

Boosting your income

The need to take stock of family spending often accompanies the arrival of the holiday-spending hangover in January

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It's that time of year when holiday spending hangovers run straight into tax season,

It is a stark reminder that for every dollar of disposable income, Canadian households owe \$1.25, and it can be the catalyst that starts us thinking of how to increase the amount of money left in our pockets after all our bills are paid.

It can range from the simple --walking past the coffee shop instead of stopping for a latte, a show of restraint that can leave an extra \$1,000 in your jeans by the end of one year, to the strenuous -- showing up for a second job that can add \$10,000 and more to your annual income.

And the income-augmenting exercise is one that can be practised at all levels, whether it's the student taking on babysitting jobs to finance a new iPod or the CEO choosing to turn in the \$80,000 gas-guzzling status symbol for a more modest and money-saving hybrid.

"There are those who aren't willing to give anything up and therefore they need more money, and those who don't want to work more, so they are choosing to cut," said Sheila Walkington, a Vancouver-based money coach and financial planner.

Walkington said with time precious to most people, taking on a second job isn't an option favoured by many of her clients. But there are other ways to boost income.

"Number 1 is always how they can earn more -- can they ask for a raise, get a better job, work overtime, are there any incentives at work with bonuses," she said. "I also ask them if they can get a roommate, or take on an ESL student in their home."

One couple solved the problem of spending more than they brought in by having the husband find a new job that pushed his income to \$120,000 from \$90,000 a year.

"I think people in Vancouver don't realize how much we are spending, we think if we are making \$90,000 we should be able to buy a new car once in a while and go to Hawaii," said Walkington. "But it goes so fast."

It can be a combination of saving, making more, and making the money you have go further.

Walkington has clients who have opted for part-time jobs at their favourite stores that offer employee discounts, although that route requires a certain spending discipline.



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Janet Estabrooks cleans out the clutter in her Calgary house a few times a year and her unwanted junk becomes other people's treasure and leaves her with extra money in her pockets.

"One client ended up spending more than she made," said Walkington.

Vancouverites are especially good at spending. Our housing costs are high, we enjoy our weekends at Whistler, and the annual boat show is a testament to our love for high-priced toys. Park outside a daycare and you're liable to see kids being dropped off from cars so costly you have to wonder if the job is just keeping up the car payments.

"The thing is we all spend money, it just goes," said James Waring, a financial planner with Vancouver Financial Planning Consultants.

"I get so many clients in who have really good incomes and we do a cash flow analysis and find there should be an extra \$2,000 a month but there isn't.

"It's just human nature; if we have money we spend it."

If the cash-flow analysis shows there should be money left over when the bills are paid, the simple way of keeping some of that extra money is putting it into a forced savings plan before you can spend it, according to Waring. If it's a case of not enough money to go around, "you now have to be more creative," he said.

"It may be some tax planning, maybe a rental suite or taking on a part-time job," he said.

Low interest rates may actually be causing people to burn through more money than they can afford. Waring said consumers will get great rates -- like a low interest car loan, but if their payments drain their household budget, they'll use their 18-per-cent credit cards to pay other expenses.

"You may be able to negotiate really low interest rates, you may have a great mortgage rate, car loan, furniture loan, but if you look at the cost of all these loans, they may exceed the income you are bringing in," he said. "Your cash flow is going to these fixed obligations and you have to use your credit cards to pay for your lifestyle so your credit card balances are increasing and your net worth is declining.

"We see that quite a bit."

So before you waste time envying your neighbour's new truck or wondering why your colleague can afford weekly manicures, remember that appearances may not be backed by a solid financial footing.

"It's not so much what you make as how you manage it," said Waring. "There are people out there who might have one-tenth the wealth, but they are good money managers, they have a modest lifestyle and all their assets are appreciating.

"They could be in a much better financial situation than the wealthier people who are spending on depreciating assets like boats and RVs."

No matter what method you choose for coming up with extra money, the most important step is setting goals, according to Monica Loepky, program manager for the Credit Counselling Society, a non-profit debt solutions service. Once that is accomplished people can track their spending and determine what steps they are willing to take to end up with more money for their goals -- whether it's a vacation, university tuition or a new widescreen TV.

"It's almost like thinking of yourself as a little business," said Loepky. "If you were running a business what would you be willing to do to make it succeed?"

It can be about saving money or making it and if you're part of a family, that can be a joint effort.

"What about involving your kids? Is there something they can do to help earn money for their activities," said Loepky. "Can you bring your coffee from home instead of buying it; make lunch instead of buying it?"

"What about shopping -- if you have an event you need to go to, can you borrow an outfit or can you buy a basic outfit and change your accessories?"

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