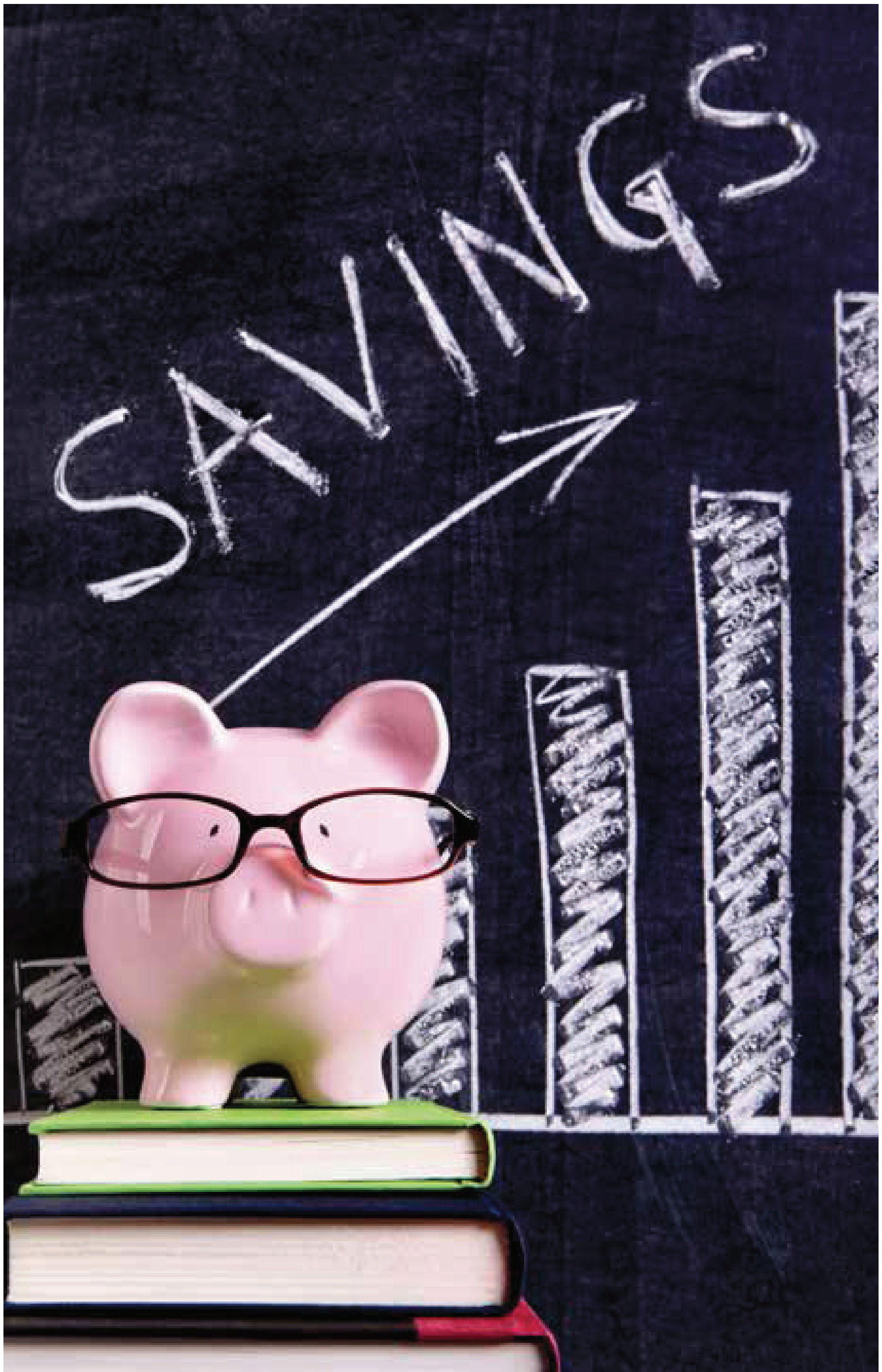

STARTING THE NEW YEAR ON THE RIGHT FINANCIAL FOOT

By Lorraine Payette

The New Year brings all the bills and other reminders that it's time to pay the piper. How do we get our financial houses in order to move forward knowing that we are in control, and that we have what we need to live comfortably and securely for the rest of our lives?

Financial experts Betty-Anne Howard (Guide to Making Your Dreams a Reality) and Robert Tavares (Freedom 55 Financial) are ready to help.

"People forget that financial health and well being is a habit to adopt – being mindful of your spending, your dreams, what tools you need and how to implement them," says Howard.

"They don't get professional help," says Tavares. "They delay their savings, don't take full advantage of employer match and don't pay down consumer debt."

The financial advisors suggest:

Always set aside at least 10 percent of your income for savings and investing.

Always contribute the maximum amount to employer-sponsored pension plans to get the maximum contribution from your employer every year.

Start contributing to a savings plan now.

Always pay credit and charge card purchases in full when the statement arrives to avoid paying interest charges or penalty fees.

Always keep banking and other receipts and note the details of the purchase on the receipt.

Get professional help – credit counsellors can help by providing useful tools and support.

Be mindful of your attitude and relationship with money.

Keep track of spending, differentiating between wants and needs.

Rob Travares, Financial Security Advisor for Freedom 55 Financial Brockville

Find alternate ways to give gifts as opposed to spending money.

Take a month and only spend money on essentials to gain a better understanding of what is causing your financial trouble.

"The first step in developing an investment strategy is to clarify your financial goals and objectives," says Tavares. "Conversations with your Financial Advisor (FA) can help turn your dreams into a reality. These considerations are instrumental in crafting an investment strategy that can help provide you with a realistic framework for accomplishing your financial goals."

"It all depends on your time frame, your risk tolerance level and what you are trying to achieve," says Howard. "The investment strategy has to fit with your goals and objectives. Never take any more risk than you must and always understand what you are investing in."

Practice delayed gratification and instil good savings habits at the earliest possible age.

"Start saving as soon as possible," says Howard. "Your goals are a primary determinant as to how you should allocate funds. See a Certified Financial Planner. (CFP) They can help you sort this out, based on your situation, dreams and circumstances."

"Young people should recognize that starting a long-term savings plan is a really smart move, because time is on their side and any amount they can set aside for retirement now has many years to compound," says Tavares. "Remember the rule of 72 – divide the interest rate into 72 to tell when your money can double."

Tax Free Savings Accounts (TFSA) may provide some answers.

"The TFSA program began in 2009," says Tavares. "It is a way for individuals who are 18 and older, who have a valid social insurance number to set money aside tax-free throughout their lifetime. Contributions to a TFSA are not deductible for income tax purposes.

"Any income earned in the account (for example, investment income and capital gains) is generally tax-free, even when it is withdrawn. Administrative or other fees in relation to TFSA and any interest or money borrowed to contribute to a TFSA are not deductible."

Other options include GICs, RRSPs, RESPs, mutual funds – your bank or personal FA will be happy to help you set up a plan that will start moving you in the most positive direction for financial security. To find an FA that will best fit your needs, shop around, ask friends/relatives, or go to your bank.

"FAs encourage their clients to adopt good saving and investment behaviors early in life and to maintain those practices through their lifetimes," says Tavares. "Advised investors are better prepared to meet life's contingencies than those without advice and are more confident about their future."

"Everyone can make smart moves on their own and, if they want confirmation about making the right decisions with the resources they have, then they can/should go see a CFP," says Howard.

The average person is always able to improve his/her financial health. Suggestions include:

Find a balance between living for today while planning for your future

Prepare for setbacks, then get back on track – roadblocks are inevitable

Build a roadmap toward your dreams.

Learn about cash flow, net worth, investment vehicles and how to factor them into your financial health and well being.

Make your financial health and well being as much fun as possible so you will keep it up.

Think about talking to a CFP/FA and make sure their values are aligned with yours.

Follow a life-cycle consumption smoothing approach. The key to effective retirement planning is to try to keep your standard of living as consistent as possible for your entire life. You don't want to live it up while you're working – spending all your money on fancy clothes and expensive cars just to retire into poverty, nor do you want to scrimp and save your entire life so you can live like a king for a decade or two before you die.

"An FA can help you find more money to save and make the most of your investments–regardless of your income or life-stage," says Tavares.

"A financial plan can change your life," says Howard. "It is one of the greatest predictors of financial success. The world of investments and investment vehicles can be complex and confusing at times. Make sure it doesn't interfere with your ability to move forward." LH