



Basics For a Wise Financial Strategy

Before a skyscraper can reach for the clouds, it needs a very strong foundation. Once the building is complete, the foundation is virtually unseen. The same goes for our financial strategies. Following are the basics of a strong financial foundation:

Budget – Governments and businesses use budgets to properly allocate resources. It's known as good business. A budget can help you figure out where your hard earned income is going and to identify ways to **cut spending or increase savings**.

Rainy day and opportunity fund – Unforeseen emergencies and opportunities catch far too many of us by surprise. Such things as job loss, major repairs or investment opportunities are much easier to deal with if we have the funds available at the time. **Debt is not a good way to handle these events**. A minimum of three months' income is recommended. Six to twelve months is even better.

Insurance – Various forms of insurance are generally the most **efficient ways to manage risk**. The costs of car accidents, property damage or loss, death, sickness or injury, and medical and dental expenses can be offset with proper insurance coverage.

Manage credit card debt – Credit is easier to get now than ever before. However, credit cards usually have very high interest rates if the bill is not paid by the due date. If you are carrying a balance, stop using the card until the debt is paid as new purchases start attracting interest charges as soon as they are made. Consider a low interest consolidation loan. **Get into the habit of not carrying a balance**.

Yes, that means saving the money to make a purchase rather than financing it with a high interest credit card.

Pay yourself first – It's your money. Why give it all away before trying to save what's left, if any? It's easy to **set up a monthly savings plan** that withdraws the deposit each month from your bank account. Adjust the amount as your income changes. A payroll deduction RRSP works well because contributions are made before taxes are deducted.

Set goals – How can we expect to hit a target if we don't know where to aim? Establish a financial strategy to identify the steps necessary to reach your goals. **Review your plan on a regular basis** or whenever there is a major change in your situation. Don't make your goals too easy to reach.

Tax efficiency – Take advantage of as many tax savings as you can. Some may not seem like much of a savings, but a few percentage points can make a big difference over time.

Estate plan – The cornerstone of a proper estate plan is the preparation of several important legal documents. These include:

A Will, which deals with all of your affairs when you die. A few hundred dollars today can save your beneficiaries thousands in the future. **An Enduring Power of Attorney**, which deals with your financial affairs when you cannot. **A Personal Directive**, or Living Will, which deals with your health care affairs when you cannot.

Need help with your financial strategy? We can help!

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