

Second counselling session

Your guide to a financial fresh start

How to manage, revise, and control your budget

The budgeting process aims to create a routine, comfortable, and rational plan for using income to pay living costs and build your savings. Understanding how much money you have available each month — and how you're spending it — will help you adjust your habits and optimize your finances.

Now that you have completed several months of income and expense reports, you should be able to assess how well you've been doing. It is important that you review your progress and revise your budget accordingly. If you cannot achieve your goals without creating a shortfall, you'll need to revise your budget.

There are three basic ways to balance your budget:

1. **Decrease your expenses:** Trim unnecessary costs like shopping, subscriptions, and dining out. Shop around for better prices and practice conservation (e.g., shorter showers, lower heat, turning off lights).
2. **Increase your income:** Explore part-time work, ask for a raise, seek a more senior position, or involve other household members. There are government subsidies or income assistance programs available as well.
3. **A combination of the above**

Remember, a budget is simply a plan for how you want to spend your money.

Steps To Follow:

1. **Review your monthly bank statement:** Determine whether your income equals, exceeds, or is less than your expenses.
2. **Review your regular monthly expenses:** Are they all accounted for in your budget?
3. **Review your irregular and annual expenses:** Are they all accounted for in your budget? If not, you may want to make changes to reflect these expenses.
4. **Review your goals and savings:** Are they reflected in your current spending? If not, you may want to make changes to your budget.
5. **Revise your budget:** Do you need to decrease expenses to balance your income and spending?

Remember to review your bank statements to help estimate annual or irregular expenses.

Once you have completed your review, prepare a revised budget plan using the worksheets in your first counselling session book and the attached worksheets in this book.

Some Tips on Managing Your Budget:

- Try to include all family members who are old enough in discussions around preparing, reviewing, and revising the family budget.
- Make reviewing and revising the family budget part of regular family discussions. This will ensure family changes, dynamics, and needs are all considered in the budgeting process.
- Save recordkeeping and review for when you have some quiet time without distractions.
- Assign specific tasks to each family member. This will cut down on your workload and simplify the budgeting process. For example: Who will pay the bills each month? Who will do the grocery shopping? Who will be responsible for recording expenses and balancing the budget?
- Remember to stay within your budget when shopping.
- Put money into a separate bank account for certain annual or irregular expenses so it's not intermingled with day-to-day income.

Review your budget regularly for any required changes. Adjust as necessary to reflect your personal or family circumstances.

Money management questionnaire

The following questionnaire will help you determine your money management activities.

1. Circle the number that best describes your current money management activities.
2. Put a square around the number that best describes your past money management activities.

Compare your answers to evaluate your process and determine what still needs to change.

Work sheet one

- | | | | | | | |
|----|--|-------|---|---|---|--------|
| 1. | Make a budget | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 2. | Track your expenses | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 3. | Examine expenses to determine where you can cut costs | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 4. | Set aside money for annual expenses (i.e., car or house insurance) | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 5. | Set aside money for emergencies (i.e., vehicle or home repairs) | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 6. | Decide what you need to buy and how much money you can spend before purchasing | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 7. | Review personal goals before finalizing how money will be spent | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 8. | Meet monthly expenses with existing income | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |
| 9. | Discuss financial issues with others in the family | 1 | 2 | 3 | 4 | 5 |
| | | Never | | | | Always |

¹The complete findings of the study can be found in W. Clare, "Repeat Bankruptcies of Consumer Debtors," *Insolvency Bulletin* Volume 10, Number 2-3 (Hull, Quebec: Bankruptcy Branch, Department of Consumer and Corporate Affairs [now Industry Canada], 1990) 201-210.

Stress is another contributor to financial difficulties. Stress can be related to many different things and situations and can easily lead to or contribute to financial problems. The following information can help you understand the early warning signs of stress and the steps you can take to reduce it. Take advantage of available resources and organizations to help manage your stress if you need to speak with someone.

Signs of Stress:

- Frequent headaches
- Tension
- Tired all the time
- Depression
- Sleepless nights
- Health problems
- Stomach problems

Stressful Events:

- Changes in family situation
- Changes in job
- Changes in financial situation
- Changes in housing situation
- Changes in personal situation

Managing Stress:

- Identify stressful events or situations
- Try to prioritize situations or events to reduce pressure on yourself
- Discuss the situation or event with family members, loved ones, or mentors
- Make sure you are eating properly
- Seek medical advice or professional assistance to deal with your stress
- Make sure you are getting enough sleep

Recognize the Bankruptcy cycle

Examine the Bankruptcy cycle diagram on the following page, paying close attention to the curve beneath the word Bankruptcy. This curve serves as a signal for behaviours that might pave the way for another Bankruptcy. A comprehensive understanding of these warning signs is crucial for prompt intervention.

Not able to trust anyone: For bankrupts who feel betrayed by a business or life partner, finding the middle ground between trusting too much and not trusting anyone at all can be difficult. Seek additional personal counselling if you feel this way.

Blames others for problems: While some people experience Bankruptcy due to uncontrollable situations, others may blame external factors such as credit card companies. It's crucial to acknowledge personal responsibility for transactions to take control of your financial affairs.

Refuses to acknowledge related problems: This is the most significant danger sign because money management is not the only problem in most Bankruptcies. Resolve contributing factors such as alcohol abuse, drugs, or gambling dependencies — or there may be another Bankruptcy in the future. Seek additional counselling to help with these issues.

Continues to spend impulsively: If impulsive spending was a significant factor in your Bankruptcy and there is no change in this behaviour, another Bankruptcy will likely follow. Changing this cycle requires first recognizing the problem and seeking additional counselling to deal with the situation.

Resentful of anyone trying to help: Some people must “hit the financial wall” once more before being open to change. Those who recognize the warning signs can usually work their way back to good financial health — though some may experience a repeat Bankruptcy.

The Bankruptcy cycle

Worksheet three

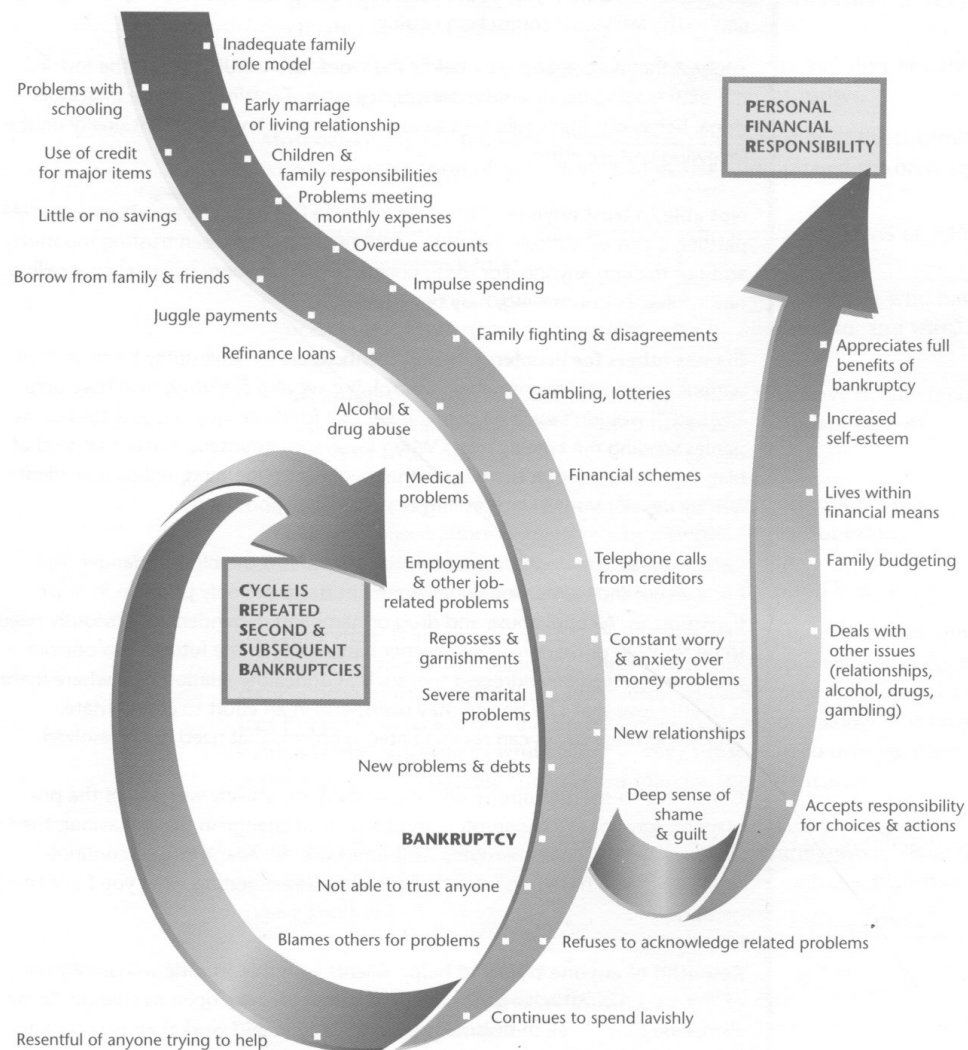
Carefully review the diagram below and identify which factors contributed to your Bankruptcy. Circle the one(s) that relate to your immediate situation.

The Bankruptcy Cycle

As a result of the Bankruptcy Branch's study, a diagram called *The Bankruptcy Cycle* was developed to illustrate the various causal factors, as well as both negative and positive responses of bankrupt individuals. This diagram, shown in Figure 3.5, summarizes many interrelated factors.

FIGURE 3.5

The Bankruptcy Cycle



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Consumer credit

What is Consumer Credit?

Credit is a financial tool that can help you realize personal and financial goals — and like any tool, it requires specific skills and knowledge to use correctly. Otherwise, it can cause serious financial damage.

Credit is debt. It allows you to obtain goods, services, or money now in exchange for a promise to pay later. That means committing future income to pay for present needs and wants.

Advantages of buying on credit

- It is convenient
- Usually offers 30 days of interest-free credit on credit card transactions
- Can connect consumers with special bargains, sales, or incentives
- A good credit rating makes it easier to get credit in emergencies

Disadvantages of buying on credit:

- It encourages impulse spending
- Money tied up in installment payments is not available for future needs
- Credit costs increase the cost of goods purchased
- Missed payments may result in the item being repossessed and poorly affects your credit score
- Unclear contracts may lead consumers to agree to something they do not understand
- Buyers tend to buy higher-priced merchandise because they have a longer timeframe to pay

Questions you can ask before buying on credit

- Do I need it now?
- Is it worth the extra credit cost?
- Is it worth the risk of losing the money if I don't meet the payments?
- Will this purchase help achieve a family or personal goal?
- Are the interest costs reasonable?
- Will I still be using the purchase when I have finished paying for it?
- Am I buying from a fair and honest person or company?
- Can I afford it without increasing my income?
- Is my use of a credit card reasonable?
- Do I usually make payments on time?
- Am I able to pay credit card statements in full to avoid interest charges?
- Can I make these payments without skimping on necessities?
- Do I have an emergency fund to take care of unforeseen expenses?
- Is my credit good enough so that I can borrow in case of illness or emergency?
- Are my income prospects good?
- Have I avoided dipping into savings to meet regular expenses?
- Do I avoid borrowing to pay off other credits or debts?
- Am I always honest about my expenses with my spouse, others, and myself?
- Am I always current with rent or utility payments?
- Are my assets greater than my debts?

Guidelines for effective use of credit:

- Develop a realistic budget
- Adjust to living within your means
- Alter credit use (frequency, purpose, source)
- Be an informed consumer
- Save even small amounts regularly
- Seek financial planning assistance (agencies, books, etc.)
- Avoid impulse purchases
- Pay back credit used to meet unexpected expenses or an emergency as soon as possible
- Minimize the number of credit cards you have
- Never charge more on credit than you can comfortably pay off at the end of the month
- Shop for credit the same way you would shop for goods or services
- Have a plan for using credit. If you are going to use credit, use it to help you meet the personal and financial goals you have set for yourself

Credit bureaus and how they work

Your credit file begins when you borrow or apply for credit. Companies that lend money or issue credit cards to you will send information related to the financial transactions they have with you to credit reporting agencies.

In Canada, Equifax Canada Inc. and TransUnion of Canada Inc. are the major credit reporting agencies. They store this data with your consent, creating a record that can be accessed when you apply for loans or credit cards.

Every time someone checks your file, it's noted as an inquiry. Your credit file not only captures your financial transactions but also details about Bankruptcies and Consumer Proposals. Reporting periods for these events can vary, but typically, no report should include information about a bankruptcy older than 14 years or other adverse details beyond seven years.

For accuracy, it's wise to review your credit file periodically. If discrepancies are found, notify the credit-reporting agency. Regularly checking your credit file ensures the information accurately reflects your financial history. This understanding empowers you to manage your credit effectively and make informed financial decisions.

To obtain details of current policies, we suggest you contact the agencies as follows:

Equifax Canada Inc. T: 1.800.465.7166
F: 1.514.355.8502
equifax.ca

TransUnion of Canada Inc. T; 1.800.663.9980
F: 1.905.527.0401
transunion.ca

It is a good idea for you to review your personal credit file from time to time to ensure accuracy of the information. If any discrepancy is identified, it is your responsibility to advise the credit-reporting agency.

Your MNP Ltd. Trustee will provide you with your certificate and instructions to guide your next steps once the process is complete.

Equifax Request to Obtain Credit History Report

This is a sample request form you would fill out to obtain a copy of your credit history.



REQUEST TO OBTAIN MY CREDIT HISTORY REPORT

TWO PIECES OF IDENTIFICATION ARE MANDATORY, INCLUDING A PROOF OF ADDRESS. EQUIFAX WILL NOT PROCESS INCOMPLETE REQUESTS WITHOUT FURTHER NOTICE.

Please print

Name:

Current Address:	Last Name	First Name	Initial	Suffix (Sr., Jr., etc.)
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Street Address	Apt.	City	Province	Postal Code
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Prior address(es) if less than three years

Street Address	Apt.	City	Province	Postal Code
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Street Address	Apt.	City	Province	Postal Code
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Date of Birth:	Month/Day/Year	Social Insurance Number:	Optional
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Current Employer: _____

The name and last four digits of a major credit card: _____

Were you denied credit? Yes ☐ No ☐ By which institution? _____
When? _____

- A copy of your personal credit history will be mailed to you shortly. If you have any further inquiries about delivery, please contact our toll-free number below.
- Please note that if any corrections are necessary, you must fill out the request form that will be included with your credit history report.
- A copy of two (2) pieces of identification (example – utility bill, gas, phone, electricity, cable, account statement, lease, driver's license) including a proof of address, must be attached with your request in order to process your request.

Signature	Date
P. O. Box 190, Station Jean-Talon Montreal, Quebec H1S 2Z2 Telephone: 1 800 465 7166 Fax: 1 514 355 8502	There is another credit bureau in Canada: Trans Union of Canada P. O. Box 338 L.C.D.I. Hamilton, Ontario L8L 7W2 Telephone: 1 800 663 9980 Telephone (for Quebec) 1 877 713 3393

Thank you for doing business with Equifax.

Planning a renovation, trip or major purchase? From retailers to renovators, know who you're dealing with. Equifax has credit reports on over two million Canadian businesses. Order a low-cost report today at www.equifax.ca.

National and government programs and services

Alcoholics Anonymous (AA)

www.aa.org

A fellowship of men and women who meet to share their experience, strength, and hope in order to solve their common problem of alcoholism.

AIDS / HIV / STD Information – Health Canada

www.hc-sc.gc.ca

Information about HIV/STD symptoms and prevention.

Debtors Anonymous (DA)

www.debtorsanonymous.org

Fellowship of men and women who share their experiences, strength, and hope in order to solve their common problem of compulsive debt. The primary purpose is to stay solvent and help other compulsive debtors achieve solvency.

Adult Children of Alcoholics and/or Dysfunctional Families (ACOA)

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 developing a better understanding of their past and examine old patterns. The program is based on the 12-step program of AA. Printed material is available upon request.

Canadian Assembly of Narcotics Anonymous (CANA)

www.canaacna.org

Organization for recovering addicts who meet regularly to help each other stay drug-free.

Gamblers Anonymous (GA)

<http://www.gamblersanonymous.org/ga/addresses>

Offers fellowship for people who wish to stop gambling. Uses the 12-step approach.

Child Tax Benefit (CCTB) Information

www.cra-arc.gc.ca/benefits

Information on government of Canada child and family benefits.

Family Violence

www.phac-aspc.gc.ca/sfv-avf

Health Canada resources that provide support for individuals with family violence issues.

YWCA Employment Resource Centre

www.ywcanada.ca/en/pages/programs/employment

Resources for those who are unemployed or underemployed and legally entitled to work in Canada.

Budget worksheets

Six-month budget: Worksheet

	Budget	Month 4 Actual	Month 5 Actual	Month 6 Actual
Total family income (A)	\$	\$	\$	\$
Monthly expenses				
Support Payments	\$	\$	\$	\$
Childcare	\$	\$	\$	\$
Medical expenses	\$	\$	\$	\$
Fines / penalties imposed by court	\$	\$	\$	\$
Expenses as a condition of employment	\$	\$	\$	\$
Debts where stay has been lifted	\$	\$	\$	\$
Other: _____	\$	\$	\$	\$
_____	\$	\$	\$	\$
Housing				
Mortgage / rent	\$	\$	\$	\$
Property taxes	\$	\$	\$	\$
Condo fees	\$	\$	\$	\$
Heating	\$	\$	\$	\$
Power / hydro	\$	\$	\$	\$
Telephone	\$	\$	\$	\$
Cable / satellite / subscriptions	\$	\$	\$	\$
Water	\$	\$	\$	\$
Furniture purchase / payments	\$	\$	\$	\$
Tobacco	\$	\$	\$	\$
Alcohol	\$	\$	\$	\$

	Budget	Month 4 Actual	Month 5 Actual	Month 6 Actual
Dining / lunches / restaurants	\$	\$	\$	\$
Entertainment / sports	\$	\$	\$	\$
Gambling (bingo, lotteries, etc.)	\$	\$	\$	\$
Gifts / charitable donations	\$	\$	\$	\$
Children's allowances	\$	\$	\$	\$
Medical / prescriptions (non-recoverable)	\$	\$	\$	\$
Dental (non-recoverable)	\$	\$	\$	\$
Other medical expenses	\$	\$	\$	\$
Food / groceries	\$	\$	\$	\$
Laundry / dry cleaning	\$	\$	\$	\$
Grooming / toiletries	\$	\$	\$	\$
Clothing	\$	\$	\$	\$
Pets (food, veterinary, upkeep)	\$	\$	\$	\$
Vehicle				
Payments / lease	\$	\$	\$	\$
Repairs / maintenance	\$	\$	\$	\$
Insurance	\$	\$	\$	\$
Fuel	\$	\$	\$	\$
Public transportation	\$	\$	\$	\$
Taxis	\$	\$	\$	\$
Insurance				
House	\$	\$	\$	\$
Furniture / contents	\$	\$	\$	\$
Life / disability	\$	\$	\$	\$
Misc.				
Payment to Bankruptcy Estate	\$	\$	\$	\$
Other	\$	\$	\$	\$
Totals				
Monthly expense Total (B)	\$	\$	\$	\$
Net income minus expenses (C)	\$	\$	\$	\$
(A - B = C) Excess (deficiency)	\$	\$	\$	\$

* Remember to review your annual / irregular expenses, along with your savings progress and goals.

Annual planning calendar: Worksheet 5

January		
Date	Project	Cost
February		
Date	Project	Cost
March		
Date	Project	Cost
April		
Date	Project	Cost
May		
Date	Project	Cost
June		
Date	Project	Cost

July		
Date	Project	Cost
August		
Date	Project	Cost
September		
Date	Project	Cost
October		
Date	Project	Cost
November		
Date	Project	Cost
December		
Date	Project	Cost

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About MNP Limited

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 has been working collaboratively with individuals to help them recover from times of financial distress and regain control of their finances.



MNPdebt.ca

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