

Creating Better Financial Habits for 2022

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Resolutions for the new year often involve going to the gym, taking up personal health initiatives including juicing and trying to acquire a taste for kombucha. But what about your personal financial health? Have you taken its temperature lately? Does your income pale in comparison to your shopping, restaurant and other luxury activities? Are you getting emails warning that your credit cards are about to be maxed? If answering these questions honestly makes you feel like climbing back into bed and dreaming about a rosier outlook then please don't. There are things you can do to get back on track for a healthier financial outlook.



CREATE A MONTHLY BUDGET

Yes, we're talking about the dreaded "**b-word**" — but it doesn't have to hurt as much as you think it does. It can actually be a source of relief because you know exactly how much money you have to spend in the categories you decide on, and you'll have fewer surprises at the end of the month if your goal is to balance the budget on a monthly basis.



A few points to consider when preparing your budget:

1. Calculate your net income after taxes. A simple example would be by using your net paycheck you receive from your employer every period and reducing it by an amount that is comfortable for you to be used in case of emergencies.
2. Calculate your fixed spending in a month, including mortgage or rent payments, car payments, utilities, internet, cable, childcare, etc., and whatever else you have that must be paid on a **regular basis**.
3. Track your spending on **variable expenses** such as credit card debt, groceries, personal items, entertainment, parking, gas or transit, etc. This is often the eye-opening part of any budget process.
4. Input your data into some free budget software or do it the old-fashioned way with pencil and paper.
5. Revisit your budget regularly throughout the month.

While the five points above cover the start to most anyone's budget, different individuals have different requirements. For example, if you own your home, you require to put money aside to deal with maintenance. If that old fridge is making those funny noises again, it's probably time to start saving for that. How much is left over at the end of your expenses? This is how much money you have to put into savings or investments for the future. Decide how much money you have to put aside each month for your fridge and start saving for it. There are as many rules of thumb for what the savings you should be putting away each month as there are experts on the subject. To best decide what works in your particular situation, **talking to your SLF Adviser would be a wise move.**



CUTTING BACK ON SPENDING

If the idea of putting money into savings every month causes your blood pressure to rise, it might be time to have a good old honest chat with your immediate family about the difference between **needs** and **wants**. Do you really need that expensive large soy latte with cinnamon and chocolate shavings every morning? Can you make yourself a coffee at home and bring it to work in a travel mug? Do you really need all those television channels? How many of them do you actually watch, and how often do you find something worth your valuable time? Might it be prudent to follow millions of other people and cut your cable? Choosing a streaming company or two can be far cheaper, and you have greater choice as to what you're watching.



Now onto your utility bills.

If you own a house, how old is your furnace? If it's over 15 years, chances are its efficiency has gone downhill while your monthly bills have gone up. It might be time to look into a newer, more efficient environmentally friendly model.

Do you have a dripping tap?

Every drip that goes down that drain is money leaking out of your wallet. It may not seem like a lot of water but come to the end of the month, you'll see just how much those drips add up to. Besides, it is environmental mismanagement to have such a precious product being wasted.

Does Junior leave the lights on wherever he goes?

While a bit of reminding on his end might be helpful, making sure your bulbs are all energy efficient is also a boon to your bottom line.

Do you do your laundry during peak hours?

Depending on where you live, this can cost up to three times as much as washing and drying those clothes outside of peak hours. If you can put up a clothesline outside, that will also save you money and be environmentally friendly, and you'll have the added bonus of fresh-smelling clothes.

This is certainly not an exhaustive list of ways to save money, but it's a good start. A little research on your end and getting your family onside can be a big help.

Are you mainly buying processed food at the grocery store?

If so, you're likely paying a premium for food you know and that may not be healthy for you. Are you doing your shopping in one of those glitzy places that look really pretty but gouge you at the till? Fewer frills mean more money left at the end of the month. It does pay off to monitor weekly flyers at the various stores in your neighbourhood and shop accordingly. However, beware that some stores will lure you into shopping with a few cheap staples on sale and then hike many other items up in price.

Are you driving to places you could walk to and then paying for parking?

Taking transit might not be appealing in the middle of a pandemic, but if you're 30 minutes away on foot, it might be time to break out the walking shoes and pound the sidewalk.



GOOD FINANCIAL HABITS

- 1. Live within your means.** Every day, we are bombarded with credit card offers and buy now, pay later ads. They may sound good initially but can quickly lead to your undoing.
- 2. Pay yourself, too.** If you're spending all your time focusing on paying bills down and not allowing yourself a little pleasure here and there, you may soon throw up your hands and give up. Life is too short not to enjoy it—within reason, of course.
- 3. Buy quality items.** Sometimes it may seem like the cheapest deal is the best deal, but often it means you'll be spending more money to repair or replace that **"really good deal."** Read reviews on items you are considering buying and take note of the poor reviews as well as the good ones.
- 4. Read financial books** that are full of good ideas and may inspire you to change your habits.
- 5. Before buying** anything ask yourself, whether the purchase is for **want or a need**. If you don't need it, maybe there's a better time to purchase it when your finances are looking healthier.
- 6. Contact your SLF Adviser** for a financial plan that **best suits your requirements**.

Credit Cards and Debt Consolidations

If your credit card debt is out of control, there are many philosophies out there for paying them off quicker. A little research on the [Debt Snowball vs. the Debt Avalanche](#) methods might be helpful. Always paying more than your minimum requirements also makes those anxiety-inducing totals dropdown.

If you've gotten yourself into more trouble than you feel you can get out of—especially late or missed payments—debt consolidation may be the solution you need. Talk to your financial institution about the possibility of a loan to consolidate your payments. Depending on the amount of debt, they may require security against you defaulting on your loan. The financial institution may advise you that there is no such security requirement, but the only way to find out is by asking. Having one manageable payment can be a big relief at the end of the month.

At SLF, we're here to help.

If you're looking for a financial plan that puts **you directly on track to achieve your goals**, then contact your SLF Adviser.

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