The Credit Union For All Government Employees
Ontario Civil Service Credit Union Ltd. September 2008

Saving Options

Helpful links for money management

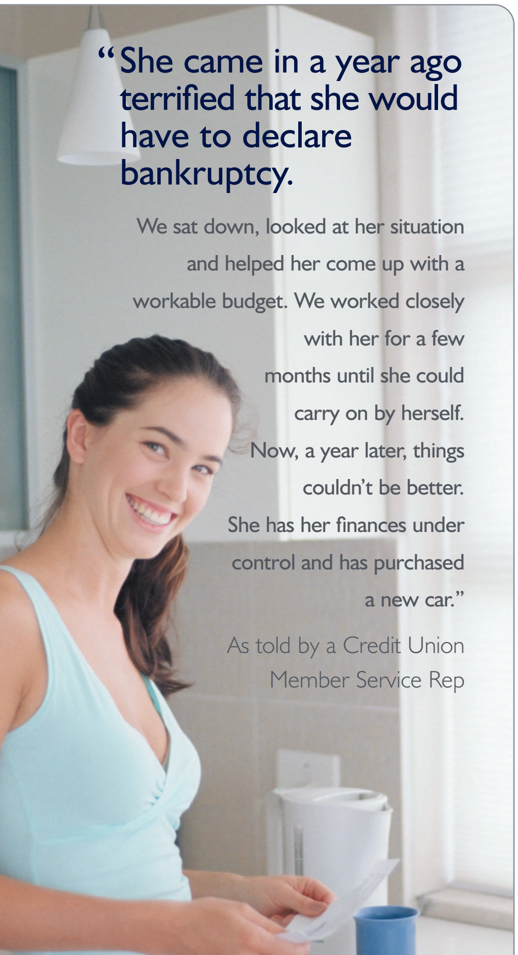
Budget worksheet
www.financialplan.about.com
(click on Budgeting, Budget & Save and then Basic Budget Worksheet)

Why budget
http://financialplan.about.com/cs/budgeting/a/Budgeting.htm

Budgeting – children & young adults
http://yourmoney.cba.ca/tsam/en/tsam/budget/whatis/why/

Setting up a students' budget
www.strategis.ic.gc.ca
(click on A-Z Index and scroll down to Student Budgeting and click)

Money management
www.cba.ca
(click on Resource Centre, Information Booklets, and then Managing Money)



"She came in a year ago terrified that she would have to declare bankruptcy.

We sat down, looked at her situation and helped her come up with a workable budget. We worked closely with her for a few months until she could carry on by herself. Now, a year later, things couldn't be better. She has her finances under control and has purchased a new car."

As told by a Credit Union Member Service Rep

I want to save but…

What am I saving for?

You know you're supposed to be saving – and you're doing your best. But have you thought about what you are saving for?

For a lot of people the focus is on retirement. With tax incentives for Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs) that makes sense. The issue is that if something else comes up – emergency or not – you can often be unprepared. If your sole focus has been on retirement you may be left with only two choices – withdraw from an RRSP, which is an expensive alternative or go into debt. There are four basic types of savings you need to think about as you plan:

Emergency Fund

The goal of this type of savings is for either unexpected expenses or a disruption in income. The target amount to set aside is about 3 months worth of expenses or up to 6 months of income. If circumstances occur that require you to put the fund into use, it needs to be topped up as soon as possible. Given how the fund is to be used, it makes sense that money should not be placed in any type of risky investment and must be accessible without withdrawal penalties. Keep this in mind as you set aside your emergency funds. Take the Financial Agility test to determine the amount needed in your emergency fund.

Expected and Planned Expenses

Beyond death and taxes there are other things that can be planned for. The car, roof and furnace will eventually need to be replaced. The children may go to university, get married and you will want a vacation. This portion of your savings portfolio is for expected, predictable expenses. Mostly it is for major purchases, but it can also be used for gifts and other regular expenses, like back-to school. The key to this type of savings is making sure not only what your goals and plans are, but what the timing is for each. There will be a mix of long and short term plans. This fund needs as much planning as your retirement fund. The types of investments you can expect to use in this saving category are Registered Education Savings Plans (RESPs), a mix of long and short term guaranteed deposits, mutual funds, savings accounts and other non-retirement investment vehicles.

Retirement Funds

There is no question – a lot has been said and even more has been written on saving for retirement. The simple answer is that we all need to do it. Making sure that when you leave the workforce there is enough money stashed away to pay the bills and maintain your desired lifestyle is what retirement savings is all about. The mix of retirement investment vehicles and strategies are as plentiful as there are individuals. Speaking to a financial planner about how to maximize retirement savings and tax planning is critical.

Fun

Planning for fun sounds like an oxymoron, but you can plan to have the cash for fun, whenever it comes up. Set aside a bit of your savings in a totally liquid place, like a daily interest savings account, for spur of the moment opportunities. Make it your entertainment budget. If you do not use it, let it accumulate over time for a really big night out. But remember, if you use a credit card to pay for a 'fun' expense the balance needs to be paid off with what is in your savings.

Talk to your financial advisor to determine the amount and your investment strategy for each of the savings types. There will be times when your long-term accumulation funds will be needed for a planned expense and making sure it is available is critical. Sound too complicated? Come in and talk to us about your savings goals and plans – we'll show you how you can make saving work now and into the future.

Turn over to read about helpful tips on how to start saving today and for your future.

Go to mycreditunion.ca for:

- Tips on budgeting
- The Personal – Steps Required to Become a Fully Licensed Driver in Ontario

Saving – Starting the Habit

It is not news that we are a nation of spenders. It is also not news that prices for just about everything are going up. With everything that is going on – how can you fit saving in?

First things first – it is time to do your Financial Fitness tests or if it has been a while since you have looked at them, it is time for an update. You will need to complete the Financial Cardio test to figure out your budget, the Financial Agility test to determine your emergency fund needs and the Financial Strength test for your retirement and other savings goals. You can take each test on our website, just go to **www.mycreditunion.ca** and click on the "Get Financially Fit" icon. Or come into the branch and we can give you a worksheet for each test.

Everyone will tell you that the key is to pay yourself first. Absolutely, the goal is 10% or more. Make "you" your first bill to be paid each month. Have that amount immediately transferred from your chequing account to your preferred savings vehicle. If your employer allows you to direct a portion of your pay to a second account – do that so you never see it. Calculate 10% of your net monthly income – this is your budgeted savings. Subtract that amount from your net income – this is what you have for monthly expenditures. If you cannot afford 10% right away, save as much as you can.

If saving has not been part of your habit at all or if you have a shortfall what do you do?

Tip 1 – Replacing Interest Paid with Interest Earned

Take a really good look at your debt amounts and the payments – especially your credit cards. Just imagine what you could save without that debt. If you are carrying balances on high interest credit cards, talk to your financial advisor about a consolidation loan. You can reduce the interest rate, pay-off your debt faster and improve your cash flow. That means you can end up putting more into savings. Make paying off debt a priority. Take unexpected funds – like tax returns or over-time pay – and pay off debt.

As you pay off debt move the additional income into your savings groups. A priority is your emergency and short-term accumulation funds. Getting yourself in shape in these two areas will take pressure off when either unexpected or scheduled expenses come up. Once these funds are in good shape you can move into longer-term areas.

Tip 2 – Finding Money

Your savings plans cannot rely on what you find under your sofa cushions. The first place to look is the budget you came up with in the Financial Cardio test. Do you have money leftover at the end of the month once you do your budget? If so, that needs to go to savings. If there is more month than money, it is not only time to look at expenses but to cut them. The best way to do this is to track your expenses over a few months.

Take your first month and fit in all your expenditures from your cheque book, bills and receipts in the corresponding budget category. Then repeat the process for each month.

Compare what you have spent over the last few months with what you budgeted. Go to your highest non-essential category (i.e. entertainment, clothing) - is there a way to decrease that amount? By changing your spending habits just a little your overall financial health will improve.

Once you have the process in place, review all expenses to figure out ways to reduce spending, decrease debt and increase savings. Keeping to a budget is a sure way to get or stay financially fit – it is not meant to take the fun and pleasure out of life. Make sure you have set aside enough to enjoy yourself.

Not sure where to start – call or come on in – we'll show you how!

Changes in Mortgages

The continuing mortgage problem in the US is not news to anyone. More foreclosures and dropping home values continue to make headlines. While Canadian consumers are not immune to what's happening south of the border we have felt less of a shock. Much of that has to do with Canadian lending practices. Late last year it was announced that Canadians would be able to amortize their mortgages over 40 years. Longer amortization periods are really meant for only a few specific circumstances. These longer-term mortgages are best suited to individuals who have little money in the short term but have excellent earning prospects *(see April, 2008 newsletter)*.

At the outset, the Bank of Canada was wary of the 40-year amortization period and came out in the media to discourage their use. Given the continued decline in the US and the changes in our own housing market and economy, the Canadian Government has gone from discouraging these mortgages to removing them from the marketplace.

On July 9, 2008, The Honourable Jim Flaherty, Minister of Finance announced new measures that protect the long-term stability of our housing market and encourage saving through home ownership. These measures will also reduce the risk of us developing a housing issue similar to what is happening in the US.

The new measures include:

A maximum amortization period for new government-backed insured mortgage of 35 years (effective October 15, 2008); a minimum down payment of at least five percent for new government-backed insured mortgages; and a consistent minimum credit score requirement (to be determined).

The Credit Union has suspended offering 40 year amortization periods. The suspension does not affect any member with an existing mortgage or those members who have a pre-approval closing before October 15, 2008.

Member Assistance
416-314-6772 or 1-888-516-6664
memberassistance@mycreditunion.ca

Direct Teller
416-325-6818 or 1-800-387-0602

18 Grenville Street,
Toronto ON M4Y 3B3
www.mycreditunion.ca