



Money coach helps send debt to the sidelines

MARJO JOHNE

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It was the Christmas bills that did it for Cindy McMullen.

In January, 2007, as she was opening the credit card bills that showed, in black and white, just how much money and she and her husband had blown during the holidays, Ms. McMullen decided it was time to do something about the cash crunch that had become a constant part of their lives.

Although she tracked their household expenses closely, Ms. McMullen says she and her husband just couldn't get on top of their debt load, which had climbed to "several tens of thousand of dollars" and included a bank loan, a line of credit and back income taxes.

They had no savings or investments.

"My husband and I both make pretty good money but we never had enough; we were always short," she says. "I could see that we were spending more than we were bringing in, but I was paralyzed by our situation and knew we had to do something to get out of it."

Ms. McMullen, a Vancouver-based government consultant, had read an article in a local paper about a "money coach" named Sheila Walkington. So she picked up the phone and soon after, she and her husband signed up with Ms. Walkington.

Today, Ms. McMullen and her husband are debt-free and have money put away in savings and investments. They've even managed to use up all their allowable RRSP contributions.

"We're in a different world," says Ms. McMullen. "Sheila helped us see the big picture and take control of where our money was going."

Ms. McMullen and her husband are among a growing number of Canadians who are turning to money coaches for help in managing their everyday household finances. Unlike financial planners, money coaches don't sell products such as RRSPs, mutual funds or insurance policies. Instead, they help their clients learn how to budget, pay down debt and save.

While there are no statistics that track this demand, money coaches and personal finance experts say more Canadians are asking for this type of service.

"There's no question about it, our member agencies are seeing an increase in people seeking advice on budgeting and money management," says Patricia White, executive director at Credit Counselling Canada, the Toronto-based national association of not-for-profit credit counselling agencies.

Ms. Walkington says she sees about 20 clients a month – a significant increase from the six clients she started with in 2004. Depending on factors such as marital status and how many in-person meetings a client wants, Ms. Walkington charges a flat fee that ranges between \$1,200 and roughly \$2,250 for a four-meeting package.

Karen Collacutt, a former financial adviser who recently joined Money Coaches Canada Inc. – a network of money coaches launched earlier this year by Ms. Walkington and a business partner – says she receives three to five referrals a week from financial planners and mortgage brokers who feel their clients could improve their day-to-day money management skills.

"More and more, I'm hearing people saying, 'We want to put money into RRSPs and RESPs, but we don't have the cash flow,' even when they've got good income," says Ms. Collacutt. "So what we do as money coaches is really teach people about putting the horse before the cart – learning to manage your money before you invest."

So how, exactly, do money coaches do this?

The first step is usually a consultation where the money coach and potential client feel each other out. Then once both parties decide they want to work together, they set a schedule to meet in person or by phone several times over a period of four to six months.

In general, money coaches start by poring over their client's finances – how much they make and how much they spend on fixed items such as mortgage or rent, variable expenses such as groceries and entertainment, and incidentals such as gifts and the unexpected parking ticket.

As a next step, they look at the clients' goals. Ms. McMullen and her husband, for example, wanted to pay off their debts, save money and travel.

Then comes the fun part: figuring out how to allocate the clients' income among the expenses and goals. Fixed items generally can't be adjusted but expenses such as groceries, clothes and entertainment can usually be tweaked to fit a budget.

Saving is also an important part of most money coaches' plans.

To carry out their plans, money coaches use systems that involve envelopes, jars or, in the case of Ms. Walkington and Ms. Collacutt, multiple bank accounts.

For Ms. McMullen and her husband, Ms. Walkington set up a series of no-fee chequing and savings accounts with ING Direct Canada. Each account was designated to cover a certain expense or group of expenses: mortgage, car repair, dental bills, travel, even veterinary expenses.

Whenever their paycheques came in, Ms. McMullen and her husband transferred specific amounts into the various accounts. For example, one paycheque might go toward the mortgage and car repairs account while another would be divided up between the dental, travel and vet accounts.

"What Sheila did was help us take our annual expenses and equalize them into 12 monthly expenses," explains Ms. McMullen. "So even if we didn't have a vet bill or dental bill that month, we still put money into those accounts."

Ms. Walkington says her approach helps her clients take control of their money by planning their spending and saving well in advance, putting money aside for goals and anticipated expenses, and then learning to live on whatever monies they actually had in their bank accounts.

"So if you've allocated \$600 a month for groceries and you've still got a week to go but only \$80 left because you splurged on gourmet ingredients, then you have to make do with that \$80," says Ms. Walkington. "Or you can decide that you'd like to spend more on groceries but that means you need to reduce what you can spend on entertainment and you don't go to the movies this weekend."

Many Credit Counselling Canada member agencies also offer money coaching services, free of charge. And anyone can avail of these services, not just people who are coming in for credit or bankruptcy counselling.

"Money is a tool and a money coach can help you use that tool to make your life comfortable, if not better," says Ms. McMullen. "For me, signing up with Sheila was the best decision I ever made."