

# Articles Program



## Resolutions for healthier finances in 2011

Of the top 10 New Year's resolutions, managing personal finances often emerges at the head of the pack.

If you're determined to get better control of your money matters in 2011, there's help to get you on track. Chartered Accountants Peter Brown, CA, CFP, CLU, in Niagara Falls and David Gowling, CA, CA•CIRP, Senior Vice President of Herpers Chagani Gowling Inc. in Hamilton, offer seven tips to start the year off on the right foot and help you stay on the road to financial security.

**Pay down debt** – At roughly 20 per cent or more, credit card debt is a huge hurdle. Issuers are now required by law to tell you how long it will take to pay off the debt if only the minimum payment is made each month, so read the fine print on your statements. Find out how much it's costing you to carry the balance on each of your cards. Then, choose your strategy. Gowling suggests you continue paying the minimum on all of them, and pay down as much as you can on the most expensive card first. When it's paid off, start on paying off the next highest, and so on.

Brown prefers to build on success. He usually suggests people pay off the smallest debt first, mainly for the psychological boost it provides. Then, work your way up. He also recommends approaching the bank for a line of credit, which may allow you to consolidate debt, pay down all your bills faster, and at a much lower rate of interest.

**Make saving automatic** – Don't give yourself the chance to say "not this month." Set up a plan that automatically moves money from your chequing account into a savings vehicle every payday, before you have a chance to spend it. Or, sign up for one of the new debit card plans that automatically round your purchases up to the nearest dollar and deposit the difference in a savings account.

**Prepare a monthly household budget** – Know what it really costs your family to live its life, and to pay the bills - **all the bills** - each month. Summarize the payments from your chequing account for the last three months to see what you're spending, and pay particular attention to the number and amount of "cash" withdrawals.

**Take advantage of tax savings and tax deferral strategies** – The Canada Revenue Agency does offer some relief to ordinary taxpayers, and it's just common sense to get your share. When you set up that automatic savings plan, have the proceeds go to a Registered Retirement Savings Plan (RRSP), a Tax Free Savings Account, or any number of other vehicles that allow you to pay less taxes while your money works for you.

**Avoid credit traps** – Payday loans, don't-pay-for-a-year deals and other pay-postponing plans are not your friends. You become embroiled in payments that go on forever, on a treadmill you can't get off. Buy only what you can afford to pay for **now**. If you don't trust yourself to pay off your credit card bill in full each month, which can also be fully automated, pay cash.

**Make a plan for the future** – Any responsible approach to managing finances must include making a will, arranging for life insurance, planning for the care, support and education of children, and often much more. Take time to think these things through so proper written plans and arrangements can be made.

**Consult a qualified professional** – Whether it's help managing debt, or working with a Financial Planner to optimize your tax situation and plan for the future, the right kind of professional advice will often save you far more money than it will cost you in fees. In many cases, a first meeting with a Chartered Accountant, Credit Counselor or Financial Planner is free, so don't hesitate to consult one in your community for help with your personal finances.

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