

Planning For A Successful Future

The following are some general money management concepts. By understanding these, and putting a plan in action, you can ensure your financial future is secure.

Start Now

This sounds easy, but most people put it off. Successful people start today to build their financial future. They start with a plan that includes their personal goals.

Get Control of the Uncontrollable

Uncontrollable events in your life could include dying prematurely, becoming disabled, or having an extraordinary one-time expense you must cover. You can be prepared should these events happen. There is no substitute for a properly designed Will and Power of Attorney (POA). Having a Will and POA can avoid excessive cost, delay and hardship. Having proper insurance coverage for Life and Disability to cover your financial liabilities and obligations is also essential. And lastly, to be prepared for unexpected major expenses, always have an "emergency fund" equal to three to six months living expenses available.

Pay Yourself First

It's critical to put yourself at the head of the cash flow line. Investing monthly in yourself and your future allows you the opportunity to annually increase your net worth. Savings plans based on automatic deduction can make this process easy and ensure that you stay on track with your savings goals.

Debt Elimination

Always eliminate any and all debt that is not income tax deductible. Using credit cards can be a good strategy if you can pay them in full each month, but carrying debts on these cards can be extremely expensive. As a rule of thumb, you should pay cash for personal needs, and borrow (if necessary) to invest. Many people do exactly the opposite!

The Power of Compound Interest

Capital invested early on can accumulate like a snowball due to the interest portion being re-invested annually. Money left to accumulate annually can grow exponentially towards retirement. Time is a critical element - the earlier the contribution the better. Also, funds put into a RRSP account have the added advantage of accumulating tax deferred and therefore grow more rapidly than non sheltered funds.

Rule of 72

The rule of 72 is a general guideline of how long it takes to double your money. Take today's interest rate, and divide it into 72. For example, a guaranteed investment paying 8% would double in value every 9 years.

Using these guidelines can help you plan for your future. There are many choices, and every choice has a consequence. Taking the time to view the alternatives is a wise investment in your future.