

● Finance

The Paycheque-to-Paycheque Generation



Money Matters

LAMA FARRAN
info.chronicle@tc.tc

"How would you describe the current state of your finances, using four or five adjectives?"

That's one of the questions I always ask my new clients when I meet them in my money coaching practice. This single question can reveal a great deal about how you're currently managing your money.

Some of the most common answers I hear are: "out of control," "lack of planning," "unpredictable" and "hard to manage." However, there's one term that never fails to show up, and that's "paycheque-to-paycheque." This has led me to dub our generation the "Paycheque-to-Paycheque generation."

A recent survey by the Canadian Payroll Association (CPA) found that 51 per cent of employees would find it difficult to meet their financial obligations if their paycheque were delayed by a single week. In other terms, half of those with a regular salary don't have "financial breathing room" in their bank account to keep them afloat for 7 days. This statistic becomes even more alarming for those aged 18 to 29 – it increases to 63 per cent.

So what drives so many families to be controlled by their pay day to such an extent?

Through my coaching work, I have often observed the same unhealthy financial habits that push families into that tight corner. So, in order to avoid getting trapped in the "paycheque-to-paycheque" spiral, I recommend incorporating some of these healthy habits into your lifestyle:

Become crystal-clear how much your life is actually costing you

Most households know their main numbers (mortgage, car loan, insurance,...) but they've

never taken the time to add up all the other smaller or irregular amounts, such as the daily coffees, kids' activities, music downloads, movies, electronic gadgets, and etc. Doing a rough estimate is not sufficient. This exercise entails tracking every dollar you spend for at least three to six months so you have very specific figures. Once you have exact figures, it becomes easier to pinpoint the areas that need adjustments.

Differentiate between your needs and your wants

Big corporations spend millions of dollars on advertising to convince you that you need the latest model of their product. They go to great extent to make you feel one of three things: First, "you don't have enough of something"; second, "the something you have isn't good enough"; and third, "you aren't good enough without what they're selling."

All advertising is designed to make you feel inadequate and that's a major trigger for overspending.

Practice patience

As Oprah would say "You CAN have it all. You just can't have it all at once." Unfortunately, we all want the in-ground pool, the car, the iPhone, and the holidays and we want them today. We are not willing to save for them first. So for your next "want" purchase, save for it first, rather than accepting the payment plan the merchant is offering you. If it's a "want," it means you can easily wait before buying it.

Materialism has become our new religion and as a generation, we lost focus of what a true enriching life looks like. To get out of the "paycheque-to-paycheque" trap, it takes some deep digging inside of us and reverting back to real values, such as family, community, simplicity and balance.

Lama Farran is a Pointe-Claire resident and a passionate money coach, on a mission to increase people's financial awareness. She helps individuals/families take control of their finances and budgets, without selling any financial products. Visit www.knowworth.ca or call her at (514) 717-1976.