

Financial tune-up: Tough times and 'foggy money'

We explore budgeting, debt, money-saving tips and financial planning

By Brett Purdy, CBC News Posted: Feb 03, 2015 7:05 AM CT

The holiday season is now far in the rear view mirror. Overspent? Maybe the bills are piling up a bit. Not sure how to afford that hot holiday you had been hoping for? You're not alone.

A CIBC poll released in January revealed that personal finance confidence has dropped dramatically from the year before.

Canadians aged 45-54 were among the least confident this past year — only 58 per cent of those surveyed said they felt confident about their ability to reach their financial goals, which was down from 77 per cent the year before. Among Canadians in the 55-64 age group, confidence dropped from 74 per cent to 61 per cent.

Melanie Buffel, a money coach with Money Coaches Canada, attributes part of Canadians' money issues to what she calls "foggy money."

"People are afraid to take a close look at what's happening with their money. It's not something that they have been taught to do," Buffel said.

"Not really planning for the flow of the year, costs come and go. Summertime can be more expensive, kids go back to school, clothes are needed, and then Christmas time rolls around."

It might be why more of us are turning toward debt to finance our lifestyle. According to 2014 third-quarter numbers from Statistics Canada, the total amount of credit market debt — the debt that includes mortgage loans and consumer debt — hit a record high of 162.6 per cent of disposable income. That means for each and every dollar of disposable income Canadians have, they owe \$1.63.

It's something Sandra Fry sees over and over. A credit counsellor with the Credit Counselling Society in Winnipeg, she saw nearly 500 clients last year.

"One of the problems with credit is it takes away the emotional attachment to money, so you don't see what you are spending," she said. "You just tap and go ... so there is no more that emotion of handing over that \$20."

The non-profit Credit Counselling Society worked with 19,000 clients across Canada last year alone.

Bad choices, expensive times

"It's a combo of everything," said Buffel.

"It is more expensive and it's harder to get ahead than it was 20-30 years ago.

Everything is so much, we have an impulse to spend. Though that is a message that we get from our consumer culture. It's easy to spend more than we make.

"I see a lot of stuff in my clients' lives but they are not really owning any of them, so it's not really making them happy."

Some economists and financial planners agree that people are making different choices with their money, spending money on things that our parents' generations may not have spent money on.

There is also a sentiment that it is also more expensive than it has ever been to live and raise a family compared to other points in time.

The consumer price index (CPI), the benchmark used to measure the price of standard goods, was 54.9 in 1982. In 2013, the CPI had increased 124 per cent to 122.8.

The average house price in Winnipeg in 1982 was \$53,994 and it grew to \$288,486 in 2014, which is an increase of 434 per cent.

The minimum wage went up 168 per cent from \$4 in 1982 to \$10.70 in 2014, while the average Canadian salary went up 165 per cent from \$23,800 in 1982 to \$63,000 in 2013.

A 10 per cent down payment on an average Winnipeg house in 1982 would have cost \$5,400 — if one working for minimum wage, it would have taken 1,350 hours of work (before taxes). In 2014, a 10 per cent down payment for that same house, just over \$28,000, would take someone earning minimum wage almost double the number of hours to save for.

Costs add up

Families seem to be having a hard time getting into homes and affording to start families. They are then having an even harder time balancing the books.

It's something Megan Brook knows well. The mother of four, currently on maternity leave with her newest baby, has spent lots of time with her husband looking at their budget and making decisions that can lead them to financial stability.

"Between cost of living, food, pork and milk, you can see it going up every time you go to the store," she said.

Then there are the extra costs of activities: "The pressure to involve your kids in activities and not let our kids interact with other kids like we did as kids," said Brook. It all adds up.

The family watches food costs and has cut their cable subscription. They recently moved into the city after deciding the hundreds of dollars a month to commute was too expensive and time-consuming, and it wasn't contributing to the quality time they wanted as a family.