

# Financial Basics WORKSHOP



# Biblical Principles Relating to Managing Our Finances

1. We all live under the effects of the curse placed on Adam so that life will always be a struggle in some sense. This curse was traditionally focused on men and often involves struggling with financial issues.

**Gen 3:17-19** *And to Adam he said, "Because you have listened to the voice of your wife and have eaten of the tree of which I commanded you, 'You shall not eat of it,' cursed is the ground because of you; in pain you shall eat of it all the days of your life; thorns and thistles it shall bring forth for you; and you shall eat the plants of the field.*

*By the sweat of your face you shall eat bread, till you return to the ground, for out of it you were taken; for you are dust, and to dust you shall return."*

# Biblical Principles Relating to Managing Our Finances

2. In the NT, we are taught to use our God-given talents and to use them wisely (Parable of the talents) including in our Lord's service, and also to provide for our families. (1Ti\_5:8)

*1Pe 4:10 Each of you as a good manager must use the gift that God has given you to serve others. (GW)*

3. God expects us to trust in him through prayer for help and guidance with our struggles but to also do what is prudent in the circumstances following the example of Nehemiah.

*Neh 4:9 And we **prayed to our God** and **set a guard** as a protection against them day and night.*

# Biblical Principles Relating to Managing Our Finances

4. God expects us to honour Him by donating a portion of our income to His service, regardless of our circumstances. This is not an obligation that only applies when we become financially secure or wealthy. The amount will vary with our wealth but the obligation itself does not, as our Lord seems to teach in the account of the Widows Mite. (Luke 21:1-4).

**Pro 3:9** *Honor the LORD with your wealth and with the first and best part of all your income. (GW version)*

# INTRODUCTION

## **What you will learn during this workshop**

- How to manage your spending and prepare a realistic budget.
- Ways to save by.....
  - Being a smart consumer
  - Distinguishing between “needs” and “wants”
  - Controlling impulse buying

## Why Learn About Financial Literacy?

### **Benefits of being more financially literate**

- Control your financial future.
- Achieve your life goals.
- Provide for yourself and your family.
- Be a smarter consumer.
- Reduce stress and sleep better at night.

The current average percentage of their income that Canadians save is:

- a) <5%
- b) 7.5%
- c) 10%

In 2015 the average household debt of Canadians was:

- a) \$26,000
- b) \$56,000
- c) \$96,000



# INTRODUCTION

In 2015, the average debt:

For community college graduates was:

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- a) \$3,500
- b) \$8,500
- c) \$13,500

For a university graduates was:

- a) \$11,500
- b) \$26,500
- c) \$32,500

The percentage of Canadian youth whose parents are not expected to contribute any savings to their education after high school is: <sup>10</sup>

- a) 25%
- b) 35%
- c) 50%



# BUDGETING

# BUDGETING

- Parts of a budget**
- Cash Inflow ---called *Income or Revenue*
  - Cash Outflow---called *Expenses or Cash Expenditures*
  - Difference between the two:  
surplus or deficit

# BUDGETING

## **Know what you spend**

- Keep every receipt.
- Record every expense in a notebook or electronic device.
- Review bank and credit card statements.
- **Do this for at least three months.**
- Make a list of irregular expenses (gifts, donations, car or home repairs, vacations).
- Total your expenses at the end of the month.

# BUDGETING

- **Monthly income** = Income from employment after all deductions (often called 'net pay')

# BUDGETING

## Monthly expenses Fixed vs variable expenses

Monthly expenses – Fixed expenses		Monthly expenses – Variable expenses	
Housing	\$355 – 1,090	Groceries	\$165 – 275
Car payments	\$220 – 1,305	Eating out	\$55 – 275
Other loan payments	\$0 – 275	Household expenses (cleaning, maintenance, furniture)	\$55 – 165
Insurance (car, home, travel, etc.)	\$10 – 380	Computer (hardware, software, accessories, supplies)	\$90 – 275
Utilities (electric, gas)	\$70 – 90	Pets	\$25 – 165
Telecommunications (cable, Internet, telephone, cell phone, long distance, voice and data roaming charges)	\$30 – 260	Transportation (transit, gas, car maintenance, etc.)	\$30 – 220
Child care	\$240 – 710	Health care (medical services plan, dental, glasses/lenses, medication)	\$35 – 120
Other		Clothing and footwear	\$50 – 200
Total fixed expenses		Personal care (toiletries, hair care, make-up, laundry)	\$45 – 130
		Recreation (movies, games, DVD/videos, clubs, concerts, sports, etc.)	\$60 – 300
		Travel	\$40 – 275
		Gifts and charitable donations	\$30 – 220
		Education (post-secondary tuition, books, fees, etc.)	\$435 – 820
		Other	\$5 – 75
		Savings	\$0 – 275
		Total variable expenses	
		Total monthly expenses	

# BUDGETING

**Net surplus or deficit** Difference between total monthly income and total monthly expenses =

Net surplus \_\_\_\_\_

OR

Net deficit \_\_\_\_\_





MANAGING YOUR COST  
OF LIVING –  
BE A SMART CONSUMER

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### **Areas for saving**

- Check your bills.
  - Spot mistakes and overcharges.
  - Pay less in late fees, interest and penalties.
  - Get errors corrected before it's too late.

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### **Negotiate better plans**

e.g. for banking, communications, insurance, credit card companies etc.

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### **Call each service provider and ask:**

- How can I cut back my monthly bills?
- Am I currently on any plans?
- ***As a loyal customer***, do you have a better plan or deal for me? If so, what is the timeframe?
- Will I be put on contract for any new deals?
- Can I bundle services to save money?
- Can I avoid interest or late payment penalties?

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### **Reduce banking costs**

- What am I paying in monthly service charges?
- How much am I paying for ATM fees?
- Can I save by doing more banking online?
- Am I eligible for a low-fee deal if I'm a student or a senior?
- Can I get a reduced fee if I keep a minimum balance? Is this realistic?
- I have been a loyal customer. Can you suggest a better plan for me?
- Consider other 'near bank' options: credit unions, PC banking

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### **Compare phone costs**

- What am I paying for land line and cell phone? Do I need both?
- How much do my long-distance calls cost?
- Can I bundle services together to save?
- Can I switch service providers to save money?
- Do I have a contract? Am I locked in?
- Have I called my service provider to ask how I can cut costs?

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### **Bundling services pays big-time**

- You pay \$30/month for home phone, \$35 for cell phone, \$45 for Internet and \$50 for cable TV = \$160.00
- Example of bundling discounts:
  - Combine 2 services, save 5%
  - Combine 3 services, save 10%
  - Combine 4 services, save 15%
- Save 15% of \$160 = \$24.00 per month

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### **How to save on food**

- Eat breakfast at home.
- Bring your lunch, drinks, snacks and coffee
- “Veg out” on meatless meals once a week or more. 23
- Cook one big dish on weekends and freeze.
- Shop at discount supermarkets like Costco with a friend and split quantities.
- Set a budget and stick to it. Bring a list and stick to it. Don't shop on an empty stomach.
- Use flyers and coupons to get the best prices

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

**Do you  
really need  
a car/  
second  
car?**

- Add up the real costs of ownership (gas, insurance, depreciation, interest and maintenance).
- Check out Driving Costs brochure [www.caa.ca](http://www.caa.ca), under Working for You, click Driving Costs.
- Try the Vehicle Lease or Buy Calculator [www.ic.gc.ca](http://www.ic.gc.ca), select Just for consumers, select Office of Consumer Affairs (OCA), click Spending Smarter Calculators.
- Check out The Car Sharing Network [www.carsharing.net](http://www.carsharing.net), click Where to find Car Sharing.



## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

**Owning a home may not make good sense...**

- When you move frequently:
  - It takes at least 5 years to make it worthwhile.
- If you provide only a very low down payment:
  - You'll need mortgage default insurance.
  - You may incur a higher interest rate because of you are “higher risk”.
- When your income leaves little after you cover your mortgage payments, insurance and property taxes, and utilities.

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

### Can you afford it?

- Try it out:
  - Put the monthly costs of owning a home (mortgage, property taxes, maintenance, etc.) into a savings account.
  - Can you afford to live on what's left?
  - Could you afford higher costs for heating, taxes or insurance?
- IEF Buy or rent calculator: Renting may be a better option for now.  
[www.GetSmarterAboutMoney.ca](http://www.GetSmarterAboutMoney.ca), under Tools & Calculators, click Calculators, under Home Ownership
- Rent or Buy a Home Calculator  
[www.ic.gc.ca](http://www.ic.gc.ca), select Just for consumers, select Office of Consumer Affairs (OCA), click Spending Smarter Calculators

## MANAGING YOUR COST OF LIVING – BE A SMART CONSUMER

**How to cut  
\$100/month  
of spending**

Category	Behavior change	Daily saving	Weekly saving	Monthly saving	Annual saving
Food	Take lunch 3 x week	\$5/day (\$8 saved – \$3 cost)	\$15	\$60	\$720
Transportation	Take transit, not car, once a week	\$13 (\$12 parking + \$3 gas – \$2 transit fare)	\$13	\$52	\$624
Cell phone plan	Pay as you go vs. monthly	\$1 (\$55/mo. – \$25 = \$30)	\$7	\$30	\$360



# MANAGING YOUR COST OF LIVING – NEEDS AND WANTS

## MANAGING YOUR COST OF LIVING – NEEDS AND WANTS

### **What is your latte factor?**

*“We’ve all got a latte factor, regardless of our income level.”* – David Bach

- Designer coffees
- Lunch in restaurants
- Impulse buys
- The latest, greatest book, gadget, video game, CD, movie,

## MANAGING YOUR COST OF LIVING – NEEDS AND WANTS

### **Questions to ask yourself**

- When does a want become a need?
- What motivates you to buy – advertising, friends, trendy styles?
- Does the urge to buy die the next day?
- Do your purchases make you happier?
- What “needs” are now collecting dust?
- What can you learn to live without?

## MANAGING YOUR COST OF LIVING – NEEDS AND WANTS

### **Reduce impulse buying**

- Avoid trips to stores and shopping malls and online buying sites.
- Pay cash or cheque for purchases and only carry the cash you are willing to spend.
- Reduce available credit on your credit card and line of credit.
- Leave credit cards at home.
- Sleep on it and see if you still want it the next day.
- Take baby steps and cut costs by increments.

# One technique that may work for you

- Once you have completed the monthly budget, determine what average level of basic expenditures you need to live on for a month.
  - This is the amount you have to spend this month. When it is gone, it is gone.
- Ask your bank to set up a separate savings bank and ***transfer any amount over and above this basic amount*** into this new savings account. (The bank may be willing to do this for you automatically each month after you explain its purpose.)
  - This amount will become both your “savings” and your “emergency fund” for any unexpected or non-routine expenditures.
- The net amount left in your chequing account after this monthly transfer out will be ***the amount you have to live on for that month including any cash withdrawals***. When it is gone, it is gone. (However, do not let the account deliberately go into an overdraft).



# Free Resources (1) on Page 8 of Participant's Workbook Part 1

- **[FCAC Budget Calculator](http://www.fcac.gc.ca)**: [www.fcac.gc.ca](http://www.fcac.gc.ca), under For consumers and Resources, click Tools and calculators and select Budgeting Tool
- FCAC Tip Sheet - **[Making a Budget and Sticking to It](http://www.fcac.gc.ca)**: [www.fcac.gc.ca](http://www.fcac.gc.ca), under For consumers and Resources, click Publications and select Budgeting and Money Management
- **[IEF Videos, Worksheets and Calculators](http://www.GetSmarterAboutMoney.ca)**: [www.GetSmarterAboutMoney.ca](http://www.GetSmarterAboutMoney.ca), click Tools & Calculators
  
- **[IEF Buy or rent calculator](http://www.GetSmarterAboutMoney.ca)**  
[www.GetSmarterAboutMoney.ca](http://www.GetSmarterAboutMoney.ca), under Tools & Calculators, click Calculators, under Home Ownership
- **[Rent or Buy a Home Calculator](http://www.ic.gc.ca)**  
[www.ic.gc.ca](http://www.ic.gc.ca), select Just for consumers, select Office of Consumer Affairs (OCA), click Spending Smarter Calculators
- **[Vehicle Lease or Buy Calculator](http://www.ic.gc.ca)**  
[www.ic.gc.ca](http://www.ic.gc.ca), select Just for consumers, select Office of Consumer Affairs (OCA), click Spending Smarter Calculators
- **[Driving Costs brochure](http://www.caa.ca)**  
[www.caa.ca](http://www.caa.ca), under Working for You, click Driving Costs
- **[The Car Sharing Network](http://www.carsharing.net)**  
[www.carsharing.net](http://www.carsharing.net), click Where to find Car Sharing

# Free Resources (2)

- Money-saving coupons and discounts  
[www.redflagdeals.com](http://www.redflagdeals.com)  
[www.frugalshopper.ca](http://www.frugalshopper.ca)
- **Latte factor calculator**  
www.finishrich.com, under Free Stuff, select Latte Factor Calculator
- Cellphone shopping  
[www.CompareCellular.com](http://www.CompareCellular.com)  
[www.GeckoBeach.com](http://www.GeckoBeach.com)  
[www.HowardForums.com](http://www.HowardForums.com)

Low cost Budget Planner Using Excel that does **comparative 12-month budgets**. I use this program and recommend it.  
Download Cost \$15.95  
<http://www.simpleplanning.net/Financial%20Calculators/BudgetPlanner.html>