




TIME FOR A
FINANCIAL
HEALTH
CHECKUP

IMPROVE YOUR FINANCIAL FITNESS THIS NEW YEAR

WORDS CARIMÉ LANE

A blurred background of a modern living room. In the foreground, a wooden table holds a laptop and a potted plant. The background shows a bookshelf, a blue armchair, and a yellow cushioned chair.

If your bank balance isn't trending in the right direction, or if you just want to bump it up a notch, you're probably due for a financial health checkup. Here's your road map to a healthier financial future. >



1. The number one myth, says Steve Bridge, an Advice-Only certified financial planner, is that cash flow (your income versus your expenses) doesn't matter. "Cash flow is the most important thing," he says.
2. A second long-standing myth is that income is the most important thing in personal finance, says Bridge. "Think about pro athletes and actors who go broke," he says. "Making more isn't necessarily the answer to building wealth."
3. It's also not true that investing must be complicated. A robo-advisor (an online platform that allows you to invest in a low-cost portfolio of globally diversified funds) could lend you the help you need.
4. Another pervasive myth that may stand in the way of your financial well-being is the idea that we should spend it all today because we could die tomorrow. It's easy to fall into this thinking, but not preparing to be financially secure in the future can lead to challenging times for our future selves. According to Bridge, it's difficult to picture ourselves as older people, which can make it hard to save for "them."

MORE THAN JUST MONEY

Getting a handle on your financial well-being does a lot more than boost your bottom line: it inevitably spills over into your physical and mental well-being. A reduction in stress related to financial issues leads to better sleep, increased energy, improved relationships, and stronger mental and emotional health. What's more, being financially fit allows you to focus on other areas of your life, without the distraction of financial stress.

WHERE TO START

Generally, strong financial health includes a steady flow of income, expense regularity, strong returns on investments, and a growing cash balance. How are we to keep tabs on all of this?

Steve Bridge, an Advice-Only certified financial planner based in Vancouver, says one way to take the pulse of your financial health is to track your net worth monthly for a year, then moving toward quarterly and then semi-annual tracking. Your net worth is your assets (everything you own) minus your liabilities (everything you owe).

"If your net worth is trending upward, you're on the right track," says Bridge. And if it's not, you should find out why. This often comes down to simply making more or spending less, says Bridge. It also helps to craft a forward-looking budget.

"Expense tracking is great, but it looks backward," says Bridge.

To make a forward-looking budget, you'll want to open multiple free savings accounts for specific purposes, including travel, clothes/gifts, house expenditures, and so on. Put money in each of these categories monthly. Spend whatever is in the designated category's account, but no more than that, says Bridge. That way, you're never going into debt to buy anything.

INQUIRE ABOUT YOUR INVESTMENTS

Check your investments once or twice a year. They should be the same or better than the relevant benchmark, says Bridge. For instance, check your Canadian mutual fund against the Toronto Stock Exchange for three-, five-, or 10-year periods. For funds invested in American stocks, check your returns against the S&P 500.

If your investments are trailing those relevant benchmarks, ask your investment advisor why.

According to Bridge, it's also important to ask about the fees you're paying on your investments, as they can have a major impact on long-term wealth. Everyone pays fees, says Bridge. However, these fees are often hidden. You should be paying less than 1 percent in investment fees.

Don't hesitate to ask your investment advisor questions. "No one cares more about your money than you do," says Bridge. "If anyone makes you feel dumb when asking your questions, take your money elsewhere." ▲

Managing your mental health in the meantime

What should you do when there's no quick fix to your financial stress? Amanda Kruger, a licensed professional counsellor (Instagram: @copperwellcounselling) specializing in financial trauma and working through money stress, says financial stress is something we all feel. "We all interact with money and have a lot of feelings around it," says Kruger.

Here are a few of her suggestions for coping

1. Make a plan and follow through with it. For instance, make a debt repayment plan or a plan for how to prioritize your money. "People find a lot of peace when they have a plan," says Kruger.
2. Keep in mind that money is a renewable resource. There's always money out there, and you're fully capable of making more of it. In moments of money anxiety, take a breath and say to yourself, "I'm always capable of making more money."
3. Remember your self-worth is not equivalent to your net worth. A large part of money stress is often incurred by wondering what others will think.

MONEY MINDSET

"We can always work to make peace with our financial situation," says licensed professional counsellor Amanda Kruger. And, in some cases, turning beliefs ("money is for lucky people"; "money is the root of all evil"; "I'm not smart enough to earn that much") around can help us earn more.

THE APPS THAT CAN HELP

Taking stock of your financial health and consulting a financial coach or advisor are great steps toward financial well-being. But after that, you may want to take advantage of the recent explosion of apps designed to help keep you financially fit. Here are just some to check out.



Finasana—easy-to-understand videos and audios teach the basics on investing, budgeting, getting out of debt, and saving with confidence: (finasana.com)



Peace—six weeks of financial mindfulness exercises designed by Happy Money Psychologists: (peace.happymoney.com)



Altro—fee- and interest-free app that helps you build credit and financial power through the recurring payments and subscriptions you use every day: (altro.io)



Landis—homeownership coach that takes you through the steps toward becoming mortgage ready: (landis.com)

CL

Carimé Lane is a Toronto-based freelance writer and criminal defence lawyer.