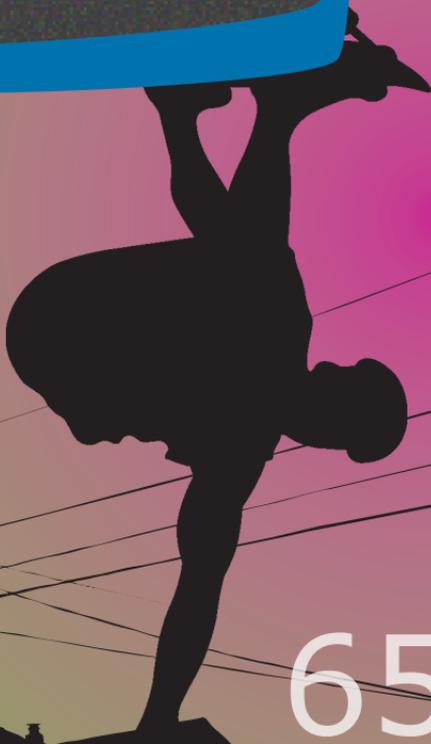


## 11) Financial Trouble

For the first time in your life you are responsible for your own money. Maybe you can do things you have been waiting to do that you needed money for, like buying furniture and saving for a car. Prioritize what it is you want to get from having money, work out how to achieve it and then go for it.

However, having enough money to stretch and meet all the responsibilities in your life can be stressful. The following tips can help you reduce money related stress.

- Managing money successfully is a skill. You can learn and master this skill.
- Lack of control over money can lead to feelings of depression, stress and anxiety.



What Helps	What Doesn't Help
<ul style="list-style-type: none"> <li>• Keeping a budget. Know what you make and what you spend.</li> <li>• Prioritizing bills and payments. Pay essential bills first, such as rent, food, utility bills, etc.</li> <li>• Avoiding buying things that can wait.</li> <li>• Paying off your debts as fast as you can.</li> <li>• Paying bills through Pre Authorized Payment (PAP) plan. This way, bills and payments will come directly from your bank account and you won't have to worry about handling money, writing cheques, due dates, etc. Of course, you must have money in your account to cover these bills and payments.</li> <li>• Keeping spending in control.</li> <li>• Making wise decisions and sticking to them.</li> </ul>	<ul style="list-style-type: none"> <li>• Not keeping track of how much you make and how much you spend.</li> <li>• Not organizing your receipts.</li> <li>• Not knowing the difference between needs and wants.</li> <li>• Not paying your bills.</li> <li>• Not knowing how much is in your bank account.</li> <li>• Buying too much on credit.</li> <li>• Having too many credit cards.</li> <li>• Not saving.</li> <li>• Not having an emergency fund.</li> <li>• Buying on impulse.</li> <li>• Borrowing.</li> <li>• Not learning from mistakes.</li> <li>• Not admitting that there is a problem and finding a solution for it.</li> </ul>

### Lending money can be risky

Before you loan someone...

- Think if you can go without that money and for how long.
- Think about how much and when they will pay you back.
- Sometimes people don't pay back. Be prepared to survive without the money.

## 11 a) The Power of Advertising

Ads try to get you to buy things that you don't need. Ads use things like peer approval, being popular, celebrity endorsement, sexual attraction, etc. to attract you to buy a certain product.

### Don't be fooled by...

- Promises of guarantees unless it is given to you in writing.
- "Buy now or...!" These ads make you believe that if you don't buy something now, you won't be able to have it later.
- Bait and switch technique where you are lured into the store for a product that is not available and pressure is put on you to buy something more expensive.

### Facts about advertisements targeting youth

- Alcohol companies spent \$3.5 billion from 2001 to 2004 on advertisements targeting youth.
- Beer companies spent \$137 million in 2001 and \$211 million in 2004 on advertisements targeting youth.

Source: [www.consumeraffairs.com](http://www.consumeraffairs.com)

### Think before acting

#### Ask yourself:

- Am I buying this just to fit in?
- Is what is being said about the product true?
- What is not being said about the product?
- Is it worth my money?
- Can I afford it?

## 11 b) Buy Now, Pay Later

If an advertisement says, "Don't pay until next year!" it means you can buy something right now and don't have to start making payments until some year in the future.

This is a great option if you need something now, but don't have the money to pay for it. For example, if your fridge breaks down and you need to buy one right now, you can use the "buy now pay later" option.

### Disadvantages of "buy now, pay later"

- Setting up this plan is not free. You have to pay the setup fee, which can range from \$35 to \$60 or more. Also, you are required to pay the GST up front.
- This form of buying can tempt you to buy more.
- Interest rates can be very high - up to 30%.
- This offer is available only if you use the store credit card. It will not be offered if you choose to use Visa, Mastercard, etc.
- Interest may be charged not from when the first payment is due but **from the date when you bought the item!**
- If you paid part of the amount before the due date, you may still be charged interest on the whole amount from the date you purchased the item.

Cost of item	\$1,000
Purchase date	April 1st, 2016
First payment due	April 1st, 2017
What you will pay after April 1st, 2016	Purchase price x interest rate x years = interest $1,000 \times .30 \times 2 = \$600$ (excluding GST and setup fee)

### Renting or leasing vs. buying

- If you rent or lease you don't own the item until you pay it off.
- You may have to pay for damages and there may be cancellation fees if you want to get out of the deal before the fixed term ends.
- Interest rates can be as high as 40%.
- There may be a rental plan set up fee.
- You have to make sure the product is insured and you may not be given enough time to read the contract as rental is often arranged over the phone.

## 11 c) Collection Agencies

If you are having debt problems, a collector or collection agency may contact you seeking payment.

- They collect debts and may even have the authority to start legal proceedings.
- Negotiate (work out) a reasonable payment solution with them and get that in writing.
- Never send cash as payment. Always send something where you have proof, such as a cheque, money order, etc.

### What is considered harassment?

Collectors and collection agencies **cannot** do the following:

- Use threats or intimidation to make you pay.
- Collect or try to collect more money than you owe.
- Call before 8:00 a.m. or after 10:00 p.m.
- Ask you to send cash.
- Threaten you with losing your property or assets without taking the matter to court. For example furniture or assets that you did not use as collateral for the loan.

#### **Collateral:**

Something you agree to give the creditor if you do not pay back the loan.

- Make abusive calls in which they lose their temper and use profanity or other verbal abuse.
- Talk to your employer without your permission, unless it's to confirm your employment.
- Talk to you, your family or your employer in a way that will humiliate or distress anyone.
- Making frequent calls constitutes harassment.

### Report them!

If you feel you are being harassed:

- Record details of the telephone conversations that you believe are harassing.
- Note the name of the person calling, date and time of the call and the name of the company.
- Use the \*57 call trace program available free through Telus to notify the phone company of the calls.
- Contact the Consumer Protection BC at 1.888.564.9963 to complain.
- If your problem with collections is related to student loans, call the National Student Loans office at 1.888.815.4515 and request to speak to a representative from Canada Student Loan - Borrowers Problem Resolution. For issues with provincial student loans, contact Student Aid BC at 1.800.561.1818 or 250.387.6100.

## 11 d) Getting out of Debt

If you are unable to pay your debts, there are options available to you before you consider bankruptcy.

### 1. Review your spending

- Cut back on “wants”, such as eating out, movies, extra clothes, etc. for the time being.
- Increase your income if possible.
- Pay more towards your debt. Don't pay the minimum only.
- Don't spend more by using your credit cards.

### 2. Consolidation Loan

- A debt consolidation loan is when your bank or credit union pays your credit cards and loans and you pay your bank or credit union back at a lower interest rate. Your bank or credit union may take all your credit cards.
- You can also contact the Credit Counselling Society of BC ([www.creditcounsellingcanada.ca](http://www.creditcounsellingcanada.ca)) for information.

### 3. Bankruptcy

This should be your last option. Before filing for it, speak to a credit counsellor.

- Bankruptcy is not free. You will have to pay a trustee to help you with it. It could cost around \$1,500!
- You may lose your assets, such as your car, property, etc.
- You may have access to only a portion of your income. The rest will be given to creditors who you owe money.