates, service fees and payment terms – along with the consequences of not meeting your obligations.

Find the best product for you

There are dozens of credit cards on offer — travel rewards, cashback, low interest rate, no annual fee, etc. Take the time to compare features and choose what best suits you.

Don't get blinded by the flashy rewards some credit cards offer. Always weigh the value of the reward against what you are sacrificing to get it. Most rewards cards have high annual fees and high interest rates. It's also tempting to overspend just to accumulate points. By the time you've built up enough to use, their true value is likely to be significantly less than the interest you paid. It would have been cheaper and easier to simply save for the vacation instead.

Not to mention, a travel rewards card is useless if you don't have the money to travel. You may be better off with a cash back rewards card since gas and groceries are items you buy and budget for each month. You could also consider a regular credit card with no rewards, lower interest rates and no annual fee. They may not be flashy — but they will go a long way to prevent thoughtless credit card spending.

Be patient

Your credit will not rebuild itself overnight. Managing your credit is a lifelong process that will be challenging at times and easier at others. You'll need to exercise discipline and consistency – and most importantly, patience.

Don't rush into any credit decisions. Prepare your finances first to determine whether credit is even something you want or can afford. Start working toward specific savings goals, especially for purchases you may have automatically put on credit in the past. Know the ins and outs of any credit product you're interested in.

If you follow these simple suggestions before you get credit, you can be confident that managing it will be even easier afterward.

The hidden benefits of a Consumer Proposal

Relief from debt stress may have been the only thing on your mind when you filed your Consumer Proposal. But as the dust settled and you slowly overcame the overwhelm and hopelessness of your long-term money problems, it's likely some peripheral benefits started coming into view.

Looking past the fear of judgement, of hurting your credit, of admitting defeat — you may eventually appreciate these as the most life-changing of all. And if you're like many people, you may start to ask yourself why you didn't contact a Licensed Insolvency Trustee sooner.

You'll appreciate the value of a dollar

Prior to filing a Consumer Proposal, you probably often struggled to explain what you purchased or how you spent your income. Many people in your position admit to losing touch with how much money was going out the door every month.

Your Consumer Proposal forced this to change because Licensed Insolvency Trustees base your payments on your monthly income. While these would have been fair and allowed you to maintain a reasonable standard of living, they also would have forced you to be disciplined about your discretionary spending.

Think back to how often you dined out, bought name brands and ignored the cost of simple expenses like groceries. This dismissive handling of money is now a thing of the past. You've moved beyond the damaging spending habits that caused your debt.

Now you're living a cash only life. Every dollar has a purpose. No more mindless spending. Despite paying toward a Consumer Proposal, you probably realized you could save money for the first time in years — largely because you shifted your energy toward finding creative ways to cut costs, rather than desperately trying to juggle debts.

You'll have more family time

Life is so busy these days. The number of activities, appointments and obligations crammed into one day pressures parents to keep the family in order, schedules organized and finances in check at the same time.

With so much on the go, it's easy to make a regular habit of grabbing dinner on the way home or to the next activity. The quick convenience of fast food may seem like a solution when you're tired, hungry and running out of time – even if it racks up the credit card or puts a dent in your grocery budget.

But different habits begin to emerge when a Consumer Proposal forces you to watch every dollar. Minimizing trips to the grocery store, weekly meal planning and shopping lists become essential. Instead, you became more inclined to grab a calendar and plan which meals you could make and eat together as a family.

It may also have inspired you to include your children in the meal prepping process – teaching them basic skills that will benefit them for a lifetime. Or, if the kids have homework, setting them up near the kitchen so you could prepare dinner while still being able to help and stay involved.

Sitting down and eating as a family – instead of gobbling through fast food in front of the TV or driving down the road – allows for meaningful conversation and checking in with each other. This simple routine increases the quality of family time and brings stability to your household budget.

You'll communicate better

Overwhelming debt causes major rifts in relationships. The debt wall looms so large, it's hard to imagine any way around it. Maybe you noticed you and your spouse stopped planning for the future, started blaming one another, and could hardly agree on anything.

Couples in debt are seldom on the same page about money management, which is usually indicative of poor communication. However, agreeing to file a Consumer Proposal was a critical first step to improving your financial communication.

With the help of counselling sessions, you learned about one another's financial goals – both in the short-term, like building an emergency fund, and long-term, like rebuilding credit to purchase a home.

Now that you're on the same page, monthly money management is probably a necessary conversation you want to have. You've come to understand talking about finances is the antidote to unnecessary debt and the only way to achieve your financial goals. With the weight of the debt lifted, you probably feel freer to talk about other life goals, too.

You'll gain hope

There is light at the end of the debt tunnel. Cliché as it may sound, the shame and guilt of money problems can narrow your world so much that all you see is darkness on the horizon. And though you may have initially equated a Consumer Proposal with financial rock bottom, it likely delivered the first spark of light you'd seen in months, maybe years. It was your first step toward a completely different life.

It was easy for us to tell you everything would be okay. But our words needed time to sink in and you needed to see for yourself where the path would lead.

We often see incredible transformations in people by the end of their Free Confidential Consultation. They sit straighter. They smile. Their body language is open and ready. They already feel relief.

The Licensed Insolvency Trustee probably saw that change in you, too. And that tiny speck of light just got bigger and brighter every day from that point forward.

I've decided to get credit again. How do I manage it? [Part 2]

Managing credit is more than just making payments when they're due. It's a process of planning and preparation that trains you to be intentional about your credit use and prevents you from making impulsive or unsustainable credit decisions.

It's an endurance game

Imagine two people preparing to run a marathon: One has been training for months —steadily increasing the frequency, distance, and pace of her runs every week leading up to the big day. She knows how far she can push her body, the best times to accelerate and hold back, and what it will take to reach the finish line.

The other person just signed up for the race last week. He went out and bought a new pair of running shoes and has only gone for a few light jogs. He doesn't know the marathon route, let alone the challenges it will throw his way. But he assumes he can figure it out as he goes.

Who do you think has the better chance of crossing the finish line?

Managing your credit well is not a hundred metre dash. It's a lifetime commitment. There will be challenges — but you can push through any bump in the road and be successful if you embrace the process.

Remember, it's not your money

Consider how thoughtful you'd be about requesting a $5,000 loan from your sister. Would you think long and hard about what you need that money for, how urgently you need it and what other options you have available? Would you only spend it on the most urgent expenses and make every effort to pay it back and quickly as possible?

Why?

You know it's not your money. Your sister is trusting you to do the right thing. You have a relationship to protect and a reputation to uphold.

A credit card, line of credit, or personal loan is no different. But – and be honest with yourself – have you been that intentional in the past? It's easy to forget that faceless, invisible source of funds is not your money either. Or that you have a relationship to nurture with your creditors and a reputation to maintain in the form of a credit score. See how careful spending can quickly fly out the window?

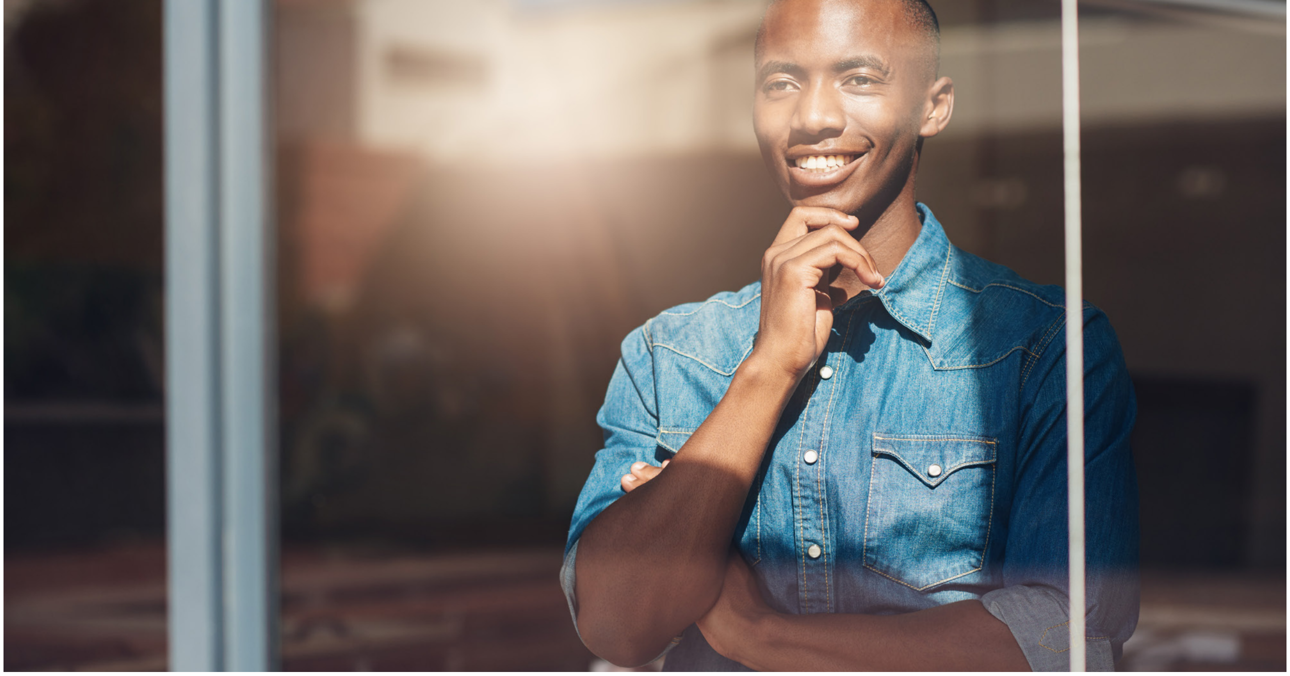
Responsible credit use is understanding the difference between having money and merely having access to it. Yes, there's an added level of care that comes with borrowing money from someone you know personally. But debt is debt. Accountability is accountability. Understand that it's not your money and you will be much more mindful of how you spend it.

Keep your limits low

Credit mastery is about setting clear boundaries. And no boundary is more black and white than your credit limit. Remember: high limits invite high balances— and high balances inevitably lead to financial mismanagement.

Just because you qualify for multiple cards or higher credit limits does not mean you have to accept them. Consider these three questions to determine what's appropriate for you:

What's the maximum you can afford to repay within one month? Prevent unsustainable debt by never allowing your balance to exceed your disposable income in one billing cycle.



Why are you thinking about taking on more debt? Make a clear, logical argument for whatever credit limit you have or want. Increasing your limit because you're currently maxed out or wanting more credit just in case are slippery slopes that can lead to unsustainable debt.

What's your gut telling you? Feeling anxious or uncertain about increasing your limit or taking on new debt is a strong indicator you should either hold steady or even reduce your current credit availability.

Let your spending plan and common sense be your guide. Don't give in to persistent or high-pressure sales tactics. Opting not to increase your limit despite an available offer will not adversely affect your credit rating. And if you ever feel uncomfortable with your current credit limits, you can always request your creditors to lower them.

Manage your payments

More to the above, it's important to recognize that credit limits are horrendously deceptive. They have almost nothing to do with your ability to pay the full balance in a reasonable timeframe. In fact, most financial institutions base maximum credit limits on the likelihood you will only make your minimum payments each month.

We've all seen that line at the bottom of a credit card statement that reads, "It will take you 16 years and 45 days to pay this balance in full if you continue to make the minimum payments." Encouraging you to spend more than you can afford is precisely how lenders keep you locked in the cycle of debt.

Reject the idea that having multiple cards with high limits and then racking up those cards makes you a good credit manager. It's just the opposite. Consistently paying your balance off each month and having enough left over for living expenses makes you a good credit manager.

Most financial planners agree that staying below 30 percent of your total available credit at any given time is critical to keeping your payments manageable, no matter your limit. So, if you have a $500 credit limit, aim to stay within a range of $0 to $150.

Pay off purchases quickly

What's better than paying off your credit card at the end of every month? Paying off every purchase the moment you make it! That's hands down the best way to simultaneously build and manage your credit.

There's a persistent myth you need to carry a regular balance on your credit card to build your credit – or to build it faster. But it's not true. Occasional yet consistent credit use is highly effective for achieving the result you're looking for.

Why not try this strategy?

When you're writing your monthly budget, identify two or three recurring expenses you could pay using your credit card and set those funds aside as you normally would. Go ahead and make the payment, then transfer the funds immediately to your credit card. Put your card away until its time to pay those bills again next month.

Think about future obligations, not future earnings

We have a limited view of the future at best. Sure, we might have an idea of some things like recurring bill payments, an upcoming tax refund, a potential raise or bonus. But how many of those things do we know for certain? Maybe a cold month causes a higher than average heating bill, a poor quarter at work forces a wage freeze, or the car breaks down and costs several hundred dollars to fix.

Relying on expected earnings to pay off a current purchase is a recipe for financial turmoil. The only guarantee is the money you have in your account right now. Just because there appears to be money in your budget for a credit payment doesn't mean you can afford it. Circumstances can change on a dime and the further you try to forecast, the more likely it is something will arise to torpedo your best intentions.

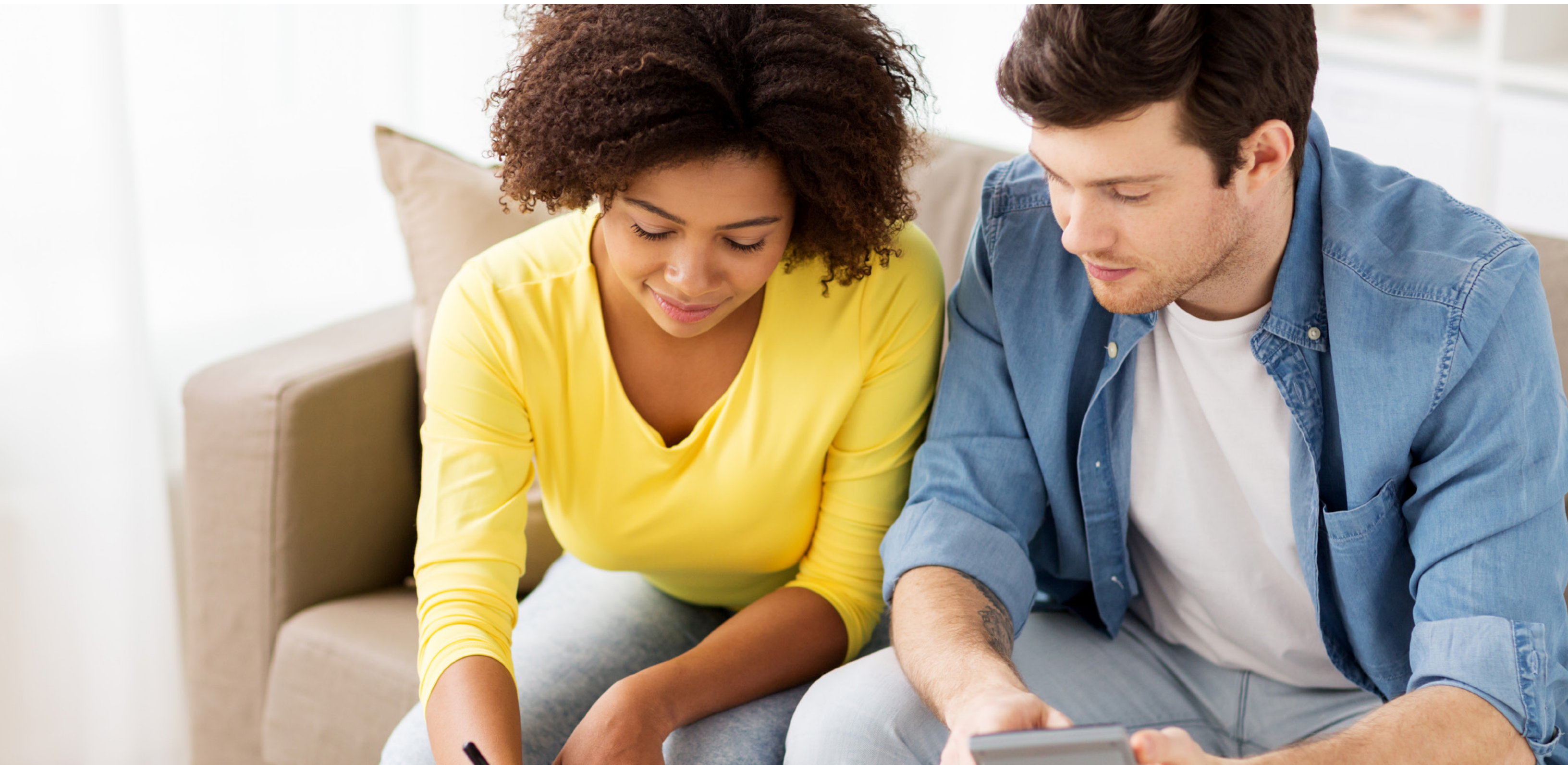
Salespeople live by a common expression: "Under-promise. Overdeliver." Use this same sentiment with your credit. Any time you consider borrowing money, expect things will get in the way of paying it back. Spend less than you think you can afford – and if you run into the best-case scenario, you'll have enough money to pay your debts and still set some aside for when the worst-case rears its ugly head.

Be a good credit manager

You have all the tools you need to be a stellar credit manager. You build a comprehensive spending plan every month. You're committed to funding a deep pool of emergency savings. You've intentionally curated your credit products and selected limits based on your income and lifestyle. And you're honing the discipline to pay off your balances in full each month, and charge only what you can afford right now.

Remembering credit is not your money and that it becomes debt the moment you use it will prevent regretful spending.

Be like that marathon runner who trained consistently and methodically before her race. Preparing thoughtfully and learning the best ways to manage your credit will help you achieve years of success. There will be ups and downs along your journey. But if you pace yourself and always keep the debt free finish line in mind, you're going to be unstoppable.



Moving forward financially and emotionally

Without debt, you now have the freedom and opportunity to make financial decisions based on your goals, rather than your obligations to creditors. Your money is completely in your control and so are the choices when it comes to your finances. How will you handle this fresh financial start and avoid falling back into old patterns?

Change your thinking

It's difficult to change the way we habitually do anything. But what would it feel like to handle money differently?

How would it feel to save $1,000 as the start of an emergency fund? If you choose to have a credit card again, how would it feel to pay it off every month?

When you no longer have debt, you can direct your money in much different ways. You can save for what you want, rather than impulse buying on credit. You can relax when your paycheque comes in, knowing you've still got money in the bank and don't have to scramble to make ends meet.

It is possible; but before changing your thinking, you need to change what you focus on.

Change your self-talk

You can't change your thinking if you're feeding yourself the same old messages:

- "I'm broke."
- "I don't have the money to go to the dentist / get new glasses / visit the chiropractor."
- "I can't afford to buy life insurance or contribute to my company pension plan."

Do these statements sound familiar? This type of self-talk reinforces a scarcity mindset. Convincing yourself you can't afford important things prevents you from even considering whether you can.

Why not track your spending for a month or two to get a better perspective on your financial mindset? You may see meaningless spending patterns and discover opportunities to redirect your money. Shifting funds to more important things will change your narrative and help you stop mindless spending.

Change your budget

Do you earn a good income but find it difficult to change your thinking patterns?

Simply meeting with a financial consultant or a financial coach who can provide a different viewpoint could be enough for you to see what is possible. These professionals can also refer you to investment options, help you purchase proper insurance, plan your estate and set realistic financial goals.

As you adopt a new perspective, you'll begin to see what felt out of reach before bankruptcy can now easily fit into your monthly budget.

Change your financial future

Sadly, for many people Consumer Proposals are not a one-time event. Despite their best efforts, insolvent people often file again because they haven't changed how they handle their finances. They may be struggling with deep emotional issues about money.

Even though your finances are in better shape, it's important to be aware of any old financial habits that may be sneaking back in. Perhaps you don't have strategies to cope with the emotions or stress around managing money. If you don't get to the root of the problem, you could easily re-enter a cycle of emotional spending which can cause debt, stress, and negative self talk — which often leads to more spending and more debt.

If you find yourself hopping back on the financial and emotional roller coaster, we encourage you to explore your options and seek professional help as early as possible. There are many resources available online to help you understand your relationship to money. Taking advantage of these can help you make long lasting changes to how you think about and handle money. And they can change your financial future for the better.

About MNP Ltd.

MNP Ltd. is one of the largest personal insolvency practices in Canada. For more than 60 years, our experienced team of Licensed Insolvency Trustees and advisors have been working collaboratively with individuals to help them recover from times of financial distress and regain control of their finances.

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