



PERSONAL FINANCE

Can Tony, 30, finally get a grip on his spending and pay off \$10K in debt?

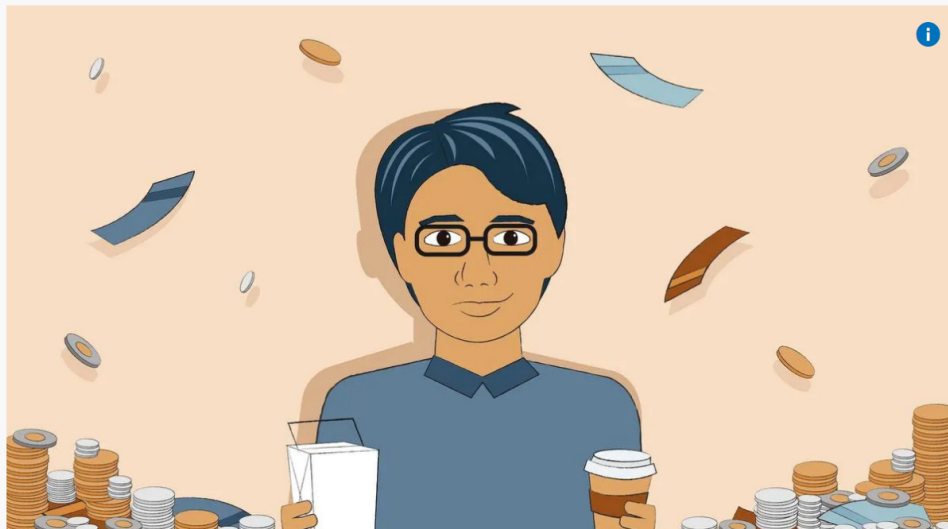
A lot of Tony's spending ends up on his credit card. He's looking for mental hacks that will allow him to enjoy life while not racking up debt.



By **Ghada Alsharif** Business Reporter
Mon., July 17, 2023 4 min. read



JOIN THE CONVERSATION (21)



Tony has nearly \$10,000 in credit debt and can't seem to get a grip on his spending.

"I'm fully aware I have a spending problem," Tony says. "I need to get rid of my debt but I don't know where to start, and especially with these interest rates, it can't be a good thing."

The 30-year-old makes \$53,000 annually working as an assistant. He eats out most of the time and likes to spend his free time out on the town with friends and co-workers. On weekends when there are drinks involved, Tony can rack up a sizable bill.

"I want to go out after a stressful week or a long day, but it's costing a lot in this city," Tony says.

A lot of Tony's spending ends up on his credit card, which he wants to stop relying on.

"What are saving tips and options or mental hacks so I can stop spending so much but also be able to hang out with my friends?" Tony wonders. "Is there a better or different way I can think about my finances?"

We asked Tony to share two weeks of expenses to get a better idea of his spending habits.

Tony

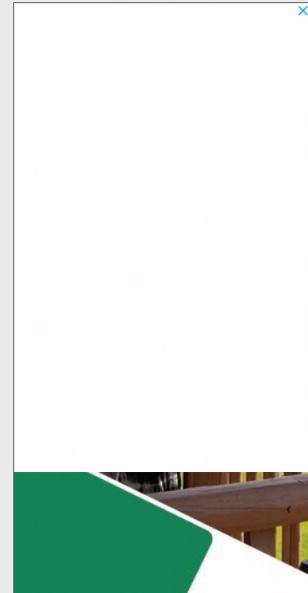
Can the 30-year-old pay down his \$10,000 credit card debt?

Monthly take-home pay **\$3,250**

Recurring monthly expenses

Rent **\$1,250** Shared apartment in

ADVERTISEMENT



Cellphone, internet, streaming	\$250	downtown Toronto
Public transit	\$60	
Taxi	\$150	
Groceries	\$400	
Dining out	\$700	
Grooming	\$60	
Miscellaneous	\$400	Upcoming concerts and parties
Monthly total	\$3,270	

The expert: Janet Gray, [certified financial planner with Money Coaches Canada](#)

YOU MIGHT BE INTERESTED IN...

BUSINESS

Toronto's rent crisis: Minimum wage would have to hit \$40 an hour for workers to be able to afford to live here, report finds

7 hrs ago



ROYALS

OPINION

The latest photos of Meghan, Duchess of Sussex, at a farmer's market are a reminder of what a celebrity circus royal life has become

7 hrs ago



ADVERTISEMENT



ADVERTISEMENT

I'm glad to see Tony is open to a new way of looking at his finances.

To start with, spending is typically divided into “need to have” expenses like shelter, groceries, transportation, and “want to have” like entertainment, dining out. The “want to have” category is discretionary and is one that can also easily get out of control, which can lead to spending more than we make and accumulate as debt — in Tony's case, expensive credit card debt. With interest rates currently at 20.99 per cent on most credit cards, it's a costly way to borrow money. Using Tony's \$10,000 balance and \$250 average monthly credit card payment, it would take four years and three months to pay off the balance, at an interest cost of \$5,135 — if there are no additional charges.

Note that the monthly minimum is usually three per cent (or \$300 on a \$10,000 balance) which means Tony is not paying the full minimum required payment. He says he pays what he can when he can. This will negatively affect his credit score, which is what the lenders look at when you need to borrow money (car loan, rental application, mortgage). It could also lead to a higher interest rate on his current credit card if he doesn't pay the required minimum payment or if it's late. If this pattern is ongoing, it could lead to cancellation of his credit card.

If Tony is able to increase his credit card payments by an additional \$100 (to \$400 month), the \$10,000 could be paid in two years and 10 months at total interest of \$3,264.

Week 1

MONDAY

Lunch	\$22
Uber	\$12
Drinks	\$45

TUESDAY

Coffee and pastry	\$15
Uber Eats	\$45

Saving leftovers for next day

WEDNESDAY

Credit card payment	\$250
Groceries	\$67
Uber	\$11

Pays at random

THURSDAY

Coffee and snack	\$15
LCBO	\$30

Drinks for the weekend

FRIDAY	
Dinner and drinks	\$150
← Celebrating a friend's new job	
SATURDAY	
Bar	\$85
Ubers	\$26
SUNDAY	
Groceries	\$70
Weekly total	
	\$843

Now that Tony is more aware of where he's spending his money, he might find it helpful to divide out his pay (on the day he receives it) into saving subaccounts. He should leave enough in his main bank account for rent and phone and other autopayments.

Tony should set up an autopayment for his credit card on pay day and ensure he pays the minimum and an extra amount to pay the balance off quicker — don't wait for the statement date. This will get payment onto his card faster and help keep the interest amounts lower.

Once he has paid all the bills (credit card included), the remaining balance is how much he can spend until next pay day — on everything. He could open a savings subaccount (often called eSavings at banks) where he could transfer \$1,250 monthly (Uber \$150, restaurants \$700, concerts \$400) to better track his spending in that category.

Some find it helpful to pay their credit card after each transaction is made to keep a close watch on the balance — of both their bank account and their credit card. Or Tony could use his debit card from that new discretionary savings account and when the money ends, so does his spending until he refills it again at next pay day.

Making financial changes is a series of decisions and actions. Tony has already started by reviewing his spending. He can make one small change, then another and another. There are no overnight fixes, but with persistence and patience and less spending, he will achieve his goal of no debt.

Week 2

MONDAY	
Lunch	\$20
TUESDAY	
Lunch	\$20
Drinks	\$45
Pizza	\$15
WEDNESDAY	
TTC	\$7
Lunch	\$20
THURSDAY	
Lunch	\$20
Uber Eats for dinner	\$45
← Saving leftovers for next day	
FRIDAY	
Cellphone and internet	\$165
TTC	\$7
Groceries	\$60
SATURDAY	
Drinks	\$80
Dinner and drinks	\$45
← During and after concert	
SUNDAY	
Lunch with friends	\$45
Amazon	\$80
Weekly total	
	\$674

Spending in week one: \$843. Spending in week two: \$647.

Take-aways: Tony says he's "extremely grateful" for Gray's advice.

"Seeing the numbers broken down with a clear strategy is so helpful," Tony says.

seeing the numbers broken down with a clear strategy is very helpful," Tony says. "Figuring out where to start is half the battle for me, so having clear goals to work toward is a big motivator."



Ghada Alsharif is a Toronto-based business reporter for the Star. Reach Ghada via email: galsharif@torstar.ca

Want to be featured in Millennial Money?

Are you a millennial living in Toronto or the GTA who needs help with saving your money? Do you have questions about your finances and want some free advice from a financial adviser?

Be a part of Millennial Money and fill out this form so we can get in touch, or send an email to Ghada Alsharif at galsharif@thestar.ca.

Names are changed in Millennial Money entries.

heather.ross896@gmail.com [Switch account](#)



Not shared

* Indicates required question

Name *

Your answer

Age *

Your answer

Occupation

Your answer

Provide a short description of your financial challenges or questions *

Your answer

Contact, email or phone *

Your answer

[Submit](#)

[Clear form](#)

Never submit passwords through Google Forms.

SHARE:



ADVERTISEMENT

[REPORT AN ERROR](#)

[JOURNALISTIC STANDARDS](#)

[ABOUT THE STAR](#)

[JOIN THE CONVERSATION](#)

Anyone can read Conversations, but to contribute, you should be a registered Torstar account holder. If you do not yet have a Torstar account, you can create one now (it is free)

[Sign In](#)

[Register](#)

Conversations are opinions of our readers and are subject to the [Code of Conduct](#). The Star does not endorse these opinions.

FOLLOW



Join the conversation

ALL COMMENTS 21

NEWEST



Sam · 1 DAY AGO

This is one of the lamer pieces in this series; this participant wants “mental hacks”?! How is reality not enough, that he has debt because he he spends more than he makes? But at least he wants help.

His current debt repayment frequency means he'll pay 50% of it in interest; I wonder if he still thinks the money was well spent if it costs him 50% more than advertised? After cutting back on taxis, eating out, and entertainment by \$1000, he'll need to stop using credit cards and go all cash until he's paid off the debt, which should take about a year.

REPLY 2 0



Liam · 1 DAY AGO

Tony should transfer to using a MBNA Mastercard 12-month interest free on balance transfer, he could save the interest charges on the 10K balance for a year.

REPLY 3 REPLIES 1 0

3

SHOW OLDER REPLIES



Add your reply



Paul · 1 DAY AGO

Tony, the first thing you need to know about credit cards, is that they are interest free if you pay in full, on time, every month. That means if you spend \$500 today, and pay it off with the next statement in full and on time, there is zero interest. If you are late or short paying the statement, you lose out on the interest free feature.

Tony, you need to take advantage of this interest free period. Here is how.....

1) STOP using your old credit card. Continue to monitor the balance and pay what you can on it.



Paul · 1 DAY AGO

Tony, the first thing you need to know about credit cards, is that they are interest free if you pay in full, on time, every month. That means if you spend \$500 today, and pay it off with the next statement in full and on time, there is zero interest. If you are late or short paying the statement, you lose out on the interest free feature.

Tony, you need to take advantage of this interest free period. Here is how.....

1) STOP using your old credit card. Continue to monitor the balance and pay what you can on it.

2) Get a new credit card. Use this one properly. Buy only what you can pay for this month, and pay it off in full, on time, every month.

This will give you an average of 30 days interest free on the current month purchases.

This will also teach you some credit card discipline. The proper way to use a credit card is to pay it off in full, on time, every month.

Of course you still have the old card carrying a balance. Now, it will be painfully obvious how effective your repayment plan really is, as the only transactions on that statement should be your payments and the interest charges. Do not use it again until it is clear. Then continue to profit from your new credit card discipline.

Good luck with your new financial plan! EDITED

REPLY 4 0



Liam · 1 DAY AGO

Tony needs to find other ways to deal with stress by not eating out frequently, and lessen the taxi spends and entertainment. Instead try to find other cheaper alternatives like riding a bicycle or walking, hiking, reading, watching movie at home. This will help him pay off his CC faster.

Tony should also focus on his career advancement, 53K is not going to cut it in a big city like Toronto EDITED

REPLY 4 0



ROBERT · 1 DAY AGO

It's great to read Tony is grateful for the advice and I have a feeling he might heed it. Never too late to change your spending habits. He's fortunate, imo, to have a reasonable rent.

REPLY 4 0

LOAD MORE COMMENTS

ACTIVE CONVERSATIONS



'It's about time': Ottawa offers millions more in housing support to shelter refugees in...

243



'We're going to fix that process': Doug Ford says as attorney general defends controversia...

120

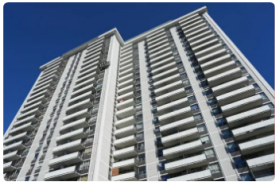
ADVERTISEMENT



YOU MIGHT BE INTERESTED IN...



UNITED STATES
Donald Trump is notified he's a target of the U.S. criminal probe into efforts to overturn the 2020 election



GTA
Watch: We asked Toronto residents to guess the monthly rent of these apartments



GTA
On Peter Street, a community steps up for asylum seekers abandoned to sleep on the street



GTA
Metrolinx under fire for the way it's turfing tenants to make room for the Ontario Line