

Habitat for Humanity Saskatchewan

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Finance & Insurance



Table of Contents

Introduction to Budgeting.....	4
Budgeting 101.....	4
Understanding Fixed and Discretionary Spending.....	4
Fixed Spending.....	4
Discretionary Spending.....	4
7 Steps to a Budget Made Easy.....	5
Step 1: Set Realistic Goals.....	5
Family Cooperation.....	5
Step 2: Identify your Income and Expenses	6
Tracking Expenses.....	6
Step 3: Separate Needs and Wants.....	6
Step 4: Design Your Budget.....	7
Protecting Yourself Against Financial Disaster - Emergency Savings	7
Step 5: Put Your Plan into Action.....	7
Irregular Income	8
Step 6: Seasonal Expenses	8
Step 7: Look Ahead.....	8
Best Budgeting Apps and Personal Finance Apps.....	9
Your Next Steps	9
Credit.....	9
Types of Credit.....	10
How to Establish & Get Credit in Canada.....	10
5 Ways to Establish Credit or Get a Credit Card.....	10
12 Tips to Use a Credit Card but Not End Up in Debt	11
Building Credit and Good Habits.....	13
How Much Debt is Too Much?	13
Guidelines for Managing Debt.....	13
What the Banks Say is Too Much.....	13
What Your Budget Says is Too Much	14
The Simplest Way to See if You Have Too Much Debt.....	14
What is a Consumer Proposal?.....	14
Savings and Planning	14
Importance of Saving for New Homeowners	14
Building an Emergency Savings Account.....	15

RESP	15
TFSA	16
RRSP	16
The Importance of Consulting a Financial Planner for New Homeowners	17
Importance of Consulting a Financial Planner.....	17
Areas Financial Planners May Review	17
Insurance.....	18
Why is Home Insurance Important?.....	18
What is Home Insurance?.....	18
What is Condo Insurance?.....	19
Terms Worth Knowing.....	19
Why is Loss Assessment coverage important?	19
The Difference Between Home Insurance and Condo Insurance	19
Home Insurance	19
Condominium Insurance	20
What is an Insurance Policy?	20
Personal Property	20
Important Terms.....	21
.....	21
.....	21
Other Types of Insurance.....	21
Insurance Providers	21
Wills and Estate Planning.....	21
Executor Responsibilities.....	22
What is a Power of Attorney?	22
When There's No Will or Executor.....	22
Making your Will.....	22
Budget Worksheet.....	23
Pay Cheque Planning Worksheet	26

Introduction to Budgeting

Habitat Saskatchewan encourages talking to a company that can help you with your budget and finances, especially now that you will be a homeowner soon!

We suggest checking out <https://www.mymoneycoach.ca/> which is an on-line platform hosted by the Credit Counselling Society and it offers really great free resources around budgeting, finances, how to save money, how to manage debt, and other tools.

The Credit Counselling Society also offers free webinars that you can sign up for through the above website or here: <https://www.mymoneycoach.ca/financial-literacy/credit-budgeting-workshop-webinars>. The webinars include money management, personal budgeting, credit education courses, and much more!

Budgeting 101

Understanding Fixed and Discretionary Spending

In the realm of personal finance management, it's crucial to distinguish between two primary categories of expenses: fixed and discretionary spending. Each plays a distinct role in your budgeting strategy and understanding their differences is essential for effective financial planning.

Fixed Spending

Fixed spending refers to expenses that remain relatively constant from month to month. These are essential obligations that you must pay regularly, often on a recurring basis. Fixed expenses typically include:

- **Housing Costs:** This encompasses your rent or mortgage payment, property taxes, and homeowner's insurance.
- **Utilities:** Expenses like electricity, gas, water, and internet bills fall under fixed spending.
- **Transportation:** Monthly payments for a car loan, insurance premiums, and public transportation passes are considered fixed expenses.
- **Insurance Premiums:** Health insurance, life insurance, and any other insurance policies you hold generally require fixed monthly payments.
- **Debt Payments:** Loan repayments such as student loans, personal loans, or credit card minimum payments fall into this category.
- Fixed expenses are typically non-negotiable and essential for maintaining your basic quality of life. Since these costs are relatively stable, they are easier to anticipate and budget for over time.

Discretionary Spending

Discretionary spending, on the other hand, refers to expenses that are more flexible and non-essential. These are the costs that you have discretion over and can adjust based on your priorities and financial situation. Common examples of discretionary spending include:

- **Entertainment:** Expenses related to dining out, going to the movies, or attending concerts.
- **Travel:** Costs associated with vacations, weekend getaways, or other leisure trips.
- **Hobbies and Recreation:** Spending on hobbies like sports, crafts, or gaming falls under discretionary expenses.
- **Clothing and Accessories:** Purchases beyond basic necessities, such as designer clothing or luxury accessories.
- **Gifting:** Expenses for gifts, donations, or charitable contributions are discretionary and can vary based on your preferences and financial capacity.

Unlike fixed expenses, discretionary spending is more variable and can be adjusted depending on your financial goals and priorities. While some discretionary spending can enhance your quality of life and provide enjoyment, it's important to manage these expenses responsibly to avoid overspending and maintain financial stability.

In summary, understanding the distinction between fixed and discretionary spending is essential for creating a balanced budget and achieving your financial objectives. By prioritizing essential fixed expenses and exercising discretion over discretionary spending, you can effectively manage your finances, build savings, and work towards your long-term financial goals.

7 Steps to a Budget Made Easy

Step 1: Set Realistic Goals

Goals for your money will help you make smart spending choices. Ask yourself: What do I want my finances to look like in one year? Decide what's important to you and start there.

Before you can begin to manage your money, you need to identify what is important to you. Then you have a foundation to decide what you want to do with your money. Write down what is important to you and use your list to help you determine goals for your money.

Family Cooperation

A household spending plan involves all members of the family. Take the time to set goals that everyone can agree on. This may take some negotiation, but you won't be able to maintain a budget if the whole family isn't on side. If you have younger members of your household, consider incorporating a family goal so that they can be part of what you are working towards. Learning how to save is a valuable habit that will last a lifetime! All members of the household need to actively participate to ensure the budgeting process is successful. If everyone is aware of how the spending is decided, it's easier to support each other during the challenging times. Focus on solutions, rather than blame, if the going gets tough.

Some ideas to help you get started are:

If it is important for you to...	Your goal may be to...
• live without money worries • have a home for your family • spend time traveling • enjoy camping with friends • help your children gain an education • start a business • drive a particular kind of vehicle	• pay off credit cards • save 3 months of rent for "just in case" • build up savings to take time off work • buy new camping supplies • contribute to an RESP • save enough to apply for a business loan • save up a moderate down payment

A short-term goal might be to pay off debt or buy a new appliance. A medium-term goal may be to save the down-payment for a new car. Long-term goals typically include plans for retirement, paying of a home or helping children start out on their own.

Most people's money problems occur because they don't clearly know what they want to do with their money and therefore spend it randomly. Clear goals are the targets you are aiming for and help you build your plan. After that, it's a simple process to map out how you will achieve your financial goals.

When setting financial goals, think about how much you need to save and for how long. Then think about how you will accomplish that savings. For most people, this means putting a set amount aside each month, according to their pay schedule.

Be realistic when setting your goals. You can always increase your savings later but start by planning for success!

Step 2: Identify your Income and Expenses

You probably know how much you earn each month – but do you also know where it all goes? Find out by tracking what you're spending. Spend as you normally would, but for a few weeks, jot down every cent you spend. It's easy and you might be amazed by what you find out.

Once you have established some goals for your money, it's time to look at where it comes from and where it goes right now. When we manage our money, it's easy to get into habits. Some money management habits are positive and allow us to reap rewards later on. Others are negative and can lead us into trouble. Start by making a list of all your household income sources and the amounts. Include everything: wages (after taxes), commissions, self-employment income, child tax benefits, pensions, child maintenance & spousal support, and other regular income.

To make your list, print the budget worksheet below at the end of this document.

Now it's time to record your spending. This can be difficult because, for most people, they are clear about where their money comes from, but not as certain about where it goes. Spending includes everything you spend your money on; all of what you may typically think of as "expenses" (utility bills, groceries, transportation costs), but savings for a rainy day, debt payments, life insurance premiums and RRSP contributions are all expenses as well.

If you keep records of family spending, this is the best place to start. Many families don't record their spending, so you may need to gather spending information from bank account or credit card statements, cheque register books, receipts, or bills.

Some of our spending is on a weekly or monthly basis, e.g., fuel for the car, groceries, paying utility bills. There are also seasonal or annual expenses that need to be accounted for in our budget, e.g., gifts, vet bills, holidays, home repair, new glasses, or clothing. To calculate monthly amounts for your annual expenses, simply divide the amount that you spend each year on these items by 12.

Looking back and identifying expenses is a valuable start. You may, however, have noticed that there seems to be more money going out than you have records for. That's because every family has spending "leakage" – the little things that aren't accounted for but add up.

Tracking Expenses

To be absolutely sure where your family's money is going, record everyone's spending for two or three months. You may want to use Credit Counselling Society's monthly expense tracker here: https://www.mymoneycoach.ca/Library/docs/Expense_Tracker.pdf. Again, there is no need to make this process more complicated than it needs to be – a notebook and pencil will do. The purpose of tracking everyone's spending is to find out where all the money is going.

Step 3: Separate Needs and Wants

Ask yourself: Do I want this, or do I need it? Will spending this money get me closer to my financial goals or further away? Can I live without it? Set clear priorities for yourself and the decisions become easier to make.

As people track their spending, they discover that some of their money gets used for things they really don't need. Instead, they merely want them and often buy them impulsively. Impulse spending is unplanned spending; purchasing things that you may or may not need, or spending more on an item than you'd planned. The key to good money management is separating needs from wants.

Do you buy the more expensive SUV that you want, or will a less expensive, more economical vehicle meet your need? Almost everything you buy involves a want vs. need determination and ultimately, how you make these choices will determine if you reach your goals or not.

Step 4: Design Your Budget

Make sure that you are not spending more than you make. Balance your budget to accommodate everything you need to pay for. One easy way to do this is with the Credit Counselling Societies free budget calculator spreadsheet you can find on their website here: <https://www.mymoneycoach.ca/budgeting/budgeting-calculators-tools/budgeting-spreadsheet> that's built for Canadians.

Before you can go any further, you need to ensure that your expenses are not more than your income. This is where you need to make some choices based on what you learned when you tracked your spending and when you separated your needs from your wants. Expenses include everything you spend your money on, not just the bills. Money you deposit to your children's RESP is an expense. Money you deposit into your savings account for your vacation next year is also an expense.

Protecting Yourself Against Financial Disaster - Emergency Savings

Setting money aside for savings is the difference between having a budget that works and one that doesn't. Not only does it protect you from financial disaster, but it also helps you to meet your financial goals.

Emergency savings covers your basic living costs in case there are changes in your income. For example, in the event of a job loss, it typically takes 3 months to get back on track with either a new source of income or outside assistance. During this time, you still need money for rent, groceries, and other essentials; this is what your emergency savings is for. If you face an expensive car or home repair bill, emergency savings will be available to pay for it. Using income tax refund money, unexpected bonuses or gift money can jump start the emergency savings account.

In addition to emergency savings, it is necessary to have general savings which you can use to meet your financial goals and ensure your sound financial future. The best way to build savings is to have the money put aside before you see it. Talk to your bank or credit union about automatic transfers to savings accounts each time you are paid.

How Much Should You Save?

There is no magic number that tells you what you should be saving each month. It depends on your income level, your debt load, your life stage, if you are employed, or as well as your financial goals.

At first you may find it difficult to set savings aside. If you have outstanding debts to pay or you aren't in the habit of saving, it's important to get started. Save a small amount from each pay cheque at first and increase the amount as you are able to. You'll be amazed at how quickly your savings can add up once you just get started!

Step 5: Put Your Plan into Action

Match your spending to when you receive your income. Decide ahead of time what you'll use each pay cheque for. Ask yourself: Have I allocated money for my necessities (housing, food, utilities, transportation, etc.)?

Have I put money aside for my debt payments, unexpected expenses, savings, and the fun stuff? This will protect you from going into debt further because you won't rely on credit to pay for your living expenses. You've set goals, identified your income and expenses, determined how much to save for seasonal expenses, and made choices around needs and wants. Take another look at your budget worksheet and fill in any revised monthly amounts that may still be missing. Now it's time to put your plan into action!

Use a pay cheque plan to match your spending patterns to your income schedule. If you are paid every two weeks, then align your spending to a two-week schedule; if monthly, then a monthly schedule. **Please see the Pay Cheque Planning Worksheet below to get started on this.**

Irregular Income

Not everyone has a steady job with a steady paycheque. You may have seasonal work, be self-employed or you may be on commission. In these cases, you can't count on money coming in on a regular basis. That doesn't mean that you can't create a budget, but it does mean that you need to plan in more detail. Part of the planning process must include a separate savings account for income tax payments at the end of the year. And if you are self-employed, you must take deliberate steps to separate your personal and business finances.

If you have had irregular income for a few years, one strategy is to calculate the average net income you've had per year for at least 3 years, divide by 12 and use that amount to build your current budget. If this amount is not enough to meet your expenses, you must consider how you can increase your income or decrease your expenses to make your budget balance.

Step 6: Seasonal Expenses

You know that things will "just come up" – school expenses, new shoes, or an annual membership. Set money aside to pay for these expenses so you can afford them without going into debt.

Now that you have created a workable budget and have planned your pay cheques, the last step is to plan your savings money so that you are able to track and manage your seasonal expenses.

Planning how to spend your saved money, just as you do your pay cheques, will allow you to have the money you need when you need it. This will help you avoid the stress of debt and give you the freedom to make choices.

Step 7: Look Ahead

Getting on track with a budget can take a month or two. You've lived all this time without a spending plan, so give yourself time to adjust. Don't be afraid to ask for help if things aren't falling into place.

Any good plan must involve monitoring, periodic review, and occasional re-evaluation. A spending plan is no different. Circumstances may change, mistakes can be made, and your needs will vary at different times in your life.

When you first build your spending plan, you are going to need more time to monitor it to ensure that it is based on realistic information. It will take a month to start falling into place.

However, if it isn't working yet, ask yourself a few questions:

- Did I calculate my income correctly?
- Are my expense figures accurate?
- Is everyone's income and expenses accounted for?
- Is my plan based on actual numbers or what I hope I can earn or spend?
- Did I give it a fair chance?
- Do I need professional advice?

For the first year, you will need to review your plan monthly. If it is working, during the second year you can review it every 3 – 4 months. After that, you will need to review it annually. However, if there are any major changes in your financial life, you will need to re-evaluate your plan and possibly change it. Similarly, large purchases or expenses may mean that you will need to cut back somewhere else so that everything fits again. Having a plan with a solid foundation will allow you to come out ahead, rather than in debt.

Best Budgeting Apps and Personal Finance Apps

Here's a quick summary of some of the best apps you should consider today:

- Best free budgeting apps: Mint, KOHO, and Wally
- Best paid budgeting apps: YNAB, Good Budget, and Spendee
- Best money saving apps: Drop, Tangerine, Caddle, and Checkout 51
- Best apps for saving and investing your spare change: Moka and Wealthsimple Roundup

Your Next Steps

- Create a budget and track your expenses.
- Create a plan for irregular expenses.
- Create an emergency fund or plan to save money.
- Track and check how you're doing.
- Have fun! It's empowering to be in control of your money.

Credit

Credit can afford us opportunities that may not be available to us otherwise. If you would like to book a flight somewhere on-line, you usually need a credit card. However, in order to avoid burdensome and expensive debt, you need to plan how you will use credit responsibly within what your budget allows. Some things to keep in mind to protect your credit rating as well as your financial plan:

- Only apply for credit that you need. One, maybe two credit cards, with very reasonable limits based on your income, are all you should need. Pay them off in full every month.
- Keep all credit card balances well below the limits on all of your cards at all times.
- Reduce your monthly debt payments (excluding mortgage payments) to no more than 15% – 20% of your take-home pay. This will allow you to manage unforeseen financial challenges effectively.
- Keep credit limits reasonable – if you used or charged them all to the limit, you should be able to pay the full balance off within a year and leave it paid off.
- Pay more than the minimum payment due each month on a credit card and work on bringing the balance owing down. Limit your use of the card until it is paid in full.

Types of Credit

There is a wide range of credit available today, with different features, fees and rewards. The basic types of credit are:

TYPE OF CREDIT	INTEREST RATE	BASIC FEATURES
Line of Credit	Generally, the lowest interest rate	• Flexible – can withdraw or make a payment anytime • Good credit rating needed and there is a credit limit
Bank Loan	Slightly higher interest rate than a Line of Credit	• Usually for a specific purchase • Money paid to you all at once • Fixed payment amount • Good credit rating needed
Credit Card	Range 9-30%	• Flexible – can make purchases anytime but has a credit limit • Minimum payment required • Interest accumulates on outstanding balance • No cost if paid in full each month
Pay Day Loan	Up to 500%	• Short term lending available • Borrow up to 50% of your pay cheque • High fees, service charges, and Interest charges

How to Establish & Get Credit in Canada

If you're applying for credit for the first time, you might find it hard to get a credit card or loan. This is because you don't yet have a credit history: a record of how you've managed your debts. Without this information, it's tough for lenders to trust you with their money.

5 Ways to Establish Credit or Get a Credit Card

So how can you get a good credit history and credit score if it seems like no one wants to lend you money? Fortunately, there are some options available.

Here are 5 things you can do to start on the path towards a strong credit rating:

1. Retail Credit Cards

To attract customers, many stores offer their own credit cards. They are not only easier to get than cards from banks, but also usually have discounts and bonuses on shopping. However, they also tend to have high interest rates, low credit limits, and restrictions such as not being able to use them outside the stores. If you decide to apply for one of these cards as part of a financing offer, be careful of pressures to overspend.

2. Student Cards

If you attend a college or university, you have the option of getting a student credit card. These will often have special perks such as no annual fee or a limited credit check because they know students are often applying for credit for the first time. While they tend to have low credit limits, you don't need a high limit to build a good credit rating. Make sure you know what happens to the card when you graduate!

3. Cell Phone on Contract

You don't need a credit card to build credit. Signing up for a cell phone on contract is one of the fastest ways to build a credit rating – but it's an even faster way to destroy your credit score if you don't make all of your payments on time and in full every single month. Only get a phone plan that you can afford and budget carefully for your payments.

4. Secured Credit Cards

A secured credit card is one of the best ways to build credit or even fix a bad credit score. After paying a deposit equal to your credit limit, you can use it like a normal credit card. The difference is that if you can't pay back your balance, the lender will keep your deposit and cancel your card. The lower risk for creditors makes secured cards easier to get, but some do come with fees and stipulations you might not see with unrestricted accounts. Plan to have the secured card for at least a year – and be very sure to make all of your payments on time. It's also best if you don't keep a balance owing that is higher than about 50% of the limit on the card. Once you've improved your credit score you can apply for a traditional credit card elsewhere, or the lender you're currently with might offer to switch you over to one of their unsecured cards as well.

5. Co-signed Cards & Loans

You might not have a credit history, but you probably know someone who does. A co-signer will let you get a credit card or loan that you normally wouldn't qualify for, giving you a chance to build credit. However, the co-signer is 100% responsible for any debt that you can't pay back. Protect your relationships by only getting a co-signer when you're confident they won't regret it.

12 Tips to Use a Credit Card but Not End Up in Debt

Credit cards are convenient, let you accumulate reward points for trips or merchandise, and even help you avoid service charges in your bank account because you don't debit or withdraw cash as often.

When your bank account is running near empty, paying for items you need or want with credit can cause a lot of problems. Here are 12 tips to use a credit card but not end up in debt:

1. Save Up for Purchases

Many people run into trouble with credit cards because they spend more than they can afford to spend. Help yourself avoid this trap by saving up for purchases. Before buying anything with a credit card, make sure you can pay for it with cash on the spot. That way you'll get the benefits of using the card without the risks of not being able to make the full payment on it.

The trick is to make sure that the money you've set aside for each credit card purchase doesn't get spent on anything else. One way to do this is to open a savings account dedicated to this purpose. Call it your "credit card payment" account to help you organize your money and resist temptation.

2. Prepay Your Credit Card with Every Pay Cheque

Using a credit card to help you stick to your budget, make payments to your card whenever you get paid. This works best when you already have a good idea of how much you spend each month on anticipated expenses.

Making payments whenever you're paid will help make sure that you don't spend the money on something else in error. You'll follow through with your budget, build a positive credit rating, and only have a very small bill to pay (or none at all) if you stick with your plan. This only works well, however, if you pay your card in full every month.

3. Use Your Credit Card for Only One Type of Expense

Using a credit card on an ongoing basis helps build or re-build your credit rating. But nothing says that you must use it a lot. When you don't want to end up in over your head, use your credit card for only one type of purchase. Choose an expense that has an automatic limit for your spending (gas for your car or your monthly transit pass). Avoid costs that can vary a lot from one month to the next,

like cell phone bills or eating out. And if you don't trust yourself to carry your card and not use it, tip #11 might be just what you need.

4. Keep the Limit Low

Request a low limit, or if your limit is currently higher than you're comfortable with, call the credit card company to lower the limit. Stick to your guns and lower your limit to something reasonable.

You don't need high credit limits or numerous cards to build a positive credit rating, and should you become the victim of fraud, a lower limit means a thief can do less damage.

5. Be Accountable

Sometimes, getting the support of friends or family to stick to your goals is just what you need. Talk about the financial goals you've set, what you're doing to achieve them, and ask one or two people you're close to if they'd help hold you accountable. While they can't give you expert financial advice, they can give you the moral support to go get it if you need it.

6. Put the Card Away If You Can't Pay It Off Each Month

7. Sometimes things happen and plans don't go as expected. That's okay, but it's important to take steps to get back on track. If a month comes when you can't pay off your credit card bill in full, put it away and don't use it again until it's all paid off. Locking it away in a safe place in your home or in a safety deposit box will make it harder to use. If needed, you could also cut it up and call for a replacement when you're ready. However, don't try this more than once or twice – the credit card company will wonder if you're up to no good!

8. If You Can't Pay in Full, Pay Double the Minimum

Making only minimum payments will keep you in debt for years. In fact, if you look closely at the notes at the very bottom of your credit card statement, it tells you how long it will take you to pay off your credit card if you only make minimum payments. If you can't pay the full balance every month, pay at least double the minimum required payment. Then also stop using the card and you'll see your balance disappearing rather than sticking around forever.

9. Only Have One Credit Card

Most people don't really need more than one credit card. If you want to collect worthwhile reward points from a specific retailer or if you travel and need a backup card just in case, then you might want a second card. However, if you have any trouble at all with credit card debt, then more cards will multiply those problems.

10. Don't Use Credit to Pay for Credit

Many people use their line of credit, which has a much lower interest rate, to make their credit card payment each month. Or they may apply for a credit card with a low promotional interest rate and do a balance transfer to pay off their higher interest card. While this might reduce how much interest they pay initially, it opens the door to getting deeper into debt with more available credit.

Regardless how you pay your bills, get help if you're not able to pay your account off within a few months or find that you're using it to pay for regular living expenses.

11. Make Sure Your “Rewards” Are Worth It

Credit card reward programs might seem like a sweet bonus, but keep in mind that they also entice you to spend. The trick is to take advantage of rewards and loyalty programs without letting them influence your purchasing decisions.

Be aware of the terms and conditions of your card holder agreements, as well as how the reward programs work.

12. Build Credit Without Going into Debt

Using a credit card responsibly is a great way to build credit. If you're worried that you'll overspend, don't use the card for shopping. Instead, set up one pre-authorized charge for a set amount each month, such as a gym membership, and then lock the card up. You'll still build a positive credit rating because the account is being used, and you'll know that it fits your budget because you've planned for that expense.

13. Co-signed Cards & Loans

You might not have a credit history, but you probably know someone who does. A co-signer will let you get a credit card or loan that you normally wouldn't qualify for, giving you a chance to build credit. However, the co-signer is 100% responsible for any debt that you can't pay back. Protect your relationships by only getting a co-signer when you're confident they won't regret it.

Building Credit and Good Habits

After all the work you put in to meet the qualifications for your first credit card, you might feel disappointed when you get one with a low credit limit or other terms and conditions that feel restrictive. Think of it instead as a chance to prove yourself. If you pay your balances on time, then you're showing lenders that they can trust you with their money. You're also showing yourself that you can use your credit responsibly.

To establish a satisfactory credit score, you usually only need to have one card or loan for about a year. Don't worry about your credit limit. What matters most is that you make your payments on time every month without fail and don't overuse it. If you show that you can be responsible with the credit you've been granted, then within a year or so, your credit score may be high enough to qualify for a better credit card or a car loan. But keep in mind that credit scores change often. Those you borrow money from will report how you use your credit every month. So, once you've gotten the credit rating you want, you then need to keep it strong. There's a lot in it for you if you have a good credit rating!

There is a free on-line website that helps you understand where your credit score is at on a monthly basis, all you need to do is sign up. It is called Credit Karma and it can be found here: <https://www.creditkarma.ca/>.

How Much Debt is Too Much?

Guidelines for Managing Debt

How much debt is too much in Canada? Here are three ways to tell if you're close to being maxed out or to being turned down the next time you want to borrow:

What the Banks Say is Too Much

Here is how the bank looks at your debt: when you add up all of your monthly debt payments along with heating and taxes for your house, this number should not exceed 40% of your income. So, when you add up your monthly credit card payments (if you don't pay them off in full each month), line of credit payment, car payment, mortgage payment and payments for heat and taxes, the total of all of these payments should not

exceed 40% of your monthly income (before taxes). Lenders call this your Total Debt Servicing Ratio (TDSR). If your TDSR is 40% or greater, they will not lend you any more money (there are some very small exceptions to this rule that aren't worth mentioning here. Your banker will consider using them if they apply to your situation).

The best idea is to borrow according to what your budget says you can afford rather than what the bank will permit.

What Your Budget Says is Too Much

When you put together your personal budget, you can figure out the minimum amount of money that you need to live a lifestyle that is acceptable to you. When you do this, you can then see what the maximum amount of debt is that you can afford to make payments on. Figuring this out for yourself is one of the smartest things you can do for your finances. Once you do this, when your banker, mortgage broker or credit card company offers you more money, you can politely decline their offer because you know that you cannot afford more debt without making some sacrifices.

Banks and credit card companies will often offer you bigger loans and higher credit limits if you meet their lending criteria, but they don't know your budget. They don't know that lending you just a little more money may begin to make life difficult for you. Creating a budget tells you what you can afford. Make the smart choice and put together a budget if you haven't already. You can [click here](#) to learn how to make a budget.

The Simplest Way to See if You Have Too Much Debt

If you are wondering if you have too much debt, you probably do. However, the easiest way to figure out if you have too much debt is if more than half of your income goes to paying your debts. If this is true for you, then you are quite possibly in over your head, and you need to do something about this quickly.

What is a Consumer Proposal?

If a person has an unmanageable debt load, consumer proposals may be considered. With a consumer proposal, a bankruptcy trustee sets up an agreement between you and your creditors for repayment of part of, or all of what you owe. It also works in the creditors favour because often, they get back more money than they would have if you filed for bankruptcy.

Consumer proposals negatively impact your credit report, and a note remains on your credit report for three years, which can impact your ability to get a loan during that time. However, they are more desirable to bankruptcy as they demonstrate that you are trying to manage your debts and meet your responsibilities.

Savings and Planning

Importance of Saving for New Homeowners

Congratulations on becoming a future homeowner! As you embark on this exciting journey, it's essential to recognize the significance of saving, particularly in the context of homeownership. Establishing a robust savings plan not only safeguards you against unexpected expenses but also lays the foundation for long-term financial security.

Here's why saving, especially for emergencies, is crucial for new homeowners, along with practical tips for gradually building your savings:

Building an Emergency Savings Account

Financial Protection: Homeownership brings a range of new responsibilities, including maintenance, repairs, and unexpected emergencies such as appliance breakdowns or structural issues. An emergency savings account acts as a financial safety net, providing you with the resources to address these unforeseen expenses without derailing your budget or resorting to high-interest debt.

Peace of Mind: Knowing that you have a dedicated fund set aside for emergencies can alleviate stress and uncertainty. It offers peace of mind, allowing you to focus on enjoying your new home without worrying about potential financial setbacks.

Preventing Debt Accumulation: Without adequate savings, unexpected home-related expenses may force you to rely on credit cards or loans, leading to debt accumulation and potential financial strain in the future. By prioritizing emergency savings, you can mitigate the need for borrowing and avoid high-interest debt.

Starting Small and Gradually Increasing Savings

Set Realistic Goals: Begin by establishing achievable savings goals based on your current financial situation and expenses. Start with a modest target that you can comfortably contribute to each month, and gradually increase this amount as your income and financial stability improve.

Automate Savings: Take advantage of automation tools offered by your bank or financial institution to streamline the savings process. Set up automatic transfers from your checking account to your savings account on a recurring basis, ensuring consistent contributions without the need for manual intervention.

Track Expenses and Cut Costs: Conduct a thorough review of your monthly expenses to identify areas where you can reduce discretionary spending. Redirect the money saved towards your emergency savings account, prioritizing financial security over non-essential purchases.

Allocate Windfalls Wisely: Utilize unexpected windfalls, such as tax refunds or work bonuses, as opportunities to boost your emergency savings. Rather than splurging on discretionary expenses, allocate a portion of these funds towards strengthening your financial cushion.

In conclusion, saving is a fundamental aspect of responsible homeownership, providing essential financial protection and stability in the face of unforeseen challenges. By prioritizing the establishment of an emergency savings account and adopting a gradual approach to saving, you can safeguard your home and your financial future. Remember, every dollar saved brings you one step closer to greater financial resilience and peace of mind as a new homeowner.

RESP

A Registered Education Savings Plan (RESP) is a savings plan for post-secondary education. They can be opened by parents, grandparents or guardians who then make contributions on behalf of a child or children. These people are referred to as the “subscribers”. In return for contributing to a RESP, the Federal Government will pay an annual grant of up to \$500 per year per beneficiary into the RESP.

Some families qualify for the Canada Learning Bond which is an additional amount that the Government adds to a RESP for children from low-income families. No contributions are required to qualify for this bond as it's based on the subscriber's income. These grant applications should be part of the process of opening your RESP.

Contact your financial institution for more information about what is required to open an RESP.

TFSA

A TFSA is a savings account. It can hold cash or investments like term deposits, mutual funds, stocks, or bonds. Since 2009, the Tax-Free Savings Account (TFSA) has been available to Canadian residents aged 18 or over.

The TFSA is intended to help people save money and plan for future expenses. Money contributed to a TFSA comes from “after-tax” dollars, so funds are not subject to tax when withdrawn from the account.

A TFSA allows taxpayers to invest money in an account without being taxed on earnings within the account. There is a lifetime limit to the amount that can be contributed to a TFSA, however, that amount has been increased every year since 2008 when they were first introduced. Any funds that are withdrawn from the TFSA can be re-contributed to it after the end of that calendar year.

A TFSA can be used for short term savings goals like a car purchase or longer-term goals like saving for a house.

RRSP

A Registered Retirement Savings Plan (RRSP) is a government approved plan through which money can be saved for retirement years. Like a TFSA, an RRSP is a savings account that can hold cash or various investment instruments. Contributions, within limits, are tax deductible, and the income earned is tax sheltered.

RRSPs are meant for longer term savings, such as retirement. The idea is that funds are contributed to an RRSP during the “high earning” phase of life and then withdrawn during retirement when typically, people are in a lower tax bracket. At the end of the calendar year when the account holder turns 71, the RRSP holder either must withdraw all the funds or convert the RRSP to a Registered Retirement Income Fund (RRIF) and begin to withdraw a minimum amount every year. No more contributions are allowed after this point.

Most withdrawals from an RRSP have tax withheld at the time of the withdrawal and then the income must be claimed on that year’s tax return. There are instances where funds can be withdrawn from an RRSP without withholding tax. Withdrawals for purchasing a home (Home Buyers Plan) or for educational purposes (Lifelong Learning Plan) are two of those instances.

The Home Buyers Plan allows each eligible RRSP holder to withdraw, without immediate taxation, up to \$25,000 (of the funds previously contributed) to be used as part of a down payment for a qualifying residence. Income tax will not be paid on any portion of the withdrawal as long as the funds are repaid to an RRSP over a 15-year repayment period. The full amount can be repaid at any time, or a set amount stretched out over the 15 years, starting the second year after the withdrawal.

The Lifelong Learning Plan gives individual RRSP holders the option of withdrawing up to \$10,000 per year from their accumulated RRSP contributions for the purpose of full-time training or higher education of at least three months duration for the individual or the individual’s spouse. Repayment is required over a ten-year period starting in the year following the last year of full-time enrollment. No tax is withheld at the time of the withdrawal.

It can be difficult to decide if a TFSA or an RRSP is right for you. Make an appointment with your financial institution or an investment advisor for advice.

The Importance of Consulting a Financial Planner for New Homeowners

Navigating the financial landscape of homeownership can be complex, especially for first-time homebuyers. Seeking guidance from a qualified financial planner or advisor can provide invaluable insights and support in managing your finances effectively.

Here's why it's essential to consult with a financial professional as a new homeowner and what areas they may review with you:

Importance of Consulting a Financial Planner

Personalized Financial Guidance: A financial planner can offer personalized advice tailored to your unique financial situation, goals, and priorities. Whether you're managing mortgage payments, or planning for future expenses, a professional advisor can help you develop a comprehensive financial strategy aligned with your objectives.

Maximizing Financial Opportunities: Financial planners possess expertise in various aspects of personal finance, including investment strategies, tax planning, and retirement planning. By leveraging their knowledge and experience, you can optimize your financial decisions and capitalize on opportunities to enhance your financial well-being over the long term.

Risk Management and Protection: Owning a home introduces new financial risks, such as property damage, liability concerns, and potential loss of income. A financial planner can assess your risk exposure and recommend appropriate insurance coverage to safeguard your home and assets against unforeseen events, providing you with greater peace of mind.

Long-Term Financial Planning: Beyond immediate homeownership considerations, a financial planner can assist you in developing a comprehensive long-term financial plan. This may include retirement planning, education funding for children, estate planning, and wealth preservation strategies, ensuring that you're well-prepared for future milestones and financial obligations.

Areas Financial Planners May Review

Budgeting and Cash Flow Management: A financial planner can review your income, expenses, and cash flow to help you establish a realistic budget that accommodates your mortgage payments, household expenses, and savings goals while maintaining financial stability.

Debt Management: If you have existing debts or loans, a financial planner can evaluate your debt situation and recommend strategies for managing and reducing debt effectively. This may involve prioritizing debt repayment and consolidating high-interest debts.

Investment Planning: Assessing your investment goals, risk tolerance, and time horizon, a financial planner can design an investment portfolio aligned with your objectives. They can provide guidance on asset allocation, investment selection, and portfolio diversification to help you build wealth and achieve your financial goals.

Tax Planning: Minimizing tax liabilities is essential for maximizing your financial resources as a homeowner. A financial planner can review your tax situation, identify potential tax-saving opportunities, and implement tax-efficient strategies to optimize your tax outcomes.

Estate Planning: As a homeowner, it's essential to plan for the orderly transfer of your assets and protect your loved ones' financial future. A financial planner can assist you in creating an estate plan that includes wills, trusts, powers of attorney, and other essential documents to ensure your wishes are fulfilled and your legacy is preserved.

In summary, consulting with a financial planner is a prudent step for new homeowners seeking to navigate the complexities of homeownership and achieve their financial goals. By leveraging their expertise and guidance, you can make informed financial decisions, mitigate risks, and build a solid foundation for long-term financial success and security.

Insurance

Habitat Saskatchewan requires all Habitat partner families to get their property insured before we will sign the mortgage with you. You will make sure that your property is insured for your move-in date.

This is also a legal obligation for the homeowner to abide by every year. This means that the Habitat homeowner is required to have home or condo insurance in place every year, and they are also required to give Habitat a copy every year.

You are required to list Habitat Saskatchewan on your insurance policy as the "Mortgagee" so that we will get notified if your insurance gets cancelled.

Why is Home Insurance Important?

- Your home is one of your most valuable possessions.
- It is an investment that protects your home and family comforts.
- It is a clause in your mortgage with Habitat Saskatchewan.
- Not having valid insurance will put you in default and could lead to foreclosure.
- Without insurance, it is unlikely that you'd be able to afford to repair any damage that should occur if a fire or flood happened.

There are many different reasons why Home Insurance is an important part of being a responsible homeowner. Besides that, having valid home insurance is a requirement of your mortgage with Habitat Saskatchewan. You will need to send Habitat your renewed insurance policy every time it is renewed. Failure to do so could lead to defaulting on your mortgage which ultimately could lead to foreclosure.

What is Home Insurance?

Property insurance protects you in the event that your premises and its contents are damaged. It also covers you personally in case someone is injured in your home, or on your property, and you're deemed liable.

Property insurance works just like other kinds of insurance. You pay premiums to the insurance company in exchange for coverage. Property insurance covers you up to specified amounts for the following:

- **Damage, destruction, or loss of personal property** There are a number of different ways your home could be damaged or destroyed. Common risks that insurance protects against include fire, windstorms, falling objects, vandalism, lightning, explosions, water damage, impact by aircraft or land vehicles, and smoke. A home can also suffer a loss of value due to theft, which is also covered by insurance.
- **Liability coverage** This aspect of your policy protects you in the event that someone is injured on your property, and you're held legally responsible. An example of this would be if a visitor slipped on your stairs and broke a leg and sued you as a result. It also covers instances where your negligence

damages someone else's property. For example, if you live in a duplex and cause a fire that affects your neighbour's unit, your insurance protects you.

What is Condo Insurance?

Condo insurance is coverage that can be invaluable if you're a condo owner facing unexpected expenses. The insurance provided by your condo corporation (condo association) will only cover the main structure from the walls outward and common areas outside of your unit, but some items are considered your responsibility.

When it comes to things like unit improvements, loss assessments, and belongings, your building's coverage would not apply. Having condo insurance allows you to cover important stuff inside your actual unit (from the walls into your unit). You will need to work with an insurance provider to determine an appropriate coverage required based off of a number of factors.

Terms Worth Knowing

Here's a helpful guide to terms that are worth knowing when dealing with condo insurance:

- **All-Risk coverage** is for your belongings in your unit along with improvements and betterments made to your unit. This coverage protects you against losses from all risks (or perils), unless specifically excluded from your policy. (For example, if your upstairs neighbour's pipes burst and flood your living room, your insurance will cover the damage.)
- **Personal Liability coverage** protects you financially if someone is unintentionally injured or has their property damaged at your residence and sues you for damages to repair that harm. (For example, if someone has a slip-and-fall in your unit, breaks their leg, and now cannot work for a period of time.)
- **Replacement Cost** means that in the event of a claim, items would be repaired to their original condition or replaced with new items of like kind and quality with no deduction for depreciation. (For example, if your couch is ruined when your neighbour's pipes burst, you will get a new couch.)
- **Additional Living Expenses Coverage** will help you pay for additional costs that are both necessary and reasonable in a situation where you are forced to leave your home following a covered loss. (For example, hotel and food costs.)

There are a lot of terms that are used in insurance that you might not be familiar with. Don't worry, contact an insurance provider like Harvard Western Insurance to book a meeting to discuss further.

Why is Loss Assessment coverage important?

Loss Assessment coverage is an important feature of condo insurance because you share in the responsibility with the other condo owners for the condominium building and common areas. That means that if there is a special assessment (an added fee that is on top of your monthly condo fees) levied on your condominium building, all the condo owners must split the cost of the assessment.

The Difference Between Home Insurance and Condo Insurance

Home Insurance

Home insurance may help protect your home and its contents in case of theft, loss or damage to the inside and outside of your home or property. It may also help you to cover additional living expenses if you're temporarily unable to live in your home. These additional living expenses may include living in a hotel or renting a home.

Home insurance may cover:

- Damage or loss to your home.
- Damage, theft or loss of your personal possessions.
- Personal property stolen from your vehicle.

- Damage or injury to others who visit your home or property.
- Accidental damage you cause to somebody else's property.

Insurance companies may refer to home insurance as property and casualty insurance. Property and casualty insurance also includes car insurance, business insurance and disaster insurance.

Examples of when home insurance may protect you:

Home insurance may protect you in the following situations -

- Someone slips and falls in your driveway and makes a claim against you for the expenses incurred because of damage or loss caused by injury.
- A fire starts in your house and causes damage to your home and your neighbour's home.

Condominium Insurance

Condominium coverage is different from home insurance because it covers damage or loss for the inside of your unit and storage locker. It also covers personal liability claims in case someone is injured in your home. The condominium corporation will have a master insurance policy that covers the outside structure of the building and its common areas.

Condominium insurance may cover:

- Damage to the inside structure of your unit.
- Damage to, or loss of, your belongings.
- Damage to improvements you, or the previous owners, made to the unit.
- Damage to other units or the condominium common areas if they are caused by an accident that happens in your condo.
- Additional living expenses, up to a certain amount, if you're temporarily unable to live in your condominium because of a loss covered by your policy.

What is an Insurance Policy?

An insurance policy is a contract between the insurer and the policyholder, which determines the claims which the insurer is legally required to pay. In exchange for an initial payment known as the premium, the insurer promises to pay for loss caused by perils covered under the policy language.

Personal Property

Not only can Home Insurance cover damages and loss to the structure of your home, but it can also help with the cost of any personal property damage or destroyed. Personal property loss can be covered by your policy up to the amount negotiated by your insurance provider. To make sure your insurance policy covers the amount needed to replace all your items, it is important to keep track of your belongings on a household inventory checklist to ensure everything is accounted for.

Important Terms



Indemnity Cover – Security or protection against a loss or other financial burden.



Contract – an agreement between two or more parties: the homeowner and the insurance company.



Purpose of Insurance – to put you in the same position you were in before the loss.



Deductible – a specified amount of money that the insured must pay before an insurance company will pay a claim.

Other Types of Insurance

1. **Life insurance** - Takes care of your debts, final expenses and of course, your loved ones, when you are no longer around to do so.
2. **Disability insurance** - Replaces your income when you are unable to work due to injury or illness, allowing you to continue paying your bills!
3. **Critical Illness Insurance** - Provides a financial cushion when you receive a diagnosis of an illness. This level of protection gives you the freedom to deal with additional medical costs, while leaving your assets intact.
4. **Mortgage Loan Insurance** - Mortgage insurance is an insurance policy which compensates lenders or investors in mortgage-backed securities for losses due to the default of a mortgage loan. Mortgage insurance can be either public or private depending upon the insurer. Ultimately it can protect you if you die and have the outstanding balance still owing.

Insurance Providers

Habitat Saskatchewan does not dictate where you get your home or condo insurance from, and we do not control the rates. Therefore, it is up to you to shop around for the insurance provider you want to work with that might be able to give you the best rates.

Here are a few well know companies below that you could contact:

1. Harvard Western Insurance
2. The Cooperators
3. Henderson Insurance
4. HUB international

Getting an Online Quote

Go to this website to compare Saskatchewan home insurance rates/quotes:

<https://www.ratehub.ca/insurance/home/saskatchewan>

Wills and Estate Planning

A will is a legal document that says how you want your estate to be divided once you die. Your estate includes what you own (called assets) and what you owe (called liabilities). A will also allows you to state a preference for the guardian of your minor children and appoint someone to administer your estate.

If you die without a will, your property will be distributed by a court-appointed administrator according to statutory rules for "intestate succession." Your property will be divided among your surviving spouse, children, and possibly other relatives in whatever manner the law of your jurisdiction specifies. You will not have a chance to give property to non-relatives or to exclude relatives. Additionally, if you have no relatives, your property will go to the state rather than to a friend or charity of your choice.

Executor Responsibilities

Wills usually name an executor, or an administrator, who is responsible for carrying out the instructions in the will. The executor or administrator can be one person or several people. Administering an estate can be time-consuming and stressful. Choose someone you trust, who will be able to handle your financial matters wisely. Your executor can be a beneficiary in your will.

What is a Power of Attorney?

A power of attorney is a legal document that gives one or more persons the authority to make financial, property, and real estate decisions on your behalf. The person you assign powers to is called your attorney; they may also be referred to as your attorney-in-fact, representative, or agent.

An ordinary power of attorney is valid while you are determined to be mentally capable. An enduring power of attorney is active if you are ever incapacitated and unable to manage your own affairs.

Power of attorney can be given to a spouse, family member, a friend, a professional such as a lawyer or accountant, or any other capable adult. A power of attorney for financial matters provides your chosen agent with the power and authority to deal with your property and make financial decisions for you only while you are alive. A power of attorney automatically ends on your death. Consequently, you need a Will to specify how you want your estate distributed upon your death.

When There's No Will or Executor

If no will was left, certain individuals are eligible to apply for a grant of administration in order to handle the estate. If successful, the person who is named as administrator is legally able to distribute the estate. If you have not appointed a guardian for minor children, the courts will decide who will look after your children if no other person having parental rights survives you.

Making your Will

It's a good idea to make a will, even if you're not sick or have financial barriers to seeking legal advice.

There are three ways to make a will:

- 1. Do-it-Yourself Will Kit**

The advantage is this approach is free. You can make your own will and legally, as long as the document states that it is your Last Will and Testament and is signed in the presence of two adult witnesses, then it is an acceptable will. However, this approach can result in someone missing considering different scenarios that could arise or missing listing all of their assets.

- 2. Online Service**

There are numerous online services that will guide you through making your will. They will prompt you with questions to help you complete your will. Then, you can have it signed by two adult witnesses.

- 3. Use a lawyer or notary service**

This is the most thorough approach as you will have legal advice and peace of mind that your will is comprehensive. This choice comes with a financial cost.

Budget Worksheet

Budget Worksheet INCOME	INITIAL	REVISED
Wages / pension		
Second income		
Commission / tips		
Child tax benefits		
Support payments		
Other		
TOTAL INCOME		
HOUSING EXPENSES		
First mortgage		
Second mortgage		
Rent		
Property taxes *		
Condo fee		
House insurance		
Hydro		
Gas		
Alternate heating source		
Water / sewer / garbage *		
Phone (incl. long distance)		
Cell phone(s)		
Cable		

Internet		
Storage locker		
Home security		
Repairs / maintenance *		
Household items (e.g. décor, gardening supplies) *		
Other		
LIVING EXPENSES		
Groceries		
Personal care (e.g. grooming, cosmetics)		
Baby / infant needs (e.g. diapers, formula)		
Laundry / dry cleaning		
Bus / taxi / Uber		
Fuel (vehicle 1 / vehicle 2)		
Vehicle Insurance *		
Parking		
Auto maintenance *		
Auto membership *		
Health expenses		
Provincial medical premiums		
Specialists (e.g., massage, chiropractor, physiotherapy)		
Eye care *		
Prescriptions *		
Dental / orthodontist *		
Over the counter drugs *		

Deductibles / out-of-pocket *		
Other health or medical expenses		
Insurance		
Life insurance		
Disability		
Extended health		
Other (e.g. critical illness, payment protection)		
TOTAL EXPENSES		

Pay Cheque Planning Worksheet

Here is the information you need to understand how the Pay Cheque Planning Worksheet is used.

- In the budget column, record what you need to spend. Money that you set aside in a savings account is an expense that you deduct from your income.
- Note your pay dates across the top.
- If you have money in your bank account that you need for this month's expenses, note that as income for this month as well. Don't forget to subtract any cheques you have written that have not cleared your account yet.
- Record your net pay cheque amount for each pay date. List any other income you receive during the month in the week you will receive it.
- Decide when the expenses from your budget column will be paid. This will depend on your pay dates. Start with expenses that are due on specific dates, e.g. rent, hydro or car insurance. Try to balance the expenses evenly throughout the month.
- Total your income from each pay period and if there is any left over, add it to your savings account. If you are short, re-examine your expenses to see what you are able to reduce or evaluate if you are able to increase your income.

Pay Cheque Planning Worksheet

FOR THE MONTH OF:	BUDGETED AMOUNT	WEEK1	WEEK2	WEEK3	WEEK4	WEEK5
Pay dates						
CASH BALANCE IN BANK ACCOUNT (A)						
INCOME						
wages / pension						
second income						
child tax benefits						
support payments						
Other						
TOTAL INCOME (B)						
EXPENSES						
Rent / mortgage / strata fees / property taxes						
Utilities						
Phone / cell phone(s)						
Cable / internet						

Household expenses						
Daycare						
Lunches / coffee breaks						
Other work related expenses						
Groceries						
Transportation (fuel, parking, transit, taxi)						
Vehicle insurance						
Provincial medical premiums						
Health care expenses						
Life insurance						
Clothing						
Tobacco / alcohol						
Recreation						
Eating out						
Entertainment						
Personal spending						
Children's lessons / activities						
Other living expenses						
Savings for seasonal expenses						
Loan & debt payments						
Other savings						
TOTAL EXPENSES (C)						
CLOSING BALANCE (A + B - C)						