

# Families face tough choices on where to direct their dollars

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With two elementary school-aged children and a full-time job as an interior designer, Barb MacLeod doesn't have much downtime. Aside from managing a hectic schedule, the Edmonton resident also handles her family's finances, and if there's one word to sum up everything she has on her plate, it's *overwhelming*.

Financially, Ms. MacLeod is trying to strike a balance between paying down the couple's mortgage, chipping away at debt, putting money toward the children's education on top of paying for after-school activities, and saving for those so-called golden years.

"For me, it's starting to get confusing," says Ms. MacLeod, 46, whose husband works for a courier company. "I don't think we're in a horrible spot [financially], but I don't think we're in an exceptional spot.

"These are the years we've got to be making money," she adds. "There's not that much time left until we retire. I feel like the equity we have in our house is our only ace in the hole."

If the MacLeods feel somewhat lost when it comes to financial planning and priorities, they're hardly alone. People in their 30s and 40s tend to have so much on the go – careers, children's hockey games, home ownership and so on – that figuring out where to direct their hard-earned dollars can seem like a chore they just don't have time for. Add in the sandwich generation's need to care for elderly parents, and the pressure on this demographic's time and money only intensifies.

Plus, rather than being focused solely on present-day needs, people in this demographic need to be thinking long-term so that they hit retirement as financially stable as possible.

"What I see with my clients, people in their 30s in particular, is that this is often a building stage," says Vancouver certified money coach [Melanie Buffel with Money Coaches Canada](#). "New couples may be trying to figure out how to manage their money as a couple. They're wondering how they're going to manage debt and make financial decisions for the kids: Are they going to play hockey and soccer and baseball? Are they going to go to private school? They start to think about how that impacts their finances. They're starting to set up RESPs [registered education savings plans]. They're also looking at questions of property purchase.

“It’s a lot to consider,” she adds. “It’s a really hard time in your life to focus on savings. There are a lot of demands on young families. People may be wanting to pay their mortgage down or they may have credit-card debt. There need to be plans around that, but I also really encourage my clients to start thinking about the longer-term savings now, too.”

A common scenario Ms. Buffel encounters is this: As people start making more money, they also start spending more money. Doing so can detract from a healthy retirement fund.

“People in their 40s are in their higher-income-earning years, but they also tend to be in more debt than they’ve ever been in before because they’re spending more money,” Ms. Buffel says. “They’re purchasing things for convenience because their lives are so busy, but they don’t have a structure to help them understand they’re indebting themselves even more, either monthly or when big purchases come up. They don’t have savings to cover it and have to use a credit card to fill in the gaps.”

Financial experts also suggest people determine what type of savings vehicle will give them the most bang for their buck.

“Typically these are people’s peak earning years, when they’ll get the best tax breaks from contributing to RRSPs [registered retirement savings plans], although there are exceptions to this,” says Bettina Schnarr, certified financial planner with HollisWealth in South Surrey, B.C. “People should look into whether RRSPs or tax-free savings accounts [TFSA] are better suited to their circumstances.”

Those taking on their first mortgage will want to check out the First-Time Home Buyers’ program, which allows Canadians to draw from their RRSPs for a down payment. People should also consider whether spousal RRSPs make sense. A form of income-splitting, they’re used when one spouse earns significantly more income than the other. The retirement income is shifted into the hands of the lower tax-bracket spouse, with the higher-income earner contributing to the plan and claiming the tax deduction.

Then there are insurance needs to consider.

“This is when you want to protect your earning power with disability insurance and critical illness insurance,” Ms. Schnarr says, noting those with children or a stay-at-home spouse should have life insurance. She also recommends getting life insurance for the children, or at the very least get a child rider on parents’ life insurance. Long-term-care insurance is another form worth looking into.

“It tears my heart out when I read newspaper articles where a mom or dad passed away and the family is accepting donations because they didn’t have life insurance coverage,”

she says. "Have your insurance needs professionally assessed, both short-term and long-term."

If applicable, people should also consider contributing to a registered disability savings plan (RDSP), which is intended to help eligible Canadians with disabilities and their families save for the long-term financial security of the disabled person.

At this stage, it's also important to establish and maintain an emergency fund – typically enough to cover six months' worth of expenses in the event of illness or job loss – in addition to setting up another account for holidays or a big purchase.

And continue paying down debt.

"Have plans in place to achieve your goals as opposed to running out and racking up credit-card debt," Ms. Schnarr says. "If you get raises and bonuses, put that away or pay down debt."

While these years are packed with immediate financial obligations and considerations, there's always the distant future to keep in mind. It's vital to see the forest through the trees.

"You need to take a close look at retirement savings," Ms. Buffel says. "Sixty-five is inching closer, and you really need to look at your lifestyle today and project it 20 years ahead and ask yourself: What are my income requirements? You can work with a financial planner who will work backward to see what you need to be saving today to provide that income in the future."