



Common Cents

Summer 2016 Volume 20 Issue 3

The Lowdown on Payday Loans

The Ontario Government is *planning* a number of changes to the way “non-traditional” lending is done in the province. One area of change is to the amount a Payday loan can charge for their services. Under current legislation, these companies can charge up to \$21.00/ \$100.00 borrowed. On a \$1,000.00 loan these companies can currently charge \$210.00. The Government is considering ways to reduce this rate to make it more affordable to Ontarians.

When we see numbers like \$21.00/\$100.00 many assume that equals an interest rate of 21% on the loan. However, this is far from reality. Interest rates are usually calculated on a yearly basis (think car loans, credit cards, and mortgages), but Payday loans are *calculated as a very short-term loan, usually 14 days*. If we were to calculate these loans on at an annual rate, we would see that they are a very costly way to borrow money. In fact, the annual rate of interest for these loans, at \$21.00/\$100.00, is **547.5%**! *Even at the lowest number the Government proposes, \$15.00/\$100.00, the annual interest rate is 391%.*

The biggest problem isn't just that these rates are astronomically high, its that most people aren't aware of the costs.

When comparing loans, it is important to compare apples to apples and use the APR for the loan to make sure you are getting the best deal.

Saving Made Easier

Did you know that you can set up automatic payments to yourself? Automation allows you to identify specific accounts and amounts to be deposited automatically so you don't even need to think about it. All you need to do is specify how much and to which account the money transfers to, as well as the date. Setting up the transfer to occur when your paycheque is automatically deposited means you don't have to remember to save, it just happens.

Automation is also great for paying off your credit card. If you use your card for budgeted purchases to get points, then consider having your card automatically paid in full each month out of your account. Doing this avoids you running the risk of paying interest for daily purchases.

Tech Tidbit

As our lives become more digital, so do our wallets. With the increase of digital wallets like Apply Pay, Android Pay, and Samsung Pay services on smartphones the ability to tap and pay for goods is on the rise.

Tap and pay debit and credit cards have been around for a while, but there has also been the connection to your bank with using these cards. With your phone, the ease of payment is there, but also a growing disconnect between point of sale, and your bank account.

The increase in ease of payment, makes it harder to keep track of small expenses if you don't keep on top of them. It's these small expenses that can add up to big dollars in a year, especially if you aren't keeping a close eye on your credit card bill each month.

By making it easier to lose track of your monthly small dollar spending, a method to track this spending becomes more important.

This is where another set of apps can help. Services like Mint.com can track your spending in real-time from your bank account, let you know how much you have left budgeted in a number of categories, and provides interesting net worth reports each month.

Using these digital services do make life easier, but also make it easier to run out of money before the end of the month. A solid budget and a way to track your debit spending can go hand in hand with these apps to help you keep out of debt. Also, using cash acts as a built in budget. If you run out of cash in your wallet, you have nothing left, but using tap and pay, you run the risk of using up money for important items like rent.

Money Saving Tips for Summer Vacations

Are you planning a trip this summer? If so, a few tips can help you maximize your dollar along the way.

Stay close to home: With the exchange the way it is, it makes sense to stay close to home and explore your own backyards, so to speak. Travelling within Canada will help you save on costly currency conversions, and you know the prices you are quoted are in Canadian dollars helping to ensure that what you pay is actually what you end up paying.

Consider roughing it along the way: While camping might not be for everyone, it is a great way to save money getting from point A to point B. But, be sure to book your sites in advance to ensure availability. If camping isn't your thing, look into using services like AirBnB or Vacation Rentals by Owner (VRBO). Often times you can get great accommodations for a fraction of a hotel cost. Also, these rentals often have kitchen spaces to help you save on costly restaurant meals every day.

Book early: If you know when you want to travel, either by air or car, booking your hotels, flights, and sometimes attractions early can help you avoid costly last minute charges. By booking early, you can also take advantage of some hotels price guarantees, where if the price of your room drops significantly, you can recoup some of your costs. Not all hotels offer this, so be sure to ask when booking.

Renting a car? If you plan on renting a car for your vacation, consider renting from a location in the town you are first visiting, not the airport. A recent study by Bankrate.com, showed that airport rentals were quite a bit higher than in town rentals. Just like booking flights and hotels, book your car rental early, this will help you save on rates. Lastly, if you are a member of the CAA or other such clubs and organizations, look for deals offered on rentals.

Be ready for air travel: Another trick to saving money when flying is to remember that many airlines don't include a meal anymore. Instead of buying the expensive airline food, pack a few snacks for longer journeys, especially if you are flying with kids. Also, remember to pack your own earbuds as airlines rarely have these for use by passengers, and can cost up to \$5.00 a pair. Lastly, by flying in layers, you can avoid having to buy a blanket to keep warm on notoriously cold flights.

Minimize your luggage: More and more airlines are charging for checked luggage. By minimizing your luggage to the size of a carry-on you could potentially save \$130.00 for a family of four travelling from The Soo to Toronto on Air Canada. Understandably, not all vacations can be done with a carry-on, but minimizing the total number of bags you check could add up to some healthy savings.

Vacations can be a great time, but only if you can afford it. Like anything, putting your vacation on a credit card is a costly way to travel, especially if going to the US. A \$1,500.00 trip on a typical 19.9% credit card could take up to 13 years to pay off, and cost you \$1,597.00 in interest, if you paid only the minimum payments, and never used the card for anything else. Be sure to set a daily budget when travelling for food, accommodation, gas, activities, and daily spending. Following these tips will help you to avoid having great memories overshadowed by vacation debt.



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