

# Your Whole Picture



## Helpful information for debt management

### The Credit Union Rates vs Store Credit Card Rates\*

Home Depot	28.80%
Future Shop	28.80%
Sears	28.80%
The Credit Union	6.465%

\*Rates subject to change

## I want to be financially fit but...

### I am not sure where I am overall?

For the past year this newsletter has focused on all aspects of your financial fitness. Each of the five fitness tests calculates your rating on a specific aspect of financial health. Think about your personal health. Lots of us are pretty good overall. But that does not mean that we are OK in each area. You can be doing well in one area, like diet, but still be doing poorly when it comes to cardio-vascular health. Sadly, that area can cause health issues down the road.

The same goes for financial fitness. Understanding your overall financial fitness level will make change that much easier. Take a look at the results of each of your five fitness tests. How many of the test results rank in the surviving category, the stable category and the secure category? Your overall fitness level is determined by the category where most of your scores fall.

If you have not taken all of the tests yet – it's time. If you have, but it has been a while it's time to redo them. Go to [www.mycreditunion.ca](http://www.mycreditunion.ca) and click on the "Get Financially Fit" icon. Or come into the branch and pick up a worksheet for each test.

### Surviving

This is the fitness level that most people fall into simply because of the amount of money they owe. Interest is being paid rather than earned, eating into income. In that sense, interest payments are like a tax. Add up all the interest you pay in a year and subtract it from your net income; now you have an idea of what amount you really have to work with each year. Wishing your take home pay was before tax will remain a wish, but not paying interest can be a reality.

Carrying too much debt will affect every aspect of your financial health. It means you are likely not able to save enough, have a negative or tight cash flow and a negative net worth. The solution, while not necessarily easy, is straight forward – pay off debt.

### Stable

At this fitness level you are carrying an affordable amount of debt and have some savings. Your cash flow is good and you don't sweat the end of the month. Maintaining this level of fitness keeps you in shape while you are earning an income.

Not having enough savings means that we are unprepared for an emergency and also unprepared for our future. In concentrating on today many of us have forgotten about tomorrow. If an emergency occurs or retirement time comes our financial fitness level will decline. The solution to this situation is to watch spending today and ramp up saving for tomorrow.

### Secure

This is the level most of us dream of. You are out of debt and financial worries are a thing of the past. Your income is greater than your expenses and your savings are well-funded. But it does not mean your job is over. You will want to stay in that secure position.

Money management is the focus at the surviving and stable levels and continues to be important at this level. Paying attention to investing and ensuring your financial affairs are well organized will help keep you secure, now and into the future.

### Now what?

Each fitness level has specific areas and tasks that need to be attended to. On the reverse side there are steps and tasks for each fitness level. Starting on these tasks now means that planning for 2009 and beyond will be that much easier.

"She came in to see us; a nurse early in her career with a good salary, but no money leftover after paying her loans and bills.

Without a plan, her paycheque just seemed to disappear. We worked with her on a 5 year plan, starting off with a consolidation and car loan, and plans to take on a roommate to help with the rent. Since then, our member has invested in a term deposit and mutual funds. When the member finishes her 5 year plan she will be in great financial shape and will have a good net worth at an early age."

As told by a Credit Union Member Service Rep

Turn over to read about helpful tips on how to stay Financially Fit.

# Financial Fitness - It Means Paying Attention

Go to [mycreditunion.ca](http://mycreditunion.ca) for:

- » Tips on Making the Most of Reward Programs
- » The Personal – Tire Safety

**No matter what level an athlete competes in they set goals and keep track of their performance. The same goes for financial fitness. No matter what level of financial fitness you find yourself in right now there are areas to attend to and little things that can make a difference in your overall financial performance.**

## Surviving

Debt is the most likely issue in this level. Even if you are breaking even at the end of each month your financial situation is likely keeping you from meeting your goals. The main priority is getting out of debt. How do you do that?

First, look at all of your debt and determine what interest rates you are paying. One of the things keeping you in debt is interest. Work on paying off credit cards with the highest interest rate first. Make sure you keep paying at least the minimum payment on your other cards and loans as you concentrate on the higher interest one. You do not want to negatively affect your credit rating by failing to make payments. If you have a fair amount of high interest debt, think about applying for a consolidation loan which will have a lower interest rate. Extra cash flow can be used to meet your monthly expenses and get you started on your emergency fund.

The next task is to get a handle on your spending habits. You need to understand how you spend your money. It is time to track your expenses. This also means understanding when you are using your credit cards. Credit card purchases are easy – start thinking of them as cash purchases. Impulse buying can get you into trouble and completely blow your budget. Once your financial situation improves you will be able to use credit and pay it off when the bill comes in. But until then, once a credit card is paid off – cut it up or lock it away. Speaking about your budget – cutting back on some unnecessary expenses is a must as you concentrate on paying down debt. Developing a spending plan is a must at this level. There is no question this part is hard but the good news is that the payoff is not too far down the line.

## Stable

Your debt is at a manageable level, and you have some savings. You are less likely to be completely wiped-out should a financial emergency occur. Look at your fitness tests – what areas are still in the surviving category? Those are the areas that need to be worked on first. So if your cash flow is still tight – look at spending habits. There are likely a few areas which can be cut in the shorter term.

## Good News!

Starting September 2008, we now offer monthly interest on our regular savings accounts. We have changed when you receive the interest on your savings account from semi-annually to the end of each month. Now you can compound your interest monthly.

At this level your focus is on maintaining good spending habits and building your savings. Paying off debt is still important for financial fitness at every level. At this level developing both a spending and savings plan is a must. Even if you have a decent cash flow developing and maintaining a budget will help you get to the next level which is really all about having savings. Any extra money should be put into your emergency fund until it is fully funded. This type of fund is to be used if there is an interruption in income or illness. The minimum is three months of living expenses, but to be fully funded six months is recommended. Once that is achieved move on to longer term savings goals like education and retirement.

## Secure

Phew! You have made it. However, once you reach your physical fitness level you do not get to sit on the couch and eat doughnuts, being financially fit is no different. Maintaining your financial fitness level is critical and improving financial performance is the focus.

Good money management is a habit for you, so maintaining good spending practices is probably not an issue. If savings need to be used for any reason the immediate focus is topping up funds where necessary. Once children are finished their education you want to think about another savings goal. Protecting your assets is very important, so make sure that you have adequate levels of insurance and are up-to-date in your tax and estate planning. Dependent on your life stage your portfolio needs to be reviewed annually to make sure you are comfortable with the amount of investment risk you are taking. Working with your financial advisor to make sure you continue to be financially secure is a must.

## Get Started Today

Try to remember your current fitness level is a measure of your past, it does not mean it is your future. So even if you are in a bad spot, rather than focus on the negative, figure out what happened, what needs to change and move on. As your financial advocate we are committed to helping you each step of the way. If you need a hand or just want a second opinion, gather all your information (even if it is in a shoebox) and come in, give us a call or drop us a line.



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[www.thepersonal.com/mycreditunion](http://www.thepersonal.com/mycreditunion)

\*Offer valid on new auto quotes only provided between September 4 and December 31, 2008. No purchase necessary. One gift card per household.



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