

Financial goals for 2012

Set yourself some goals and come up with a plan to keep your finances in check.

By [Josephine.Lim](#) | Online only, 11/01/12



With every new year comes a clean slate and a chance to balance your personal finances. To keep your financial situation in check it's important to set some targets and how you plan to achieve them. Maybe you want to fix your credit score or focus on paying off your debt.

Sticking to your New Year's resolutions can be difficult, but here are some tips on how to follow through. If you haven't already, make sure you've done an annual financial checkup and write down your financial goals and a plan for the year. Make sure to check back during the year and remind yourself about why these goals are important to you. Here are mine.

Pay off student loan

This is my top priority for the year. As of this month, I've paid off about 70% and I plan to be done with it by the end of February. After four years, my loan was \$18,000 in total. Looking at the interest rates now, my loan could have been less by using an education line of credit instead of the the national student loan program, but this way I didn't have to deal with the stress of repaying my loan until I was done studying. Also, I didn't run the risk of being given more money than I needed.

"Students these days are able to get big loans and what do they do? They spend the money," says Sheila Walkington, CFO of Money Coaches Canada. "It's lovely while you're spending it, but it's really, really difficult to pay it back.

"I work with clients who are now in their 30's and 40's and still have a \$30,000 line of credit and they're really, really struggling and ... wishing they hadn't spent all that money."

When comparing the two options, you also need to consider the tax implications that come with the government loan program, Walkington says. Students receive a non-refundable tax credit on the interest they pay when borrowing from the government. In Ontario, you'd get approximately 20% of the interest counted towards your taxes. This credit amount has a five-year carry forward period.

Open a TFSA

With the contribution room now being \$20,000, it's a good place to stash your savings for bigger purchases down the road. Unfortunately, I know I'll likely tap into this account within the next few years so safety and high liquidity are two key priorities. But Jamie Golombek, CIBC's managing director of tax and estate planning, says anyone using it as a savings account isn't taking full advantage of its features since you're not earning much on it anyway. "You're getting a bit of a benefit by having it in a TFSA, you might as well have it in there as opposed to not having it in there," he says.

While Walkington adds that for a young people the TFSA is mainly about building good saving habits.

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My goal is to at least have \$5,000 saved up in this account by the end of this year. Once the student loan is paid off and I have an emergency fund established, the next step is to squirrel some money away.

Save money for more education

It's easy to be seduced by all the material goods you can spend money on, but one of the best personal investments for anyone is education. (I know, it doesn't sound as sexy as that new smartphone or tablet, but it's well worth it.) Even after you've landed a job it's important to keep on learning and developing your skills when you have time to spare. It pays off in any pay raises you get in your current position or when you move up in your career. I'm hoping to have \$2,000 to \$3,000 put aside for this purpose every year.

Save money to travel

Being frugal is tough work, so make sure you treat yourself to a trip once in a while. I could have paid off my student loan faster, but last year I splurged on a nice DSLR camera and a very, warm winter jacket. Both were wants rather than needs, but good personal investments nonetheless. I'm already planning a trip to New York to celebrate paying off my debt, but I hope the next plane ride I take will be to Japan, South Korea or Hong Kong. Stashing \$1,000 away in this category is the lowest category on the priority ladder, but one I hope to get to.

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