



Budget calls tough to make

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One of the most difficult things to do in life is to make hard financial decisions.

You are not alone if you feel this way.

What if you are not saving enough and you are forced to make spending cuts in order to start a savings plan? What do you cut? Is it foregoing the family vacation or selling one of your cars?

We can gain some insight into just how hard spending cuts are by travelling a short distance down the Queen Elizabeth Way.

The City of Toronto is going through that process and we can learn from watching it.

Whether you are a city or a family, spending cuts are often very hard to accomplish.

Rob Ford was elected because he was going to, as he put it, "stop the gravy train at City Hall." That was a popular theme and it allowed him to go from fairly far back in the mayoralty race to the eventual winner.

His first major economic improvement was privatizing some of the city's garbage collections.

The union voice was against him but most Torontonians were not adversely affected by this, and he was able to implement his wishes.

His popularity soared. But that was just round one.

His recent attempt at budget cuts was on a broad range of city services. Toronto was now showing real opposition.

Budget cuts are fine as long as the services being cut don't directly affect Torontonians.

Suddenly, Mr. Ford's cost-cutting measures became unpopular as residents saw their favorite services targeted. His popularity rating plummeted.

Why? Because spending cuts targeting services citizens are accustomed to receiving, are hard to take.

That is consistent whether it is for city or town residents, or family members.

If you are faced with making difficult financial decisions there are several things that you can do to overcome the difficulty of the process.

Start by having a specific, written strategy on what you are trying to accomplish and how you intend on doing that.

We will assume a couple is trying to get ready to retire in 10 years.

By focusing on the ultimate goal of retirement, the relatively small changes that you will make will seem insignificant when compared to the eventual objective.

Do some budgeting.

This can be fairly easy because there are computer programs that do the calculations.

You will see the effect on your ability to retire by reducing some of your spending now.

Make sure you re-examine your budget at least annually to ensure you are maintaining your savings target.

Reworking the numbers will reinforce the likelihood that you can be successful and you will be motivated to continue with your plan.

A simple way to save is to start a 'pay yourself first' automatic savings plan.

Money should be taken out of your bank account at the start of each month before it can be spent on other things.

Maybe one month you will have to cut back on your trips to the coffee shop or not have an expensive dinner out on the town.

In fairness, these are just small adjustments that will allow you to meet your ultimate goal.

Yes, the process of reducing your spending in order to save more will be difficult.

If you are convinced that the outcome will be worth it, then you will be motivated to make any necessary changes.

— *Submitted by Peter Watson, MBA, CFP, R.F.P., CIM, FCSI.*

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