

BY ANNIE BOUTET | PHOTO: EVENTUS

YOUR BUDGET: A Family Affair

“Oh, no! Not another budget that’s just going to cut into my spending!” This is a common reaction to the idea of setting a budget. But such thoughts need to be brought under control so you can face your fears and even embrace the exercise as a family.

Drawing up a family budget is so simple it's easy to forget to do it. Yet, it's an essential means for keeping track of your finances. “A budget can save you from unpleasant surprises because it shows what your financial situation really is, and not what you think it is. It helps you pay your day-to-day bills, set up a list of priorities for your needs and determine how much money you are allocating to each need,” states Jean-Rémy Deschênes, Business Coordinator, Wealth Management Services at Desjardins.

In short, a budget consists in setting precise, measureable and realistic objectives with fixed timelines. To draft a budget you need to add up all your sources of net income as well as your fixed and variable expenses for each month. Two items that many people often forget to include are their income tax and all forms of savings (non-registered investments, RRSP contributions, tax-free savings account (TFSA) and any education savings plans you may have for your children).

A FAMILY-BASED APPROACH

According to our expert, when drawing up a budget, not only should you take the needs of everyone in the family into account, but you should also ask everyone to take part in the process, so that each person is sure to get their fair share and everyone's efforts are rewarded. That said, we're not talking about getting a seven-year-old involved in the process the same way you would a teenager. But both need to learn about the importance of making choices, planning and saving money based on what's reasonable for the stage of life each one is at. When you make all family members aware of their responsibilities, everyone can contribute to creating the financial leeway required to carry out projects and plans.

“All in all, managing the family budget boils down to the decisions a family needs to make between ‘having enough’ and ‘wanting more.’ It always requires a balance between the two. And ‘more’ is not necessarily the same as ‘better.’ One of the objectives of making a budget is to be able to afford the quality of life you want to live,” explains Jean-Rémy Deschênes.

YOUR RELATIONSHIP WITH MONEY IS KEY

According to our specialist, we must do away with the old-fashioned notion that the purpose of a budget is to cut into all spending. We need



to understand that we're not doing this to make us poorer, but rather to add value to our financial choices and feel comfortable with our decisions. When it comes to your family, the budget helps you make compromises with respect to time and expenditures by creating an opportunity to shed light on the relationship each family member has with money, such as whether they are a saver or a spender. Once this relationship has been defined for each person, it is then much easier to get an overall picture of the family's real financial needs.

“Budgets deal first and foremost with emotions—the numbers come second,” says Mr. Deschênes. “If you don't determine beforehand what kind of relationship each person has with money, you're going to stir up plenty of emotion, which is a source of potential conflict. If money is not allocated fairly in the budget, one family member may gain in the short run, but the whole family will lose in the long run.”

Viewed from this perspective, if managing the family budget can be beneficial for the so-called “traditional” family, it is even more so for the blended family. The fact that your spouse's children may once have lived in another environment with other people whose relationships with money may have differed makes it that much more important to clarify matters right from the start. You need to break the taboo around money and open a dialogue within the family.

One final point on dealing with pressure from your kids

Parents today often have to contend with constant demands for money from their children. Here are a few tips to avoid this and help you make your children more financially responsible:

- 1- Encourage your children to use their own money.
- 2- Exercise parental control when it comes to Internet access, to minimize exposure to the countless ads targeting to your teens.
- 3- Learn to say “no.” It's a tiny, two-letter word that is sometimes very hard to say, but it always works.
- 4- As a couple, take a concerted approach and work together as partners. **D**

A GREAT OPPORTUNITY FOR TEACHING

Of course, drawing up a budget is a great pretext for teaching your children about money, and for making them more financially responsible and aware of the value of a dollar. Obviously, a teenager's contribution won't be the same as that of a 28-year-old adult still living at home. Normally, the latter should be paying rent and covering some of the day-to-day expenses as well, if possible. But your teenager can contribute to the budget as well, by babysitting his or her younger siblings or doing chores around the house.

“For the first time in history, adults aged 35 to 55 might find themselves squeezed between grown-up children still living at home and aging parents with their own particular financial needs,” observes Mr. Deschênes. “Supporting your children, helping out your parents and building your own financial independence all at once is quite the challenge! Which is why it's so important that everyone participate in maintaining the family budget.”

WINNING CONDITIONS

Of course, there are certain conditions that can help you reach the results you are aiming for. For one thing, your budget should be easy to understand and follow so that everyone can take pleasure in contributing to the financial independence of the entire family. It also has to be able to adjust to the ebb and flow of money coming in and money going out, and remain flexible – because in general people rarely stick to any rule that is too strict (highly restrictive diets being a good example). “You have to be honest with yourself. There's no point in cheating and making things up. You have to set realistic expectations and use real numbers,” insists Mr. Deschênes.

It is also important to set up a system to organize your papers (bills, pay stubs, family allowance receipts, etc.) by having all your documents together in one place so that you can easily keep track of all changes. You should also get into the habit of paying yourself first: save before you spend. It's only logical. Ideally, you should be saving (in registered or non-registered plans) 10% of your annual income after taxes. This is only a guideline, though, because you also need to take into consideration the priorities of each stage of your financial life. Another important point: set money aside that you can cash in quickly for unexpected emergencies (the equivalent of three months of your net salary is a good amount). This money could be drawn in part from a line of credit.

And remember that a budget should reflect the fact that some months will cost more than others: September with back-to-school expenses, December with the holidays and April with tax returns. It should also cover 13 months and not 12, because some months have five weeks in them. And the last ground rule, but by no means the least: no matter what the temptation, you have to stick to the game plan you set as a family! Then, every time you reach a goal, take the time to celebrate and congratulate everyone. This will encourage good habits in the future. **D**

Useful tool at www.desjardins.com

Check out www.desjardins.com/en/particuliers/outils for an effective and efficient interactive tool you can use to help you draw up a budget. Click on “Your budget” under the heading “Personal balance sheet” for your easy-to-fill out budget sheet. **D**