

Personal Finance | Money coaches can help cut through clutter

Goals, values are key when putting your financial house in order

By Tracy Sherlock, Vancouver Sun February 3, 2012



Money coach Melanie Buffel uses 'credit card condoms,' envelopes with goals and questions that are designed to get her clients to stop and think before spending. Photograph by: Steve Bosch, PNG, Vancouver Sun

"Money season" is here, bringing with it Christmas bills, RRSP season, tax season and shrinking pay-cheques. If you're one of the nearly one-third of British Columbians who told RBC they overspent by about \$500 on Christmas, or one of the two-thirds who told CIBC that they're going to invest in their retirement, you might also be wondering just how you're going to get your finances on track.

Enter the money coach - a fee-only person who meets with you repeatedly with just one objective: to help you put your financial house in order.

Melanie Buffel is a money coach at Money Coaches Canada, a Vancouver company founded in 2010 by Sheila Walkington and Karin Mizgala.

When she works with clients, she starts off talking about goals and values, not dollars and cents.

"We start by talking about what's important to them, what they want to do in their life and what they want their life to look like," Buffel said. Once their vision is determined, Buffel gives them homework to figure out their cash flow: what's coming in and what's going out each month.

"That's a really eye-opening piece for a lot of people, and it's the one step people are often afraid to do," Buffel said. "It's nice for them to have a coach who abstains from judgment."

Once cash flow is itemized, Buffel works with them to get out of debt and start saving for their goals.

"What we do to make that live and breathe is we work out a cash-flow, money-management system with their bank accounts."

The whole process takes between three and six months, and includes at least four face-to-face meetings.

Buffel took part in a free, sold-out University of B.C. alumni event Wednesday called The Next Step: Making Debt Work for You. She said while debt is generally something to be avoided, there are some instances where debt can work to build a person's wealth or future earning potential.

"If you purchase a home, debt is a tool to help you build your assets because your home will appreciate in value," Buffel said.

"If you're taking a student loan ... the litmus test is 'Does it increase your capacity to create income in the future to pay back that debt?' " But she says paying for something through debt will always cost you more than saving up and paying cash.

"How much more it's going to cost you will depend on how long you take to pay it back," Buffel said. "But the forms of credit that are really insidious and difficult are the forms that are in our wallets.

"Our ability to pull out our credit card, or our debit card that is attached to a line of credit, is really like a bottomless pit and we don't think of the full cost of the item."

She said the No. 1 thing she can do for her clients is to raise their awareness about their spending and borrowing.

"I think if more people were aware of how they're spending their money and [going into debt] each and every month, they'll see that it's not sustainable over the long term," Buffel said. "They're stealing from the future to pay for their past.

"They need to understand the choices that they're making and the potential consequences of those choices."

Whereas many financial planners are paid through fees that are built into their products, money coaches are always paid through a contract with their clients. Walkington said the fees vary by coach and depend on the needs of the client, but she said it was about \$2,000 for a four-month package tailored to an individual.

Buffel said the difference between working with a traditional financial planner and working with a money coach is that a coach works at a very basic level, while a planner looks at the bigger picture and issues such as retirement, tax planning or estate planning. "[Coaching is] also the holding someone by the hand and helping them figure out a system that is going to help them work through cash flow and long-term decision making," Buffel said.

Money Coaches Canada co-founder Walkington is a certified financial planner as well as being a money coach. All of the coaches working for Money Coaches Canada are either certified financial planners, working toward their CFP certification or have another designation such as an MBA, Walkington said.

The RBC poll found that 30 per cent of British Columbians overspent at Christmas, by an average of \$543.30, the highest in Canada. The survey was held online with 4,479 Canadians, weighted to reflect census data, between Jan. 9 and 16. The estimated margin of error is plus or minus 1.46 percentage points, 19 times out of 20, according to RBC.

The CIBC poll found that 63 per cent of B.C. residents plan to invest either in an RRSP or a TFSA, higher than the national average of 58 per cent. That poll was conducted Dec. 8 to 12, 2011, by Harris/Decima via teleVox, and surveyed 855 Canadians between the ages of 18 and 72. The margin of error is plus or minus 3.35 per cent, 19 times out of 20.