



Creating Your Own Stable Financial Future

by Allison Wolf on *January 28th, 2010*

Rise Up. Creating your own stable financial future

My column this month is dedicated to personal finances. I greeted the New Year like so many other people I know – with a financial hangover that no aspirin was going to cure. Instead of the doctor I called my new neighbor on Salt Spring Island, financial planning guru Karin Mizgala, MBA, CFP, to share her best tips on how to put money woes to rest for good. Karin co-founded the Women’s Financial Learning Centre and has a financial planning column with the Financial Post.

“The foundation to a stable financial future can be established in five key steps.. For most people when they think of financial planning, they think of investment planning. Millions of dollars are spent and made on selling and marketing investment products like mutual funds, but most of these activities aren’t the least bit helpful to the average Canadian who is slipping behind financially and stressed about money. Having a good handle on your cash flow, living with your means and working on a plan to be debt-free are far more important to your financial success than any hot stock tip...” - Karin Mizgala

Financial stress isn’t dependant on income. Rich, poor or somewhere in between, money woes are all too common these days. If money troubles are keeping you up at night I invite you to join me in following Karin’s five-step plan for taking action to create a stable financial future.

First, begin with taking a step back from the numbers to engage in some reflective thinking about your personal goals and values. Have a discussion with your partner about what in life is most important to you. What do you wish to create. What do you want your life to look like. The question Karin likes to ask her clients is “if money weren’t an object what would you do with your life?”

It is very important to start on this positive note because so many of us have an uneasy relationship with money. There is a lot of anxiety and avoidance. We don’t know how much we are overspending and we are afraid to look at the answers.

Step two. Uncovering your net worth. With your vision and goals clearly in mind it is time to check in with how close you are to your goals. To do this you will create a net worth statement. A net worth statement is simply a calculation of your total debt subtracted from your assets. Here’s a template you can follow from the Women’s Financial Learning Centre.

Step three: Getting real about what is coming in and what is going out.

Getting real means getting up to your elbows in the details and tracking on an item by item basis your expenditures each month. I have attached a spending and savings plan from the Women’s Financial Learning Centre to help you get started. You can use the template to record your net income and actual expenditures for the month. This will give you a snapshot of your monthly financial position and will let you see how much you are spending and where you are spending. Scotiabank also has a Money Finder Calculator you can use to track your monthly expenditures.

The cash flow piece is initially the scariest part of the process, but liberation and freedom can be found on the other side. The question “are you living within your means?” is the vital heart of a firm financial foundation.

Step four is to build your financial plan. The goal is to create a monthly budget based on your net income.

The simplest way to pay off a debt is to have the payments automatically transferred from your account twice a month. Start by paying off the highest interest items first.

It’s important to include your own dreams in the plan. Create special savings accounts and name them after your goals. If you want to travel to Thailand then name the account Thailand and set up an automatic monthly transfer of savings to the account.

To avoid financial stress at Christmas you might want to form a special Christmas savings account that you can slowly build up throughout the year.

The path to being completely debt free (not counting your mortgage) may take several years depending on your financial position. It is important to celebrate the milestones along the way. Plan how you would like to mark each financial milestone and make celebration part of your plan.

Step 5 – Get educated and seek help. Most of all don’t go it alone. There are great resources available to help you get started. Start by visiting the Women’s Financial Learning Centre. (Men, don’t be discouraged by the name. The website has valuable information for everyone regardless of gender!. The Centre has numerous resources and holds in-person and tele-classes for women.

Make this the year you take charge of your money and transform your financial future.