



Kam's Mortgage Monthly

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New Year, More Debt?

Well, Christmas is over and now the hangover from the holidays begins. I'm not talking about the one that comes from drinking too much, I'm talking about the one that comes from spending too much! Here's a Christmas statistic that's a real shocker: most Christmas debts do not typically get paid off until the summer at the earliest, and for some lucky folks, by the following Christmas. These debts just get added to the litany of debts that most consumers are already struggling with. Currently, spending and debt are at an all time high and personal savings are at an all time low! In fact, in the past few years, Canadian have had negative savings; in other words, they are spending at a far greater rate than they are earning or saving.

I have my own theories on why this has happened, and this month I'm going to share them with you:

- 1) There has been no real recession in the past 25 years. That's not to say that we haven't had a few blips along the way, but we have not had to bear any real major economic pain and hardship. Of course there was the dot com meltdown in the earlier part of this decade, and the events of September 11; all of these did have an impact on the stock markets and the economy. Yet these impacts were not as broadly felt as what happened in 1979 and into the early part of the 80's when the interest rates more than doubled and went over 20%. If you're 27 and under, chances are you're probably unaware this event even occurred, let alone felt any impact from it.
- 2) The depression of the 30's was a long time ago. There are fewer and fewer individuals left with every passing year that can attest to the sheer magnitude of the suffering during the dirty 30's. Financial hardship and pain has not been experienced in Canada or the United States to this degree for more than 70 years. Most of us living today cannot even begin to imagine what people who lived through this time went through, it was by all accounts for many, sheer hell. It's no wonder that those who went through this, learned the art of making a dollar go an awfully long way. This was a lesson not only learned by them, but one that was imprinted on to the psyche of their offspring as well. Yet, with every passing generation onward, this lesson that has been completely forgotten.

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Something
to
Ponder

Success doesn't happen
by accident it happens
by choice!

Kam Brar

New Year, More Debt continued...

Did you know, for instance, that up until a couple of years ago, there was only one other period in the history of the United States that there was negative savings, can you guess that period? That's right: during the depression of the 30's.

- 3) Needs and Wants are mixed up! In my opinion, a lot of people have a really hard time distinguishing between a need and a want. To me, a need is something that you cannot live without. For example, you need to breathe; there is just no if's, and's or but's about it. However, a double espresso latte is something I'm sure you can survive without, it's a want. Nowadays we have turned more and more of these wants into needs, and we are paying for it. There has never been a period in our history during which consumption has hit these levels. We are told to consume every time we turn around, we are constantly inundated with commercials for this and that. These messages are prevalent in our magazines, TV shows, movies and the web. Now don't get me wrong, I'm not saying you should stop spending, all I'm saying is that you should begin to think about your spending. Your spending should not be on cruise control. You need to be actively engaged in it, and above all, more and more people are needing to distinguish between what their needs and wants!
- 4) People have given up hope of ever paying their mortgage off! This is a disturbing trend that's growing; more and more Canadians feel less and less confident that they will ever pay their mortgage off during their lifetime! These individuals have resigned themselves to having a mortgage until the day they die. Now I know some of you out there are saying, "Hey Kam, have you looked at the prices of houses nowadays?" Yes I have, I know they're sky high, but that's not the case in every part of Canada, yet this is a trend that is developing slowly across this great land of ours, from coast to coast. I ask, if you give up the idea of ever paying off your mortgage early, doesn't this now allow you to not have to save any additional money to put towards it? Once you resign yourself to that grim reality of being debt ridden till the day you die, what's the point of saving and being frugal, wouldn't you just live and spend for the day? Plus if you already have poor saving and spending habits, how would you ever put aside any extra money to apply towards your mortgage? Unfortunately, this becomes a vicious cycle: the less you save, the more in debt you go, and the more in debt you go, the less you save!
- 5) Disposable income! There are not too many things in this world I hate, but this phrase would have to be one of them! Since when did money become disposable? By using this phrase, what message are we sending to people, especially young people? Go ahead and blow your money, it's disposable after all! No wonder no one is saving money today, they're all too busy disposing it! When you buy into a mindset that a part of your income can be considered to be disposable, you justify spending it on frivolous and trivial things, and you will be hard pressed to save any of it! Again, I am not saying that everyone needs to live like hermits in caves and never spend a dime, of course not, but the next time you begin to wonder why you have no savings, take a hard look at how much of your income you're disposing of every month!

Now if one of your New Year's resolutions this year was to get out of debt and/or save money, I hope I've given you a few things to think about! I'm not asking you to agree with everything I've written here, but instead, just simply think about it!

New Year's Resolutions You Can Keep

- 1) Maintain the same weight!
- 2) Start exercising! Even if it's just once a week.
- 3) Read one book a month.
- 4) Watch an hour less of TV every week!
- 5) Read a bedtime story to your kids.
- 6) Laugh more!
- 7) Spend less time at work, surfing the net!
- 8) Just take a vacation to somewhere! It doesn't have to be exotic just somewhere that interests you, you could go see the world's largest hockey stick.
- 9) Start making your lunch and taking it to work!
- 10) Stop jumping to conclusions like everyone else!
- 11) Start saving some money!
- 12) Get out of your old rut and try not to get into another one for the whole year!
- 13) Watch The Secret!
- 14) Sing in the shower!
- 15) Tell someone you care about that you love them!
- 16) Take up a hobby that interests you!
- 17) Be a good friend!
- 18) Criticize less, praise more!
- 19) Spend more time with people that you really care about!
- 20) Listen more, talk less!



If you have any questions or comments please contact Kam at kam.brar@vericoselect.com or visit www.kamthemortgageman.com