Being frugal makes you happy in unexpected ways, couple says

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Gillian Lemermeyer and her husband, Craig Elliott, have never been lavish spenders, but the Edmonton couple had to start watching their money more closely two years ago, when she went back to school to pursue her PhD in nursing and scaled back her work hours to less than half-time. With the goal of getting by with less – in addition to saving for their two children's education as well as their retirement – they have found themselves adopting a frugal lifestyle.

Mention the word frugal and some extreme examples come up. Take Canadian filmmakers Grant Baldwin and Jen Rustemeyer, who, for six months, lived off food waste and spent just $200 on groceries, or Toronto's Sean Cooper, who took on three jobs and lived like a pauper to pay his off $255,000 mortgage in three years by age 30.

For Ms. Lemermeyer, 48, and Mr. Elliott, 47, living frugally does not mean depriving themselves. It does, however, require some effort. The two started working with a money coach to help get their financial house in order. They've set up a household budget and they stick to it. Mr. Elliott, an avid cook who works for Service Canada, uses a meal-planning app to ensure the family doesn't waste any food. They eat well and take holidays, last year spending time on British Columbia's Salt Spring Island.

"It doesn't feel like we're cutting back," says Ms. Lemermeyer, who grew up on a farm and whose own parents were especially thrifty. "It's more just paying attention to things and planning ahead. Taking control of your budget and living within your means make you think about what kind of life you want to live. It makes you ask the question: What is important?

"We're not making our own hand lotion," she adds. "Our frugality revolves around knowing how much money is coming in and promising each other we're not going to spend more than that."

Living within your means is an approach our grandparents had no choice but to take, that generation getting by before relying on credit became the norm. However, it's a strategy that financial advisers urge people of all ages to embrace.

The numbers show that something has to give: Canada's level of household debt is among the highest in the world, at $1.63 owing for every dollar of annual disposable income. According to the 2016 RBC Financial Independence in Retirement Poll, 31 per cent of Canadians haven't started saving for retirement yet.

The biggest threat to people's long-term financial stability isn't the stock market, says investment adviser Darren Coleman, but it's rather their debit card.

"People don't really anticipate or realize over time the degree to which their cost of living rises," says Mr. Coleman, president of Coleman Wealth and senior vice-president of Raymond James's private client group in Toronto. "That's for a couple of reasons: We don't really track what we spend very well, and inflation in many things is somewhat hidden; when you go to the grocery store, a box may be the same size but there's a little bit less stuff in it, or new improved packaging is taller but a little narrower. Those price increases, we don't notice or don't calculate."

Then there are always new things to spend money on that didn't exist in the past: Netflix and iTunes, for example.

"There are a number of people I meet who are 50 and 60 that think that what they need to be most terrified of is the stock market crashing, but no, your greatest challenge to retirement is the fact that everything will cost more next year," Mr. Coleman says. "Milk will cost twice as much 15 years from now, so what are you doing about that? Everything will be more expensive, and that's relentless."

"In the face of rising lifestyle costs, you need to be aware that the drag you must fight is inflation, the erosion of our purchasing power," he adds. "You can mitigate capital risk, but have you built an investment strategy and a retirement plan that recognize that the primary risk you have is that everything in the household is going to cost more than it did before?"

Mr. Coleman suggests setting up and sticking to a budget – you need to know exactly what your lifestyle is costing you in order to properly prepare for retirement – and avoiding impulse purchases. Once people acknowledge they need to be preparing for inflation and controlling their spending, it changes their investment strategy, he says. Instead of focusing on their monthly account balances, people should concentrate on how much income their portfolio can reasonably generate over time.

The country's current economic climate is another reason frugality is necessary, says Laurie Campbell, chief executive officer of Credit Canada Debt Solutions. Look at Alberta, where so many people were making six-figure salaries in the oil and gas industry only to recently lose their jobs.

"Some of them did not save anything and were not frugal during that period and now they're out of work," Ms. Campbell says. "They have no savings or emergency fund. Had they been frugal during their working years it would have extended their ability to cope through a crisis.

"We see this all the time in our office: People often live in the moment like tomorrow may never come, but tomorrow does come, along with a huge debt load," she says. "We don't have control over so many things, and we're living in a very commercialized society that's consumer-driven. But on a micro level, we can each be our own financial gatekeeper."

Calgary financial adviser and educator Jim Yih has seen frugality become trendy over recent years, a trend he hopes will last.

"I think in this type of economy people are forced to be more frugal, especially here in Alberta where unemployment has gone up," he says. "It's good to learn to live on a tight budget because it forces you to go through the exercise of keeping track of expenses and being more conscious of your spending. Frugality is often looked at as a negative term, but a lot of good things come out of it, no matter how much money you make or what stage of life you're in; it's good to be conscious of your spending habits and patterns."

Being frugal does not mean being cheap, Ms. Campbell says. Living a frugal lifestyle doesn't mean refusing to buy snow tires for winter driving, for instance, or not hiring an electrician to install new lighting when you have no clue what to do with wires. Taking the cheap route can cost you more than you bargained for, a key point in any financial literacy rulebook.

"Frugal to us means making good financial decisions that take into account your needs for today but also your needs for tomorrow," Ms. Campbell says. "We believe leading a frugal lifestyle or a life of voluntary simplicity really pays off over the long run because there's less financial stress and more planning. It doesn't mean denying yourself; it means planning wisely and making thoughtful fiscal decisions."

Setting goals can help people become more thrifty. Ms. Campbell advocates drawing up short-, medium-, and long-term goals, whether it's retiring by 60, paying off your house by 50, or saving money to travel. Having a bigger picture in mind helps people adjust to frugality since they have something to work toward.

That was an exercise that Ms. Lemermeyer and Mr. Elliott went through in working with their money coach. The two say being more aware of their finances and concentrating on needs versus wants has benefited them in ways they never anticipated.

"Our whole mission with this is to keep our family oriented to what's important in the world and in our lives," Ms. Lemermeyer says. "People get into trouble when they buy cars they can't afford and houses they can't afford because there's a stigma about saying, 'I can't afford it.'

"… Being frugal makes you slow down a bit," she adds. "It really makes for a better life."