

How to Achieve Financial Freedom



The New Year may be several months away, but the time to financially prepare for it is right now. While it may take patience and discipline, financial freedom is within your reach. Whether you're trying to pay off large debts or boost your savings for a rainy day, large purchase or retirement, make 2017 the year you achieve financial freedom.

SAVE MORE OF WHAT YOU EARN

While Canadians have an average of **\$35,237** in "rainy day" savings, only **47%** have enough to cover three months or fewer and only **27%** have enough saved to cover a month or shorter.¹ An unexpected bill, an emergency or a job loss could put many Canadians in a situation where they can't make ends meet. It doesn't have to be that way. Even if money is tight, there are still ways to save more of what you earn.

- 1. Know where your money is going.** This will help you figure out where you can adjust your current spending.
 - a. List your fixed expenses,** such as your utilities, groceries and debt payments.
 - b. List the expenses you have a few times a year,** such as taxes, car maintenance and vacations.
 - c. List what you spent in the last month on the "extras,"** including shopping, going out to eat, morning coffee, etc.
 - d. Total your expenses and compare them to your net income.** If you're spending more than you earn, make cuts to your "extras" first and then look for ways to adjust spending on your fixed expenses.

- 2. Set a budget.** More than **46%** of Canadians have a budget, and **93%** of them say they stick to it most of the time.² A budget helps people plan their finances and mitigate the impact of any surprise bills or expenses.
- 3. Look for ways to save.** Some bills, like your utilities, vary each month, which makes it easier to save money by being more efficient with your use. For bills with a more fixed cost, such as cell phone, cable or internet, shop around for reduced service rates to help you save more money each month. Use your newfound savings to grow an emergency fund.
- 4. Set up automatic savings if you haven't already done so.** That way, you don't have to think about transferring money over each month.
- 5. Track your spending.** This may be the most important step; after all, what good is a budget if you don't follow it? Track your receipts, review your budget and look over your bank statements online or on paper.

Pay off Debt

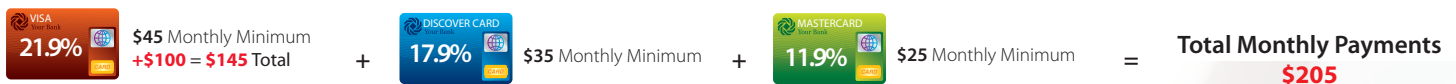
Nearly half of Canadians carry credit card debt and one-third don't pay off their credit card every month.³ Furthermore, **52%** rely on their credit cards to make most of their purchases and only **26%** pay their credit card balances off each month, before beginning to accrue debt again.³ Additionally, one-quarter of Canadians of all ages see their credit cards as another source of spending money, including **33%** of millennials.³

While some debts, like mortgages or student loans, are considered "good" debts because they are investments, credit card debt is seen as a problem for many consumers. The high interest rates of credit cards may cause consumers to become buried in debt; however, it is possible to pay down and eliminate credit card debt over time.

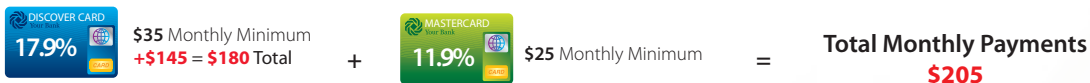
ELIMINATE CREDIT CARD DEBT

Credit card debt is easy to accumulate but often hard to pay off. If you carry outstanding balances on two or more credit cards, the rollover formula can help you take charge of your debt and pay it all off. Here's how it works:

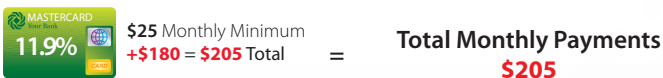
- Make a larger payment on the card with the highest interest rate and pay the minimum on the rest.



- Once this card is paid off, apply the amount of its payment to the minimum amount you were paying on the card with the second highest interest rate.



- When the second card is paid off, add that amount to the payment of the third card, etc. until you have paid off all of your credit cards.



Sources: 1. BMO, September 8, 2014
2. Advisor.ca
3. Global News, February 10, 2015
4. RBC Economics Q3 2015 Canadian Credit Trends Report
5. TransUnion Q3 2015 MarketTrends Report Press Release

\$3,745: The average debt of Canadian consumers.⁴

\$92,699: The average consumer debt, including mortgages.⁵

5 Smart Ways to Improve Your Credit

When you go to apply for your dream job or buy a house or a car, it helps to have great credit. Here are a few tips to keep your credit in good shape.

1. **Keep your balances low.** If they're high, pay them down.
2. **Pay off small card balances,** then use one or two cards for everything.

3. **Don't get rid of old debt and good accounts.** They help show a solid repayment history.
4. **Pay your bills on time.** A large number of late bills can impact your credit score.
5. **Review your credit report,** and communicate any problems you see to the two major credit bureaus, TransUnion Canada and Equifax Canada.