

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		

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

2. Live Within your Means

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



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



4. Credit

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



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.



5. Set up a Financial Safety Net

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

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?"

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

- s → SPECIFIC
 - M → MEASURABLE
 - A → ATTAINABLE
 - R → REALISTIC
 - T → TIME-FRAMED

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



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



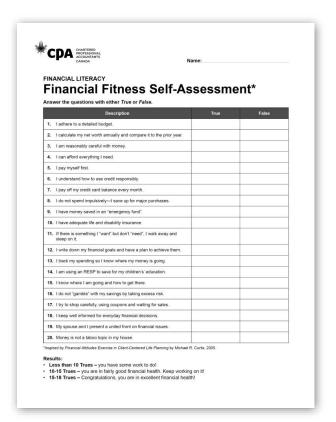
10. Divide and Conquer

- 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



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?