Exposing your finances for all the world to see is a bit like being naked in a room full of strangers. You imagine you’re being sized up for all your shortcomings: the weight of your debt, the frivolous spending, the empty savings account, the less-than-executive-level compensation. That’s how I feel about laying bare my family’s finances. In an effort to get better control of our household spending, I’m coming clean. After years of hopeful attempts and inevitable failures at creating and sticking to a budget, I was tired of feeling derailed in my efforts to manage our money. I hired one of Canada’s top money coaches to help me sort out my finances and put me on the right track. »
Sheila Walkington, a certified financial planner, is cofounder of Money Coaches Canada in Vancouver, and works with families across the country to help them get out of debt and save for the future, and develop budgeting systems to make this all possible. Her work with clients is akin to an archeological dig – examining every cent of spending in microscopic detail, digging for clues on how to spend less and save more and, finally, producing a map for keeping everything accounted for. Much like me, many of her clients are in their 40s and 50s, their highest income-earning years, but are also stuck with hefty mortgage payments and the big expenses of raising children. And overriding everything are worries about not having enough money for retirement.

OUR FINANCIAL SNAPSHOT
My husband and I earn $106,000 a year after taxes, the most we’ve ever made. My husband, 56, is a columnist at a daily newspaper and I’m a 49-year-old freelance writer working from home in Hamilton. We have two daughters, ages 14 and 11. Each worked part time for about eight years so that one of us could be home with them, earning considerably less during that time than we do now. We owe $85,000 on our mortgage, $5,000 on our line of credit and another $6,000 on an RRSP loan. We’ve socked away $266,000 in our RRSP and another $49,000 in the kids’ RESPs, but besides that, we live paycheque to paycheque. We’d like to take a big family trip someday and our century-old home is in desperate need of some renovations. But we never seem to have the dough for these extras. We’re a decade away from retirement and realize that there are a limited number of income-earning years left to make the most of our money.

LAYING THE GROUNDWORK
Walkington will coach me in four 90-minute sessions to help figure out what we’re doing right – and wrong – with our money. She also promises that, at the end, I’ll have a system in place to allocate every dollar coming in and every dollar going out of debt and save for the future.

HOW WE SPEND OUR MONEY: MONTHLY EXPENSES

**HOUSE**
- Mortgage, property taxes ............... $1,752
- Heating .................................. $174
- Hydro .................................... $180
- Cellphone ................................. $45
- Home phone ............................. $52
- Internet .................................. $60
- Home repairs ............................ $80

**AUTO**
- Car repairs, gas .......................... $700

**INSURANCE**
- House insurance ........................... $92
- Car insurance .............................. $190
- Life insurance ............................. $146

**KIDS**
- Kids’ activities (clarinet, piano and sewing lessons) .... $350
- Summer camp, school trips .............. $200
- Allowance ................................. $70

**OTHER**
- Charity .................................... $200
- Bank fees .................................. $41
- Line of credit payment ................... $173

**SAVINGS**
- RESPs ...................................... $500
- RRSPs ..................................... $870

**FOOD, DRINK AND SUPPLIES**
- Groceries ................................. $800
- Pet food ................................... $50
- Toiletries, pharmacy, sundry ............. $50
- Lunches, coffee ........................... $280
- Alcohol .................................... $240
- Dinners out ............................... $240

**ENTERTAINMENT, GIFTS AND TRAVEL**
- Entertainment ............................ $240
- Gifts ....................................... $170
- Writers’ retreats ......................... $85
- Seasonal camping fees ................... $170
- Travel ...................................... $300
- Local travel ............................... $70

**FITNESS AND GROOMING**
- Squash club ............................... $40
- Clothing, hair cuts ....................... $140
- Gym ....................................... $35
- Medical, dental, vet ...................... $48
going out. I'm relieved to hear this because I'm downright befuddled about how we can blow through so much money – almost $8,900 – every month.

Walkington sends me a 10-page form to fill out that asks questions about our life goals and financial goals, retirement plans, assets, debts and income, and how we spend every cent of our money. It seems incredible to me that we have 35 categories of spending. She wants to know how and when we pay for everything. Which expenses are weekly, which are monthly and which are one-time annual expenses? Do we pay for them with cheques, credit cards or cash, or through automatic deductions on our chequing account? All of this information lays the groundwork for a system Walkington will create to help us better manage our money and save for the future.

Our biggest problem, Walkington says, is cash flow. Because my payments as a freelance writer are so sporadic, some months there isn't enough money to cover all the bills, so I borrow from our line of credit. Other months, when we are flush with cash, I try to play catch up. The never-ending cycle makes it difficult to plan our monthly budget properly.

Walkington points out areas in which we could cut back, such as eating out less and cutting our habit of buying several bottles of wine a week. But our money philosophy has always been to enjoy these smaller pleasures – the glass of wine at dinner rather than big-ticket purchases such as fancy cars and vacations. We've never spent more than $12,000 on a vehicle (we only own one) and, until two years ago, we never took vacations except in the summer when we spend time at a camp in our trailer. It turns out that this is less of an exercise in penny-pinching and more about managing how we spend our money.

1. **A Business Account for Anne**

   Because my payment schedule as a freelance writer is unpredictable, Walkington suggests I set up a line of credit business account, where I deposit all of my cheques. On the first and 15th of each month, I transfer $2,250 into our main household chequing account to make sure our expenses are covered.

2. **One Main Chequing Account (For Bills and Regular Monthly Payments)**

   We'll use our existing chequing account for all incoming funds to pay our fixed monthly expenses, either through automatic payment, online bill payment or cheques. There will be no debit access to this account. These expenses include mortgage and property taxes, RESP and RRSP payments, and car, house and life insurance. Our weekly spending money of $260 (for dinners out, entertainment and my husband's weekly squash game, for example) will be taken out in cash at the bank machine each week – once it runs out, that's it for the week. The rest of the funds will be redirected to the accounts that follow.

3. **A New Chequing Account (For Variable Monthly Household Expenses)**

   Groceries, toiletries and pharmacy items will come out of this account via debit. Every two weeks I'll transfer $450 from my main chequing account into this account. “If there's money in this account you can spend it, but it has to last until the next payday,” says Walkington.

4. **10 New Savings Accounts**

   With this system we sock away money in 10 categories, such as home repair, clothing, and vet and medical costs. When we need to pay for certain things, be it a $500 car repair bill or $2,000 for the kids' summer camps, the money will be there. “Think of [the accounts] as electronic envelopes – they are a place to stash money so that it's there when you need it,” says Walkington. Having all these accounts will help us make decisions about what we can – and can't – afford.

   I set up the accounts online within 10 minutes. Now, every two weeks on payday, money is automatically transferred into them from our main chequing account. These accounts cannot be accessed with debit – any expenses will be paid by credit card; money is then automatically transferred from the appropriate account to pay off the credit card right away.
life is for living  FINANCE

Our money philosophy has been to enjoy small pleasures rather than big-ticket items. Getting our finances in order turns out to be less of an exercise in penny-pinching and more about managing how we spend our money.

“It’s about reprioritizing how you spend and focusing your time and money so that you can have the stuff you really want,” says Walkington.

But what is the stuff we really want? Other than saving for our kids’ education and putting money into our RRSP, we don’t really have a clear plan about what to save for — and that’s a problem, says Walkington. “Without a goal, you don’t have a purpose to save,” she adds. My husband and I decide that we’d like to spend about $30,000 over the next few years doing small renovations on our home and another $12,000 on a dream vacation to England, Ireland and Scotland with our kids. When I report this back to Walkington and she does the math, she says we have enough money to put $300 a month into a travel account – which will grow to $12,600 in three and a half years. But alas, there’s no extra money for the renovations. Since our mortgage is due to be paid off in five years, we decide we’ll add the $30,000 to our mortgage and begin the renovations next year. This will extend the life of our mortgage by two years, but it will allow us to enjoy our home more and add to its value when we eventually sell it.

PUTTING IT ALL TOGETHER

Once we’ve hammered out exactly where all of our money goes and clarified our goals, Walkington designs a colour-coded spreadsheet of our spending and savings. She breaks it into four different categories.

- Fixed costs and regular monthly payments such as the mortgage and car insurance, and bills such as the phone and gas bill.
- Monthly cash spending for things like parking and family fun.
- Household supplies, such as pet food, groceries, toiletries and pharmacy items.
- Lump sum and annual expenses, such as the kids’ summer camp fees and vehicle maintenance.

The spreadsheet details how (cash, cheque or automatic debit) and when these expenses are paid. Walkington advises setting up some new accounts — including a business account from which I’ll draw a regular salary, a new chequing account and many savings accounts. She explains exactly how to set these up (I can do it all online) and how much to deposit in each account for each two-week pay period so that we can allocate money for everything (see Sheila’s System, page 59).

Finally, I have a clear picture of our household spending and saving.

I’ll need to be diligent about staying on track by checking my accounts online every few days, transferring money on paydays and ensuring that when I pay for something it comes out of the right account. Walkington has promised to help me further fine-tune things. “The important thing is that now you know what your priorities are and you’re more conscious about how you spend and save your money,” she says. “Trust me, this can change your life.”