

Your Best Investment: Yourself

Long Story Short

According to numerous studies, problems with family, relationships and even health can be traced back to problems with money. These problems are affecting Canadians in a way that hasn't been seen in almost a century. Plummeting rates of saving, and soaring consumer debt, which are linked inextricably with the way we live our lives, are negatively affecting our relationships with family, friends, and the workplace – the things that matter most in our lives.

The result?

Marital difficulty, strained relationships with children, lowered productivity in the workplace, stress-related illness, even dental and cardiovascular disease. Lack of financial health also means a negative effect on personal health, well-being, and our most important relationships.

By taking the time to educate yourself financially, and taking the steps to put yourself on track for financial fitness, you are making a priceless investment in yourself. Taking advantage of available programs and personal coaching, will give you the chance you deserve at reaching goals you may never have thought possible. Personal financial coaching is a powerful tool for creating real changes in your life.

Money is Your Biggest Problem

Countless studies have shown that stress has negative effects on relationships with spouses, children, parents, even friends and workplace colleagues. It takes its toll on physical health, mental health, awareness, alertness, and longevity. Stress is an undeniable problem – the question of how to cope with stress has led to a multibillion dollar industry, spanning from psychology through pharmaceuticals to physical fitness.

The great unspoken truth is this: stress is overwhelmingly caused by financial issues at home. In a survey performed by Desjardins Financial Security, 44% of respondents pointed to money problems as the top source of stress. Close behind are work pressure (19%), family issues not related to money (17%), and workload (16%). A Harris Poll conducted in 2006 also found that, of many stressors common to Canadians, the ones related to money (e.g. Emergency savings, inflation, anxiety about not having enough for basic necessities) were the ones experienced by most respondents.

The InCharge Education Foundation found that 30% of Canadians are uncomfortable with their personal financial situation, and even feel that they are failing. Even if it's not acknowledged in the open, it is acknowledged privately, that money is a key source of their stress. 30% of Canadians feel they are failing financially.

We're Stressed About Money – And With Good Reason

While Canadians are innovative and excellent when it comes to business and the workplace, our personal financial situation tells a different story.

- **We spend, on average, over 25% more than we earn.** Household debt is over 125% of disposable income and this troubling statistic shows no sign of abatement. Our collective debt-to-income ratio only goes up every year. The gasoline on this fire is an all-time high for consumer credit levels and a proliferation of “lenders of last resort”, whose interest rates can skyrocket into the triple-digits.
- **We save, at best, half as much as we should.** The average savings rate is 5% of after-tax disposable income – just half of the 10% recommended by financial experts who promote the concept of “Paying yourself first”. Without a 10% savings rate, we are not creating an adequate safety net.
- **Pensions and retirement savings are becoming rarer every year.** Defined benefit pension plans are disappearing from the private sector, and continually being restructured in the public sector. Only 27% of Canadians expect to receive any sort of pension plan at all. Additionally, 45% of Canadian families approaching pre-retirement (Defined as adults aged 45-64) are outspending their income. 38% of pre-retirees believe that their income and investments will be “very inadequate, inadequate or barely adequate to maintain their standard of living” through their retirement years.
- **We lack financial literacy.** 42% of adult Canadians do not even have the basic literacy and life skills to keep up with the continuous changes and demands of our information-based society and economy. In regards to money and finances, many of the mainstream sources of financial information (e.g. Business section of the newspaper, business news channels, investing and financial websites, etc.) are poorly understood by many people.

Sources: Canadians and Their Money: A National Symposium on Financial Capability, Ottawa, 2005; Statistics Canada, 2005.

Your Money Affects Your Life

Financial problems don't exist in a vacuum. When financial problems lead to insecurity, lower self-esteem, and stress, those problems manifest themselves in our relationships with ourselves and others. There's no line that can be drawn to separate our money from the rest of our lives. Our difficulties with credit, and lack of money management skills tends to perpetuate a cycle where, even if we earn a decent or high income, we still end up living paycheque to paycheque. Even when there aren't problems with income, there are problems lying in wait, which rear their ugly heads when circumstances change unexpectedly. Job loss, illness, accidents, and death can financially cripple households and destroy relationships.

This inextricable link between our money and our lives also affects the way we make decisions that have nothing to do with our own money. For instance, employees who make poor personal decisions at home may exhibit the same weak decision-making tendency at work. 35% of financially stressed employees are bringing these problems into the workplace, and it affects both the quality of their work, and the decisions they make (Garman, T. et al, Personal Finances and Worker Productivity, 1999). This problem is not limited to any particular sector or level of employment – it affects highly skilled and educated workers, managers, and low-level employees alike. To be clear, "(E)very time someone on your work team brings his/her money worries to the job, productivity drops" (Garman, T., Financial Literacy and Workplace Productivity presentation, Georgia Consortium for Financial Literacy, April 2007).

In addition, money problems affect the way we behave, and can even cause us to compromise our own principles:

Unhealthy Behaviours: Canadians dealing with stress due to financial difficulty (Including those brought on by job loss, illness, death in the family, etc.) are more likely to deal with this stress by turning to behaviours they normally wouldn't have, or thought they had given up. Drinking, smoking, unhealthy eating, and other physically and mentally unhealthy behaviours often appear in times of financial stress. The resulting guilt then leads to more stress, creating a vicious cycle that is difficult to break.

Lack of Sleep: During times of financial difficulty, sleep difficulty is often the first symptom. This trouble getting a good night's rest tends to pile up, affecting the immune system, alertness, ability to make quick decisions – all of which leads to problems with mood and behaviour that can compound the problem.

Emotional Illness: Financial difficulty can also perpetuate anxiety, frustration, and a general feeling of hopelessness when debt difficulties overshadow financial goals. Bills go unopened, and money becomes a taboo subject in the household. This often often leads to outbursts and arguments, creating toxic emotions that can take a toll on health. The abovementioned poor coping behaviours, as well as self-neglect and lowered self-esteem fuel the cycle of personal, relationship, and career-related problems.

Most of us realize the difficulty of financial stress, but are unsure where to begin. Think about what your life would look like, if you not only enjoyed your relationship with money, but were motivated to use your earnings to build true wealth. This doesn't require an increase in salary or hourly pay, and doesn't require a miracle for money problems to suddenly disappear.

You Should Know

You're not alone. Financial problems are a stealth problem, because financial problems are taboo. At times, it may seem like you're the only one in your family, social circle, or workplace who is having problems. That is just not true. We become isolated in this problem because we don't talk about it. Money is something we just don't discuss enough. A Money Magazine poll in 2005 found that 50% of us consider money a more sensitive issue than politics and religion.

This shouldn't come as a surprise; we value the opinions of others. Because our money is tied so closely to our identity, we tend to repress our money problems until they have become too large to ignore. Nearly a third (30%) of Canadians admit to misrepresenting their financial success or status to friends and family (No word on how many Canadians admit to misrepresenting their financial success to survey-takers). With so many of us spending outside our means, the Keeping Up With the Joneses mentality has pervaded every aspect of our society. To the extent that 90% of Canadians don't believe that they are personally guilty of having that mentality (Genworth Financial Survey, 2005). The incongruity of these statistics should tell us that the problem is foreseeable and preventable. The problem is that would rather not face reality. 36% of us take extraordinary steps to avoid doing so, and 17% of us won't even check our bank balances and financial statements.

Being intelligent does not equal being financially fit. Having a great education does not equal being financially fit. Despite higher earnings, more desirable careers, and social standing, intelligent and well-educated people don't always take the right steps to achieve financial fitness at home. In fact, of that population those with the highest IQ, 6% will regularly max out credit cards, and 11% admit missing bill payments (Jagorsky, J., Intelligence, Vol. 35, Issue 5, 2007). Even the smartest of us make bad decisions with our money, when we haven't been taught how to make them.

Earning more money often leads to spending more money. Many of us believe that a raise, promotion, or new job will help us take care of money problems at home. What may appear to be positive changes, however, are more like climbing a ladder with a ball and chain attached to the ankle. Earning a good wage does not mean knowing how to manage a good wage. This requires a different skill-set, which can easily be picked up through financial education.

So What Can You Do?

You have a responsibility to yourself to build your Money Fitness. This isn't a matter of choice – money is inextricably linked to the rest of our life. Investing in your Money Fitness is an investment in yourself, and the return on that investment is priceless.

Taking part in a **comprehensive and objective financial education** program means more than hiring an investment or insurance representative. These services are widely available, but the desired end result for many (if not most) of investment and insurance representatives is to sell a particular product. This is not necessarily a bad thing, as it makes sense for you to have access to beneficial products and plans you may not have used otherwise. However, when it comes to comprehensive financial education, the boundaries of your learning should be far beyond product sales.

“Comprehensive” means more than just sales. It means that the program covers the whole spectrum of personal finance, from prevention, to treatment, to thriving. Ensure that you are giving yourself the best advantage, by taking part in a comprehensive and objective program to help you towards the goal of financial fitness. The program should be geared towards keeping you fit, accountable, and eager to do more. Household money management, personal coaching and debt counselling, and access to financial planning should be a part of any program you undertake, to put yourself on that proper path. Continuing to read and watch money-related books, magazines, television programs, and websites can foster an environment in your household, where you “Come out of the dark” make your financial fitness a priority.

“Objective” means that the information is presented clearly, completely, and straightforward. It should be focused on the your life worth, and geared to your best interests – as opposed to that of a particular company with a stake in selling products. There is a low amount of profit to be made by product salespeople in the arena of coaching and money management, since you wouldn't necessarily “purchase” something. The steps to financial fitness, through proper debt management, budgeting, tax planning, will/estate planning, and risk management may be missed if a non-objective coach doesn't have sufficient motive to cover those topics thoroughly.

In any financial education program, an **approach and style which is aimed at helping you develop skills to make informed choices, and take action to improve your financial well-being now and in the future** is absolutely essential.

“Financial Education” means a true client-focused program, where the motive is to help you become financially fit, and not just to sell a product. Don't be afraid to ask about this; the disclosure agreement is freely available. Though products are offered through the Money Fitness program, the goal here is to help you develop your financial skill-set, and not primarily to sell a product.

Use due diligence when assessing the way you approach this issue. True financial coaching can't happen in a one-hour session over the phone. It takes a face-to-face discussion of goals, facts, and solutions to help your employees get on the path to financial fitness. It takes repeat appointments, and a willingness to step outside your comfort zone. Adequate preparation comes in the form of classes and in-person coaching appointments, which motivate you to make changes for the better.

Your “To Do” List

- Print this document, read it, and make a decision as to what your financial well-being means to you. If you are in a marriage or committed relationship, give a copy of this document to your better half. Set a time to discuss this further, and don't forget to mark a date on your calendar.
- Find out if your company benefits program covers financial programs, coaching, and services. If not, contact your human resources representative to discuss inclusion. If you do have this coverage, but aren't sure about the fine print, contact your HR rep to discuss the specifics and limitations.
- Organize all of your relevant financial documents. This includes bank and investment statements, credit card statements, your most recent tax return, your mortgage statement, workplace benefits documents, insurance documents, your will and power of attorney – anything that may affect you financially. Request a Personal Financial Data Form, using the contact information below, to summarize the information in a single document.
- Set a date to confront this issue directly, through a free counselling session, and hold yourself to it. If you have a spouse or partner, both of you need to participate.
- Purchase a copy of personal financial software, such as Quicken Canadian Edition. Get familiar and comfortable tracking your expenses and spending.
- Purchase a book on personal finances and commit to reading a chapter before bed. Some great examples are “Finish Rich” by David Bach, “9 Steps to Financial Freedom” by Suze Orman, and “Total Money Makeover” by Dave Ramsey. There are countless other examples – stop by your local bookstore and flip through a few until you find one you are comfortable reading and repeating.
- Contact your advisor, and Andray Domise, to find out how this program can be of service to you.

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