



**Sands & Associates**  
Trustee in Bankruptcy  
An Association of Corporations

## **FIRST COUNSELLING SESSION**

To be held 1 month after bankruptcy

Present information to provide consumer advice re:

- Money Management
- Spending and Shopping Habits
- Warning Signs of Financial Difficulties
- Controlling Credit
- How to Get Out of Debt

## BUDGETING PROCESS

Budgeting starts with the planning stage. You must assess your personal and financial situation, set financial goals, create a budget, monitor current spending, compare to budgeted amounts, and review. It is not unusual to find that expenses are larger than income and that some choices have to be made.

## SET FINANCIAL GOALS

### Timeframe

Conventionally, financial goals are classified into three types, depending on the time needed to achieve them:

- *short-term goals* are achievable within one year,
- *medium-term goals* are achievable within approximately one to ten years,
- *long-term goals* are achievable in more than 10 years.

## ESTIMATING COST OF LIVING

There are two components in the total monthly cost of living:

- ① *Monthly Expenses* are routinely paid every month or, in some cases, more than once a month. These are the expenses that most people believe comprise their monthly cost of living.
- ② *Irregular Expenses* are not paid every month, but instead are paid quarterly, semi-annually, annually, or irregularly throughout the year. They are predictable, but they are often forgotten in the cost of living. The easiest way to accommodate the irregular expenses is to estimate them on an **annual basis**, by calculating the year total and then dividing by 12 (months). This results in an amount that should be allocated each month for the irregular expenses.

To summarize:

Monthly Expenses + Monthly Amount for Irregular Expenses = Monthly Cost of Living

### 1. Develop a Realistic Budget

- To get expenses under control, you need to set up a budget.
- Always be conservative in your estimates of income and realistic in your expenses.
- Divide up your expenses between variable and fixed expenses, example:

	Budgeted	Resulted		
		January	February	March
Income	1,200.00	1,248.00		
Expenses				
Rent	650.00	650.00		
Food	300.00	275.00		
Miscellaneous	50.00	100.00		
etc.				

- write down your resulted expenses as you spend them
- add them up
- compare to your budget amount
- adjust your budget
- review your budget monthly
- a budget is not something carved in stone and can be adjusted each month

### Money Management Systems

Develop a money management systems that is right for you and your family.

- *Whole-wage system.* One partner handles all the money from bill payment to investing. If both partners earn, both paycheques are received and administered by the partner who manages the money.
- *Allowance system.* Generally used with one-earner in the family. The wage earner gives his or her partner a set amount of money every week or month.
- *Shared management/pooling system.* Money is considered to be “our money” rather than “mine”. Families using this system set up a joint account of a common kitty into which all income is placed and from which both draw.
- *Independent system.* Both partners have an income. Each tends to keep separate bank accounts and maintains control over their own earnings and expenditures.

**NO MATTER WHAT INCOME YOU HAVE, A BUDGET IS THE BEST TOOL TO TRACK YOUR SPENDING HABITS AND SAVE MONEY.**

## 2. Adjust to Live Within Your Means

- Set up separate accounts
- If insurance is going to cost \$1,200 per year, you must save \$100 per month.

3. **Be An Informed Consumer**

- Read consumer contracts before signing.
- Seek advice of Government agencies or legal.
- Do you need it or simply want the item?

4. **Save Even A Small Amount**

- Pay yourself first 10% of salary.
- Make payroll deductions for RRSP's, etc.
- Set up separate accounts for savings.
- Anyone can be a millionaire if they are determined savers.

5. **Career Planning Process**

- Assess your personal interest, abilities, and career goals.
- Evaluate employment market.
- Identify specific job opportunities
- Apply for employment positions with the use of resume or application letter
- Interview for available positions
- Obtain additional career training.

6. **Personal Opportunities costs** may involve time, health, or energy. For example, time spent on studying means lost time for leisure or working. However, this trade-off may be appropriate since your learning and grades will likely improve. Like the age old saying goes “**Short term pain is long term gain**”.

7. **Beware of Advertising Techniques.** Buy their product and you can enjoy the “finer things in life”. Advertising appeals to your sub-consciousness by using peer approval, celebrity endorsements, intelligence, guarantees and even with specific or numerical claims. Do not be fooled.

8. **Avoid Impulse Purchases**

- Only spend what cash has been allocated and no more.
- Use a shopping list and only purchase items on the list, do not buy on impulse.
- Keep miscellaneous expenses down.
- Do not borrow for purchases -- use cash.
- Do not be influenced by TV images.
- Do not let your possessions possess you.

9. **REMEMBER**

- ① Just say “NO” to credit cards -- pay cash
- ② Reconcile your habits with your income
- ③ The two biggest words of temptation are ‘ON SALE’

10. **Bankruptcy presents opportunities. Bankruptcy is not a solution. It cannot resolve financial mismanagement problems, nor personal or family problems. It is an opportunity to deal with them; an opportunity to make lifestyle choices that will ensure a better quality of life in the future.**

11. **Financial Planning Assistance (Agencies, Books, Etc.)**

- Gerri Detweiler – *The Ultimate Credit Handbook*
- David Chilton -- *The Wealthy Barber* -- Stoddart
- Yvonne Kaye – *Credit, Cash, and Co-Dependency*
- Sara Curtis – *Creating a Budget for Canadians*
- Kathleen H. Brown – *Personal Finance for Canadians*

And, on a lighter note:

- Alexander Tadich -- *Rampaging Bulls* -- Elan Publishing Inc.

***USE CASH. Forget Air Miles, forget airline points and forget charge cards.  
Cash slows down the spending because it forces you to plan your spending.  
Focus on savings.***



# ACTUAL MONTHLY COST OF LIVING

## Monthly Expenses

expenses paid every month  
(estimate cost per month)

### Housing

Rent or mortgage \_\_\_\_\_  
 Condominium fees or taxes \_\_\_\_\_  
 Power, water, sewage \_\_\_\_\_  
 Heating costs \_\_\_\_\_  
 Telephone \_\_\_\_\_  
 Cable \_\_\_\_\_

### Food

Groceries & "non-food" \_\_\_\_\_  
 Restaurants & fast food \_\_\_\_\_

### Clothing

Monthly purchases \_\_\_\_\_  
 Dry cleaning \_\_\_\_\_

### Transportation

Car loan or lease \_\_\_\_\_  
 Gas & oil \_\_\_\_\_  
 Parking \_\_\_\_\_  
 Bus/taxi \_\_\_\_\_  
 Car insurance (monthly) \_\_\_\_\_

### Medical & Insurance

Health care \_\_\_\_\_  
 Life insurance (monthly) \_\_\_\_\_  
 Prescriptions \_\_\_\_\_

### Recreation

Entertainment, sports, hobbies \_\_\_\_\_  
 Liquor & cigarettes \_\_\_\_\_  
 Babysitting \_\_\_\_\_

### Contributions

Church & charities \_\_\_\_\_

### Miscellaneous

Child support \_\_\_\_\_  
 Daycare \_\_\_\_\_  
 Personal care & hair \_\_\_\_\_  
 Personal allowances \_\_\_\_\_  
 Bank service charges \_\_\_\_\_  
 Books & magazines \_\_\_\_\_  
 Newspaper \_\_\_\_\_  
 Other (specify) \_\_\_\_\_

### Savings & Investments

**Total Monthly Debt Payments** \_\_\_\_\_

**Monthly Expense Total** \$ \_\_\_\_\_

*Add:*

**Monthly Amount For Irregular Expenses** \$ \_\_\_\_\_

*Equals:*

**Total Monthly Cost of Living** \$ \_\_\_\_\_

## Irregular Expenses

expenses paid quarterly, semi-annually, annually or irregularly (estimate cost per year)

### Medical

Dental \_\_\_\_\_  
 Optical \_\_\_\_\_  
 Specialists \_\_\_\_\_

### Clothing

Irregular purchases \_\_\_\_\_

### Insurance (not paid monthly)

Life & disability \_\_\_\_\_  
 Home or tenant \_\_\_\_\_  
 Car \_\_\_\_\_

### Memberships

Union or professional \_\_\_\_\_  
 Club dues \_\_\_\_\_

### Car

Registration \_\_\_\_\_  
 Tune-ups & repairs \_\_\_\_\_

### Housing

Maintenance & repairs \_\_\_\_\_  
 Decorating & furniture \_\_\_\_\_  
 Property taxes \_\_\_\_\_  
 Gardening \_\_\_\_\_

### Recreation

Sports equipment \_\_\_\_\_  
 Children's programs/camps \_\_\_\_\_  
 Vacations \_\_\_\_\_  
 Season's tickets \_\_\_\_\_

### Miscellaneous

Christmas or celebrations \_\_\_\_\_  
 Birthdays & other gifts \_\_\_\_\_  
 Subscriptions \_\_\_\_\_  
 School fees & supplies \_\_\_\_\_  
 Prof. Services (lawyer,vet) \_\_\_\_\_  
 Other \_\_\_\_\_

**Irregular Expense Total Per Year** \$ \_\_\_\_\_

*Divide by 12 (months)* \$ \_\_\_\_\_

**Monthly Amount for Irregular Expenses** \$ \_\_\_\_\_





## **Controlling Credit**

Credit is a financial and management tool to expand economic activity, but it can cause problems if not controlled or understood. It is a loan, which means committing future income to pay for present needs and wants. Living on credit will damage your ability to save money.

### **The advantages to buying on credit are:**

- It is convenient.
- Usually 30 days free credit have been offered on credit card transactions.
- Needs can be satisfied immediately.
- Can take advantage of a special bargain or sale when cash is not available.
- Making monthly payments may lead to an habitual monthly set-aside.
- Using credit can be a hedge against inflation as prices rise.
- A good credit rating makes it easier to get credit in emergencies.
- Finance payments may be withheld until defective or broken goods are repaired or replaced in some cases.

### **The disadvantages are:**

- It encourages impulse spending.
- Comparison shopping is discouraged if not all stores accept the credit card.
- Money tied up in installment payments is not available for future needs.
- Credit costs increase the cost of the goods purchased.
- If payments are not met, the item may be repossessed and money already paid is lost.
- A poor credit rating makes it harder to get credit.
- A consumer may agree to something he/she does not want because the contract is not understood.
- Credit buyers tend to buy higher priced merchandise because they are given a longer period of time to repay the debt.
- Some credit buyers unknowingly pay more for goods than cash buyers who shop around for a "cash discount".
- Credit buyers are more easily defrauded.

**One of the major causes of financial difficulties 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 long before the bill is paid.**

**YOU ARE THE SOLE CONTROLLER OF YOUR CREDIT HABITS.**



## **The Compulsive Shopper Checklist**

1. Do you take off for the stores when you have experienced a setback or a disappointment or when you feel angry or scared?
  
2. Are your spending habits emotionally disturbing you? Have they created chaos in your life?
  
3. Do your shopping/spending habits create conflicts between you and someone close to you such as a spouse, partner, parent or children?
  
4. Do you buy items with your credit card that you would not buy if you had to pay cash?
  
5. Do you lie to your family or friends about when you buy and how much you spend?
  
6. Do you spend a lot of time juggling accounts and bills to accommodate your shopping debts?

## *The Magic of Compound Interest*

Age	Annual Investment	Year-End Value	Annual Investment	Year-End Value
19	\$2,000.00	\$2,200.00	\$ -0-	\$ -0-
20	2,000.00	4,620.00	-0-	-0-
21	2,000.00	7,282.00	-0-	-0-
22	2,000.00	10,210.00	-0-	-0-
23	2,000.00	13,431.00	-0-	-0-
24	2,000.00	16,974.00	-0-	-0-
25	2,000.00	20,872.00	-0-	-0-
26	2,000.00	25,159.00	-0-	-0-
27	-0-	27,675.00	\$2,000.00	\$2,200.00
28	-0-	30,442.00	2,000.00	4,620.00
29	-0-	33,487.00	2,000.00	7,282.00
30	-0-	36,835.00	2,000.00	10,210.00
31	-0-	40,519.00	2,000.00	13,431.00
32	-0-	44,571.00	2,000.00	16,974.00
33	-0-	49,028.00	2,000.00	20,872.00
34	-0-	53,930.00	2,000.00	25,159.00
35	-0-	59,323.00	2,000.00	29,875.00
36	-0-	65,256.00	2,000.00	35,062.00
37	-0-	71,781.00	2,000.00	40,769.00
38	-0-	78,960.00	2,000.00	47,045.00
39	-0-	86,856.00	2,000.00	53,950.00
40	-0-	95,541.00	2,000.00	61,545.00
41	-0-	105,095.00	2,000.00	69,899.00
42	-0-	115,605.00	2,000.00	79,089.00
43	-0-	127,165.00	2,000.00	89,198.00
44	-0-	139,882.00	2,000.00	100,318.00
45	-0-	153,870.00	2,000.00	112,550.00
46	-0-	169,257.00	2,000.00	126,005.00
47	-0-	186,183.00	2,000.00	140,805.00
48	-0-	204,801.00	2,000.00	157,086.00
49	-0-	225,281.00	2,000.00	174,995.00
50	-0-	247,809.00	2,000.00	194,694.00
51	-0-	272,590.00	2,000.00	216,364.00
52	-0-	299,849.00	2,000.00	240,200.00
53	-0-	329,834.00	2,000.00	266,420.00
54	-0-	362,817.00	2,000.00	295,262.00
55	-0-	399,099.00	2,000.00	326,988.00
56	-0-	439,009.00	2,000.00	361,887.00
57	-0-	482,910.00	2,000.00	400,276.00
58	-0-	531,201.00	2,000.00	442,503.00
59	-0-	584,321.00	2,000.00	488,953.00
60	-0-	642,753.00	2,000.00	540,049.00
61	-0-	707,028.00	2,000.00	596,254.00
62	-0-	777,731.00	2,000.00	658,079.00
63	-0-	855,504.00	2,000.00	726,087.00
64	-0-	941,054.00	2,000.00	800,896.00
65	-0-	1,035,160.00	2,000.00	883,185.00
Less Total Invested		(16,000.00)		(78,000.00)
Net Earnings		\$1,019,160.00		\$805,185.00
Money Grew		64-Fold		11-fold

**METHOD FOR FINDING GOOD JOB ECHOES**  
**'IT'S NOT WHAT YOU KNOW' ADAGE**  
(Vancouver Sun Article)

The *Sun* has recently run several pieces by university graduates unable to find work.

I'm sorry, both for the multitudes of young (and older people who have returned to school) university graduates and the older, experienced yet unemployed workers out there who somehow have mistaken mega-mailing of resumes with a job search. I've a bit of hard-earned wisdom for you -- they're not the same.

It's a well-known but little understood fact that people hire people they know. In other words, you have to talk to people and give them a chance to get to know you before they're going to try you out.

Ask any salesperson who's trying to sell a big-ticket item how many they sell, or even how many leads they get from mailing out brochures. They'll tell you those big sales come from personal contact, from working their networks, getting to know potential buyers, establishing trust and identity. And a job is a big-ticket item to an employer.

When I was an employment counselor, I used to teach people how to sell themselves. I called on my years of experience selling products and applied it to their situation. In turn, they taught me that the age-old sales techniques still work. A simple little system resulted in over 80 per cent of my clients getting work. Not just any job, but work they wanted, and usually within six weeks.

The system is simple. Go through the Yellow Pages and for every heading, ask yourself if that industry has work you could do. That's the tough part, because you have to think about all the possibilities in each heading: receptionist to sales clerk to shop sweeper to vice-president of sales. If you answered "yes", ask yourself if you want that work. If "yes" again, take an index card and write down everything in the listing and the type of work you think they have.

Once you've filled 50 cards with this information, sort them geographically into sets of five, then go see the employers. See five every day. On your first visit, don't ask for a job, ask to see the person who would supervise the position you're interested in. If you can see them right away, explain that you're interested in doing that type of work and ask them questions about it. What kind of experience is needed, the education, the future demands and further training -- the things that they look for in a new employee.

Look at the place, the people and the area. Do you want to work there? If so, keep the card; if not, tear it up and find a replacement. If you can't see the right person, make an appointment and explain you're trying to make a career decision and want some information. If it looks good, make lots of notes on the card. The person you saw, their phone number and anything that particularly intrigued you about the work or the place.

File the card for that day of the week. After two weeks of Monday to Friday, it will be time to go back to the first one. Go see the person, thank them for the information and explain that you're interested in that work. Explain why you'd be a good prospect for them, leave your resume and tell them you understand that they may not have an opening immediately, but you'll be back in two weeks.

Then do it.

Someone who finds out the specifics of what a company may be looking for, shows an interest in the company, makes a promise and then keeps it, has an "in". Five per day, five days a week, then start over. Show up every two weeks, just even to say hello and remind them you still want a job with them -- you'll get a job.

People hire people they know.

**SEIZED CAR, A LESSON IN LENDING  
PERSONAL FINANCE**

(Vancouver Sun Article)  
David Reevely – Last in a series

Ermias Kebede and Glenda Strang insist they didn't know what they were getting into when they pawned their car to Insta-Cash Loans, a "secondary-lending" agency promising quick loans for people with no jobs or credit.

The Richmond residents – he a bellhop, she unemployed – thought they were getting a loan. But Insta-Cash insists they pawned their car and, because they didn't pay up on time, Insta-Cash had a right to seize it. Which it did, last May 17.

Surrey's Cheryl Gough had her \$8,500 car seized and sold off by the same company earlier this year after she signed it over as collateral and was allegedly late repaying a loan of \$350. Gough complained to officials at the provincial ministry of public safety and the solicitor-general who prepared a case against Insta-Cash under the unconscionable behaviour provisions of B.C.'s Trade Practice Act. Crown Counsel recently decided not to press criminal charges, noting consumers have access to civil remedies. Gough, a single mother of two and part time cashier, is pursuing her case in small-claims court. A trial date is expected to be set within 30 days.

Unlicensed and unregulated payday loan companies comprise the fastest-growing sector of the so-called secondary lending market.

These are companies that offer any of a set of services, from 24-hour cheque cashing to quick high-interest loans against your next paycheque to bigger payments against the value of cars or other vehicles.

Although the Better Business Bureau has had no complaints on file against any such companies in the last three years, president Sheila Charneski said it advised against using them as long ago as 2000.

"I'd say that it's a pretty desperate move," said Scott Hannah, executive director of the Credit Counselling Society of British Columbia.

"Borrowing money from these entities is something I would generally advise against."

Hannah estimates there are 20 chains with about 100 locations in British Columbia, offering everything someone with cash problems could want: cheque cashing, payday loans, "loans" against cars and other products ranging from faxing and post office boxes to overseas calling cards and cigarettes

Kebede's and Strang's claims about the fate of her 2000 Mustang convertible say a lot. They're suing Insta-Cash in an attempt to get the car back and, although they wouldn't speak to The Sun, their case is spelled out in court documents.

Insta-Cash and its proprietor, Daryl Klein of Nanaimo, deny the accusations against them and

the case is still making its way through the courts.

According to Kebede's and Strang's statement of claim, they borrowed \$1,524.50 against her Mustang last April 15 because Kebede's father, suffering from tuberculosis in Africa, couldn't afford to pay the medical bills.

The interest and fees, due in one month, were nearly \$700.

"Ermias was concerned that if he couldn't repay all of it in one month what would happen," the handwritten statement says. "He asked this to Darren (an Insta-Cash staffer), and Darren informed him that they would extend the loan, but an additional charge of \$630 would be added on."

But despite securing an extension so he could send his father more money, the statement says, Kebede's car was seized.

The reason for the lawsuit? Kebede's statement says he thought he was getting a loan.

Although he wouldn't discuss the specific case, Insta-Cash's Daryl Klein said his company is clear about what its customers are agreeing to.

"We're very up-front about it," Klein said. "No one can say there's a misrepresentation. We enter into a conditional agreement of purchase and sale ... It works for us because, if you're getting a \$500 loan on a \$5,000 car, aren't you going to pay it back?"

If you default on a loan after using your car as collateral, the lender can seize it, sell it, recoup his or her costs – and then has to give you any money left over. If you pawn something and don't pay up by the appointed date, the pawnbroker owns it.

Kebede and Bough aren't the only Insta-Cash customers unhappy with the arrangement – court records indicate Insta-Cash had to return a 1992 Dodge Stealth to Stefano Cossalter of Burnaby last July after he made similar claims to those of Kebede and Strang.

Insta-Cash's Yellow Pages ad twice describes the company's business as "vehicle collateral loans," but it does include the three-balled pawnbroker's symbol in a corner. Kebede's own submission to the court includes the agreement he signed, clearly marked "Title & Vehicle Pawn/Sales Agreement" on top. Kebede's claim is that the document doesn't reflect the oral agreement he had with Insta-Cash's representatives, which Insta-Cash denies.

Klein said most of his customers are relatively established people who have sudden cash needs – contractors who can't front the money to buy materials for a big job, for instance, or people waiting for insurance settlements. He's had lawyers and real-estate agents walk in, Klein said.

"I don't ask them what they're going to do with the money," he said. "It's not my business. If you go to a bank, you have to answer different questions."

His default rate, he said, is barely three per cent.

Secondary finance companies seem to like working-class neighborhoods, places where people get regular cheques but might still have trouble making ends meet – or saving for a little extra luxury. Often they offer a discount interest rate to first-time customers.

Kingsway, Broadway and Commercial are lined with them. Within one minute's walk of the Broadway Sky Train station for instance, there are three such operations: a Money Mart, a Check Station and a Check Cash Mart.

At the Check Station, a little operation with fluorescent lights on tiles, counters and walls, you can not only get quick money, you can spend it right away on cigarettes or a card to pay for a phone call to a family over-seas.

Klein said Insta-Cash only deals in car pawnings.

"I was looking at buying a couple of locations where they offer cheque cashing as a service," Klein said. "But my wife said no, if you're going to cash cheques, you're going to do it for no charge, because those people are desperate."

Typical customers include people like Richard Penny, a 41-year old Burnaby bachelor who earns \$50,000 a year in the telecommunications sector.

Penny doesn't want his real name published because his poor credit history could affect his chances for promotion. He says he was making good money in the late '90s when he found himself kiting cheques between three payday lenders, borrowing from one to pay off another.

He is now debt-free after completing an orderly payment of debt program through the non-profit Credit Counselling Society of B.C. but complains his bank still won't give him a Visa card with a \$500 limit.

"The banks are treating me like a bankrupt when I did the honourable thing and paid off all my debts," he said.

## **COST TO BORROW \$200 UNTIL PAYDAY**

The loans you can get at most secondary financial institutions are expensive. To borrow \$100 for two weeks could cost you \$15 – not much in absolute dollars, but an interest rate of over 300 percent a year.

The standard rate simply to cash a cheque is a straight \$2 plus about three per cent of the amount of the cheque.

The Sun called several companies offering payday loans and asked how much it would cost to borrow \$200 for eight days. Including interest and application, insurance and brokerage fees, here's how they stacked up:

\$—————> \$\$\$

Money Mart  
**\$23**

Canadian  
Cheque Advance  
**\$33**  
(half of that for  
first-timers)

Check Station  
**\$38.02**

Inter-Capital  
Financial  
**\$48**

Payroll Loans  
**\$45**

Yellow Cash  
Centre  
**\$60**



