

Ten Healthy Habits of Financial Management

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Agenda

- Looking at current habits
- Ten healthy habits
- Tools and aids
- Resources
- Q&A



Healthy financial habits



Name: _____

FINANCIAL LITERACY

Financial Fitness Self-Assessment*

Answer the questions with either *True* or *False*.

Description	True	False
1. I adhere to a detailed budget.		
2. I calculate my net worth annually and compare it to the prior year.		
3. I am reasonably careful with money.		
4. I can afford everything I need.		
5. I pay myself first.		
6. I understand how to use credit responsibly.		
7. I pay off my credit card balance every month.		
8. I do not spend impulsively—I save up for major purchases.		
9. I have money saved in an "emergency fund".		
10. I have adequate life and disability insurance.		
11. If there is something I "want" but don't "need", I walk away and leave it.		

Ten healthy habits

1. Know Where you Stand Financially

Net worth

Everything you own – Everything you owe

Cash flow

All cash coming in – all cash outflows

- Use a detailed budget to control outflows

Ten healthy habits

2. Live Within your Means

- Arguably, the most important lesson
- Walk the walk
- Don't spend more than you make.



Ten healthy habits

3. Save/Pay Yourself First

- **Automatic** monthly transfer to a designated account
- Get used to living without this money.
- Spend only what remains.
 - Cover your overhead expenses first
 - Remaining funds go towards discretionary spending



Ten healthy habits

4. Credit

- Useful tool when used responsibly
- More convenient
- Builds credit history



Ten healthy habits

GOOD DEBT

- Used to purchase an asset
- Potential to go up in value



BAD DEBT

- Used to purchase consumption goods that decrease net worth
- No resale value
- Best to save for these types of purchases.



Ten healthy habits

5. Set up a Financial Safety Net

- Protection in case of financial emergency.
- 3–6 months of living expenses in cash reserves.
- Insurance



Ten healthy habits

6. Wants vs. Needs

- **Needs** are the overhead expenses in your budget
- **Wants** are the discretionary items
- **Be media savvy**



“Do I really need this, or would it just be nice to have?”

Ten healthy habits

7. Delayed Gratification and Values-based Goal Setting

- Important life skill
- Setting financial goals delays gratification
- Tie goals to your values



Goal setting

1. Write down financial goals

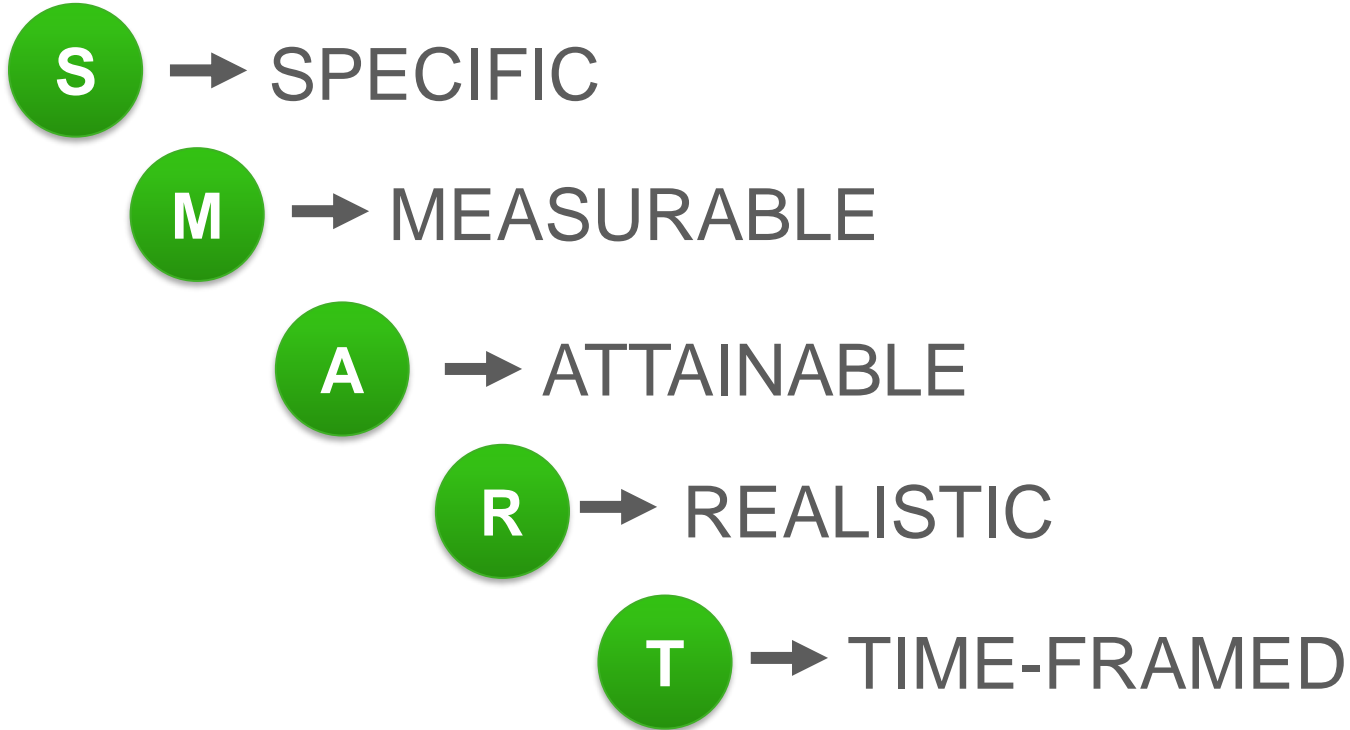
- ✓ Review them with others
- ✓ Monitor progress
- ✓ Success is self-reinforcing

2. Use your values to set goals

- ✓ What are values?
- ✓ What are **your** values?
- ✓ Values Validator



Set *SMART* Goals



Ten healthy habits

8. Track Your Spending

- Bring awareness to your spending habits
- **Reality check:** is your actual spending in line with how you *think* you spend your money?
- **Tools:** journal, spreadsheet, software, app
- Focus on problem areas
- Use feedback to tweak your budget



Ten healthy habits

9. Create a Money Network

- Choose supportive family and friends
- Share your objectives and your plan
- Check in with them periodically
- Help them with their financial management



Ten healthy habits


10. Divide and Conquer

- Start small
- Create an education plan
- Adopt one habit at a time
- Be involved
- Your money! Your future!



Tools and Aids

- Budget calculator
canada.ca/en/services/finance/tools.html
- Goal-Setting Worksheet
- Financial Fitness Self-Assessment
- Values Validator Worksheet

 CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

Name: _____

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8. I do not spend impulsively—I save up for major purchases.		
9. I have money saved in an "emergency fund".		
10. I have adequate life and disability insurance.		
11. If there is something I "want" but don't "need", I walk away and sleep on it.		
12. I write down my financial goals and have a plan to achieve them.		
13. I track my spending so I know where my money is going.		
14. I am using an RESP to save for my children's education.		
15. I know where I am going and how to get there.		
16. I do not "gamble" with my savings by taking excess risk.		
17. I try to shop carefully, using coupons and waiting for sales.		
18. I keep well informed for everyday financial decisions.		
19. My spouse and I present a united front on financial issues.		
20. Money is not a taboo topic in my house.		

*Inspired by Financial Attitudes Exercise in Client-Centered Life Planning by Michael R. Curtis, 2005.

Results:

- **Less than 10 Trues** – you have some work to do!
- **10-15 Trues** – you are in fairly good financial health. Keep working on it!
- **15-18 Trues** – Congratulations, you are in excellent financial health!

Resources

- CPA Canada Financial Literacy Publications
cpacanada.ca/financialliteracypublications
 - *A Parent's Guide to Raising Money-Smart Kids*
 - *A Canadians Guide to Money-Smart Living*
 - *Protecting You and Your Money: A Guide to Avoiding Identity Theft and Fraud*
- CPA Canada Financial Literacy
cpacanada.ca/financialliteracy
- Financial Consumer Agency of Canada



Questions?

FINANCIAL LITERACY

Values Validator*

Rank your Top 5 Values. Use this method of ranking:

Not important: 0 Somewhat important: 1-3 Quite important: 4-7 Very important: 8-10

Values	Description	Rating (out of 10)
Academics	I have high regard for scholastic pursuits.	
Achievement	It's important to accomplish my goals.	
Activity	I like to be fully occupied at all times.	
Advancement	I want the opportunity for career advancement.	
Adventure	I like to do things in new and interesting ways.	
Enjoyment	I want to enjoy life and have fun.	
Expertise	I want to be a known authority in my field.	
Family	I want to contribute to family members.	
Friendship	I want close companionship.	
Health	I want to be healthy and pursue a healthy lifestyle.	
Independence	I like to be able to do the things that I want.	
Location	I want to be able to live anywhere.	
Power	I want to have influence over my future.	
Prestige	I like to obtain recognition and status.	
Routine	I like to have a set daily schedule.	
Security	I like to minimize adverse changes in my life.	
Self-Development	I want to be the best that I can be.	
Self-Realization	I like to realize the full potential of my skills and abilities.	
Social Service	I want to serve others.	
Wealth	I want to be able to afford opportunities.	

*Adapted from Values worksheet in *Client-Centered Life Planning* by Michael R. Curtis, 2005.

FINANCIAL LITERACY

Goal Setting Worksheet

Top 5 Values	Top 5 Financial Goals	Make specific, measurable, attainable, action-oriented	48-Hour Plan (What actions will you take in the next 48 hours?)	Enlist Help (Who will you share your goals with?)	Time-Frame (When will you finish?)
Example: 1. Security	Increase net worth by 10% next year.	Increase contributions to RRSP by \$200 per paycheque.	Call benefits person at work. Change contributions plan by Friday.	Call Pete (financial advisor) to review investment options in RRSP.	In 2 weeks, the new investment plan will begin.
2. Family					
3. Health					
4. Self-realization Self-development					
5. Community					

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