

Little things COUNT



Small savings can quickly add up, while small purchases can pave path to financial woe

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With a new decade upon us, many resolutions will be made to better ourselves in 2010.

While some of those resolutions will likely be made right after waking from the events of New Year's Eve, financial experts say resolving to make a few small changes in your lifestyle could keep your finances healthy — especially as our economy continues to struggle.

Most of the time, those who run into financial difficulty do so because of a lack of discipline, said Alan Kaplan, an associate professor at Ryerson University's Ted Rogers School of Management.

Mr. Kaplan suggested putting yourself on a forced savings plan, through which money is diverted from your paycheque and into sav-

ings or investments.

Also, don't put yourself in a situation where there is temptation to spend by holding several credit cards, for instance.

Mr. Kaplan said people spend beyond their means, especially during holiday periods, for two big reasons: we want to keep up with the Joneses and we want to be nice to other people by purchasing gifts.

"Only spend money you have," Mr. Kaplan urged.

The professor's advice? Recognize your limitations but, if you can't control your spending, seek help through a credit counseling agency, such as Consolidated Credit Counseling Services of Canada (consolidatedcredit.ca).

Still not convinced resolving to better manage your finances in 2010 is worthwhile?

Consider the backdrop of economic turbulence as painted by TD

Financial and the Bank of Canada.

TD Financial Group Economist Grant Bishop said he expects the rate of consumer insolvency — the inability to meet debts and pay bills — to be similar this year to what it was last year.

In November, TD forecasted 150,000 to 155,000 consumer insolvency filings for all of 2009.

The insolvency rate climbed last year as unemployment grew, Mr. Bishop said in an e-mail.

Household debt was singled out as one of the most prominent threats to the Canadian financial system by the Bank of Canada last month.

The good news is, the finances of Canadian households were in better shape, when compared to those in the United States, going into the economic downturn and, as a result, were less vulnerable, said Bank of Canada governor

Mark Carney.

"It is the responsibility of households now to ensure that in the future, when the recovery takes hold and extraordinary measures are unwound, they can still service their debts," Mr. Carney said.

While many people can be cautious not to purchase a \$200 sweater, it's the little things — the coffee, danish, lottery tickets — that add up over time to create financial difficulty, said York University finance professor Moshe A. Milevsky.

For people trying to be careful with their investments, when something is being talked about by friends, neighbours or in the press, it's probably too late to maximize your return, Mr. Milevsky said.

If you're struggling, pay off your high-interest debts, such as credit cards and auto loans, before you even think about investing, he said.

MOVING FORWARD

- ▶ Don't incur overdraft or non-sufficient funds fees;
- ▶ Make a budget and eliminate unnecessary expenses;
- ▶ Pay your bills on time;
- ▶ Find out what your credit score is and;
- ▶ Reassess all of your fixed bills (ie. Is your cellphone plan the best for you?)

Source: Center for Entrepreneurial Literacy



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