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5 Financial Problems, Fixed

Practical solutions to five common financial pitfalls.

By Melissa Leong



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Illustrations by Kellen Hatanaka

The Problem: Being short on retirement savings

The Solution: Crunching the numbers can help you get a better idea of how much you'll need to maintain your current lifestyle. Compare a list of your future expenses, adjusting for spending shifts—the money going toward commuting should drop, but maybe you'll finally have time to golf—against your retirement income streams, keeping inflation in mind. Next, take an optimistic guess at how long you'll live, and see if the numbers add up. If they don't, delaying retirement, adjusting your

investment strategy or socking away more of your salary can help close the gap.

The Problem: Finding a trustworthy financial planner

The Solution: An adviser should be like a personal CFO—someone to assist you in setting goals, building a plan and staying on track. Survey your friends for references, then search the Financial Planning Standards Council's database. Be ready to speak to several candidates. "Ask what their promise to clients is," says Scott Plaskett, CEO of Toronto's Ironshield Financial Planning. Can they share a sample plan based on a tried-and-true method, showing how they'll follow through? Their answer should help you gauge how likely they are to deliver.

The Problem: Saving up for a starter home

The Solution: Whatever size abode you have in mind, structuring your finances for a future mortgage will make it easier to meet your goal. Bulking up your RRSP is a safe bet, since you can borrow up to \$25,000 from it for a first residence while benefiting from a 15-year penalty-free repayment period. If you're investing in mutual funds, watch out for those with deferred sales charges that kick in if you sell early—you want access to all of your money when you're ready to buy a **home**. Once the time comes, you can also take advantage of a \$750 federal tax credit.



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The Problem: Debt confusion

The Solution: Read the fine print. “Loan agreements aren’t user-friendly,” says Jeff Schwartz, executive director of Consolidated Credit Counseling Services of Canada, a non-profit agency based in Toronto. Get familiar with the terms and conditions, and be sure you understand the type of **debt** you’re taking on. If it’s secured, the lender can collect collateral, like your car on an auto loan, should you default. Also keep a close eye on fees you’ll incur if you fall behind. Some credit cards ding you up to \$35 on top of interest charges if you miss a minimum-payment deadline.

The Problem: Not having a rainy-day fund

The Solution: No one likes to think about getting laid off or dealing with a furnace calamity, but if it happens, you’ll be glad to have a financial cushion in place. Experts suggest putting aside three to six months’ worth of living expenses somewhere like a tax-free savings account, where you can earn interest without sacrificing accessibility. You can also save money by preparing for worst-case scenarios. If something happens to you, is your **life-insurance** coverage enough to care for your family and manage your debts? If it isn’t, check with your employer to see if you’re eligible for group coverage, or shop around with private providers.

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