

# New year holds promise and challenges for managing debt

## High levies for EI, CPP will mean a smaller paycheque in 2013

BY DARAH HANSEN, VANCOUVER SUN DECEMBER 31, 2012

January is a busy time for Sheila Walkington.

It's always the first month of the new year when the certified financial planner and co-founder of Money Coaches Canada can expect to see a flood of new clients to her Vancouver office, each one seeking help to ease his or her financial burdens.

It's not just the extravagant holiday spending: the trip to Hawaii; new iPhones for the kids; all that Christmas wining and dining.

It's all the other things, big and small, we pay for throughout the year that tend to get us in trouble.

Often, by the time someone seeks out Walkington's help, he or she is spending, on average, \$100 to \$1,000 a month more than they earn and drowning in personal debt between \$15,000 and \$75,000.

And that's before they get hit with the yearly tax and fee increases on everything from employment insurance and health care premiums to bus passes and hydro rates.

A lot of Walkington's clients come in fearful, stressed, embarrassed, ashamed, and overwhelmed.

"January is the time when the sober reality sets in and people realize they don't want to go through another year like the one they had last year," she said.

Walkington's comments come as the Canadian Taxpayers Federation released its annual New Year's tax changes report slamming both the federal and B.C. provincial governments for "raiding taxpayers at a time when they need the money to make ends meet."

Jordan Bateman, CTF spokesman, credited the B.C. Liberals for holding the line on provincial income taxes, currently the lowest in the country.

But British Columbians can expect a long list of increases on everything from premiums for Medical Services Plan, Employment Insurance and Canada Pension Plan to property taxes and transit fares.

British Columbians must also prepare for a return in April to the seven-per-cent PST and five-per-cent GST from the 12-per-cent HST.

The change will result in savings on some services, including haircuts and meals.

But, according to Bateman, it will also mean many families and individuals earning lower incomes will

lose their HST credit.

The last set of quarterly cheques, designed to buffer the impact of the HST on lower-income earners, will be issued in January. Walkington said it's important for people to be aware of how much they spend daily, and determine clearly what it costs you to live and what you can do without.

Discretionary spending is often the easiest place to make the necessary changes.

Maybe you make your own coffee at home, pack your lunch to work, or cut back on new clothes or haircuts.

"There are all sorts of choices, but if you don't make those choices those small little bits end up going on your credit card and, year over year, before you know it, your credit card starts getting maxed out," she said. "It's just those small little bits can really add up when we're not paying attention."

It also helps to set out a very specific spending and savings plan, broken down by paycheque, in order to achieve bigger goals, such as paying off credit card debt or planning a vacation.

"The first time my clients go on holiday and they pay it off, in full ... it feels like heaven," she said.

Too often, said Walkington, people are left struggling for years, thinking the next paycheque or next tax refund will allow them to get ahead.

"But it really takes more of a micro-management of their day-to-day spending," she said.

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