

# STARTING OVER

*after*

consumer or bankruptcy  
proposal

A step-by-step guide

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We've built this guide to help you navigate the world of credit following a bankruptcy or consumer proposal. In this guide, you will learn not only how to build your credit but also how to implement good financial habits that will get you on the road to financial success today.

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# INTRODUCTION

**C**hoosing to go through a bankruptcy or consumer proposal isn't easy. But for many Canadians, the ability to start fresh is a necessary step on the road to a stable financial future. If bankruptcy or consumer proposal is the route you have chosen, most of your debt will be forgiven, with the exception of:



**Student loans**



**Child support**



**Any outstanding  
fines or tickets**

For many people, filing for bankruptcy or consumer proposal can be a relief. However, it does come with consequences. Most importantly, you will need to rebuild your credit to ensure you have access to the financial products you will need in the future at lower interest rates.

## Good news!

You can start building your credit even while you are going through a bankruptcy or consumer proposal!

### Did you know...

In 2017, 64,229 Canadian consumers filed a consumer proposal, and 57,969 filed for bankruptcy.

# FINANCIAL MANAGEMENT: RECOVERING FROM A CONSUMER PROPOSAL OR BANKRUPTCY

## 1. Create good habits of discipline and self-control

The bulk of starting over after consumer proposal or bankruptcy recovery is forming good habits. Once you have made these habits a core part of your life, you'll find building your credit relatively easy!

### Learn **discipline** through budgeting

You'll be looking closely at your money anyway, so use this time to get a real grasp on your entire financial situation, and understand where you spend every single penny.

- Create categories of all your expenses (e.g. rent, bills, car insurance, groceries etc.) and use past bills and bank statements, to look at what you currently spend in each category.
- Set limits for spending per month in each category. This will mean making sacrifices to ensure your budget balances (the total spent does not exceed the total coming in). However, be realistic - don't cut out the things you enjoy altogether. Instead, cut down on how often you do them.
- Get in the habit of recording every single expense, no matter how small. Plan rewards for different milestones along the way.



### Did you know...

Research has shown that, on average, it takes more than 2 months before a new behavior becomes automatic – 66 days in fact. At the beginning, this might seem like hard work, but stick with it for a couple of months, and it will become part of your daily routine.

### Practice **self-control** in your spending (and saving!)

While in bankruptcy or a consumer proposal, any excess money you earn is going to go to your debtors. That may make it seem impossible to save, but it shouldn't mean that saving isn't part of your plan.

- As soon as you are discharged from bankruptcy or your consumer proposal, start saving money every month. Work a specific amount (we recommend 10%) into your budget so that you learn to live within that new budget. Set up automatic payments and transfers into your savings account on payday.
- Establish an emergency fund so that you can avoid facing bankruptcy again in the future, covering at least 3 months of living expenses. Once your emergency fund is built, continue to save by contributing to an RRSP or TFSA as much as you possibly can while still meeting your monthly expenses.

## 2. Maintain your good habits for the rest of your life

Building credit is not a one-time event. Think of increasing your credit like losing weight. At the beginning, dragging yourself to the gym and making kale smoothies is hard work. However, as you start to see the weight drop, it becomes easier and easier. What happens when you reach your goal weight? Do you stop going to the gym and start eating pizza for breakfast? No! You just carry on as you are now – because it's become a habit, and if you slip back into old habits, you're going to see all of your hard work come undone.

Your goal is to rebuild your credit and create good habits for life. Regularly checking your full credit report from both credit bureaus will help you see how your good habits are paying off. If you start seeing negative results, make changes to quickly get back on track.

Ultimately, whether you're entering into a consumer proposal or you're declaring bankruptcy, it may be tough, but there is a light at the end of the tunnel. By building credit while going through both a bankruptcy or consumer proposal, you're already a few steps ahead. At the time of discharge, follow these steps and you'll find that rebuilding your score after a bankruptcy isn't as difficult as you first imagined.



### Start practicing your good habits with a secured credit card. No risk of going into debt!

#### Which card is right for me?

	Refresh Financial	The Other Guys
Annual fee	\$12.95/year	\$59/year
Interest rate	17.99%	19.80%
Free financial education	✓	✗
Approval without credit check	✓	✗



# WHAT IS CREDIT AND WHY IS IT SO IMPORTANT?

A healthy understanding of credit will enable you to boost your score in the most efficient and cost-effective ways possible.

## What is credit?

### The simple answer:

Credit is just money that you borrow. You ask to borrow money from someone and they either say “sure” or “no way!”



### Your credit report is a history of your payments over time.

This report reflects your previous ability to repay money that you've borrowed. It's represented by a number - AKA your credit score.

### Your credit score matters when you want to borrow money from a lender.

Lenders use your credit score to decide whether to lend you money. If approved, the lender fronts a chunk of cash to you. In return you agree to pay the amount of money back, plus a fee, within a certain amount of time.



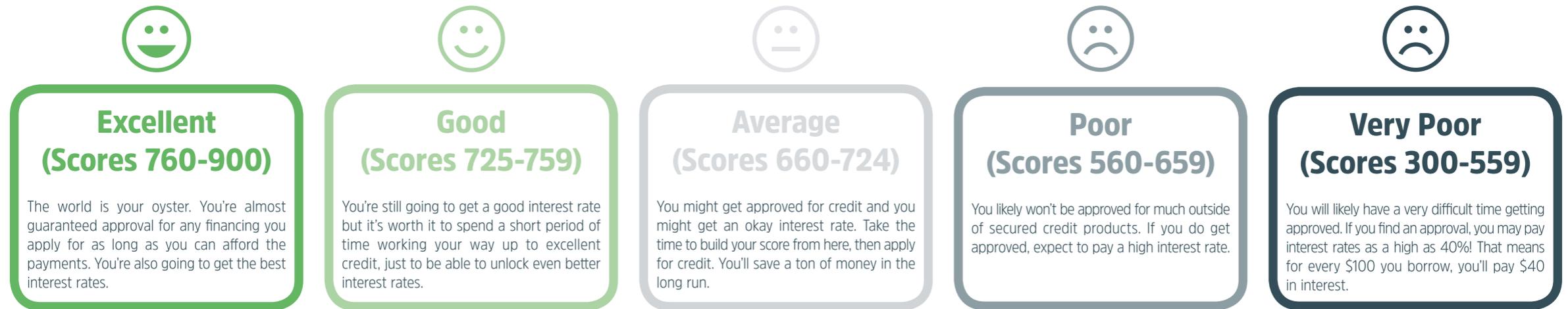
If you have **“good credit”** lenders will see that you pay your debts and will likely keep doing so. This makes you a **lower risk** – lending to you means lenders will most likely be paid back, in full, with the fees and without the need to hire a company to collect what they are owed.

If you've been known to forget payments or just skip them altogether and you already owe a lot of lenders money, you will have **“bad credit”**. This makes you a **very high risk**, and lenders will likely turn down any requests you have to borrow money in the future.



# What is a credit score?

Your credit score is a number between 300 and 900, used to represent everything on your credit report. It's essentially your financial profile.



## Check out how much money you could be paying in interest for different types of loans.



\* Numbers are estimates

**Interest paid**

# How can I access my credit report and see my credit score?

Both your credit score and report are kept track of by credit bureaus.

The two bureaus that operate nationwide in Canada are Equifax and TransUnion.

If you want a complete idea of what your score looks like, it is best to request your credit report from both bureaus. You can request your credit report for free once a year, so long as you submit your request in writing. You can also check your score for free at [refreshfinancial.ca](https://refreshfinancial.ca)

Check your credit report regularly to see whether:



**1. Your score is going up or down.**



**2. Your personal information is listed correctly.**



**3. There are any errors in your records or worse, you see records that are not yours.**

To check your credit score for free,  
go to [refreshfinancial.ca/find-credit-score/](https://refreshfinancial.ca/find-credit-score/)

# What's on my credit report that can affect my score?

Your full credit report lists all the credit decisions you've made over the past six or seven years:



**your lending history including loans, credit cards, lines of credit, leases, etc.**



**the credit limits of each source of lending**



**information on your payment habits**



**what money you may still owe**



**who you have paid back already**



**what you may have not paid back on time.**

# HOW TO BUILD A SOLID CREDIT HISTORY

Many people believe that you can only start building credit once you have completed a consumer proposal (3 years!) or a bankruptcy (7!). However, you can actually start building credit right away. Three of the easiest ways are:



**A secured credit card**



**A cash secured loan**



**Both!**

	 Secured Credit Card	 Cash Secured Loan
Do you want to pay the lowest interest rate?		✓
Are you looking to save money while building credit?		✓
Are you looking for spending flexibility without risk?	✓	
Do you need a 'set it and forget it' solution for building your credit?		✓
Do you want a solution that requires no money up front?		✓
Do you want to build credit without credit checks?	✓	✓



## The 'Do both' scenarios

Looking to fast-track your credit goals? By getting the cash secured loan and the secured credit card, you are giving yourself the greatest chance to get ahead.

**1.** Take a cash secured loan now, and get the secured credit card later.

- ✓ You will eventually have two trade lines, which shows other lenders that you can manage both.
- ✓ No deposit up front! You can use the savings you build with the loan as a deposit on your card!

**2.** Start building credit with both today!

- ✓ Two trade lines right away means you're doing everything you can to build your credit.
- ✓ Combines the pros of both products - you get spending flexibility while also saving money.



There are two major differences between a credit building program and a secured credit card:

- A credit building program is a form of **installment** credit which means you borrow a certain amount of money, and you pay the whole amount back in equal installments.
- **Revolving** credit (credit cards) means you have access to a set amount of credit, but how much you use, and therefore owe, each month changes.

To learn more about these credit building tools:



# Benefits Of Cash Secured Loans

## Building your credit score is easier than you think.

If you're trying to improve your credit, you've probably considered various credit building programs. Sometimes people believe that these types of programs are expensive, however, **a cash secured loan** will cost a lot less than you realize. In fact, it **could very well save you money**.

Check out the benefits, perks and outcomes you'll experience on your journey with Refresh Financial.

### 1 Your own Relationship Manager



Your Relationship Manager will work with you to build a plan to help you reach your financial goals. Clients also get access to Refresh f.i.t. - free online financial education!

### 2 Set it and forget it!



Credit building programs are designed to be very simple. With online sign up and automatic payments, you don't even need to leave the comfort of your own home to build your score!

### 3 Boost your credit score



A cash secured loan payment reports to the credit bureau, positively impacting your credit score with every payment made.

### 4 Build savings



Your credit building program is designed to help save money and build credit at the same time. At the end of the program, you not only have a brand new credit score, but a nice chunk of cash, too.

### 5 Better credit = lower interest



Paying high interest sucks. However, as your credit score improves, you'll gain access to better interest rates, which sucks less. Over time, this can save you so much money.

### 6 Say goodbye to "No"



With a good credit score, lenders will notice. They'll even start seeking you out! No more nerves during credit checks!

# GET AHEAD WITH REFRESH FINANCIAL

At Refresh, we believe everyone should have long-term access to affordable forms of credit at bank interest rates, no matter their current situation. Refresh delivers a private banking experience, with respect and personalized advice, to people who have traditionally been left on the sidelines. We do this with a range of credit building tools including the Cash Secured Savings Loan, the first product of its kind in Canada, and the Refresh Secured Visa, as well as our free financial education platform, Refresh f.i.t.

Get back on the road to financial recovery with help from Refresh Financial

## Get started today in 4 easy steps!



**1.** Apply online at RefreshFinancial.ca or call 1 800 746 4840 to speak to a Relationship Manager today



**2.** Sign and submit your loan agreement, verify your ID, and confirm your banking details, all online!



**3.** Start making payments



**4.** Watch your credit and your savings soar!



92% of Refresh clients agree that the Refresh loan is a great program that has helped build their credit.

