



Your Employee and Family Assistance Program is a support service that can help you take the first step toward change.

## Financial planning: gaining control of your finances

Money may not buy happiness, but proper financial management makes life a lot easier. If money problems are causing you stress, there are some steps you can take to gain control of your finances.

### Note changes in your financial status

To keep your financial plan on track, you need to review it any time there's a significant change in your life. Here are five developments you may encounter:

**Job changes.** A new job with higher pay may mean you can make larger regular contributions to your investment portfolio. A decrease in pay, or losing your job, may suggest a more conservative investment stance, or a new look at your goals.

**Changes in marital status.** When you get married, you'll probably want to review your will, as well as beneficiary

designations on your insurance policies, pension plan, and your Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF).

The same applies if your marriage ends because of separation, divorce or death. Getting married also means there may be spousal tax-saving strategies you can now use.

**Major life events.** Having a child means new responsibilities and new expenses—definite signals that you need to review your whole financial plan, especially your insurance needs. Other major life changes include buying a home, starting your own business, retiring or becoming disabled.

**Market changes.** If the economy and the financial markets are heading for a shift, you need to be prepared.

**A shift in your investor profile.** As you get older, you may be more cautious. It's important to review your financial plan regularly to make sure it's appropriate for the type of investor you are today, not the investor you were five years ago.

### Review your financial plan

First you need to take a snapshot of your financial affairs. This involves creating a list of all debts or liabilities, such as loans and mortgages; a list of all assets, including property and income; and finally, a list of all expenses. If you've never had a good look at your entire financial picture, this can be both challenging and enlightening.

Next you need to create a realistic budget. This means reviewing the expenses list and determining what is really necessary. Be sure your budget includes expenses such as groceries, dry cleaning and unforeseen items such as car repairs. If you aren't sure where the money is going, keep a log of everything you spend.

If you are struggling to reduce spending or pay off overdue credit cards or loans, your budgeting will need to free up cash to pay your debt. There are a number of options to consider, including securing a line of credit to consolidate debt; paying off high interest debt first, paying off only the minimum on debt with lower interest rates; or credit card consolidation.

### **Take advantage of extra cash**

Most Canadians find a pleasant surprise in their paycheques mid-year—it's slightly higher, even without a pay raise.

By the end of June, many employers will have collected the last of this year's Canada Pension Plan (CPP) and Quebec Pension Plan (QPP) contributions, so those payroll deductions will stop.

**What to do.** When we get just a little extra cash, we tend to fritter it away. Instead of spending it, why not use it to help build financial security? Here are some suggestions:

- Pay down consumer debt, especially costly credit cards. Depending on your tax bracket, reducing a 10 per cent consumer loan is the same as earning as much as 20 per cent in taxable interest from the bank.
- Start, or build, an emergency fund. Ideally, you should have a cushion of a minimum three months' expenses in a money market fund, Canada Savings Bonds or short-term deposits.
- Contribute to a Registered Education Savings Plan (RESP) for children under 17. The growth is tax-deferred, plus a federal grant adds \$20 for each \$100 you put in.
- Start, or boost, monthly contributions to your RRSP. Cash flow that went to CPP or QPP would now go to Your Personal Pension (YPP). Ask your bank representative about the benefits of periodic mutual fund investing.

You may want to seek assistance from a financial advisor to help you create a financial road map or to address your investment, retirement or estate planning. Since you will be disclosing personal information to this advisor, you need to be sure he or she is professionally competent and is someone you can trust. Before making your choice, meet with several and ask for a list of clients that you can contact along with a profile of their experience and qualifications. This will ensure that you remain in control of your money and investments.

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