

# Ten Healthy Habits of Financial Management

presented by [presenter's name]

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## Agenda

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- Looking at current habits
- Ten healthy habits
- Tools and aids
- Resources
- Q&A



## Healthy Financial Habits

- Financial Fitness Self-Assessment

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Financial Fitness Self-Assessment\*

Answer the questions with either True or False.

Description	True	False
1. I adhere to a balanced budget.		
2. I calculate my net worth annually and compare it to the prior year.		
3. I can accurately compare credit ratings.		
4. I can afford everything I want.		
5. I pay myself first.		
6. I understand how to use credit responsibly.		
7. I look up my credit and review my credit report.		
8. I do not spend impulsively – I wait up for major purchases.		
9. I have money saved in an emergency fund.		
10. I have adequate life and disability insurance.		
11. I have a retirement savings plan that I contribute to each month.		
12. I have diversified my financial goals and have a plan to achieve them.		
13. I read my spending and review it when I'm going to spend.		
14. I am using an RESP to save for my children's education.		
15. I know where I am going and how to get there.		
16. I do not "gamble" with my savings by being overly risk.		
17. I do not speculate, using leverage and buying for value.		
18. I have well informed for investing financial decisions.		
19. My spouse and I possess a written plan on financial issues.		
20. I think I will adhere to all the habits.		

\*Source: Financial Literacy Questionnaire by Financial Planning Institute of Canada, 2005.

**Results:**

- 14-18 True - You have good credit for all.
- 10-14 True - You are in fairly good financial health. Keep working on it.
- 10-18 True - Congratulations, you are in excellent financial health!

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## Ten Healthy Habits

### 1. Know Where you Stand Financially

- Net worth** → Everything you own – Everything you owe
- Cash flow** → All income/cash coming in – all outflows
- Use a detailed budget to control outflows



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## Ten Healthy Habits

### 2. Live Within your Means

- Arguably, the most important lesson
- Walk the walk
- Don't spend more than you make.



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## Ten Healthy Habits

### 3. Save/Pay Yourself First

- **Automatic** monthly transfer to a designated account
- Get used to living without this money.
- Spend only what remains.
  - Cover your overhead expenses first
  - Remaining funds go towards discretionary spending



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## Ten Healthy Habits

### 4. Credit

- Wonderful tool when used responsibly
- More convenient
- Builds credit history



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## Ten Healthy Habits

### 4. Good Debt vs. Bad Debt

#### GOOD DEBT

- Used to purchase an asset
- Potential to go up in value



#### BAD DEBT

- Used to purchase consumption goods that decrease net worth
- No resale value
- Best to save for these types of purchases.



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## Ten Healthy Habits

### 5. Set up a Financial Safety Net

- Protection in case of financial emergency.
- 3–6 months of living expenses in cash reserves.
- Insurance



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## Ten Healthy Habits

### 6. Wants vs. Needs

- **Needs** are the overhead expenses in your budget
- **Wants** are the discretionary items
- **Be media savvy**

*“Do I really need this, or would it just be nice to have?”*



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## Ten Healthy Habits

### 7. Delayed Gratification and Values-based Goal Setting

- Important life skill
- Setting financial goals delays gratification
- Tie goals to your value



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## Goal Setting

### 1. Write down financial goals

- Review them with others
- Monitor progress
- Success is self-reinforcing

### 2. Use your values to set goals

- What are values?
- What are **your** values?
- Values Validator



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## Set *SMART* Goals

**S** → SPECIFIC

**M** → MEASURABLE

**A** → ATTAINABLE

**R** → REALISTIC

**T** → TIME-FRAMED

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## Ten Healthy Habits

### 8. Track Your Spending

- Bring awareness to your spending habits
- **Reality check:** is your actual spending in line with how you *think* you spend your money?
- **Tools:** journal, spreadsheet, software, app
- Focus on problem areas
- Use feedback to tweak your budget



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## Ten Healthy Habits

### 9. Create a Money Network

- Choose supportive family and friends
- Share your objectives and your plan
- Check in with them periodically
- Help them with their financial management



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## Ten Healthy Habits

### 10. Divide and Conquer

- Start small
- Create an education plan
- Adopt one habit at a time
- Be involved
- Your money! Your future!



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## Tools and Aids

- Budget calculator  
[canada.ca/en/services/finance/tools.html](http://canada.ca/en/services/finance/tools.html)
- Goal-Setting Worksheet
- Financial Fitness Self-Assessment
- Values Validator Worksheet

**FINANCIAL LITERACY**  
**Financial Fitness Self-Assessment\***  
Answer the questions with either True or False.

Description	True	False
1. I adhere to a balanced budget		
2. I calculate my net worth annually and compare it to the prior year		
3. I am responsible for my own credit ratings		
4. I can afford everything I want		
5. I pay myself first		
6. I understand how to use credit responsibly		
7. I use all my credit and advance money wisely		
8. I do not spend impulsively—I look up for major purchases		
9. I have money saved in an "emergency fund"		
10. I have adequate life and disability insurance		
11. I have a "contingency" fund for my "what-if" needs—I make sure my "what-if" fund is growing		
12. I have a will and my financial goals and plans are clear to everyone I care about		
13. I have my spending and income under my control and saving is a priority		
14. I am using an RESP to save for my children's education		
15. I know where I am going and how to get there		
16. I do not "gamble" with my savings by selling money into		
17. I do not buy securities, using leverage and selling for value		
18. I have well informed financial decisions		
19. My spouse and I possess a varied portfolio of investments		
20. I think I will be able to pay for my future		

**Results:**

- 16-18 True - you have good financial health. Keep working on it!
- 14-15 True - you are in fairly good financial health. Keep working on it!
- 10-13 True - Congratulations, you are in excellent financial health!

## Resources

- CPA Canada Financial Literacy Publications  
[cpacanada.ca/financialliteracypublications](http://cpacanada.ca/financialliteracypublications)
  - *A Parent's Guide to Raising Money-Smart Kids*
  - *A Canadians Guide to Money-Smart Living*
  - *Protecting You and Your Money: A Guide to Avoiding Identity Theft and Fraud*
- CPA Canada Financial Literacy  
[cpacanada.ca/financialliteracy](http://cpacanada.ca/financialliteracy)
- Financial Consumer Agency of Canada  
[fcac-acfc.gc.ca](http://fcac-acfc.gc.ca)

# Q & A

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