

ADHD Money Management

Managing money is a simple matter in theory but requires practice and diligence. A corporate finance professor once said, “people don’t go into debt because they buy cars and houses but because they buy lattes and lunches on-the-go”. The major principles of good money management involve spending less, keeping more and knowing where ALL your money goes. The following offer ways to put these principles into practice.

Avoid impulse buying!

- Keep lists somewhere handy to record any upcoming purchases you NEED to make.
- Avoid making any large-ticket purchases without consulting someone you trust, especially things like TVs that are “free” for 12 months.
- Avoid impulse buying traps like emotions (e.g., sadness, loneliness, excitement, peer pressure), going to the grocery store when hungry, salesclerks who work on commission, or tempting “pay later” ads.

Common money drains

- Coffees and Lattes on the way to work or school.
- Eating out for dinner too often or lunches on the go – make lunches at home!
- Going out to the movies

Keep a Money Diary

- The only way to spend less and come out ahead is to have a clear sense of where you are spending. To get a sense, keep track of everything that goes out and comes in for 1 month. This includes everything from monthly electric bills to the dime you tip after the coffee or bagel you purchased. Your money habits change with time so track them frequently!
- If you use the debit machine frequently, track all of your purchases through your online bank account between pay days.
- Spend less than you earn.

Nip problematic finances in the bud

- If you get into any money trouble, GET HELP IMMEDIATELY! Consult someone you trust to get good financial advice before it’s too late.
- Stop borrowing – from friends, family and credit card companies.
- If you must have a credit card choose one with the lowest interest rate possible and PAY THE TOTAL BALANCE EACH MONTH!

Coffees and lattes are common money drains



Become Financially Literate

Unfortunately, the principles of money management are not a big part of the academic curriculum. Instead the emphasis is on scholastic and professional skills. Not financial skills. This is why it is important to make a commitment to learning the basic principles of money. Financial literacy teaches us it is not about how much money you make, its about HOW MUCH YOU KEEP!

- **Pay yourself first.** Paying yourself first is about understanding the Canadian tax system and paying as little tax as legally possible. Before the government takes its share of your paycheck, invest whatever amount you can afford into an RRSP, RESP etc... The amount you invest is not taxed, only what remains. For example, if you make \$100 each paycheck and invest \$10 into an RRSP, the government will only tax you on an earned income of \$90. Look at it this way. Assume you spend on average \$5.00/day for coffee and snacks. That's \$25/week or \$100 every month. A 25 year old who invested the \$5.00 instead would have \$48,000 at age 65. At a 4% rate of return this increases to \$118, 590, a 12% average rate of return would get you over \$1.1 million dollars. That coffee tastes much different now doesn't it.
- **Understand the differences between Assets and Liabilities.** Assets put money in your pocket. Liabilities take money from your pocket. Is your house an asset? According to the definition above your primary residence is a liability. Why? The monthly mortgage payment, insurance and taxes all come out of your pocket. In order for a house to be an asset it needs to generate a regular income like a rental property or commercial investment.
- **Time is your best asset.** The younger you start the better off you will be. For some, retirement seems so far away its okay to put off investing for another year. If ever this thought enters into your mind consider the magic that is compound interest. Compound interest truly is one of life's little miracles.