

Managing financial health in challenging times

Source: Financial Consumer Agency of Canada

Understanding your finances has never been so important

The impact of COVID-19 on Canadians and the economy is unprecedented. Canadians were already burdened by high levels of debt and, as a result of the pandemic, are increasingly facing financial pressures.

Financial literacy is defined as having the knowledge, skills and confidence to make responsible financial decisions. The complex and ever-changing world we live in means that people need to keep up with current information. It's important to get help to make informed financial decisions any time, but especially now.

The Financial Consumer Agency of Canada is an authoritative source for practical tips and tools, including information on managing financial health in challenging times. Their [financial toolkit](#) includes information to help strengthen your financial literacy.

Be prepared. If you think the current pandemic may put you in financial hardship, here are some steps you can take.

What to do if you're facing financial hardship

The Government of Canada is taking immediate, significant and decisive action to support Canadians and businesses facing hardship as a result of the COVID-19 outbreak.

- [Support for individuals](#)
- [Support for businesses](#)
- [Benefits Finder](#)

If you're having trouble paying for your ongoing expenses or foresee challenges in keeping up with your regular payments, contact your financial institution. Be proactive, discuss the situation and review options with your bank.

Banks in Canada are closely monitoring developments related to COVID-19. They understand that consumers may be worried about the impact the current challenges might have on their finances. If you're facing short-term financial issues, your bank might be able to help. For example, some banks might be open to waive certain fees or delay payments. Contact your bank to see what they can do for you.

During this uncertain period, try to avoid borrowing additional money as much as possible. Research shows those who often use credit to pay for daily expenses because they have run short of money have lower levels of financial well-being. If you must borrow money, make sure you understand the cost of different credit products before you make a decision, and borrow only what you need.

Certain credit products are more expensive than others due to their high interest rates and fees. For example, a payday loan should be your absolute last resort, as they often carry very high fees. A home equity line of credit (HELOC), on the other hand, could potentially be a good replacement for emergency savings, under certain circumstances.

Make sure you compare all borrowing options and their fees, interest rates and repayment terms before choosing a credit product. Otherwise, contracting new expensive credit now could create more financial problems for you in the future.

[Learn about what to consider before borrowing money.](#)

[Find out more about HELOCs.](#)

[See why payday loans are a very expensive way to borrow.](#)

If you are having trouble making ends meet, seek advice from reputable sources to explore the financial options that are available to you. You can contact a financial professional, such as a licensed financial advisor or an accredited credit counsellor, to discuss a plan. If you choose a financial advisor, make sure they are licensed.

[See what you should know before choosing a financial advisor.](#)

Be cautious when searching for the right professional who can help you. Some companies offering to help to pay off debt or repair credit are misleading consumers.

[See what you should know before getting help from a credit counsellor.](#)

Budgeting during emergency situations

Having a budget can be a critical part of your response to the COVID-19 pandemic. It will help you live within your means and enable you to have better control over your finances. In the process, you'll be able to address any money worries you may have and put yourself in a better position to get through an emergency situation.

If you're looking for help, try FCAC's [Budget Planner](#). The Budget Planner draws on research into how people make financial decisions and uses personalized educational content. Its interactive features will help you better identify your priorities, where to cut expenses, and where you can save money. It will also enable you to compare your spending habits with other Canadians in similar life situations.

Having and maintaining an emergency fund

An emergency fund is money you set aside to pay for unexpected expenses. In general, it's recommended that you save the equivalent of 3 to 6 months of your regular expenses.

If you don't currently have an emergency fund, consider putting some money aside right now if you can afford it. Depending on how the situation evolves, you may need to rely on an emergency fund sooner than expected.

[Learn how to set up and manage an emergency fund.](#)

Protect yourself from financial fraud

The Canadian Anti-Fraud Centre is tracking and monitoring the threat that fraud poses to Canadians. Since March 6, it has documented nearly 10,000 Canadian fraud reports with nearly 10% of these directly tied to the COVID-19 pandemic. Given Canadians' heightened sense of fear, anxiety and isolation, and the fact that more Canadians are at home using the internet, managing financial health needs to include recognizing, rejecting and reporting fraud.

Note that financial institutions will never ask you to provide personal, login or account information by text or email.

[Find out about the current reported scams related to COVID-19.](#)

[Canadian Anti-Fraud Centre](#)

[See what to do if you're a victim of fraud.](#)

For a comprehensive learning programs and resources to build a strong financial future, visit [Understanding Your Finances](#)