

## Officers in distress

Can two married police officers afford to become a one-income family?

by Julie Cazzin

# M

ANDY ALBANO

wants to change her life. The problem isn't her husband, Joseph, or their two small kids. It's her job. For more than a decade, she's earned a living as an officer with the Ontario Provincial Police (OPP). She's tired of the job, tired of working nights and evenings, tired of the stress. Mandy, 35, wants to hand in her badge, retrain for a new career, and have another child, all within the next three years.

Joseph, 32, is fine with his wife's plan. But he wonders how they can make it work. He, too, is an OPP officer. Both he and Mandy work in the same remote northern Ontario police district and the employment prospects in the surrounding area are as rocky as the soil. Plus, they have kids to think about—Caroline, 6, from Mandy's first marriage, and Rachel, 15 months.

Mandy and Joseph (whose names we've changed) enjoy a combined income of \$177,000 a year, but have trouble making ends meet. "When we married we had a lot of debt and I gave us both a good kick in the butt," says Mandy. "I cut expenses, increased our savings and even hired an adviser to help us. But my maternity leave this past year has set us back. We just couldn't keep up with expenses. Now we're at \$65,000 in debt and counting. I feel like we're going backwards."

Mandy knows it won't be easy if she walks away from police work. "I realize that I would be giving up a lot of money and a great pension if I quit the force," says

Mandy. "But I'm educated and experienced enough that I think I could find something else to do. Having two police officers is just not working for us—not with two small kids and constant shift work. At some point I want a career change."

The Albanos will most likely be transferred to Sudbury, Ont., in three years and both of them are looking forward to the possibilities that working in a bigger city might bring. "Where we are right now is a dying community and it's not where we want to raise our kids," says Joseph. "I want Mandy to be happy. It would be great if we could figure out a way for her to stay at home with the kids for a few years."

The couple is searching for advice they can trust. Two years ago, they started working with a financial adviser but they're beginning to question his wisdom. "He

doesn't understand our priorities," says Joseph. "Just before Christmas I asked if it was feasible for us to stop contributing to our RRSPs and concentrate instead on paying down our personal debt. His solution was to suggest that we lengthen our mortgage schedule from 25 years to 40 to free up more money for spending. That just doesn't make sense to us."

The Albanos want a plan that will allow them to pay down their personal debt, have another child and prepare Mandy for a career change. "I'm considering getting a masters degree in police administration," says Mandy. "That might assist me in getting an administrative position with the OPP when we go to Sudbury in three years. But what I'd like even more is to be a stay-at-home mom for a few years. Can you help us find a way to do that?"





## FAMILY PROFILE



**MANDY, THE DAUGHTER OF AN RCMP officer and a stay-at-home mom,** grew up in Ottawa. She spent much of her high school years working part time at the local drug store and theatre. She was always a good saver. At 18, she entered Laurentian University in Sudbury and completed two bachelor degrees—one in psychology and one in art history. "I really wanted to do my master's and PhD in art history but I already had \$50,000 in student debt at that point," says Mandy. "I needed a job so my father suggested that I apply to the OPP. They accepted me right away."

Joseph didn't decide to become a cop until he was in his late 20s. Growing up in Sudbury, he spent most of his teenage years playing hockey. At 19, after a shoulder injury, he gave up the sport and enrolled in an engineering program. "I just hated it," says Joseph. "And at some point I realized I really had to earn some money. So I dropped out of school. My father worked for TransCanada pipeline and he got me a job there doing construction."

It wasn't the last time that Joseph's parents were to bail him out of a financial jam. Soon after he started his construction job, he married Judy, a waitress. The marriage lasted seven years and Joseph and Judy didn't manage to save a penny in all that time. His parents sometimes paid off their credit cards. "I was earning \$50,000 a year with TransCanada," says Joseph. "That was great money for nine months

work every year. But Judy and I spent every penny of that and then some traveling for three months every year through Europe. When we divorced in 2002, I took \$30,000 of debt with me."

In 2003, Joseph was laid off and applied to the OPP. That's where he met Mandy, a single mom, who had just separated from her husband, also an OPP officer. Joseph and Mandy married in 2006 and bought a bungalow close to their OPP detachment. It cost only \$129,000. But while their mortgage was only \$110,000, they realized that together they owed another \$60,000 in credit card and student debt. Mandy took over the budget. "Joseph was a financial mess," says Mandy. "He didn't open bills. He'd throw things on Visa without thinking. I was adamant—we were going to get rid of our debts."

At first, the Albanos made progress. Mandy and Joseph pooled their income and Mandy paid the bills. She allowed each of them \$50 a week of spending money. "In a small town, there's just not that much to buy," says Joseph. "Having that cash allowance worked well for us."

Mandy consulted with a financial adviser. He started the couple on a savings plan that poured \$1,200 a month into

their RRSPs and another \$200 a month into an RESP. By the time their daughter Rachel was born in January 2008, the Albanos had cut their debt to \$30,000 and boosted the value of their RRSPs by several thousand dollars.

But that's when the good news stopped. With Mandy on maternity leave, the Albanos' income fell. By January of this year, when Mandy returned to work, their personal debt had climbed back to \$65,000.

Their adviser has not been much help in drawing up a budget and Mandy has begun questioning his advice on other matters as well. She wonders why she and Joseph are making such big RRSP contributions—\$14,000 a year—when they both already have excellent pensions with the OPP. Then just before Christmas, Mandy asked their adviser what his fees were. "He said, 'You don't pay me any fees.' Well, that's just dishonest," says Mandy, who had read the fine print on their mutual funds and was shocked to see that the funds charged management expense ratios of about 2.4% a year. "I don't think our adviser is a bad person but I question some of his advice. My RRSP mutual funds were worth \$39,000 two years ago, and they're now worth \$23,000 and falling."

There's more bad news. Canada Revenue just told the Albanos they owe \$3,500 in tax on Mandy's maternity income. And their mechanic informed them it would cost \$1,500 to repair their aging van. "It's death by a thousand cuts," says Joseph.

The Albanos are debating whether to cash in a small life insurance policy that Mandy's parents took out on her as a child, and use the \$13,000 cash value to buy a new van. Their adviser doesn't think it's a good idea. "He thinks we should buy new life insurance policies with it, even though he knows we get great coverage with the OPP," says Joseph. "I'm getting suspicious about his motivations."

The Albanos are looking forward to the day, probably three years from now, when they will have enough seniority to transfer to the Sudbury OPP detachment. In preparation for that move, Mandy has been looking at career options. One possibility would be for her to pursue a degree in library science and make a complete career change. Another possibility would be for her to complete an online master's

### WHERE THEY STAND

Assets	
Home	\$125,000
Joseph's RRSP	24,000
Mandy's RRSP	23,000
RESP	8,800
Joseph's OPP pension	12,500
Mandy's OPP pension	47,000
Whole life insurance policy (cash value)	13,000
Chequing account	2,000
Savings account	1,650
Vehicles	47,000
Boat	5,000
<b>TOTAL ASSETS</b>	<b>\$308,950</b>
Liabilities	
Mortgage (at 5.69%)	\$111,750
Vehicle loan (at 6%)	19,750
Line of credit (at 4%)	39,900
Income tax bill	3,500
Loan (at 4%)	2,000
<b>TOTAL LIABILITIES</b>	<b>\$176,900</b>
<b>Net Worth</b>	<b>\$132,050</b>
(total assets minus total liabilities)	



## HOW THE MONEY IS SPENT

### Yearly disposable income

Joseph's income	\$80,000
Mandy's income	84,000
Bonuses	13,000
Child support	5,600
Government credits (for the kids)	1,200

**TOTAL** \$183,800

Minus taxes and other deductions - \$69,460

**NET DISPOSABLE INCOME** \$114,340

### Yearly expenses

#### Debt repayment

Vehicle loan	\$7,300
Line of credit	21,000
Loan	2,000
<b>Total debt repayment</b>	<b>\$30,300</b>

#### Shelter

Mortgage/property taxes	\$14,650
Home insurance	950
Hydro	600
Gas	1,550
Phone/Internet/satellite	2,460
Cell phone	800
<b>Total shelter</b>	<b>\$21,010</b>

#### Transportation

Car insurance	\$2,300
Gas	3,600
Maintenance	3,500
<b>Total transportation</b>	<b>\$9,400</b>

#### Personal

Groceries	\$11,200
Vacation	5,000
Haircuts	500
Swimming/piano lessons	1,200
Restaurants	1,200
Gifts	3,480
Donations	400
Bank fees	160
Day care	7,700
Gym membership	300
Clothing	2,000
Furniture/home repair	1,600
Hobbies (hockey/golf)	1,800
Disability insurance	2,550
Life insurance	150
<b>Total personal</b>	<b>\$39,240</b>

**TOTAL EXPENSES** \$99,950

**Total income minus total expenses** \$14,390

Minus: Automated RRSP deposits: - \$14,000

Automated RESP deposits: - 2,800

**Annual income shortfall** - 2,410

degree in police administration. That might position her for a more interesting administrative job with the larger Sudbury detachment and get her off the shift work she hates. But homes are more expensive in Sudbury and their daycare expenses are only going to go up if they both continue working and have another child.

If Mandy had her way, she would work hard for the next year or two to pay down debt, then quit her job, have another baby, and become a stay-at-home mom for a few years. "How do people do it?" asks Mandy. "There are some cops at the office who have families and are living on one income. Are they all carrying tons of debt? I'd really like to know their secret."

For now, the Albanos are planning their annual trip to Vancouver. "It's our one indulgence," says Joseph, who says the annual trip to visit family usually costs the couple about \$5,000. "It's expensive but we totally immerse ourselves in dinners at fancy restaurants, museums, art galleries and great sightseeing. Our jobs are so stressful and our town is so dead that we really need that vacation to reinvigorate ourselves. We couldn't stay sane without it."

## What the experts say

Alfred Feth, a fee-for-service financial planner in Waterloo, Ont., is blunt in his assessment of the Albanos' situation. "They are at a critical point," says Feth. "They have a huge amount of debt and Joseph, especially, doesn't want to give up his toys. Couple this with the stresses of another baby and a possible career change for Mandy and you have the makings of a breakup."

The Albanos don't budget and don't plan for unforeseen expenses. That, says Marc Lamontagne, a fee-only planner with Ryan Lamontagne in Ottawa, is the crux of their problem. "They spend all their income and when they want something extra, like a car, they just buy it," says Lamontagne. "They never have a real plan so their frustration is very real." Here's what the Albanos should do to fix things:

**Keep working** Neither Feth nor Lamontagne feel the Albanos can afford for Mandy to stay at home. "They are approaching their peak spending years," says Lamontagne. "Mandy wants to pay off their debt, change careers, have a baby and move to a larger city—all in three years.

They need two good incomes."

**Stick with the OPP** Mandy should think twice before leaving the force. "She's making \$85,000 a year and has a gold-plated pension," says Feth. "She can retire at age 53 with a \$50,000 annual pension." He thinks Mandy might be surprised at the personal fulfillment she could find in police work. "She should sign up tomorrow for the master's in police administration," says Feth. "Here's a woman who has two degrees—she obviously loves learning. Doing the online course means that in three years Mandy will be ready to apply for administrative jobs within the force. If she lands one of those jobs, she will have a much saner nine-to-five schedule."

**Reduce the debt to zero** The Albanos can be debt-free in 18 months if they keep a tight grip on expenses. They should start by forgetting about a new car. "They don't have the money for a new one," says Lamontagne. "Make do with the old."

They should also stop contributing to their RRSPs. That money should be redirected to their debt. "It's ludicrous that the Albanos are contributing money to RRSPs," says Feth. "Retirement is not a concern for them and never will be as long as they both have jobs with the OPP." When Mandy's life insurance policy comes due in the fall, the couple should cash it in and put the \$13,000 cash value towards their outstanding vehicle loan. If they do all these things, a year from now the couple's debt will be down to about \$5,000.

**Start saving** Once the Albanos have eliminated their debt, they should begin saving. "They should be able to put away \$13,000 a year, provided Mandy keeps working," says Feth.

If they do, they will have \$26,000 in savings when they move to Sudbury in three years. That money, along with the equity they have in their current house, will be needed since homes in Sudbury cost more than in their current location. "Combine these things—a move to a larger city, a new OPP job for Mandy and possibly a new baby, and you have the makings of a really nice life," says Feth. ■

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