

# Vanessa's Posh Lifestyle

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Vanessa Roy has expensive tastes, which she assumes she got from her mother who always owned the latest fashions and most stylish home furnishings. However, Vanessa's mother also earned a comfortable six-figure salary throughout her entire working career with the Government of British Columbia. The Roy household income also included the \$95,000 per year her father earned as a high school teacher. Unfortunately for Vanessa, her current lifestyle is not supported by her means. She understands that she needs to improve her money management skills, but has no idea where to start. She really has no interest in learning about personal finance and hated anything to do with math in school. However, one thing has become clear, Vanessa either needs to be earning more money or drastically cutting back her expenses very soon. She needs a plan.

## The High Life

Vanessa considers herself like any other 22 year old girl. She loves shopping and going out for food and drinks with her friends to trendy Vancouver restaurants. This usually occurs a couple of nights a week, which is good because Vanessa is a terrible cook. As a result of her shopping addiction, Vanessa owns all the latest fashions. She rents a beautiful apartment in a popular contemporary neighbourhood near downtown Vancouver. Further, Vanessa recently purchased a 2013 Subaru Impreza to get her to work and home. In the future, she envisions a life full of travel, adventure and excitement.

Vanessa has a high school diploma, but was unable to save enough money for post-secondary education, despite the fact that she remains very interested in studying consumer behaviour. Her parents value hard work and believe people should earn their own way through University, so they refused to pay for her tuition. She wonders if there is a way to save enough money to go to University in the future or at least get a student loan. She has never looked into the cost of post secondary education or how student loans work.

Vanessa currently works 60 hours a week, split between two jobs. During the day she works at Lululemon Athletica and during the evenings as a hostess at a popular downtown restaurant and lounge. She doesn't have the experience yet to work as a server in the restaurant, which is unfortunate because she hears they can earn upwards of \$200 dollars a night in tips.

## Vanessa's Financial Situation

Although Vanessa likes to appear wealthy, she actually has no money in the bank. She owes \$23,475 in credit card debt and has to work the two jobs just to pay her bills. She is unsure where the money will come from this month to pay her car payment and her credit card company has increased her minimum payment from \$550 a month to \$704 due to an overdue bill. Further, Vanessa's parents have been lecturing her about the risks involved in not owning home or car insurance. If something happens to her apartment, she wouldn't have the ability to replace her furniture or personal belongings. If she were ever in a car accident, she risks carrying even more debt paying to repair or replace her car.

In an attempt to deal with her unsettling financial situation, Vanessa asked her manager at Lululemon Athletica for a raise and more hours, but was denied. Her current gross pay is \$3,853 per month but after taxes and deductions she doesn't bring home nearly that much. See Appendix A for a list of Vanessa's income breakdown and expenses.

### Building Pressure

Vanessa's family and friends are starting to worry about her. She never has enough money to pay her bills, yet continues to shop and charges everything to her credit card. When she goes out with friends, she wants to go to all the hot spots to keep up her image, but can't afford it. Her friends don't want to feel responsible for encouraging Vanessa to put herself further in debt, but they also can't afford to pay her way either.

Vanessa is starting to hear what everyone is telling her and has decided she needs to create a budget to fit her needs and goals for the future. She knows she does not want to continue working 60 hours a week for the rest of her life. She is thinking more and more about attending university and taking classes in her area of passion, consumer behaviour. She would like to learn how to save money for travelling. Finally, Vanessa likes the lifestyle she lives now, but she recognizes she is living beyond her means and does not know how to get out of the financial predicament she has created.

### Looking Forward

In an updated budget, Vanessa has listed the items that she thinks she may want to put money towards (see Appendix B) in the future. She also has the following financial goals for the next two years:

- Pay off all her credit card debt
- Save enough money to pay for the first semester of University (approximately \$3,750)
- Begin saving for a backpacking trip (approximately \$2,000)

Vanessa needs help figuring out how to make these goals become a reality. Considering the financial information provided and your knowledge of budgeting, how do you recommend Vanessa proceeds in the short and long term?

### Guiding Questions

1. How would you describe Vanessa's current expenditures? Is there anything wrong with how she spends her money?
2. Under her current scenario, how much debt is Vanessa adding each month? Don't forget to factor in the interest charges on her credit card.
3. What changes are required to her budget? How would you implement these changes?
4. In the short term, is there anything she can do about her income/expense levels? Should she consider a new job?
5. In the long term, how should Vanessa avoid getting herself in this financial predicament again?
6. Are there any tools she could use to assist her in saving for the future? Consider such options as Tax Free Savings Accounts (TFSA's), Registered Retirement Savings Plans (RRSP's) and other potential savings tools.

# Appendix A – Income and Expenses

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## Income

Gross Pay Per Month	\$3,853.00
Federal Income Tax - 16% (based on income level)	
Provincial Income Tax – 7.7% (based on income level in British Columbia)	
Other Payroll Deductions – 7.5% (i.e. EI, CPP, RRSP, Life Insurance)	
Less % of Pay Going to Taxes	
Take Home Pay (Net Pay)	

## Expenses

### Vanessa’s Current Monthly Expenses:

Housing	\$1,450
Car (includes gas)	\$800

### Other Monthly Expenses:

Basic Needs (electricity, power, phone, etc.)	\$525
Basic Food	\$200
Clothes	\$450
Entertainment	\$250
House Insurance	\$0
Miscellaneous Extras	\$200
Student Loan Debt	\$0
Travel	\$0
Friends & Family	\$0
Savings	\$0
Giving Back	\$0

\*\*Credit Card Debt \$23,475 (18% interest rate); minimum monthly payment of \$704 required.\*\*

# Appendix B - Budgeting

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## Updated Lifestyle Choices

- \$\_\_\_\_\_ Housing
- \_\_\_\_\_ Car (includes gas & insurance)
- \_\_\_\_\_ House Insurance
- \_\_\_\_\_ Needs (electricity, phone, basic food)
- \_\_\_\_\_ Clothes
- \_\_\_\_\_ Entertainment
- \_\_\_\_\_ Miscellaneous Extras
- \_\_\_\_\_ Credit Card Debt
- \_\_\_\_\_ Other Loan Debt
- \_\_\_\_\_ Travel
- \_\_\_\_\_ Friends & Family
- \_\_\_\_\_ Savings
- \_\_\_\_\_ Giving Back
- \_\_\_\_\_ **TOTAL EXPENSES**