



## EFFECTIVELY MANAGING FINANCIAL STRAIN



In any disaster- natural or manmade- jobs and the economy are one of the first things to be impacted as in the case of the COVID-19 pandemic which has resulted in immense job losses and an almost complete shutdown of the economy, People have suddenly been faced with a situation where their resources have become limited and new job opportunities have decreased thus creating financial strain on families.

There are different forms of government assistance being provided however, balancing expenses with potentially less income is straining.. It may take some time for the economy to get back up running again, and therefore families need to make plans for financial changes and create a new budget in this situation. Here are some ways where you can start thinking of how to relieve your financial strain.

### ASSESS YOUR FINANCIAL STANDING

The first step towards resolving your financial strain would be to thoroughly assess and identify your income and assets. This helps to picture the gap between your needs, and the baseline income which is coming in. Also take into account any government assistance that is made available and which of those assistance programs you can apply for- if need be. Consider any savings that you may have put aside and keep them separate as an emergency fund. Considering all sources of possible income will help you move onto the next step of this assessment: making a budget.

## BUDGET

You may already have a budget in place that helped you utilize your income in the past. In a financial strain situation, the budget needs to be reconsidered, You can re-work your budget by doing the following:

- Identify “fixed” expenses for necessities first. This includes housing cost, utilities and food.
- Make a modified payment plan for debts, credit card bills, student loans or other type of loans by discussing with your loan institution your current situation.
- Identify where the fixed costs can be cut down. For example, modify the cost of necessities by changing food patterns such as reduce eating out or using less utilities.
- Identify and modify where you can cut optional costs which include entertainment, fitness, shopping, recreation, vacation, etc. For example, change internet plan, halt shopping or vacation/recreation activities until the financial burden is lifted.
- Make a list of other expenses such as property tax, car insurance, car payments or medications. Use this list to then prioritize what payments are due first, and which payment method should be used.

Having well-defined categories for different expenses will help you to assess which expenses are a necessity, and which fall under wants or can be delayed. Managing these categories of expenses will also include discussing your situation and finding solutions with your bank, landlord, loan granter, phone/internet provider and utilities providers.

## MAKE A PLAN

Now that you assessed your assets and created a budget with must haves and wants, now you can move onto making a plan for how to follow your new budget smartly.

Financial strain can take a toll on personal mental health and also create tensions between those close to you. So while you are making a plan, do keep in mind coping strategies to follow to reduce the overall stress. Creating a detailed plan is a great way to remove the uncertainty of expenses and relieve the mind from unwanted stress of unknowns. Here are some things to include in your plan:

- Make a payment plan of first paying your necessary costs followed by other expenses in a timely manner.
- Remove auto-payments, and document each expense.
- Find a financial advisor who may be able to prioritize your assets and income.
- Eliminate expenses in your budget list that were optional or can be paused for example entertainment, shopping or online subscription services.
- Find other ways to enjoy hobbies or interests with less expensive alternatives. For example, make home cooked meals with family instead of dining out, or go outside for a run/walk instead of paying for a gym membership.
- Finally, remember that this financial crunch will be short term and with smart financial managing, and the economy opening up, your normal way of life can be resumed.

## CANADIAN FINANCIAL RESOURCES

There are a few public resources and tools available to help you financially navigate through this uncertain time:

- Financial Consumer Agency of Canada: <https://www.canada.ca/en/financial-consumer-agency/services/covid-19-managing-financial-health.html>
- Canadian Bankers Association: <https://cba.ca/mortgage-deferral-to-help-canadians-experiencing-financial-hardship-due-to-covid-19?l=en-us>

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