

It's Year-end: How Will You Manage Your Expenses?



As we approach year-end, it's a great time to assess your expenses with the goal of setting yourself up to be financially stronger. New year, fresh start. When expenses are under control and you're in a position to build wealth instead of spiralling deeper into debt, it helps you work toward reaching your short-term and longer-term financial goals.

So, how can you resolve to manage expenses at year-end? Here are a few tips to get you on your way.

- 1. Create a wealth plan.** If you don't already have an advisor, here's the first New Year's resolution to make. Everybody has specific objectives to achieve, and a comprehensive plan can give you a head start on next year's finances. A professionally developed wealth plan will account for your unique circumstances, objectives, time horizon and risk tolerance. It helps you save and invest wisely, manage debt obligations and be more tax efficient. Also, it can adapt to changing circumstances so your plan stays relevant at any life stage. Since it requires significant training, skill and experience to create and maintain a personalized wealth plan, it's best to work with a qualified advisor.
- 2. Maintain a budget.** A key aspect of wealth planning is setting a budget. Basically, a budget tracks your sources of income and expenses over a given time period (e.g., monthly). It provides an ongoing snapshot of how well you're managing money and where improvements might be possible. With holiday season in full swing, an increase in social outings and gift buying can quickly send your expenses into overdrive. This year-end, be mindful of expenses and mounting debt by setting a reasonable holiday budget and sticking to it.
- 3. Consolidate debt.** The amount you spend over the holidays is largely discretionary, but sometimes carrying debt is unavoidable. Many people have mortgage payments, car loans, home-related expenses, etc. An advisor can review your various debt obligations, working with you and your financial institution(s) to see if it's advantageous to consolidate debt into one relatively lower-rate loan or line of credit. Consolidating debt is often a practical way to lower your overall expenses.
- 4. Commit to saving.** While reducing debt is important, the flipside is to increase your savings. A proven strategy is to "pay yourself first" by putting a set amount (e.g., 10%) of each paycheque into a savings and/or investment account. It'll build long-term wealth while helping you avoid the temptation to overspend. Also, year-end is a great time to devote money to registered plans for the following calendar year. For instance, on January 1 you can begin making that year's contributions to your RRSP and TFSA. Not only will it help curb expenses by "forcing" you to save, but you'll also begin enjoying tax benefits sooner in the year. Another aspect of saving is putting away money for emergencies like job loss, major home/vehicle repairs, serious illness, etc. You never know when you'll need immediate access to cash, so an emergency fund – many experts recommend a minimum of three months of household expenses – is essential for financial preparedness and peace of mind.

Although any time is a good time to get a handle on your expenses, the year-end period often sparks motivation for people to focus on their finances and make improvements for the year to come.



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