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Family finance quiz

By Camilla Cornell
Illustrations by Katy Dockrill

Whether your idea of a splurge is beer at the pub or a champagne cocktail at the Four Seasons, your attitude toward the green stuff is probably deeply ingrained. And that has implications for everything from family harmony to your financial status. To discover your money personality, take our quiz, then read on for tips to help you manage your moolah a little better.



QUIZ

Breakfast at your house is...

- A. **Wonder Bread and Sanka**
- B. **Cereal and toast at home, coffee from Tim's en route to work**
- C. **Eggs for the kids, Starbucks venti soy latte and muffin for you**

At the end of every month you...

- A. **Can account for every penny, right down to the 75-cent late-return fine at the library. Drat!**
- B. **Aren't really sure where your money has gone; you may come out a little ahead, or a little behind. Oh-bla-di, oh-bla-dah...**
- C. **Are scouring the cupboards for lentils you can make into a healthful dish that will feed your family until your next Whole Foods blitz.**

You pay off your credit card bill...

- A. **Every month, or you get heart palpitations**
- B. **When you can – you sometimes get behind, but you usually do better than minimum payments**
- C. **You mean you're actually supposed to pay it off?**

A budget is...

- A. **Your personal bible. You track expenses daily on a spreadsheet**
- B. **A necessary evil**
- C. **A brightly coloured bird, popular with pet-lovers...or is that a budgie?**

Your idea of saving money is...

- A. **Buying a DVD player for \$30 off the back of some guy's truck, only after the very last VHS tape was removed from your local Blockbuster**
- B. **Dutifully making automatic payments into your kids' RESPs each month**
- C. **Buying your daughter a sample-sale Whitney Kids dress instead of getting it full-price at Holt's.**

Your retirement goals are...

- A. **To get yourself a nice little hut with a solar-heated shower and a comfortable outhouse – no sense paying for utilities**
- B. **That's a long way off – you hope to have the cash to retire comfortably**
- C. **Surely you'll win the lottery/inherit millions from an elderly neighbour/invent something spectacular sometime between now and then...**

RESULTS

Add up the number of As, Bs and Cs you circled. The category in which you have the highest score represents your money personality, even if all of your answers don't fit the bill. Read on for tips on how Hoarders (As), Tight-Rope Walkers (Bs) and Big Spenders (Cs) can get things on track financially.

The Hoarder (Mostly As)

Okay, okay, you've got lots of cash in the bank and you don't waste it...ever. You're probably one of the 20 per cent of Canadians who regularly put money away in savings. But you could stand to loosen the purse strings now and then.

The symptoms

You're in danger of exiting this world without doing the things you want to do because you're too security-conscious to part with the money, says Diane McCurdy, certified financial planner and author of *How Much Is Enough* (Wiley). And you're such a conservative investor you sometimes limit the growth of your savings by sticking to low-risk investments. (Yes, you are the only people who still buy Canada Savings Bonds.)

Money RX

- **FIND OUT HOW MUCH IS ENOUGH** For peace of mind, super-savers like you have got to know how much you need to fund the kids' education or your retirement. A financial planner can help you come up with a number, or you can try McCurdy's online calculator at howmuchisenough.ca, or the worksheets on the Canadian Bankers Association's site, cba.ca.
- **DON'T PUT ALL YOUR EGGS IN ONE BASKET** Buying only interest-bearing investments can be counterproductive. Over the long run, stocks and mutual funds traditionally rise in value faster, even if short-term fluctuations make your heart skip a beat.
- **LIVE A LITTLE** If you're putting away 15 to 20 per cent of your paycheque, says McCurdy, funding a cushy retirement should be no sweat. Once your basic expenses and long-term savings needs have been met, feel free to buy the kids an ice cream cone (yes, even if you can buy a whole brick and have some left over for the same price).

Word from the Wised Up

"Since my wife and I are both freelancers, we have a hard time forking out for expensive vacations. A few years ago, we got a chance to go to England with our two kids, but we knew the plane fares and everyday living expenses would cost a bundle. We handled it by setting up an 'England Fund' about a year in advance, plunking in cash regularly. Because the money was set aside specifically for the holiday, we didn't feel bad about spending it. Now we have a reno fund, too!" PAUL FOTIA, DAD OF TWO, TORONTO

Tight-Rope Walker [Mostly Bs]

You are likely one of the 75 per cent of all Canadians with less than three months of living expenses in savings. That said, you're not hopeless. You likely have some idea where your money is going and have set aside some cash for long-term goals.

The symptoms

With a mortgage/rent to pay, groceries to buy and assorted kid-related expenses from daycare to hockey skates, you're scrambling to meet the bills. "Emergen-cies" tend to throw your plans out of whack, and you're probably not maxing out on RRSP or RESP contributions.

Money RX

- **REVAMP YOUR CONCEPT OF AN EMERGENCY** Lynn Biscott, a financial educator with Fernwood Consulting in Toronto, contends that most of the things people call emergencies are not. You can pretty well count on car or home repairs. Set up an emergency fund of three to six months' expenses, or use a line of credit in a pinch.
- **MAKE YOURSELF A WISH LIST** Work together as a couple (or individually, if you're single) to determine goals, says McCurdy. Include long-term aims, like buying a home or retiring at 55, as well as short-term goals (buying a new couch or vehicle). When the basics are covered, what the heck, add that Balenciaga purse or set of Callaway forged irons.
- **PAY YOURSELF FIRST** Once you've set priorities, calculate your budget for necessary expenses (like food, clothing and shelter), pro-rating bills (for utilities, for example) to give your budget monthly predictability. Finally, channel at least 10 per cent of before-tax earnings directly into RRSPs and other savings vehicles. The good news: the remainder of your cash is yours to spend.

Word from the Wised Up

"Up until about a year ago, I had no real financial plan in place. We concentrated on paying off the mortgage fast, and whatever we could drum up went into an RRSP or RESP. Then I met with an advisor, and she suggested that we make minimum mortgage payments and use the cash we freed up for monthly contributions to both. Now we get the tax deduction from the RRSP and the government grant of 20 per cent on the contributions to the RESP. Because the money comes directly out of our bank account, we don't really notice that it's gone. I only wish we'd sat down and figured out our priorities a few years sooner."

DEBBY BLYTH, MOM OF VICTORIA, 15, AND MACKENZIE, 13, TORONTO

Big Spender [MOSTLY Cs]

You're not trying to keep up with the Joneses – they're trying to keep up with you. Unfortunately, all that stuff comes at a price: you're probably one of the 30 per cent of Canadians carrying a credit card debt of \$1,000-plus.

The symptoms

You're the type to have an urgent budget discussion over dinner at the latest chi-chi restaurant. (Hey – it's been a long week!)

Money RX

- **GET A HANDLE ON CASH FLOW** Record and tally every expense from mortgage payments to coffees. Use yearly averages for occasional stuff, like car repairs.
- **TARGET CREDIT CARD DEBT** If you barely make a dent in your credit card balance, you could be paying for things two or three times over, given the crazy interest rates. Can't pay the debt outright? Find a cheaper way to finance it, suggests Biscott. Roll it over into a bank or home equity loan or lower interest credit card.
- **SLIDE INTO THE BLACK** Break down your total debt into a daily sum spread over a year. It's hard to imagine how to put aside \$5,000 annually, but most people can manage \$13 a day, says Biscott. Cut out a few big-ticket items like that fancy cell phone with the unlimited minutes and your unused gym membership, as well as indulgences like daily lunches at the deli and cab rides. Consider buying clothes for your fast-growing kids at good quality second-hand stores. "I usually pay no more than \$1 to \$4 for T-shirts and pants and \$15 for board pants and jackets," says Linda Keglowsch, a mother of three from Cobble Hill, B.C. Your debt will evaporate quickly, so you can move on to building an emergency fund, saving for retirement, and fun stuff like vacations and plasma screens.

Word from the Wised Up

"We came close to bankruptcy a few years ago, so we know the importance of keeping expenses in line. The thing is, if you can cut out one major expense, you can find room for a few of the extras. In our case, we were spending a good \$600 a month to keep two cars on the road. When we bought our house last August, we chose a self-contained neighbourhood. Our school, shopping centre and even the movie theatre are within walking distance, so we manage with one vehicle. I'd say that saves us about \$3,600 a year."

STACEY BROWN, MOM OF FIVE, HAMILTON, ONT.

First published in Canadian Family September 2006