

Fit Finances



Learn how to build your FINANCIAL muscle!

Brought to you by



Are You Financially Fit?

Life Happens....Are You Prepared?

Being a financially responsible adult is a JUGGLING ACT!

*Do you have
enough & the right
kinds of insurance?*

*Do you have 4-6
months of living
expenses saved in an
emergency fund?*

*Do you have a plan
in place to pay
down all your debt
by a specific date?*

*Do you have wills
and/or powers of
attorney in place?*

*Are you saving for
your family's future?
RRSP? RESP? TFSA?
Investments?*



First Things First!

Starting a financial fitness plan can be intimidating, especially when you are starting from zero! Just like becoming healthy, you need to set goals and build a plan. What do you want for yourself and your family? Where are you now and where do you want to be? How will you get there? There is a lot of work to do but if you follow these tips, you will be on your way to financial fitness!

1. Set Goals!

What do you want for yourself and your family? The things you want are in your reach but you need to pick a timeline for these things to happen and figure out how to save for those items!

2. Determine Cash Flow

You need to know how much money you are bringing in versus how much money is going out. **Track your spending!** If you make more than you spend, you are in good shape. If you are short, then you need to figure out where you can cut expenses to get yourself on track.

3. Pay Down Debt

Did you know that the debt load of the average Canadian household is **150%**? That means that *for every \$1 that is earned, there is \$1.50 in debt!* It IS possible to be debt-free and we will give you tips on how to make this happen!

4. Build Your Savings

There are many reasons to save: your retirement, your children's education, for fun things, like vacations. It's also incredibly important to build an **emergency fund** to prepare for unforeseen events. Ideally, you should have the *equivalent of 4-6 months of living expenses* put away. Start small and increase your deposits when you are able – your savings will build over time!



5. Offset Risks

Being a financially responsible adult means preparing for the unexpected. One of the best safety nets is to make sure you are properly insured and to the appropriate levels. Don't forget about wills and powers of attorney! We may not like to think about death but it is important to be prepared for your family's sake.

Debt – The Good, The Bad & How to Be Debt-Free!

Not all debt is bad and it's important to know the difference and use your credit properly!

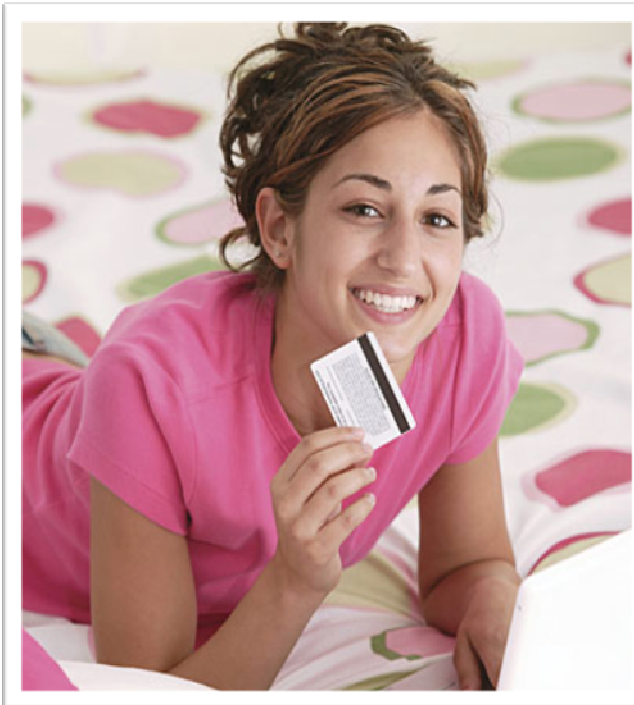
GOOD DEBT = debt incurred to expand your asset base. The best example would be a mortgage. As long as you make your payments, the debt will go down and the value of your home will increase over time and become a large asset to add to your financial portfolio.

BAD DEBT = debt incurred to keep up with the Jones family or to scratch that consumer itch. Sadly, most of the debt carried by most people these days falls under the category of "consumer debt" and is generally charged to high-interest credit cards or "buy now, pay later" accounts.

A financially responsible adult plans for big ticket purchases, such as vacations or new furniture and accumulates the money in advance rather than using credit to pay for it upfront and paying later.

Teach Your Child the Advantage of Good Credit & How to Build a Strong Credit Rating

A good credit history is essential in our society. If you have children in university, encourage them to obtain a credit card (preferably with a small limit) and to use it ONLY for paying a monthly expense, such as a cell phone. When they get the monthly bill, they should pay it off in full each month. This is a great way to build their credit rating while teaching them the importance of good credit and the responsibility that goes with it.



The key to becoming debt-free is to pick your timeline for becoming debt-free and this simple formula:

Let's say you want to pay off your credit card within two years (24 months). You are currently carrying a balance of \$5000 at an annual interest rate of 18%. First, you need to determine the monthly interest accrued on this balance:

$$\mathbf{\$5000 \times 18 \div 100 \div 12 = \$75 \text{ (monthly interest)}}$$

Divide your debt by the number of months you want to take to pay it off:

$$\mathbf{\$5000 \div 24 = \$208.33 \text{ (monthly principal)}}$$

Now add the monthly interest to your principal payment to get the amount you need to pay every month to reach your goal:

$$\mathbf{\$208.33 + \$75 = \underline{\$283.33} \text{ (monthly payment)}}$$

Now you have a clear plan in place to start paying down your debt! Keep in mind that your best move would be to pay down your highest interest-rate debt first while continuing to make minimum payments on your other debts. Once you have the first card paid off, you can snowball that payment into your next highest interest rate debt and continue until you are completely debt-free! Imagine the freedom and know that with some hard work and commitment (and likely some sacrifice), it is completely within your reach!

(Sometimes, even with the best intentions, you may find yourself unable to get out of debt on your own. If you are struggling, reach out to a non-profit credit counseling agency in your community and find out what your other options may be to get debt-free.)

A Penny Saved is a Penny Earned!

It's an old saying but one that stands the test of time! Make a plan for savings! It may mean sacrificing today but you and your family will reap the rewards at the end of the day.

We've touched on the importance of an emergency fund already and we can't place enough importance on building this fund. For a family where both partners work, the guideline is to save the equivalent of six months of living expenses. If only one partner works, this should be increased to nine months. This may sound like an astronomical amount of money to have on hand but when unplanned events arise, the financial results can be catastrophic if there are not enough liquid assets that can be accessed quickly and without penalty.



"I live paycheck to paycheck! How am I supposed to build an emergency fund?"

The trick to building an emergency fund is to look for small expenses you can cut out in your budget in exchange for financial security in the long run.

For example, by eliminating a \$5 double latte, super-mocha supreme every morning and drinking regular coffee (which most employers provide for free), a working couple could save up to \$50 per week! That's a few hundred dollars per month and thousands per year. A small sacrifice for the feeling of security that comes with having a safety net to catch you when you fall!

Are you Ready for Retirement?

Experts recommend that you save \$1,000,000 for your retirement. The reason for this large figure is that life expectancy is increasing every year and with all our advancements in medical science, retirement can now last 20-30 years! Here are some tips to help you prepare:

- **Start saving NOW – the earlier you start saving, the more time you have for your money to grow.**
- **Pay yourself FIRST – the rule of thumb is that you should put away 10% of each pay cheque before paying any other bills.**
- **Build a budget and stick to it – there are many resources available to help you build a budget. Simply Googling “how to build a budget” will lead you to many informational websites that will show you how to do just this. Failing to plan is planning to fail!**

...and don't forget, if this all seems overwhelming or you want more specific information on saving for your future, there are several great financial advisors and planners in your area to assist you. Don't hesitate to involve a professional!



Financial Freedom ≠ Rich



Financial freedom doesn't necessarily mean being "rich". It means something different to each person and that's as it should be. We all have different values and goals but the important thing to remember is that financial freedom is attainable for anyone who is willing to take the time to plan & make the commitment to follow through.

By following the guidelines set out here, you are well on the path to financial freedom and all the benefits that entails! So get out there and start flexing your financial muscle! Your future self and your family will thank you for it!

Great Resources for Financial Fitness:

Websites:

www.mint.com

www.wisebread.com

www.getrichslowly.org/blog

www.gailvazoxlade.com

Apps:

Receipts

Mint

Manilla

Check

Books:

"Rich Dad, Poor Dad" by Robert Kiyosaki

"Your Money or Your Life" by Vicki Robin

"Total Money Makeover" by Dave Ramsey

"The Money Book for the Young, Fabulous & Broke" by Suze Orman

"Secrets of the Millionaire Mind" by T. Harv Eker

"Never Too Late" or "Debt-Free Forever" by Gail Vaz-Oxlade

