

How should a young couple spend a \$110,000 windfall?

Renovations, law school, or starting a family—what should they prioritize?



by Janet Gray Nov 28, 2018

Q: My husband recently came into \$110,000 which is great news, but we're unsure where to put it. We have a few things on the horizon like trying to start a family, and I am thinking of going back to school to study law. Currently, we're both working full time—my husband as an engineer, and me for local government. We own a small home and have no children. We also have no debt other than approximately \$250,000 outstanding on our mortgage.

We have a strong savings rate of about 40% of our net income, which is more than enough to fund renovations we want to do around the house, vacations etc. We also hope to make additional payments on the mortgage to pay it off more quickly. I have a defined benefit pension plan which I've been contributing to for more than 10 years, and my husband makes regular contributions to an employer-matched mutual fund plan. All in all, we're not doing too badly, but we are unsure of the best use of the \$110,000. Normally we'd consider investing the money somewhere with low management fees (maybe ETFs) and leaving it alone for a good long time. However, given the uncertainties for us over the next few years (kids? law school?) we're not sure if that's a smart option. Alternatively, we've also considered buying a business, but again, that seems to come with risks and a necessary time commitment. We're a bit stumped and need some help!

—*Harmony*

A: Harmony, receiving a monetary windfall is a great time to double check your financial situation and confirm if it is serving your needs—and your wants. Discuss what your goals

are for the upcoming short term, medium term, and long term. Attach a money value to them and prioritize them so you know what is most meaningful and affordable.

Now you can start making choices. You are already showing that you are above-average savers. Look a little further into the future—do you have money set aside if one or both of you take parental leave and your income declines? Or, if you return to school and are not working, is there enough money for you to live comfortably? How far would the \$110,000 get you? Are you okay to use all of the \$110,000 windfall if you need to?

If you expect to use this money within the next two years or so, you want to invest it in a safe and secure place like a high-interest GIC/savings account or a conservative bond fund. Make sure you confirm that you can easily access that money should your timing change. Finally, take the time to discuss your goals/priorities first and then the answer to your question will be clearer and more in line with your lifestyle plans.

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