8 TIPS TO FINANCIAL WELLNESS

LIFE-CHANGING DEBT SOLUTIONS
Get out of debt once and for all

1 Balance Your Budget

- ✓ Plan what portion of your income will be allocated to current expenses, debt repayment and savings. Include monthly, annual and irregular expenses in your budget and plan ahead to ensure you have sufficient cash available to meet both present and future obligations as they arise. If you have irregular income, plan your budget using the lowest income you reasonably expect.

2 Make It A Family Affair

- ✓ Everyone in your family will impact your ability to achieve your financial goals and should be part of the process of creating them. Each member should be accountable to the family for their role in achieving the goals set. Including children provides them with the opportunity to learn essential life skills.

3 Track Your Progress Regularly

- ✓ Make it a routine (monthly, quarterly or at most annually) to track your progress toward your financial goals. Celebrate your successes and work together to identify areas for improvement if you have not achieved your goals.

4 Budgets Evolve

- ✓ Plan to adjust your budget periodically based on changes, including (but not limited to): timing of expenses; achievement of goals and setting of new ones; unexpected expenses or variances from past budget; change in income of the family unit.

5 Prioritize Paying Off Debt

- ✓ Meet the minimum required payments on all debt; then use all remaining funds allocated for debt repayment to the highest interest rate debt first until it is paid off. Then move on to the next highest interest rate debt. Pay off your credit card balance in full each month. Avoid taking on new debt if you are struggling to pay current debt.

6 Build An Emergency Fund

- ✓ The amount you should save for an emergency fund will vary from one family unit to the next based on age, availability of alternate employment, income of other family members, etc. Generally, aim for a fund equal to 6 months worth of family expenses and minimum debt payment obligations. Keep funds in a safe, liquid investment. Avoid relying on credit to be your emergency fund.

7 Understand The Risk You Take

- ✓ All debt involves risk and comes at a cost, being the interest payable. Read the contract carefully to understand your obligations, the total cost of borrowing, as well as the creditors rights in the event you can no longer pay. Should you choose to borrow jointly, co-sign, or guarantee debt of another person, be prepared to pay that debt in full in the event the co-borrower refuses or is unable to.

8 If You Are Struggling with Debt, Contact a Licensed Insolvency Trustee

- ✓ Licensed Insolvency Trustee's ("LIT's") are federally regulated and first consultations are typically free with no commitment. LIT's are the only professionals authorized to administer bankruptcies or consumer proposals, which can provide a legal discharge from your debts. LIT's are obligated to identify and discuss with you all options available to resolve your financial difficulties, as well as the merits and consequences of each option as it applies to your unique circumstances.

LICENSED INSOLVENCY TRUSTEES
SUITE 1300, MNP TOWER, 10235 - 101 STREET NW, EDMONTON AB, T5J 3G1
1.866.465.1155 T: 780.455.1155 F: 780.409.5415 MNPdebt.ca

MNP Consumer Debt Index

Canadians' debt outlook reaches lowest point in five years

MNP LTD
Toll Free 310-DEBT

October 2023

Half of households remain on the brink of insolvency

51% (-1)

Are $200 or less from not being able to meet all their monthly financial obligations.

$674 (-$97)

Amount the average Canadian has left at the end of the month after paying all bills and essential expenses.

More Canadians fear the impact of future interest rate increases

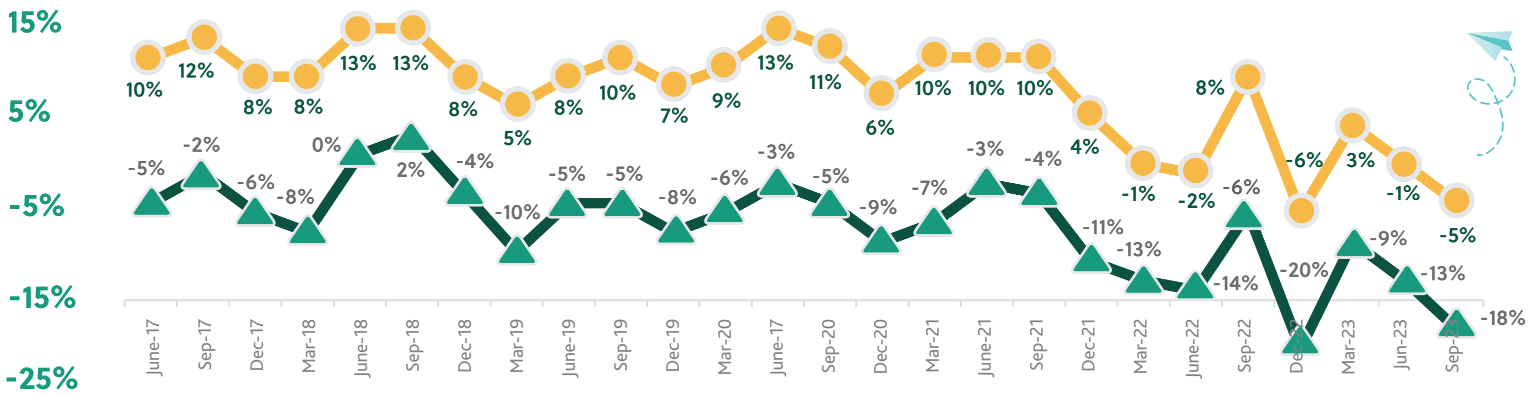
28% (+5)

Say they are far less prepared to handle an interest rate increase of one percentage point.

37% (+5)

Say they are far less prepared to handle an extra $130 in monthly interest payments.

Net Scores (Better minus Worse)



	Much better (8-10)	Neither better nor worse (4-7)	Much worse (1-3)
Ability to absorb interest rate increase of 1 percentage point	23%	49%	28%
Ability to absorb additional $130 in interest payments on debt	19%	45%	37%

MNP LTD 5 YEARS Consumer Debt Index

About the MNP Consumer Debt Index

The MNP Consumer Debt Index measures Canadians' attitudes toward their consumer debt and gauges their ability to pay their bills, endure unexpected expenses, and absorb interest-rate fluctuations without approaching insolvency. Conducted by Ipsos and updated quarterly, the Index is an industry-leading barometer of financial pressure or relief among Canadians.

Now in its twenty-sixth wave, the Index dropped by six points since last quarter, now sitting at 83 points. The data was compiled by Ipsos on behalf of MNP LTD between September 5 and September 8, 2023.

#MNPcdi MNPdebt.ca/CDI

Licensed Insolvency Trustees *Source: Ipsos/MNP Survey, October 2023

Additional Tools and Resources

LIFE-CHANGING DEBT SOLUTIONS
Get out of debt once and for all

- **MNP Debt**
  https://mnpdebt.ca/en
- **Financial Consumer Agency of Canada (FCAC)**
  https://www.canada.ca/en/financial-consumer-agency.html
- **Setting Up An Emergency Fund (from FCAC)**
- https://www.canada.ca/en/financial-consumer-agency/services/savings-investments/setting-up-emergency-funds.html
- **Budget planner (from FCAC)**
  https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner
- **CPA Canada Financial Literacy**
  https://www.cpacanada.ca/en/the-cpa-profession/financial-literacy
- **Office of the Superintendent of Bankruptcy**
  https://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/home

Additional Tools and Resources

LIFE-CHANGING DEBT SOLUTIONS
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Budgeting / Personal Finance Apps

- Mint
- You Need a Budget (YNAB)
- Every Dollar
- PocketGuard
- Wally
- Goodbudget

How do I build and maintain an emergency fund?

2022-11-01 **minute read** Melanie Fuller Debt Solutions Lifestyle Debt

Simply asking this question means you're already on your way to financial health. Take a moment to congratulate yourself — recognizing the perils of unplanned and unexpected costs is a massive milestone and will mark a major turning point in your relationship with debt.

The next stage of your journey begins now. It's one thing to understand the havoc financial emergencies can cause, but it's quite another to have the systems and resources in place to successfully navigate the situation when one occurs.

Why is it important to create an emergency fund?

First, a quick refresher: We're all exposed to sudden changes in our circumstances that can turn our lives upside down. Job loss, illness or separation could cause income to plumet. A major home or auto repair could cause expenses to skyrocket.

Life can become full of stress and panic if we're unprepared for these sudden events, leaving us wondering where to turn. Many people put off planning for emergencies because they're healthy, have a stable job, stable relationships, new homes, and reliable vehicles.

But that's the thing about emergencies: They happen suddenly, and they can happen to anyone.

How do you begin?

The first thing you need is a good, well-planned **budget**, with a clear line item outlining funds to be used *for emergencies only*. If you're still rather new to budgeting, don't fret. The process is straightforward:

1. Add all your monthly income sources
2. Subtract your fixed expenses (e.g., rent / mortgage, utilities, insurance, etc.)
3. Subtract your essential expenses (e.g., groceries, fuel / transportation, childcare, etc.)
4. Subtract an amount for discretionary spending (e.g., shopping, leisure, gifts, etc.)

With the remaining funds, you can determine how much will go to retirement, savings, and your emergency fund.

How much money do I need in my emergency fund?

Most financial advisors will recommend your emergency fund have at least enough money to cover your core living (i.e., fixed and essential) expenses for between six and nine months.

A word of caution from the outset: This will be a large number, perhaps uncomfortably so. But it's also a long-term goal. You don't have to get there all at once. Building your emergency fund is a process much like saving for retirement, a mortgage down payment or any other large purchase.

1. Using the budget you created above, **add up all your fixed and necessary expenses (items 1 and 2) and multiply that number by six.** This is the minimum goal for your emergency fund.
2. **Divide the number you calculated above by the amount you've determined you can afford to set aside for emergencies each month.** This tells you how many months it will take to achieve your minimum emergency savings goal.
3. **Set regular checkpoints in your calendar to evaluate your progress.** There's no better feeling than seeing your savings grow. The motivation of accomplishing a series of small goals will make the bigger goal feel all that more achievable.

How much of my surplus income should go to my emergency fund each pay?

Financial emergencies are unpredictable and can happen at any time, so it's a good idea to build that fund fairly quickly. Consider contributing up to half of your surplus funds (i.e., monthly income, less expenses) to the emergency fund until you reach the desired goal.

What's the difference between emergency, retirement, and savings funds?

1. **Emergency fund:** Six to nine months' living expenses you've saved to navigate a potentially life-changing financial burden such as a job loss, illness, or unexpected repair. You should feel comfortable withdrawing this money if an emergency arises. But contributions must resume once you are able to rebuild the fund to the pre-determined amount.
2. **Retirement fund**: Money that you are saving toward your retirement goals. This will be your primary source of income once you leave the workforce and will need to sustain a reasonable standard of living for anywhere from 15-30 years.

3. **Savings fund:** Money that you are saving to purchase a specific item, service, or experience which you can't afford to purchase all at once. Common examples include a car, vacation, or mortgage down payment. Feel proud to spend these funds when you've reached your goal and inspired to begin saving once again for something else.

Put the remaining 30 percent toward your retirement, and 20 percent toward your other savings goals respectively. Once you have reached your set goal in the emergency fund, you can then divide your surplus funds between your retirement savings and your regular savings. Consider 60 percent of your surplus to retirement and 40 percent of your to your regular savings account.

Set up your savings accounts

It's important to keep your emergency fund separate from both your regular spending (i.e., chequing) accounts, as well as any retirement funds or savings you've also budgeted. Each of these accounts has a specific job; mixing them together can cause confusion and make it easy to use funds outside of their intended purpose.

Consider setting up your emergency fund at a separate institution from where you do your regular banking. This keeps the funds at arms length from your regular spending, but readily available should you need them. If you are able, set up an automatic e-transfer each pay period. That way, the transfer is guaranteed to occur and you won't even notice you had the money in the first place.

You can also apply this technique to your other savings goals.

Keep track of life changes

Life is constantly changing and so are your financial needs and means. Set time aside every month to review your budget and make sure it is still working for you.

Have your income or expenses increased? Have you purchased that house or car that you were saving for? Are you spending more on necessaries such as food and groceries? Update your emergency fund goals to match these life changes.

Congratulate yourself

With your budget moving along smoothly and your savings accounts all set up, you're well on your way to being prepared for life's unexpected changes. Give yourself another pat on the back. Take some time to relax and enjoy the feeling of knowing you're financially prepared to face whatever challenges come your way.

If you're experiencing financial difficulty or need help to figure out the best solution for your specific situation, MNP can help. Our Licensed Insolvency Trustees offer Free Confidential Consultations to review your situation and determine which options, including Bankruptcy and Consumer Proposals, will help you get the financial fresh start you deserve.

We're here to help you get on firm financial footing, so you can start saving for your future.

Want to learn more?

Contact Melanie Today!