Innovation, Science and Economic Development Canada
Office of the Superintendent of Bankruptcy Canada

Innovation, Sciences et Développement économique Canada
Bureau du surintendant des faillites Canada

INSOLVENCY COUNSELLING PROGRAM

Setting and Achieving Financial Goals Module

Canada

Setting and Achieving Financial Goals Module

Welcome to the setting and achieving financial goals module

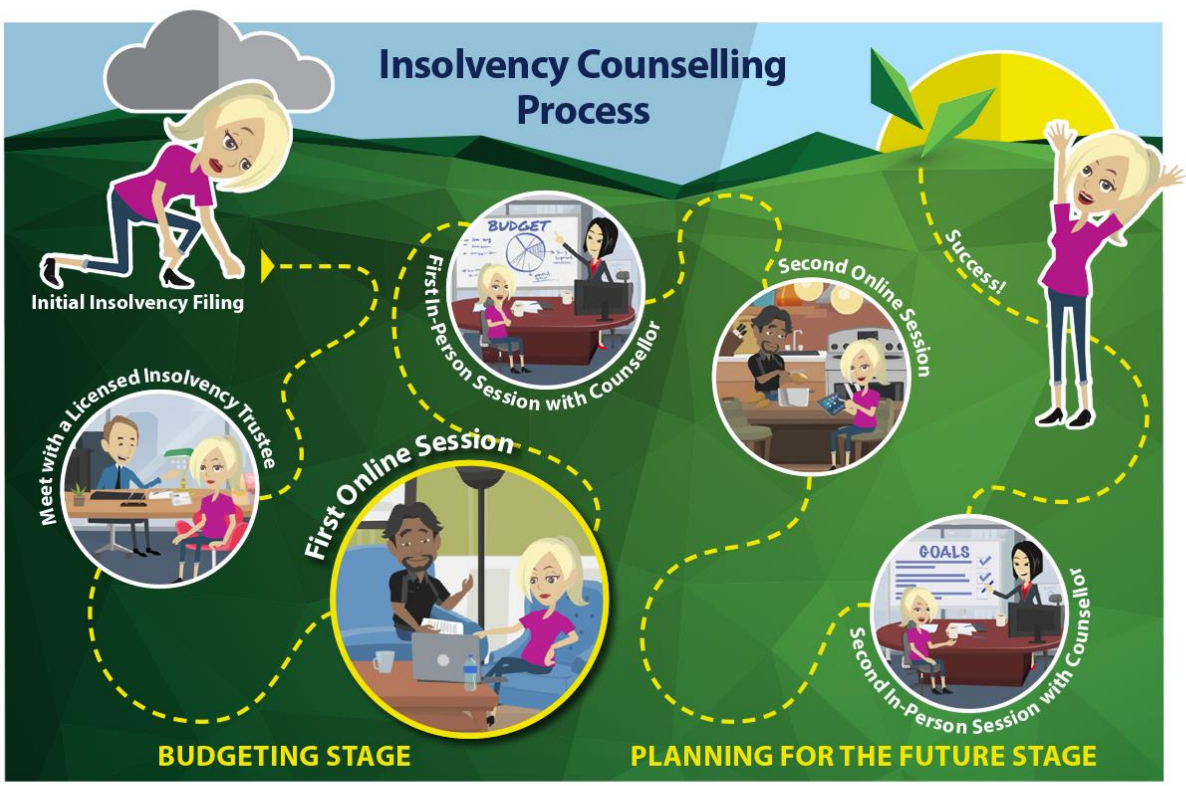
When completing the modules:

- sit in a quiet place;
- take your time, move at your own pace and take regular breaks; and,
- write down any questions you may have and bring them with you to your in person counselling session.

> ⓘ Although the modules are presented in a certain order, it is important to remember that everyone is different, so your BIA Insolvency Counsellor can adjust your counselling to suit your needs. This may include changing the order of the online modules.

Setting and achieving financial goals overview

The insolvency counselling process



You should now be getting close to the end of your insolvency (unless your BIA Insolvency Counsellor has customized your counselling and rearranged the order of the online modules to better suit your individual needs). The modules in the planning for the future stage are meant to prepare you for post-insolvency success. They will provide you with tools to help you stay on track.

Your financial goals serve as a guide to help you define your path and keep you on it. Setting financial goals will help you take control of your future! This step is an important component of financial success.

The aim of this module is to learn the fundamental skill of setting financial goals and the information needed for achieving them. During this module you will choose a few financial goals to take to your in-person counselling session. You will work with your counsellor to come up with a plan to achieve these post-insolvency goals. Your counsellor will help you to make sure that your financial goals align with your budget.

If you have questions, write them down and bring them to your in-person counselling session.

Financial goals and their purpose

Financial goals are targets

Pursuing financial goals can help you:

- satisfy a want such as saving for a family vacation:
- ensure that your needs will always be met, such as saving for retirement
- help you deal with unexpected events such as a sudden loss of income.

When setting your financial goals, it is important to always cover your needs before your wants.

> A **need** is a necessity, something that is essential for living. Examples include shelter, groceries and basic clothing.
>
> A **want** is a desire, something that is non-essential for living but that you would like to have. Examples include vacations, restaurants meals and non-basic clothing.

Setting financial goals is an important step toward post-insolvency financial success. Achieving a goal can be very rewarding, personally satisfying and motivating. It can be a great confidence builder.

Throughout this module you will learn about why you should set financial goals. Later in the module, you will work through an exercise to set your own personal financial goals.

Financial stability and security

Let's take a moment to review some background material before moving on to setting your financial goals.

Financial stability and security are crucial elements for financial well-being and a positive financial future. Many financial goals are guided by the priority of financial stability and security. As you are completing the module, make sure to thoroughly consider these priorities. The module will discuss strategies to help you achieve and maintain financial security and stability.

> **Financial stability** is the ability to manage financial risks and absorb financial shocks. It provides you with the ability to bounce back from, or withstand, pressure, change or stress related to your finances.
>
> **Financial security** is the peacefulness you feel when your income is enough to cover all of your expenses. It suggests that you have enough money coming in to cover emergencies and your future financial goals.

Financial stability and financial security are foundational pieces required to have a healthy relationship with money. In this section, you will learn how to evaluate your financial situation and review situations that could pose risks to your financial stability and security.

Please take a moment to review the common risk factors listed below and think about how they affect you:

- are a one- or two-income family?
- do you or your partner have significant medical or long-term illness in the household?
- do you have job stability?
- is your income is stable?
- do you have paid sick leave?
- do have workplace disability insurance?

Understanding your financial risk factors is the first step in reducing the impact of unfortunate and unforeseen events. Setting financial goals can help you to protect your financial well-being against certain financial risk factors. The next section will teach you about some common ways to reduce these risks.

If you have questions, write them down and bring them to your in-person counselling session.

Protecting your financial well-being

Financial risk management

It is impossible to eliminate all of your financial risk; however, there are strategies that can be used to avoid and minimize risk, and even help protect yourself from it. These are outlined below.

Selective insurance coverage

There are many kinds of insurance, from life, health and disability insurance to home, auto and even travel insurance. In choosing your coverage, it is important to recognize what insurance types constitute a need, and which could be characterized as a want, as well as the extent of coverage needed. A professional insurance representative can help you in this, but be wary of unnecessary fees.

Be sure to compare prices to make sure you are paying a fair rate. Before buying insurance, look at all of the protection you currently have, either privately or through your employer. Keep in mind that some types of insurance are very expensive and may not be necessary for your specific needs.

Emergency savings

> ⓘ For example: vehicle repairs, health issues, home repairs, and/or loss of income.

One of the best financial risk management strategies is an emergency savings fund. This type of fund puts you in control. It can also help protect your financial stability and ensure your financial security.

An emergency savings fund is a part of your income that you set aside in case of a financial problem. Emergency savings can prevent you from having to borrow money to pay for an unexpected event.

> It is important to remember that this module focusses on post insolvency success and preparation.
>
> Please keep in mind that if you are currently going through the insolvency process, you might not have enough income to save for your financial goals.
>
> This module is meant to help you plan for your financial future and consider your financial goals before your discharge. However, you might not be able to start saving and budgeting for your goals until after your insolvency is complete.

Here’s how you can set-up your emergency savings fund:

- Use the “emergency fund” section of your budgeting template for emergency savings
- Keep the money in a separate savings account and ask your bank to automatically transfer a small amount of your monthly income to your emergency fund (savings account) each month
- Don’t spend your emergency fund on non-emergency expenses

Other types of emergency savings

Many people do not have the ability to set aside some of their monthly income for emergencies. An alternative to having emergency cash savings would be to start a small emergency non-perishable food fund. Every time you shop for groceries, consider buying just a few non-perishables to store in a special place for emergencies. When an emergency hits, you can use the regular food budget to handle it and you will be able to feed yourself using your emergency food supply.

Saving

Saving puts you in control!

If possible, you can start saving on a regular basis to prepare for emergencies and save for large expenses. Many financial goals rely on savings, which gives you the ability to make choices rather than going from one spending emergency to another.

Why saving is important:

- Helps you manage financial risks and gives you security (as you learned above)
- Helps you achieve important goals without having to borrow money
- Gives you choices and more financial freedom

Strategy for saving

One strategy for saving is to “pay yourself first”. This is an effective strategy to make sure you reach your savings target every month. It reduces the temptation to skip a contribution and spend the money on something else.

This strategy involves automatically directing your specified savings from your paycheque. You can do this by speaking with your payroll administrator. Your paycheque can be split into two parts, or your bank can make an automatic transfer.

The money is then automatically taken from your paycheque and put into your savings account. This allows you to pay yourself before paying your monthly living expenses and making unnecessary purchases. This approach works best when your paycheques are consistent.

If you have questions, write them down and bring them to your in-person counselling session.

Setting your financial goals

SMART goals

Now let’s identify some specific financial goals based on what is most important to you.

You are more likely to reach your financial goals if they are SMART goals:

- **Specific:** When setting a goal, be specific about what you want to accomplish. Think about this as the mission statement for your goal.
- **Measurable:** When setting a goal, think about how you are going to determine if you meet it. This makes a goal more tangible because it provides a way to measure progress.
- **Achievable:** When setting a goal, think about how to accomplish it and whether you have the tools/skills needed. Consider what you can do to make your goal possible and determine if you need to develop new skills.
- **Relevant:** When setting a goal, consider why you want to reach it. Make sure it aligns with what is important to you.
- **Time-Bound:** When setting a goal, decide on a realistic deadline for achieving it. Make sure you are patient when working toward achieving your financial goals.

> ⓘ It is important to be realistic with yourself. By being too ambitious, you may risk not meeting your goal and therefore becoming discouraged.

SMART goal example

“Having financial security” is a very vague goal and is hard to measure. How will you know if you are making progress or if you have achieved your goal?

“Saving $75 each month over the next five years, for a total of $4,500 into a savings account for an emergency fund” is a SMART goal.

It’s **S**pecific: You know exactly what you are saving for (an emergency fund).
It’s **M**easurable: $75 each month, totaling $4,500.
It’s **A**chievable: Is $75 each month achievable for you?
It’s **R**elevant: An emergency fund helps you obtain financial security .
It’s **T**ime-bound: You have a monthly target of $75 and a five year target of $4,500.

> **Debt-trap:** a situation in which a debt is difficult or impossible to repay. This is often due to high interest payments, which make repayment impossible. Payday loans, for example, often lead to a debt trap. A payday loan is an amount of money borrowed at a high interest rate which the borrower agrees to pay back to the lender when the borrower receives their next paycheque.

A great way to reach longer-term goals is to break them down into shorter-term goals. Breaking up your longer-term goals into multiple shorter-term goals makes it easier for you to measure your progress.

Financial goal-setting tool

It is now time for you to set your own financial goals! Please download the interactive financial goal-setting tool. Take a look at the list of financial goals and identify the ones that are most important to you.

Select and prioritize your top three post-insolvency financial goals and fill in the blanks with your personal goal information. If you cannot find three goals from the list which are important to you, use your own, but make sure they are SMART.

Financial goal-setting tool

Word version
34 KB, 1 page

PDF version
505 KB, 1 page

If you have questions, write them down and bring them to your in-person counselling session.

Budgeting with your goals in mind

Now that you have selected your personal financial goals, it is important to make sure your financial goals fit within your budget.

Think back to the example about saving for an emergency fund. Steve's longer-term goal was to save $4,500 in five years for his emergency savings. This goal was then broken down into several shorter-term goals: instead of saving $4,500 over the next five years, think of it as saving $75 per month or $900 per year.

The $75 per month should now be counted as a regular, ongoing amount in Steve's budget.

Budgeting template: Steve's budget

Savings	Amount	Frequency of Deposits	Monthly Equivalent
Emergency fund	$ 75	Every Month	$ 75
Financial goals		Please Select	$ 0
Total Savings			$ 75

When Steve adds that amount to his budget, he must determine whether he has a budget surplus or a deficit.

A **budget surplus** is when your total income is more than your total savings and expenses.

A **budget deficit** is when your total income is less than your total savings and expenses.

If this change to his budget results in a deficit, then he will have to:

- find ways to increase his income;
- find ways to decrease his other expenses; or,
- adjust his financial goal.

If you have questions, write them down and bring them to your in-person counselling session.

Check your learning: setting and achieving financial goals module
Select the correct answer for each of the questions below.

1. **What you strive to achieve is informed by what is important to you.**
   a. True
   b. False

2. **Only those with a high level of financial risk need an emergency fund.**
   a. True
   b. False

3. **Which component of a SMART goal reflects your priorities and what is important to you?**
   a. Specific
   b. Measurable
   c. Achievable
   d. Relevant
   e. Time-Bound

4. **Which of the following goals would be most appropriate to break down into shorter-term financial goals?**
   a. Contribute $1,000 over the next month to your children's education fund.
   b. Save $5,000 over the next five years for your retirement.
   c. Put $200 into your emergency fund for any unanticipated/unexpected expenses.
   d. Learn more about strategies for saving over the next 6 months.

5. **You should always break down longer term goals into smaller shorter term goals.**
   a. True
   b. False

6. **Which of the following is part of setting up your emergency savings?**
   a. Cover your fixed expenses and then allocate the rest of your income to your emergency savings
   b. Transfer a small amount of your income to your emergency fund.
   c. Keep your savings in your chequing account.
   d. Contribute to your emergency savings on an annual basis.
   e. All of the above.

7. **Which of the following is true?**
   a. Saving means taking a shorter term view on your life.
   b. All of your surplus income should be put aside for your future financial goals.
   c. During your insolvency, you should focus on 'paying yourself first'.

d. Saving is only possible if you have an annual salary.
e. It is important to ensure your financial goals are achievable and fit into your budget.

Answers
1.(a) 2.(b) 3.(d) 4.(b) 5.(a) 6.(b) 7.(e)

Congratulations

✔ You have now completed the setting and achieving financial goals module!

If you have questions, write them down and bring them to your in-person counselling session, along with a list of your personal financial goals.