

Save More, Worry Less...



During times of economic uncertainty, people tend to save money rather than spend it. This has been especially true during the recent downturn, which spawned a Canadian personal savings rate of 4.7 percent—that's almost a 75 percent increase over the 2007 savings rate and the highest mark since 1992. Canadians across the country are rediscovering the importance of saving and budgeting during the good times and the bad.



7 Easy Steps TO CREATE A BUDGET YOU CAN LIVE WITH



Creating a budget is crucial to keeping your financial house in order. Use the following tips to organize your finances and keep track of your money:

1. Gather all financial documents like bank statements, investment accounts, recent utility bills, etc.
2. Record your total income as a monthly amount.
3. Write a list of all the expected expenses and payments you plan to make in a month.
4. Break expenses into two categories: fixed (stays the same every month) and variable (lifestyle expenses that change from month to month).
5. Total your monthly income and monthly expenses. If your income exceeds expenses, put excess money toward other things like saving, paying down debt and/or starting an emergency fund.
6. If your expenses are higher than your income, adjust your variable expenses first.
7. Review your budget on a regular basis to make sure you are staying on track. After three months, review your expenses for each month. Pick the month where you did the best staying within your budget and try to emulate that same spending for another three months.

Simple Tips FOR GROWING YOUR SAVINGS



Regardless of the state of the economy, paying yourself is a must. Here are great tips for growing your savings:

1. **Establish an emergency savings account.**
In the event of an emergency, having money set aside will prevent you from dipping into your retirement or long-term savings. A general rule of thumb is to set aside money equal to three or more months' worth of living expenses.
2. **Save money for your long-term goals.**
Saving becomes easier when you have a goal to work toward. If your employer matches a portion of your retirement contribution, you are passing up free money if you don't take advantage.
3. **Make savings automatic.**
A portion of every pay cheque should go directly into your savings account. Your bank can set up an automatic transfer for you.
4. **Start small if necessary.**
Even if you can't afford to put a lot toward your savings right away, starting small will still establish a savings routine, even if it's only \$25 a month at first.
5. **Comparison shop for the best rates.**
Search for the best savings rates available. A high yield savings account can double your interest.
6. **Turn a payment into savings.**
Once you've paid off each credit card or loan, add that payment amount to your monthly savings amount.
7. **Save your windfall.**
If you receive an inheritance, a tax refund or a bonus at work, don't spend it just because you have it. Money set aside now will reward you later—and with interest!



Examine Your Budget...



The first step in getting your financial house in order is to track your spending. Once you have your budget mapped out, you can decide which expenses can be trimmed. Use this worksheet to break down your budget.

INCOME			
Take-home Pay		Disability/Other Insurance	
Child Support/Alimony		Interest/Dividends	
Pension/Social Security		Other	
		Total Income	
EXPENSES			
Rent/Mortgage		Personal Care Products	
Life Insurance		Groceries	
Health Insurance		Dining Out	
Vehicle Insurance		Medical/Dental/Prescriptions	
Homeowners or Other Insurance		Household Goods	
Car Payments		Recreation/Entertainment	
Other Loan Payments		Child Care	
Savings/Pension Contribution		Education	
Utilities		Charitable Donations	
Credit Card Payments		Miscellaneous	
Car Maintenance		Total Expenses	
Clothing		Remaining Income after Expenses	

5 Financial Questions YOU NEED TO ANSWER.

Every household has a different financial situation, but regardless of your circumstances, there are five important financial questions you need to answer.

- 1. How much money should I save?** The rule of thumb is 10 percent of each pay cheque should be put into a savings account for unexpected expenses and other savings goals. You should also contribute to your retirement savings. If your employer matches your contributions, strive for 5 percent of your income. But remember, starting the habit, no matter how small the amount, is the important part.
- 2. How much debt should I have?** The ideal answer is none, but during economic times like these, that is fairly unrealistic. Most financial experts recommend 36 percent or less of your gross monthly income should be paid toward debt payments.

- 3. How much home should I buy?** The debt-to-income ratio of 36 percent applies here as well. After subtracting out your other debt, strive to be left with a monthly payment that is suitable for your budget.
- 4. How much money will I need for retirement?** Financial experts suggest that you should plan on having 75–80 percent of your pre-retirement annual income available during your retirement years. However, this figure can come down a bit if your home is already paid off.
- 5. How big should my emergency fund be?** An emergency fund is used when you have an unexpected loss of income or financial emergency. It is recommended that you work toward having three months worth of expenses available.