

2012 - Year to Slash Household Debt & Build Savings by Mary Carver, P.H.Ec.

The familiar 'Happy New Year' greeting may have had an uneasy ring when 2012 rolled in as many Canadian families struggle with a burden of debt.

Canadians recently set a new record for household debt, a sign that many families are leaving themselves vulnerable to an economic shock. The debt burden of Canadian households has surpassed levels of the USA and the UK and is inching closer to 2007 peak levels of those countries according to new Stats Can data.



'The concern is that any sudden negative event – such as a jump in unemployment, falling house prices or rising interest rates, – could put many thousands of families in financial stress. The debt squeeze also suggests that consumer spending will be muted in 2012 putting a damper on economic growth.' *The Globe and Mail, December 13, 2011.*

Bank of Canada Governor Mark Carney has been warning Canadians about excessive debt loads and our ability to repay money owed when interest rates rise from their current lows.

Perhaps, Canadians are listening. After years of maxing out credit cards and tapping into lines of credit, there is some evidence that Canadians may be thinking twice before taking on more consumer debt. 'A quarterly analysis from credit bureau, [TransUnion](#), showed that the average Canadian's non-mortgage debt was \$25,594 in the third quarter of 2011. That is down \$9 from \$25,603 in the previous quarter but \$431 higher than \$25,163 a year ago.' *Globe Investor, December 1, 2011.*

But is that slight debt reduction adequate? The questions to ask may be:

- Can I afford my debt? Not just today, but tomorrow;
- What if anything am I saving?

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- It is never too late to save;
- Set realistic goals;
- Track expenses for a month to know how much you can reasonably save;
- Save for specific financial goals – a family vacation, home renovations, education, retirement, emergencies, etc.;

- Don't save more than is manageable or you will need to withdraw money from the savings account for essential expenses;
- Try starting with a small amount, you won't miss the money that way, and increase the amount every few months until you reach your target amount;
- Save regularly, make savings a habit;
- Pay yourself first – deduct your savings from your income before all other payments;
- Automate your savings to make it easier – Canada Savings Bond deducted off your pay cheque at work or money transferred to a savings account by your financial institution;
- Save money in an account that isn't easily accessible with a debit card;
- Keep savings accounts separate to easily track your progress and get the most out your savings – Tax Free Savings Account, RRSP, RESP, GIC's or individual savings accounts;
- Plan savings for irregular expenses such gifts, seasonal and family events, car maintenance and repairs – this is a good time to start a savings account for holiday expenses or start shopping for future gifts at reduced prices;
- Build and maintain an emergency savings fund which is ideally 3 – 6 months of living expenses;
- The best way to get ahead is by not paying interest on credit cards – spend only the amount you can pay off by the due date;
- Spend less than you make including your savings plan.

***'Life is not a dress rehearsal! Stop practicing what you're going to do and just go do it. In one bold stroke you can transform today.'* Marilyn Grey, speaker and humorist.**

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