
BUDGET PREPARATION AND MONITORING: A SIMPLE AND ESSENTIAL STRATEGY FOR SUCCESSFUL FINANCIAL PLANNING

Montréal, September 27, 2010 – With the return of the fall season and more disciplined habits, it is time for reassessing spending and reviewing budgets. In fact, budget preparation is one of the most basic aspects of financial planning. Unfortunately, many people do not take the time to make a budget. And yet, budgeting constitutes the most effective way to exercise control over an important part of an individual's financial situation — their cost of living.

During their active life, most people spend without too much calculation because money is readily available in the form of employment earnings. As such, few clients of financial institutions have a precise idea of the amount each of their spending categories represents within their total financial picture, or whether the percentage allotted to a given category is “reasonable” and comparable to the Québec average. For example, if housing expenses represent 40% of household income, this could be too great of an amount that requires dipping into sums that would normally be allocated to food or savings.

In order to properly distribute spending, it is important to allocate a proportion of net revenue to each expense category. These proportions can vary among individuals, but total expenses should never exceed total income. Typically, an appropriate breakdown of spending should not surpass the following amounts:

Housing	20-30%	Clothing	2-4%
Food	15-20%	Savings	5-10%
Public services	4-7%	Medical expenses	2-8%
Transportation	6-20%	Debt repayment	15-20%
Taxes	7%	Miscellaneous	5-10%

A Simple and Enlightening Exercise

“I suggest to our clients who take the trouble to make a budget to note everything they spend, however small the item, for a period of approximately six months,” underlines Guylaine Dufresne, Financial Planning Manager for Laurentian Bank's northwestern Québec region. “Care should be taken to group spending by category, such as housing, transportation, recurrent expenses, entertainment, or savings, for instance.” In carrying out this exercise, individuals will be able to establish a certain average with respect to variable expenses.

A typical budget consists of three major components. Firstly, it tracks monthly net revenues. Secondly, it takes note of fixed expenses — those that recur month after month. Finally, it includes average variable expenses. The challenge is to ensure total spending does not exceed net revenues. “Ideally, we want to succeed in maintaining a balance between spending and earnings, while being able to set aside a certain amount for savings,” adds Guylaine Dufresne. “For most, however, living within their means leaves little room for saving. Nevertheless, it is very important for people not to neglect making contributions to their RRSPs as a means of securing their future.”

Budgets are all the more essential as individuals approach their retirement. Even at this stage, when budget planning should be well rooted in their habits, many clients have no notion of their cost of living, thus making planning for their retirement very difficult. “And for those who have already stopped working,” concludes Ms. Dufresne, “retirement can often prove quite distressing because we quickly realize that,



Press release

FOR IMMEDIATE RELEASE

without proper control, our spending can outpace our earnings and compromise our ability to enjoy the lifestyle we had hoped for in our later years.”

Consequently, Laurentian Bank’s financial planners suggest that their clients sharpen their pencils, fire up their calculators, and gather all their bills and pay stubs in order to prepare their budget. To assist in this regard, the Bank has made a series of budget tables and calculator available on its Web site at www.banquelaurentienne.ca/en/personal_banking_services/my_ideas/my-family/budget-tables.html.

About Laurentian Bank

Laurentian Bank of Canada is a banking institution operating across Canada and offering its clients diversified financial services. Distinguishing itself through excellence in service, as well as through its simplicity and proximity, the Bank serves individual consumers and small and medium-sized businesses. The Bank also offers its products to a wide network of independent financial intermediaries through B2B Trust, as well as full-service brokerage solutions through Laurentian Bank Securities.

Laurentian Bank is well established in the Province of Quebec, operating the third-largest retail branch network. Elsewhere throughout Canada, it operates in specific market segments where it holds an enviable position. Laurentian Bank of Canada has more than \$23 billion in balance sheet assets and more than \$14 billion in assets under administration. Founded in 1846, the Bank employs more than 3,600 people.

-30-

Information:

Mary-Claude Tardif

Public Relations Advisor

514 284-4500, extension 4695

mary-claude.tardif@banquelaurentienne.ca