NORTHERN

KNOW-HOW

Your Northern Financial Survival Guide

NORTHERNKNOWHOW.COM | Presented By NORTHERN CREDIT UNION

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We've used and acknowledged information from a number of solid sources for the content of information used throughout this book, including Statistics Canada, BabyCenter.ca and Today's Parent. The opinions and Northern customization are unique to Northern Credit Union.

1. SURVIVING THE FINANCIAL WILD

BUDGETING, MANAGING DEBT, MORTGAGES and **INVESTMENTS.** Yeah, it can be a real jungle out there. Well, we're in the North so it's more like a forest. But you get the idea. And if you want to find your way through the oftentimes-confusing financial wild, you've come to the right place. Allow our Northern Financial Survival Guides to show you the way, and in the process, help you develop a solid plan that's just right for you and your financial goals.

HOW DO YOU KNOW YOU'RE FROM THE NORTH?

You appreciate the difference between a camp and a cottage. You measure distance in hours, know that 'pothole' is a season, and think -30 is just a wee bit chilly. There's also a good chance you have some sort of recreational vehicle parked outside – maybe even a few.

AND WHEN YOU GO FOR A RIDE...YOU GO FOR A RRRIIIP!

How we live also impacts our income and our wealth. It's simply a fact of living in an environment where the population isn't too big or too small. Where we live also shapes our relationship with money. How we save it, how we spend it and how we borrow it.

Hey – having a four-wheel drive vehicle here isn't just a source of entertainment – it's a necessity.

Another big difference is how we entertain ourselves. Here, it's either free (getting together) or expensive (ATV anyone?). Sometimes you have to start by getting a loan to afford one. Your car is critical. We don't have the same public transportation systems as our friends down South in more congested cities. We wear out vehicles faster, yet we also have to make them last longer.

Opportunities for higher income employment aren't as plentiful as they are elsewhere, which is a bummer. But on the plus side, our houses cost about half of what they do down south.

AVERAGE HOUSE COSTS

Toronto **$965, 670**
Guelph **$385,591**
London **$254,131**
Sault Ste. Marie **$199,000**

THE CHOICES ARE FEWER

When you compare financial survival here to other places, one thing is for certain – you have fewer choices in the North than a larger centre. Count the number of fashion shops in your town. Tally up the number of furniture or grocery store options.

Shovels? We have lots. Italian handbag vendors? Not so many.

Online shopping has made it a bit easier for us, which works well for buying books, certain clothing items and even tools. Mail order has a whole new meaning when you live where we live. But for many, it's still not a preferred choice.

So do we agree on this basic premise of choice? We don't have as much as we'd like sometimes. And if you're waffling, think about the most important decision we all have to make (probably a few times in life). No, we're not talking spouses here.

We don't have as much choice when it comes to making a living. We tend to stay in the same jobs longer, and we're more prone to making do a little more than we'd like.

Your job is your job. Stop and do the count for a moment. How many other places in town offer what you have? Moving to other communities for work is tougher due to costs and can turn out to have slower real estate markets than we read about elsewhere.

These are the facts we live with. It's the life we save for. And here's the real thing:

LIVING WITHIN YOUR MEANS HERE IS JUST AS IMPORTANT AS IT IS ANYWHERE ELSE.

Remember —we enjoy more freedom, but sometimes have to suffer less choice. We just don't have much wiggle room when things go south. In our books, that makes being smarter about money critical.

And yeah, the nights are a little longer, there's more winter than even we'd like and the temperature can turn eyelashes into mini-icicles.

That said, give me snow that stays white longer and fresh, clean lakes within 20 minutes of the backyard.

Give me fish I can eat while camping and streets where every neighbour feels responsible for my kids.

Give me a relaxed, easier lifestyle and more freedom, and I'll take that choice any time. The myth is that we have it bad. Baloney. We have it different. And amazing. Build a smile around that.

ADD IT ALL UP, AND YOU HAVE THE PREMISE FOR YOUR

FINANCIAL SURVIVAL

Living here means you can't just pay lip service to planning ahead, taking control, making good choices and getting the help you need to do all of the above. Around here autopilot is a last resort. You need to make rules for your own life and you need to be the person who enforces those rules as simple as they may be. Common sense here is not optional. When you practice common sense, you'll be amazed by how close you are to the wonderful promise of prospering here.

Before running ahead and reading about how to effectively BUDGET, MANAGE DEBT, deal with your MORTGAGE and INVEST for the best, make these promises to yourself:

1. **I'll be smarter.**
2. **I'll be more frugal.**
3. **I'll be more disciplined.**
4. **I'll remember to keep having fun.**
5. **I'll make my own rules about money.**
6. **I'll make sure that family helps.**
7. **I'll learn to ask questions and expect better answers.**
8. **I'll take control of my (and my family's) future.**

When you begin the process of surviving like a pro in the financial wild, consider these facts about the rest of Canada:

1 WE'RE SPENDING $1.51 FOR EVERY $1.00 WE EARN.

In 1990, most Canadians had debts totaling 90% of their disposable income. 25 years later in 2015, it has soared to over 151%. Do the math – it doesn't work for long.

2 THE RATE OF INSOLVENCY (PEOPLE WHO DECLARE BANKRUPTCY) AMONG CANADIANS 55 AND OLDER HAS INCREASED MORE THAN 500% (FROM 2009).

That means we're finishing work before we finish paying for our lifestyle choices, and we haven't put aside enough for a rainy day. What happened to all the financial advice out there? Maybe it was too focused on investing and not focused enough on the whole financial well-being of the people being served.

3 REAL ESTATE IS A SAFE FINANCIAL FOUNDATION FOR MOST AVERAGE FAMILIES. BUT DON'T BE FOOLED INTO THINKING REAL ESTATE IS ALL YOU NEED.

It's true our housing costs have not increased dramatically. It's also true housing cost bubbles in other markets can affect us here. It happened in Alberta back in the 80's – the bubble burst and people walked away from their homes – because the houses were worth less than the mortgages. The lesson learned is have a plan that includes more than one secure investment type. The fact that you're reading this book means you're one step closer to not only surviving, but also thriving, in the Northern financial wild. Please pass it along to your friends and family, and let's help ensure our beautiful North remains prosperous for all!

2. BUDGETING

Here's a quick question: Do you struggle every month? Carrying too much debt? Is your mortgage a bit too fat? How about all of those bills and added expenses? Are you falling behind every month to the point where you just turn away and let the chips fall where they may? There's this cliché many people fall back on these days: Live for today and hope everything will sort itself out down the road.

Well, when you talk to all those who live for today by spending $1.51 for every $1.00 they earn, that harsh tomorrow comes knocking a lot quicker than you might imagine.

IT MAY NOT SEEM LIKE IT, BUT THIS IS WHERE THE GOOD NEWS STARTS BECAUSE:

1. **You have the means and the smarts to control your own destiny.**
   That's a fact. So leave luck to others and Saturday night card games. You have a say when it comes to your life.

2. **Most statistics are Canadian averages.**
   Around here, we pay less for our homes, so the bubble is smaller. We live more in the middle than on the edge. Maybe for the first time ever, we're in better shape than a lot of Canadians.

WANT TO MAKE THAT SMILE EVEN WIDER? THEN TAKE THESE TIPS TO HEART:

1. Over time, learn to spend less than you earn. Become the household Chief Financial Officer; help your family learn to manage its cash flow.

2. Learn to measure and grow your household net worth in a balanced way. Track it annually – give yourself a pat on the back for growing a solid future without becoming a grump.

3. Discover that being financially conservative doesn't mean the end of all happiness. What it *does mean* is making smart choices (see point #1).

INVALUABLE ADVICE

Cash Flow - To calculate your monthly cash flow, add up all the money that comes into your home (primarily wages). Then add up everything you spend every month (There's a journal example on **pg. 17** that makes this easy. You can also use the Money Map available at **NorthernKnowHow.com**). Next, subtract your monthly living expenses from your monthly income. What you end up with is a monthly cash flow statement.

Net Worth - In simple terms, you can calculate your net worth by adding up everything you own (the equity in your home, what your car is worth, etc.) and subtracting everything you owe (mortgage principal, loan principals, credit card balances, etc.). You end up with a number. That is your simplified net worth.

Happy Days - Happy Days start to become more frequent when your cash flow is positive (you earn more than you spend every month) and your simplified net worth grows every year (you own more than you owe).

HOME SWEET HOME

If you take nothing else from this Financial Guide, remember: you can't go on spending more than you earn. It's really that simple. And so is this: if you stop, you'll get ahead. If you don't, you'll be caught playing a never-ending game of catch-up. There is no truth more fundamental to your financial wellbeing.

YEAH, YEAH, YEAH. WE KNOW. EASIER SAID THAN DONE.

That explains why so many people, maybe even yourself, spends more than they earn. And even though we all know this is a rocky path to navigate, the reason behind this choice is as simple as the problem itself — easy access to credit and evolution. We'll get to these factors in a little bit.

For now, we need to focus on your cash flow, even if it means sitting down with a professional. Before we get to anything else, you need to spend less and manage more. And to be able to do that, you must find out how to say 'no' and just as importantly, learn how to say 'yes.'

Unfortunately, a lot of people think that being frugal means you've also got to be unhappy. Hold the phone! As we've already discussed, this isn't about all work and no play. After all, there's got to be a way to dance within what we earn and take the pressure off monthly expenses as a result, right? You bet there is.

HERE'S WHAT YOU NEED TO GET OUT OF THIS CHAPTER:

1. You'll know where you spend your money; you'll learn to distinguish between needs and wants.
2. You'll learn how to create savings account baskets (and how to fill them).
3. You'll learn how and when to touch your money without fear.
4. You'll come to appreciate the joy of living bi-weekly as opposed to monthly (trust us, it's easier!).

We'll even give you a few convenient excuses for spending the way you have in the past (not for the future, though, right?).

For example, discovering how to manage money wasn't something you learned in school. But why? If ever there was a skill that can help more people more often, it's learning how to spend, save and manage everyday household finances. We learn algebra. We learn about the earth and the planets. But we don't know how to calculate the real cost of a car loan or how to manage simple grocery budgets. We don't even consider debating the ups and downs of more complex stuff – like insurance or leases.

**SOMETIMES IT ALMOST FEELS LIKE WE'RE NOT SUPPOSED TO UNDERSTAND.
THAT ENDS HERE.**

LOOKING BACK...

Here's a short, two-part history lesson that goes into more detail about why we're in this pickle of spending 140% of what we earn (on average as Canadians*).

It all started in the mid-60s — the 'credit seduction!' Before we were introduced to easy lending products like credit cards and various types of loans, Mom and Dad or Grandma and Grandpa only used loans for their homes, maybe a car or two and that was pretty much that. For everything else – food, restaurants, furniture and the like, they lived on what they made. That's because no other money was easily available. They couldn't shop on the spot because there were no ATMs or debit cards. The credit cards they did use were very few and typically had low limits.

Compare that to today. You have access to all kinds of credit cards, many with considerably larger limits, lines of credit and easy access to whatever cash and savings you have through debit cards and ATMs.

Spending more than you earn is easy as long as there are companies lining up to lend you money (there seem to be more of these guys everyday). That's why today, spending everything you've saved is as easy as keying in your PIN number.

It may not seem like it, but this spending freedom has only been around for a short while. That's why many of us find it so difficult managing — today's generation is the first to have it all. We're also the first to spend like there's no tomorrow, and we're doing it with 18% interest attached to it. Uggh!

It can be pretty disheartening if you don't do something about it. And our Northern Guides can definitely help you take action. That leads to our second bit of history —how spending has evolved with living standards over time.

SURVIVAL TIP

Compare how much time you and your financial institution spend on easy access to more money to the time spent on savings skills and protecting what you've put away. It's not even close. That's because the 'system' is designed to make spending easy.

...NOW LOOK AHEAD.

Let's say your grandparents started with very little. Over time, they scrimped and saved. They built a nice home and actually had savings. That's the life your parents were born into. They might not have had a lot, but it was more than their parents started out with. And just like Grandma and Grandpa, your parents socked their money away and built a little more over the years. This is the life you were born into, the one you'll take as a starting point.

Your children will take what you've built over the years as their starting point. And their children will do the same. And so on, and so on. The one thing that each generation expects is to have a higher standard of living than the one prior to it.

But hold on. The problem with this evolution of lifestyle spending is that it's happening in step with the rise of easy credit. Debt makes starting with as much as your parents, which took years to build, simple stuff. You, on the other hand, don't have to wait. You can have it all. Right now. Don't pay a cent, right?

Nope. Not even close. Try to picture your mom saying that, her finger wagging frantically left to right.

We take an inherited lifestyle as a given starting point rather than something we work towards. Yes, we do take it for granted. And why not? It's what we grew up with.

AND THAT'S WHAT MAKES SPENDING LESS THAN YOU EARN SO DIFFICULT.

You can track this back through as many generations as you like. It holds true. Our standard of living is based on negative cash flow that gets higher and higher with each generation. We have negative cash flow because we're too busy spending other peoples' money (credit) to notice that we're getting closer and closer to the edge.

This isn't about everyone else or some last resort financial advice for the needy. This is about you and our neighbours on either side. We all get caught from time to time.

The question is: what are you prepared to do about it? What is your family prepared to do? Are you all willing to make do with a little less for one year so you can all do much more for years and years to come?

Think about it. Would you trade a little pain over 365 days for many years of gain? And believe us when we say pain, that doesn't mean no shopping, no fun, all grim and grumpy. We'll get there by taking small steps. And now that we know why we over-spend, we can make the necessary changes.

Here is a summary of the excuses that explain (in very simple terms) why we are where we are in the cycle of spending and saving:

1. We didn't learn about money management in school. It's not second nature and it can be complex, so most people shy away from it.

2. Our parents didn't have easy access to credit and money like we do, so they couldn't prepare us (apart from the usual parent-child lectures).

3. The banking industry has a lot of time and ideas for giving you waaaaay more credit than you need and making your money easy to get at.

4. Your starting point in life costs more than it did for your parents and waiting to build it isn't very sexy.

We say 'sexy' purposefully because we want to make sure you never underestimate the power of the media, peer pressure and all the other factors that influence your spending habits. There's an army of very convincing people out there trying to get you to spend yourself into endless debt. And 'keeping up with the Jones' didn't become a well-known saying by accident. Most of this is focused on making you want something as opposed to what you actually need.

Do you need new shoes or do you want them? How about that vacation? Do the kids really need brand new skates? Now compare: do you need to eat or do you want to? How about heating your home? You need food, shelter, basic clothing – you need some recreation and you need a little joy. After that, it's all about controlling your wants. These come second. Learn to understand the difference for your family and the gains will come sooner rather than later.

Add all of the above to the challenges of living where we live and having the choices that we have. The issues are clear. No wonder most people struggle with this stuff. But you don't have to.

YOU HAVE TWO CHOICES.
ONLY ONE WORKS.

1. You can continue to give in and come up with excuses, rolling the dice in the hopes that some small miracle will pay for what you spend today. That's choice number one, and it doesn't work 99.99999999% of the time. So good luck with that.

2. Or, you can learn to overcome the excuses and the evolution of spending. You'll have to make choices and so will your family. But there will also be gains. And the way we do it, these gains will be easier to see and enjoy.

Choice number two is about becoming your household's Chief Financial Officer, or CFO. And it works. But like all worthwhile endeavours, it's not easy. Take a deep breath because here we go...

THE HOUSEHOLD THAT MAKES $50,000 PER YEAR CAN BE MORE FINANCIALLY SECURE THAN THE HOUSEHOLD THAT MAKES $150,000 PER YEAR.

Bafflegab and hooey you say? We think not. Here's the explanation (it's not just what you make that matters – it is what you do with it): The household that makes $150,000 per year and spends $160,000 per year will be $50,000 in debt after five years. The household that earns $50,000 per year, meanwhile, and saves 10% per year will be $25,000 ahead after this same period of time.

Common sense, right? You can save just by working your mortgage differently. The trick is learning how to do it and then sticking with the plan long enough for it to become a positive habit. To help make sure you do, check this out...

5 SIMPLE RULES TO SPENDING LESS THAN YOU EARN.

Perhaps a better way to put this is, 'How to get cash flowing in your favour.' That's what it's all about, after all. There are sophisticated strategies to make your money work harder and to use all the financial management tools out there. Deep, complex, and very, very boring. If we go there, you'll probably fall asleep before you turn to the next page. Plus, you need a lot of spare time to make complex ideas work. So, if spare time and a math degree aren't on your agenda, try our 5 Simple Rules first so you can get your cash flowing in the right direction:

1 BECOME THE CFO

Every company has a Chief Financial Officer. In small businesses, the CFO is also often the owner, chief cook and bottle washer. Nonetheless, there's always someone in charge of the money. Companies earn money. Companies spend money. What's left over is profit. If there's no profit, they stop spending or at least know the risks.

Now, think about your household. It has money coming in (what everyone at home earns) and money going out (what everyone spends). It's just like a company, only with a big heart that's often connected to an open wallet. The other difference is most households don't have a designated Chief Financial Officer. There's no one in charge or at the very least, no one person who has the complete picture.

No one who really has the pulse of spending – no one who can turn off the money tap.

Change that. Become the Household CFO for just one year. Hold a family meeting, share some cookies and get everyone to agree to make rules together and then to live by them. Involve your children. Share duties. Have some fun with it, but get it done. This isn't about becoming a dictator or having the last say. It's about either yourself or your partner managing expenses, bills, savings and the long-term plan for one year.

One person in charge for one year. It's simple and focused. Best of all, everyone wins! Make decisions and choices together. But put someone in charge of managing the money.

2 FOLLOW THE MONEY (MONTH 1)

This may sound like an obvious question, but just think about it for a moment:

WHERE DOES YOUR MONEY GO?

How much do you spend on shoes, on groceries, on that double-double and muffin at that place named after a hockey star? Quick, what's your monthly mortgage payment? What does that cost a year? How much does baby formula cost? How about diapers? What does hydro and heat run you every month? And what are you spending every week on groceries?

Unless you're one of the very few (or very obsessive), you probably don't know exactly where your money goes. And don't feel too bad about that because most people don't.

But while you're not feeling too bad, you've got to make the effort to change that. But do it the easy way. Just two months per year. The only way to have money left over at the end of most months is to know where you spend it.

Use the Northern Money Map to track your household living costs for one month (it's on the next page; either photocopy it or download yours at NorthernKnowHow.com). Yes, it's a pain and you need everyone at home to cooperate. But just do it for one month, and you'll have enough info to make some good decisions. Repeat again in Month 6 to make sure you're on track.

MONEY MAP

We completed one for you as an example. This is for a family of four (two adults, two young children). They have a house and two vehicles. Both Mom and Dad work outside the home.

CATEGORY	ACTUAL AMOUNT (MONTHLY)	BUDGET AMOUNT (MONTHLY)	DIFFERENCE
MONEY IN:			
Wages & Salary (after taxes)	$ 4,683		
Other Work Income (seasonal)	$ 100		
Income from Investments & Savings	$ 0		
Government Benefits (if applicable)	$ 100		
Pension (if applicable)	$ 0		
TOTAL MONEY IN:	$ 4,883		
MONEY OUT:			
HOME:			
Mortgage or Rent	$ 922		
Homeowners/Renters Insurance	$ 260		
Property Taxes	$ 150		
Home Repairs/Maintenance	$ 50		
Home Improvements	$ 150		
UTILITIES:			
Electricity	$ 100		
Water and Sewer	$ 100		
Natural Gas or Oil	$ 80		
Firewood	$ 33		
Telephone (land line, cell)	$ 50		
FOOD:			
Groceries	$ 420		
Eating Out, Lunches, Snacks	$ 120		
FAMILY:			
Child Support/Alimony			
Daycare, Babysitting	$ 800		
Life Insurance	$ 50		
Activities (sports teams, etc.)	$ 70		
HEALTH AND MEDICAL:			
Insurance (medical, dental, vision)			
Out-of-Pocket Medical Expense			
Fitness			

TRANSPORTATION:	ACTUAL AMOUNT	BUDGET AMOUNT	DIFFERENCE
Vehicle Payments	$ 420		
Gasoline/Oil	$ 150		
Vehicle Repairs/Maintenance/ Fees	$ 100		
Vehicle(s) Insurance	$ 200		
Other (ferry tolls, work vehicle costs)			
DEBT PAYMENTS:			
Credit Cards			
Student Loans			
Other Loans			
Line of Credit	$ 200		
ENTERTAINMENT/RECREATION:			
Cable TV/Videos/Movies	$ 60		
Computer Expense			
Hobbies	$ 38		
Subscriptions and Dues	$ 10		
Vacations	$ 50		
PETS:			
Food			
Grooming, Boarding, Vet			
CLOTHING:	$ 150		
INVESTMENTS AND SAVINGS:			
RRSP	$ 100		
Stocks/Bonds/Mutual Funds			
RESP Fund	$ 120		
Savings Plan			
Emergency Fund			
MISCELLANEOUS:			
Toiletries, Household Products	$ 80		
Gifts/Donations			
Grooming (hair, make-up, other)	$ 50		
Miscellaneous Expense			
TOTAL MONEY OUT:	$ 5,083		
Savings (Money In Less Money Out)	– $ 200		

Overall, this couple needs to find $400 a month: $200 to get out of debt, $100 for their emergency fund and $100 more for their RRSP.

MONEY MAP

Make several copies of this before you start using it.

CATEGORY	ACTUAL AMOUNT (MONTHLY)	BUDGET AMOUNT (MONTHLY)	DIFFERENCE
MONEY IN:			
Wages & Salary (after taxes)			
Other Work Income (seasonal)			
Income from Investments & Savings			
Government Benefits (if applicable)			
Pension (if applicable)			
TOTAL MONEY IN:			
MONEY OUT:			
HOME:			
Mortgage or Rent			
Homeowners/Renters Insurance			
Property Taxes			
Home Repairs/Maintenance			
Home Improvements			
UTILITIES:			
Electricity			
Water and Sewer			
Natural Gas or Oil			
Firewood			
Telephone (land line, cell)			
FOOD:			
Groceries			
Eating Out, Lunches, Snacks			
FAMILY:			
Child Support/Alimony			
Daycare, Babysitting			
Life Insurance			
Activities (sports teams, etc.)			
HEALTH AND MEDICAL:			
Insurance (medical, dental, vision)			
Out-of-Pocket Medical Expense			
Fitness			

TRANSPORTATION:	ACTUAL AMOUNT	BUDGET AMOUNT	DIFFERENCE
Vehicle Payments			
Gasoline/Oil			
Vehicle Repairs/Maintenance/ Fees			
Vehicle(s) Insurance			
Other (ferry tolls, work vehicle costs)			
DEBT PAYMENTS:			
Credit Cards			
Student Loans			
Other Loans			
Line of Credit			
ENTERTAINMENT/RECREATION:			
Cable TV/Videos/Movies			
Computer Expense			
Hobbies			
Subscriptions and Dues			
Vacations			
PETS:			
Food			
Grooming, Boarding, Vet			
CLOTHING:			
INVESTMENTS AND SAVINGS:			
RRSP			
Stocks/Bonds/Mutual Funds			
RESP Fund			
Savings Plan			
Emergency Fund			
MISCELLANEOUS:			
Toiletries, Household Products			
Gifts/Donations			
Grooming (hair, make-up, other)			
Miscellaneous Expense			
TOTAL MONEY OUT:			
Savings (Money In Less Money Out)			

Now, don't be too shocked by any surprises when you follow these Maps. Did you know, for instance, that the first three years of a child's life costs somewhere in the neighbourhood of $37,000 (geez…makes you wonder why we reproduce). All kidding aside, that's about $1,000 per month for food, clothing, strollers, diapers, etc. Add daycare on top of that. Then add buying that double-double and muffin every day, which totals around $60 every month. Three bags of milk per day for a growing family – another $60 per month. Include sports leagues and nights out – keep track of everything. If the fees are annual, just divide by 12 using your calculator (we forgot long division, too).

Here's another example: house league hockey in North Bay can cost about $690 per child (as of 2014-2015). Divide that number by 12 so you have the cost spread out over your entire budget.

The more you track, the better your picture of household spending is for one month. And the more likely you are to end up in control over the course of an entire year.

**So far so good. You've had a family meeting to appoint your Household CFO. And you've tracked expenses for Month 1. You have a picture of where your money is going, and you have someone in charge of the tap for just one year. You're already getting ahead! Just as importantly, you're probably spending a little less. Call that 'easy money.'
Now comes the fun part…**

3 BUILD BUDGET (MONTHS 2 & 3)

Imposing a budget on the family can result in a loss of popularity. Your kids may be sporting a frown more often. Your spouse may growl or groan. But budget you must, and here's how to do it.

MONEY IN

Calculate how much money you earn after taxes per month. Add what your partner earns if applicable. Put the total in the Money Map under the section called, 'Total Money In' .

CATEGORY	ACTUAL AMOUNT (MONTHLY)	BUDGET AMOUNT (MONTHLY)	DIFFER-ENCE
MONEY IN:			
Wages & Salary (after taxes)			
Other Work Income (seasonal)			
Income from Investments & Savings			
Government Benefits (if appli-cable)			
Pension (if applicable)			
TOTAL MONEY IN:			

SURVIVAL TIP

Don't call it a budget. Have the family invent a name for it. The Freedom Plan or the Gravy Train Plan. Make the name positive and have some fun with it – connect the name of the budget to something everyone wants but that is out of reach for now. Like the Florida Plan.

MONEY OUT

Put the totals from your monthly Money Map – Month 1 – into the column on the left under 'Actual.' Add it all up and you'll get your total. Is it more or less than what you earn (Money In)? If less, congrats! You're on your way. If more, then you have decisions to make.

Under the 'Budget' column, reduce the amount you propose to spend per item, or cut something out altogether, until you get the total below what comes in. You'll have to make choices. Some might be tougher than others. Get everyone in the family to sacrifice something. That way everyone gives up a little instead of one person giving up a lot.

If the budget shortfall is severe (as in over $500 per month), it might be time to seek some help from a Northern Guide. A few less coffees per week won't add up to enough savings to fix the problem. Otherwise, keep working the numbers in the 'Budget' column until they add up to less than what you earn. That becomes your budget.

Live this way for two months. We'll call that Quarter 1 with you in charge as the Household CFO.

MONTHS 4 TO 6

SAVINGS NOW **5%** SAVINGS LATER **10%**

After the end of Month 3 (one month of tracking and two months of living on your new budget), go back to the numbers in your Money Map and calculate 5% of what you earn after taxes.

FOR EXAMPLE:
YOU EARN $45, 000
AFTER TAXES

$$\frac{X}{45{,}000} \times \frac{5}{100} = \$2{,}250$$

SURVIVAL TIP

The average cost of raising a child in 2011 to the age of 18 is $243,660. We're not sure how they figured this stuff out, but even if the final number is only mostly true, that's pretty scary.

Figures borrowed from MoneySense.ca

Once you've determined the 5% of what you bring home, divide it by 12. That becomes your savings goal every month for the next three months. So in the example above, you'd need to find $187.50 per month ($2,250 divided by 12). Save that 5% every month for three months – no more and no less. That will take your household to the end of its first half – six months into your one-year as CFO.

6 MONTHS IN – NOW IT GETS EASIER (AND TOUGHER)

Here's what to do for the next six months to complete your year as the CFO:

- Track your expenses again (Month 6 only) to see if you've made the reductions you'd hoped for and agreed to as a family. If not, recommit.
- Reset your budget – make the savings portion 10% instead of 5% (simply double the number). This is the path to paying yourself first – what the experts want you to do – but never explain.
- Saving 10% of what you bring home every month is outstanding. Making it a habit by taking smaller steps over six months makes it easier to do.

SURVIVAL TIP

If your budget numbers simply don't properly 'crunch,' you'll need some help finding ways to save. To do that, we suggest contacting your Financial Guide. It may mean adjusting your mortgage payments or getting control of credit debt before you really start saving like you mean it. And while it may seem dark right now, you can feel good knowing that there's a light at the end of the tunnel.

JUST SO WE'RE UPFRONT, IT'S NOT ALL A WALK IN THE PARK EITHER. THERE ARE A FEW HARD BITS...

1. Finding 10% when the costs of living are already high is never easy. If you only get to 8% over the course of a year or even get stuck at 5%, it's better than nothing. Don't beat yourself up – with your support group at **NorthernKnowHow.com** you'll get ahead and at the very least, you'll know where you're spending your hard-earned money.

2. You'll want to spend the money you save. Notice the use of the word 'want.' It's probably not something you'll need to do. So make your savings hard to reach (don't make your savings account accessible by ATM for example).

3. Emergencies will happen. The car will break down. Junior will need braces. Here's the thing – your savings and your emergency fund are separate. You need to set up an emergency fund in your budget and keep that money separate from your savings. In a way, you get two savings baskets as a result.

GETTING IN TOUCH WITH YOUR FINANCIAL SIDE.

Nowadays, most folks take advantage of automated banking and withdrawals. Many also enjoy automatic bill payments and have their cheques deposited directly. These are all good things because it makes life a little easier. It can also cause complacency. We get a little lazy when we don't have to write that cheque or lick that stamp. We use our debit cards, but we don't track how much cash each transaction represents. In short, we're losing touch with our money.

So get back in touch. That doesn't mean putting a stop to all the automatic stuff. But do take time (every few weeks or so at first) to review your bills, statements, mortgage payments and so on.

What's happened is that life is so fast and banking is so easy, we've forgotten to account for ourselves. As a result, our spending has typically gone up. When you touch your money (you know...review the details on a regular basis), you take less for granted and spend less. Old debts stop piling up while new spending slows down.

LIFE IS FAST – MONEY SHOULDN'T BE. SLOW DOWN WHEN IT COMES TO YOUR FINANCIAL TRANSACTIONS.

4 START LIVING BI-WEEKLY

Ever heard the expression 'living pay cheque to pay cheque? Usually it applies to never having enough money to save. But what if we turned that around? What if we started managing our money the way most of us get paid – every two weeks. Every time you get paid, set aside an hour to manage it. After a while, it becomes a habit. Even if you don't need the full hour, keep those 60 minutes reserved for running your household finances.

SET ASIDE 1 HOUR EVERY 2 WEEKS:

- Pay any bills that aren't automatic
- Make sure your deposits go in the right baskets (or accounts) right away – this is explained in more detail in the following section.
- Make your mortgage payments bi-weekly (for big savings!)
- Give your kids their allowance every two weeks (to promote discipline)
- Give yourself your allowance every two weeks (this also promotes discipline)
- Regularly check in on your budget

Live bi-weekly to line up with being paid bi-weekly; make the rewards of more control and discipline easier to see AND ENJOY!

5 SAVING & SPENDING BASKETS

This is a simple idea, but a very powerful one: **ask your financial institution if they allow multiple savings accounts where your pay cheque is automatically split up and deposited every two weeks.**

Call these accounts your 'Saving and Spending Baskets.' Based on your budget, put enough money in each basket to cover the costs. Never less, but only a little more in case of any surprises that might pop up (and they do pop up!).

HERE'S SOME EXAMPLES OF BASKETS YOU COULD SET UP FOR AUTOMATIC PAYROLL DISTRIBUTION:

- **Allowance basket**
- **Mortgage basket**
- **RRSP basket**
- **Clothing basket**
- **Groceries basket**
- **Mad money basket**
- **Bills basket**
- **Vacation basket**
- **Education basket**
- **Shoes basket**
- **Emergency basket**
- **Kids Sports basket**

You can name them whatever you'd like, and have as many or as few as you feel comfortable with. But make sure to track it bi-weekly. And remember…these baskets aren't bottomless.

At first, it may feel a bit weird even though you probably already do it to some extent. So why not use the banking system and tools available through online banking, such as alerts, to make it easy and protect yourself from over-spending in one area over another?

Talk to your family and then your Financial Guide about setting up your saving and spending accounts. This is how a true CFO manages things.

HOW TO USE NET WORTH TO FOCUS ON THE UPSIDE

We've defined Net Worth as what you own minus what you owe. You own your home. It's worth 'X.' Your mortgage is 'Y.' What you own is 'X' minus 'Y.' That's what's known as equity.

It's a pretty straightforward formula to apply. You can work with it for almost every asset in your possession from homes, cars and investments to that lovely painting on the wall (though we're not sure the work of a starving artist holds much value).

Most financial magazines like MoneySense™ use Net Worth calculations to produce a snapshot of how a person or household is doing financially.

When we talked about what makes this book different, we decided Net Worth is also a good indicator of making progress. And while it can't be used as the sole measure of success, **it can give you an idea of where you stand at any given time – to be celebrated or fixed depending on your situation.**

Once you get your cash flow going the right way, **the next order of business is to create a Net Worth Statement for your household.** There are lots of ways to do this. Some are complicated. But as you know by now, we like keeping it simple and conservative.

Check out the sample Net Worth Statement coming up. Take the time to review it, then try working one out for yourself following the directions in the caption.

SAMPLE NET WORTH STATEMENT

Here's an example of how to read your Net Worth Statement once you start using it. The couple that completed the 'statement' on the right is in their mid-30s, have two children and they've been married for nine years. Nice. Now it starts getting interesting.

Assets are what we call cash reserves, which include for example, home equity, investments and possessions that have value and that could be sold if needed. So don't put your granny's old clock here — even if it has value. And don't include your chequing account because that's usually money that you spend. Everything else is just a picture of your 'worth' at a moment in time.

Great — our couple is starting to put money in Cash Baskets to make saving easier.

The government wants to give you money toward each child's education — this is where it adds up.

Every penny you pay down here takes the total of your net worth up. Debt management is our couple's real challenge.

Pay this debt off first — it probably has the higher interest rate and is robbing you of more peace of mind.

Not bad for a couple in their mid-thirties with a young family. But now the fun starts — pay down debt first, then slowly alter the focus to investing. And don't get too excited — most of this money is tied up in the home and that isn't exactly cash you can access.

Our suggestion for this young couple is to work towards reducing their debt, start saving more cash and establish investment reserves outside the equity in their home. They're off to a great start. And now that they have a picture of where they stand and with a Financial Guide, they can build financial security. SOMETIMES, SEEING CLEARLY IS THE FIRST STEP TO IMPROVING!

ASSETS	CURRENT VALUE
Savings Accounts	$ 2,450
Special Savings (vacations, etc.)	$ 600
Car (Black Book value)	$ 6,000
Car 2/Truck	$ 2,400
Other Vehicles	$
Home	$ 182,000
Other Property/Cabin	$ 41,000
Boats and other Toys	$ 10,000
Valuable Possessions	$ 2,000
Money Owed to You	$
RRSPs	$ 36,000
RESPs (total)	$ 3,400
TFSA	$
Pension Plan Value	$
RRIFs	$
Other Investments	
GICs	$
Savings Bonds	$ 2,000
Mad Money (nest egg)	$ 1,500
Business Retained Earnings (if applicable)	$
TOTAL ASSETS	$ 289,350

LIABILITIES	CURRENT VALUE
Mortgage (principal residence)	$ 130,000
Other Mortgages	$ 12,000
Line of Credit Balance	$ 8,000
Credit Card Balances	$ 1,700
-	$ 400
-	
-	
Car Loan	$ 2,000
Other Loans	$
Investment Loans	$
Overdue Taxes Owing	$
TOTAL LIABILITIES	$ 154,100
NET WORTH (assets less liabilities)	$ 135,250

YOUR NET WORTH STATEMENT

Fill in any blank space that applies to you. To determine the value of your home, call a local real estate agent or use the web to look at recent sales in your area. Same thing for your car. Use your latest investment or RRSP statement to complete that part and so on.

Once you have all your assets logged in, do the same for your liabilities (the stuff that you owe) like credit card and mortgage balances, outstanding line of credit outstanding and so on.

Once you have both sides accounted for, subtract the liabilities from the assets and whatever's left is your Net Worth. This is your starting point for making real progress.

Keep your numbers realistic. You only fool yourself by over-estimating. Being conservative when you have to guess means fewer surprises.

Here's another quick tip: don't add items with no resale value...your clothes for example. Don't add personal items, either, or inheritances that haven't come in yet. Be conservative and sleep better!

ASSETS	CURRENT VALUE
Savings Accounts	
Special Savings (vacations, etc.)	
Car (Black Book value)	
Car 2/Truck	
Other Vehicles	
Home	
Other Property/Cabin	
Boats and other Toys	
Valuable Possessions	
Money Owed to You	
RRSPs	
RESPs (total)	
TFSA	
Pension Plan Value	
RRIFs	
Other Investments GICs Savings Bonds Mad Money (nest egg)	
Business Retained Earnings (if applicable)	
TOTAL ASSETS	

LIABILITIES	CURRENT VALUE
Mortgage (principal residence)	
Other Mortgages	
Line of Credit Balance	
Credit Card Balances - - -	
Car Loan	
Other Loans	
Investment Loans	
Overdue Taxes Owing	
TOTAL LIABILITIES	
NET WORTH (assets less liabilities)	

THE VALUE OF NET WORTH STATEMENTS

You might be asking yourself right about now: Why are Net Worth Statements so…worthy? Well, they give you a simple snapshot of where you and all of your assets stand at any given time. Sure, your house isn't worth its value until you sell it. But at this particular moment it is. And at the same time next year, it will be worth the value you give it then. Up or down.

Net Worth Statements give you the ability to track and celebrate progress across a spectrum of money coming in, money invested, money owed and assets that increase (or decrease) in value.

You can grow Net Worth by paying down your mortgage. You can improve it by moving towards debt freedom, or via savings accounts that grow.

Keep in mind that this approach isn't investment dependent, although investments are included such as RESPs, even though you'll spend that money when your child goes to school.

Producing a Net Worth Statement can be the focal point of financial planning within your household. And watching it grow can become your personal financial win.

PAYING YOURSELF FIRST

IS A GREAT IDEA THAT'S RECOMMENDED BY MOST FINANCIAL INSTITUTIONS.

THE ONLY PROBLEM IS, WHO OUT THERE KNOWS HOW TO SAVE THE MONEY YOU NEED TO PAY YOURSELF FIRST?

3. MANAGING DEBT

You'd expect this section to be all den-mother lectures about carrying too big of a mortgage or credit card debt, or...well, you get the idea. And you know what? You'd be right. Unfortunately, we've got to start there. But more importantly, what follows is a reasonable, realistic approach to using credit and reducing interest (and subsequent stress) to zero. Think of it as not merely surviving, but thriving!

OTHER PEOPLE'S MONEY

Let's start off with some necessary tough love that the majority of Canadian families need regarding credit and how to NOT use it. We gave you excuses for using credit in the previous section, and those excuses are valid. Most of it has to do with being the first generation to have so much of other people's money available.

All the credit cards and other relatively new forms of loaning money came without owner's manuals. Here's thousands of dollars. Have fun with it. Get whatever your heart desires. If you consider how much household debt has been increasing on average since 1990, it seems we've had many desires over the last 25 years or so.

We're not managing our expectations. That's the other popular excuse. We grew up with a big TV and two trucks in the driveway, so why can't we have that and more when we move out on our own?

Well, you can. As long as you borrow for it. So we do and we keep borrowing more and more for lifestyle options that our parents waited years for. It's a vicious circle.

Dizzy yet?

WHY DO I HAVE TO GO BACKWARDS INTO A 'STARTER HOME' WHEN I GREW UP IN A NICE FOUR-BEDROOM SIDE-SPLIT WITH A HOT TUB OUT BACK?

Think of all those loans and credit card limits and unused line of credit balances as other people's money from now on. When you do, it's easier to get your head right about how and when to use debt. **Other people's money costs more than your own money.** It comes with strings attached. And when push comes to shove, those other people have control over when and how you pay it back. Using other people's money without discipline is not using your Northern Know How!

Here's the tough love – according to TransUnion in 2013, the average Canadian family owes more than $27,131 on cards and credit lines - not including mortgages.

1. There is no excuse for having a handful of maxed-out credit cards in your wallet or purse. You are smarter than that and you need to fix it.

2. There is no excuse for missing loan payments (including bill payments). This can negatively impact your credit rating, and can also increase what you pay for all your financial services.

3. There is no excuse for spending so far beyond your means (Money In versus Money Out) that you resign yourself to being in debt forever.

4. There is no excuse for not having a budget or household plan and not knowing how to use credit wisely.

To be fair, there are always reasons for many of the debts and delays listed above. We've all been faced with job loss in our lives. Some of us have been forced to live through it several times. Just as many of us have had unexpected health or other living expenses pop out of nowhere. The reality is, everyone is forced to deal with these and other kinds of setbacks, and those are good reasons for making financial decisions that are outside the norm.

But running up credit cards on dinners and trips south? Those aren't emergencies regardless of how cold it can get 'round these parts'. And you can plan for the unexpected – having a budget makes it easier to adjust because you have your finances under control.

Okay. Enough of the tough love, at least for now. We'll assume you have some debt you want to better manage. From this point on, let's focus on all the upsides and how to manage credit interest and stress all the way down to nil.

DEBT & CREDIT LESSONS: SO MANY KINDS OF LOANS, SO LITTLE TIME...

There is two kinds of borrowing you need to be aware of: structured debt and revolving debt. You're probably using both right now. Structured debt is a mortgage or car loan. Revolving debt, meanwhile, is a credit card or a line of credit. Both are good forms of debt. Both can also get you in hot water unless you demonstrate some discipline.

STRUCTURED LOANS

These are loans with a fixed rate, a pre-determined payment that includes interest and principal, and a set period of time from start to finish.

REVOLVING LOANS

Credit cards and lines of credit are convenient, but they're also what get most of us in that hot water we mentioned before. You borrow freely up to a certain limit, but your payments are minimums only. Lines of credit are usually interest-only payments; credit cards are minimum balance payments. Either way, the balance remains or drops very slowly unless you deliberately pay more than what's asked for.

SURVIVAL TIP

Use structured loans for things that have longer term value (like cars, mortgages, home improvements, education, recreational vehicles). That way, there's always a beginning and an end in sight.

THE LINE OF CREDIT AND HOW TO TAME IT

A line of credit is something you get at your credit union or bank that allows you to borrow money up to an agreed to limit, without coming back again and again for approvals. You can withdraw this 'loan' at any time and spend it on whatever you want.

This is revolving debt. The only payments you make are interest payments unless you say so and pay otherwise. The interest rates are usually pretty reasonable – far better than credit cards. And the line of credit is ideally secured against your home if that's applicable. Unsecured lines are available, but they cost more and are harder to get.

Do you see the warning signs yet? You can borrow whenever you like, and you don't have to pay off the principal, just the interest, meaning the principal never goes down. It's secured against your home, which means you're actually borrowing against your equity. Lines of credit are awesome! Unfortunately, they can also leave you with a beast of a debt and erode your household equity.

Remember: Interest rates on lines of credit float – they go up and down. Keep an eye on them.

HERE'S HOW TO TAME THE BEAR AND WHY IT'S GREAT TO HAVE A LINE OF CREDIT:

1. Only use lines of credit for assets that hold their financial value. If there's no value, use cash.
2. Make arrangements with your financial institution to pay more than interest every month on any balances (this can be automatic).
3. Lines of credit are usually lower cost loans. Typically closer to Prime than you'd expect. That's good – it may be Other People's Money, but it is cheap Other People's Money.
4. You can set up a line of credit and never use it. It becomes your emergency fund, that with luck, you never have to touch.
5. There are no annual fees for credit lines. That's nice. If your house is security, you may need to have the house appraised – but if you do all your business with one financial institution, sometimes they waive that cost.
6. Like all loans, when you pay the principal down as quickly as possible, you pay less interest.

CREDIT RATINGS:
FIND YOURS, FIX IT (IF NEEDED) AND PROTECT IT FROM NOW ON

You have a personal credit report. So does your partner if applicable. What you may not know is that you can get it at any time to ensure it's accurate and problem-free. A poor report can cause you to be rejected for a mortgage, pay more for a loan or even negatively impact employment.

Never assume these reports are perfect. They're often not. So get yours, check it over where you bank and be sure it's accurate.
If not, your Financial Guide will help.

TO GET YOUR REPORT, DROP BY EQUIFAX.COM AND CONNECT FROM THERE.

SURVIVAL TIP

Use structured loans for things that have longer term value (like cars, mortgages, home improvements, education, recreational vehicles). That way, there's always a beginning and an end in sight.

THE DEBT REPAYMENT PLAN

Here's an idea: make a list of everything you owe outside of your mortgage. Put the interest rate and the date the debt originated beside each item (3 columns). Start at the top of the page and make a plan for either paying off the oldest, higher interest debts first or folding them into a consolidation loan with help from an expert. See the worksheet at the end of this section for complete details.

INTEREST RATES AND HOW TO GET CLOSER TO ZERO

Have you ever added up all the interest you pay in one year? As much as it may make you shudder, give it a try. Add up mortgage interest, credit card interest, line of credit interest, and any other interest you might be paying. Maybe you should sit down before you total it up.

That final number can be scary. So do something about it. Look for ways to reduce that interest and put the money – as much as hundreds of dollars a year – back into your pocket. Here are a few ideas:

1. **Work with only one financial institution.**
These are loans with a fixed rate, a pre-determined payment that includes interest and principal, and a set period of time from start to finish.

2. **Use fewer credit cards so it's easier to track and manage.**
Credit cards and lines of credit are convenient, but they're also what get most of us in that hot water we mentioned before. You borrow freely up to a certain limit, but your payments are minimums only. Lines of credit are usually interest-only payments; credit cards are minimum balance payments. Either way, the balance remains or drops very slowly unless you deliberately pay more than what's asked for.

3. **Speed up those payments.**
A good credit rating often results in lower interest rates at your financial institution.

4. **Live bi-weekly.**
You'll see this over and over again – bi-weekly money management is a key part of surviving in the financial wild. Paying bills bi-weekly eliminates interest oversights, reduces mortgage interest and keeps credit lines in check.

5. **Be a good negotiator.**
Don't jump around, but do ask questions. You never know when you'll find a few dollars more in savings. And those reduced interest costs really add up.

SURVIVAL TIP

Pay highest interest debt off before you pay debts with lower rates. Pay older debts before you pay newer ones. Pay revolving debt beyond the minimum. And always make payments on time!

KEEPING SCORE OF YOUR CREDIT (CARDS)

Now that you know a bit more about the good (and the bad) of various types of credit, it's time to put your newfound knowledge into action.

HERE'S A QUICK HIT LIST OF THINGS TO ALWAYS KEEP TOP-OF-MIND:

- Credit card interest is triggered on the day you make a purchase if you're carrying a balance.
- Rates vary from 0% – 30% and more. What are your rates? It pays to know. Literally.
- Put your cards in the freezer. No...really. By the time they thaw out, your impulse to purchase will have passed.
- Avoid shifting balances from one card to the next for those exciting low interest deals. The offer expires and the rate skyrockets without you even knowing most of the time.
- Only use credit for what you need, and cash for what you want.
- Only take one card with you when you go shopping.
- Store credit cards and other specialty cards are almost always higher interest cards. Know the interest you're paying. Use the big-name cards like MasterCard® for the best rates.
- Add annual fees to what you pay every year in interest payments. That's the true cost of the card.
- Never use credit cards for cash advances.

THE FINAL WORD ON MANAGING DEBT

Hopefully this chapter wasn't too painful. Managing debt can be a touchy subject for some. But once you know where you stand, you're in a position to take action. We've included a handy Credit & Debt Worksheet to get you started.

BUT BEFORE YOU DO, REMEMBER:

- Having debt is a harsh reality in this day and age. You need to manage it rather than the other way around.
- As much as you can, stick with structured debt so there's always an endpoint.
- Only use credit for items that hold their value. Dinner out is nice, but it has no value beyond a fond memory.
- Reduce interest costs by reducing the time it takes to pay it off.
- Work with a pro when consolidating debt. Don't do it on your own and don't keep using the cards that got you into trouble in the first place.

SURVIVAL TIP

If you don't have room on your two credit cards, don't activate a third, fourth and...well, you get the point.

THE CREDIT & DEBT WORKSHEET

List all your debts and sources of debt like different credit cards. Total the amount of interest you pay in one month. Create a plan to reduce it.

CREDIT AND DEBT WORKSHEET			
	DEBT AMOUNT & INTEREST RATE	DATE DEBT ORIGINATED	MONTHLY PAYMENT AMOUNT
Credit Card 1			
Credit Card 2			
Education Loans			
Personal Line of Credit			
Home Equity Line of Credit			
RRSP Loan			
Home Buyers Plan Repayment			
Business Loan			
Property Taxes			
Home Repairs / Maintenance			
Home Renovations			
Out-of-Pocket Medical Expense (ex. braces for junior)			
Vacations			
Vehicle Payments			
Vehicle Repairs/Maintenance/Fees			
Other			

Track the reduction in interest payments that you make over one year. Invest that money in The Moneybags Plan, a trip or dinner out.

SURVIVAL TIP

Only use lines of credit and credit cards if you have the discipline to pay them off every month. And if you don't, get help learning the discipline so that other people's money becomes a very good financial tool.

4. MORTGAGES

Like many things here, home ownership is unique around these parts. For instance, it costs us a lot less for a great home than it does for our friends down south. The bad news? We still have to pay it off.

HOME SWEET HOME

Many people, maybe even yourself, view a mortgage to be something big and unmanageable...like a moose. Something that weighs you down. But that's the wrong way to look at it. See your home for what it really is —your financial rock. It's a foundation, not an anchor. Now, that's not to say your home and subsequent mortgage can't pose their share of challenges. For instance, sometimes we buy too big for our income, and there are times when mortgage payments become too much to bear.

We won't go into every detail about buying a home, surprise costs, paying bills, construction mortgages and all the small details around real estate. There are entire books on mortgages alone. Plus, you can always visit us at **NorthernKnowHow.com** for some really great info on this subject.

FOUR SIMPLE WAYS TO DECREASE AND MANAGE YOUR MORTGAGE

To get you on your way, we've come up with four simple ways to decrease and manage what it costs to pay for your home. The first step (and it's a doozy!) is to understand the real cost of paying for a home is the price you pay, and the interest charges over time.

Here's an example: a $100,000 house at 4% over 25 years costs $100,000 (the principal) plus $57,667 interest. You read correct. The total cost of your home is far more than the price you pay. Keep that in mind as we go through these basic rules.

RULE #1:
EASY DOES IT.

There are many ways to spend to your limit (and beyond). We suggest you avoid both. If that means waiting an extra six months until you have a substantial down payment then so be it. Never spend more than 32% of your income on household costs.

Next, get pre-approved and don't get into a mortgage beyond your pre-approval. Lots of people try to talk you into spending more. That's easy for them to say because they're not the one making the payments.

First time homebuyers can withdraw up to $25,000 of their RRSPs to make a down payment. That's $50,000 per couple. If you have it, consider using it. If you don't, you can wind up paying more in mortgage interest than you'll earn inside your RRSP on most GICs and other safe investments.

Finally, make your dream home the second or third home you purchase. For that first abode, think stepping-stone. Live within your means.

RULE #2:
BE CALCULATING.

No, we're not suggesting that you should be manipulative. But you do need to learn to do your own mortgage math. And don't worry. You don't need a math degree, you just need to take an interest. There are some great online calculators to help you out. You can check ours out at **NorthernKnowHow.com**.

Once you've done your calculations, you're ready to build a budget that includes taxes and maintenance. Make sure you take all of these factors into account whether it's your first home or a renewal.

Speaking of renewals, do as much due diligence on them as you did when you bought your first home. Don't take anything for granted.

Then consider if rates are increasing or decreasing. Ask yourself: what's the long-term trend? It's only a percentage point you say? One percent on $100,000 over 25 years costs $15,790. Yikes! Own your numbers and do the math or you'll pay too much.

Last, but not least, calculate the differences between fixed and variable rate mortgages. Get your expert to provide pricing, along with pros and cons for both. Same goes for open and closed mortgages.

RULE #3: REDUCE, REDUCE, REDUCE.

Remember when we spoke about living bi-weekly? Well, that goes for your mortgage too. Because when you pay bi-weekly, you'll save two years of payments and around $8,000 for every $100,000 in your 25-year mortgage. That money goes straight into your pocket for you to manage and invest (we'll give you some great advice on how to grow your savings in the next section).

Make sure you negotiate a mortgage with prepayment privileges, allowing you to pay up to 10% of the outstanding balance on an annual basis. If you prepaid $5,000 per year on a $100,000 mortgage over 25 years, you'd save $33,218 in interest and shorten the length of your mortgage by 14.4 years. Hooray!

Every financial institution has rates. Getting a good rate is important, sure, but not always at the cost of longer amortization. Here's some easy math: pay 1/2% less on a $100,000 mortgage for 25 years, and you'll save about $8,000. Or, pay $100,000 off five years sooner and save in the neighbourhood of $13,000. This stuff really adds up. The point is, the faster you pay down your home the less you pay. The longer you take, the more you pay.

RULE #4: BREAK FREE!

There's nothing better than mortgage freedom. Not a low interest rate. Not an extra principal payment. Not Rules 1, 2 or 3. Just imagine not having payments. It's like you've won the lottery!

Make mortgage freedom your goal and work towards it. For most of us, a fully-paid home is the foundation of our financial well-being. It's the one asset they haven't learned how to over-tax yet.

There you have it. The rules are simple, but oh-so-important: don't push it to the edge, learn to do the math, reduce the most important numbers (not just the rates), and have a plan for paying it off.

Your net worth total will demonstrate the value of home equity. Funny thing though, many advisors don't even consider it in your financial planning because it's not an 'investable liquid asset'. They don't earn commissions on paying down debt. But you grow net worth and who's this all about anyway?

All calculations are based on 4% for illustrative purposes.

5. INVESTMENTS

The investment world is full of big language and even bigger promises. But that's not how we survive here. That's why we've taken a simpler approach to help you grow your dollars. Arm yourself with the proper knowledge and you'll quickly discover that your investments will work a lot harder for you. Sure, there will always be ups and downs, but we're glad to say we can help you find the proper balance.

THE (SIMPLE) TRUTH ABOUT INVESTING

Just before sitting down to write this section on making more of what you earn, we 'Googled' *Investing in Canada*.

THIRTY-THREE-MILLION MATCHES! THAT'S 33,000,000+ DIFFERENT VOICES THAT WANT TO GIVE YOU INVESTMENT ADVICE.

Talk about confusing!

But who should you listen to? Well, that's not an easy answer. By the time you read this and hop onto Google again, there will be thousands more of those voices, all shouting to get your attention (and your money). So what can we tell you that literally millions of other 'experts' aren't already saying?

Let's start with the truth (otherwise known as Northern Know How): most of us will never get to a point where we should, or want, to understand all the jargon or how to separate the mumbo from the jumbo. Precious metals, futures, commodities, ETFs and hedge funds, derivatives, shorting, exchanges and equities, public companies and financial reports... how it all works is beyond the grasp of the average investor and household CFO.

That's not a slight against the average investor. It's simply the reality.

SO HERE'S THE FIRST LESSON: BE REALISTIC.

If you believe that your investments will earn 25%+ every year, that markets always go up and you're a few stocks short of legendary wealth, skip this section. If you're living in the real world though, plan for around 5% to 8% over the long run, and you won't be too far out when your retirement arrives.

AND HERE'S THE SECOND LESSON:

If you believe there's a shortcut around financial literacy, skip this part of the book. You need a plan that covers short and long-term needs, and you need an advisor you can trust to help you stay the course.

"THE FUNDAMENTAL TRUTH OF INVESTING TODAY IS THAT EXPECTATIONS AROUND RESULTS NEED TO BE MANAGED JUST LIKE EVERYTHING ELSE (FINANCIAL OR OTHERWISE)."

REALITY ALSO FAVOURS THE WISE

You won't need millions of dollars when you retire. We'll help you calculate what you will need a bit later on in this section, and a good, caring Financial Guide will help you along the entire journey. There's more to financial well being than investing, just like there's more to net worth than stocks and assets.

Get your debts down to zero sooner and you'll be amazed how debt management puts as much money back in your pocket (just as fast) as investing does.

IT MIGHT BE A CLICHÉ, BUT THE SAYING HOLDS TRUE: YOUTH IS WASTED ON THE YOUNG.

You can also say wealth is wasted on the old. But what if we found a happy medium? Let's get our financial acts together earlier in life so we still have the energy and health to enjoy it later on.

Still with us? Phew! We're glad to see most of our neighbours prefer reality to pipe dreams. So in keeping it real, your first step towards successful investing is finding an advisor. There might not be as many to choose from as those hits you get on Google, but there are quite a few.

HERE ARE SOME FACTS TO HELP YOU PICK THE ADVISOR THAT'S RIGHT FOR YOU

FACT 1:

When you buy an investment, you trigger a commission for the advisor. Ask your advisor candidates to simply outline how they make money. When that's clear, comfort and trust happen. If the advisor starts mumbling or is less than clear, end the interview.

SURVIVAL TIP

Twenty years ago, holding the same investments for years and years was a prescribed investment strategy. If your advisor changes your investments and choices every year, it's a clear signal they could be meeting their needs rather than yours. Investment change often comes along with new fees and commissions. Question it. Get another opinion. This may or may not be an issue depending on new levels of market volatility, your situation and your goals. Always be aware and make sure it's your needs that are driving any changes.

FACT 2:

You have to decide how much risk to take on. In other words, how daring are you when it comes to getting a return on your money? Here's a rule of thumb: the shorter your timeframe, the less risk you should take on. If you're investing for just one year, keep it safe. If you're investing for your child's education fund, add a little more risk, but not too much. If you have a 30-year window, your risk tolerance can rise. Remember: you're the person who has to live with the results of taking investment risks. Not your advisor and not your buddy who gives you stock tips. Make sure your goals and needs align with your risk tolerance.

ADD UP ALL YOUR 'A'S, 'B'S, 'C'S, 'D'S AND 'E'S.

Most of your answers are:

A = Basic blue conservative.

B = Light blue but still leaning conservative.

C = A little black, a little red - on the fence conservative.

D = You're as wild and crazy as conservative gets.

E = Don't invest without parental guidance.

Our best advice? See a Financial Guide instead of closing your eyes and trying to hit that 'bulls eye.' Our second best advice? If you don't feel like you're a risk taker...you know, someone who can lose their savings and bounce back the next day, don't let an investment sales person talk you into becoming one. They're not the one who has to live with the results whatever they might be.

TRY THIS SIMPLE TEST TO DETERMINE HOW YOU FEEL ABOUT RISK:

1 **Out of this list, circle which investments DON'T scare you?**

A) Money market accounts
B) Canada Savings Bonds
C) Term deposits
D) Market-traded investments
E) I don't know

2 **How do you feel after making a change to your Moneybags Plan? Particularly when it is to do with savings or changing investments.**

A) Worried **B)** Satisfied **C)** Hopeful **D)** Invigorated
E) Disinterested

3 **If you start with $20,000, how much up and down can you handle before you feel like you're on an out-of-control roller coaster?**

A) $21,000 - $19,000
B) $23,000 - $17,000
C) $27,000 - $13,000
D) $30,000 - $10,000

4 **Say you have been getting 6% return on average for the last five years. Then your investment loses 20% over the next year. Circle how you would react.**

A) Sell it and cry
B) Sell part of the investment
C) Stay the course
D) Buy more of the investment

5 **Circle which phrase describes your approach to life:**

A) I don't take unnecessary risks. 'Cautious' is my middle name.
B) I take small risks and patiently pursue my goal.
C) I do my research and then pursue my dream without fear.
D) Pedal to the metal is my mantra.

FACT 3:

The earlier you start investing, even a little at a time, the more your money will grow.

Yeah, yeah, yeah. You've heard it all before. But consider this:

Contributing $500 every year for 40 years	$77,318†
Contributing $1000 every year for 20 years	$36,576†

*Based on a constant 6% rate of return for illustrative purposes

Keeping that in mind, let's go through the guiding principles of Northern Know-How investing:

1 INVEST IN YOURSELF:

Always remember that this is about you. Not your advisor, financial institution, neighbours, or your legacy (unless leaving something for the kids is your number one priority). Investing wisely and on the conservative side of your risk tolerance is for your sake. It's your dream vacation every year, your child's education and retiring the way you want.

2 INVEST IN YOUR CHILDREN:

If there's even a chance that your children will choose to continue their education at a college or university, invest in a Registered Education Savings Plan (RESP) as early in each child's life as possible. This investment grows tax-free, the government contributes every year, and you'll help your children avoid paying off student loans before they're ready to retire.

3 INVEST IN NEXT YEAR:

Investing isn't all about 15-year education plans and planning for your life after work a quarter century from now. It's a good habit to get into for short-term goals too. Set up a high-interest savings account for your annual vacations. The small amount of interest it earns will pay for a dinner out. Invest the money you're putting aside for that kitchen remodeling in two years. Even a two-year GIC will generate a little extra, maybe enough for a counter-top upgrade (we'll take granite over laminate any time). Getting into the habit of actively thinking about and growing even short-term sums with an investment plan will pay off for your entire life.

4 INVEST IN YOUR FUTURE:

No matter how young you are, open a Registered Retirement Savings Plan (RRSP) and contribute every month, even $25 per month as a starting point. It's the habit and the early start that count. Investing in an RRSP for 40 years instead of waiting until your last 20 years of working doubles the gain and halves the pain of trying to find more and more money as you get older. An RRSP is one of the only great tax breaks most Canadians get. And everyone who works is eligible.

Check this out: invest $1,000 in an RRSP. The government will refund $300* of your taxes, so you turn $1,000 into $1,300 without lifting a finger and before it earns a dime. That's the beauty of RRSPs.

*Average taxable rate of 30%

HOW DO I SAVE THE MONEY TO INVEST?

We already gave you the answer to that question, remember? Home Sweet Home. There's a line in your budget for savings (paying yourself first). The only way to put the money aside every month is to act as if it was never there. You have to budget to save before you can start to invest. That leads to long-term consistency and that's how money grows, Northerner!

There's no way around saving before you invest. No short cut. No grand scheme. Not even a secret sauce. Start with $25 per month for six months. Up it to $50 per month for the following six months. Double it to $100 per month for the second year.

That's your basic start-up RRSP contribution. Do that and keep it there for 40 years (25 years old until retirement) and you'll have $180,000+ in savings based on a conservative rate of return (5%). Save $200 per month and the amount doubles. Not too shabby. Two hundred dollars per month on average over 40 years gets you close to $400,000 barring any catastrophes.

Then you have to divide it into the three investment buckets: education, short term and retirement. Set a percentage for each bucket and adjust accordingly every year as your priorities change.

HERE'S AN EXAMPLE:

EDUCATION:	**10%**
SHORT TERM:	**20%**
RETIREMENT:	**70%**

Now you know what to expect and how to put your savings together. Next question?

HOW MUCH MORE DO YOU NEED?

Let's say you've been a good household CFO and lived within your means, paid off your debts and your mortgage and saved well. At age 65, you're free and clear — time to party (people at 65 still party, right?).

You'll still need to live though. So go back to Step Two, take the Money Out worksheet and do it for your household at age 65 (guess at the numbers). You'll still need to eat, heat your home, a good pair of shoes (lots of shoes). But you won't have a mortgage, or credit card debts and hopefully by then, the kids have moved out so the grocery bill will be much lower.

HERE'S A MODEL

YOUR TOTAL MONTHLY MONEY OUT (GUESS) AGE 65

- Food
- Clothing
- Utilities
- Mad money
- Entertainment
- Taxes
- Home maintenance
- Grandchildren
- Firewood
- Travel fund

Total: $3,500

LESS MONEY IN / OAS AND CPP - $1,000 *(you)*
- $1,000 *(spouse)*

$1,500

$1,500 x 12 months = $18,000 *(after taxes)*

So conservatively you need about $20,000 per year after taxes for a fairly comfy life with a little travel.

$20,000 per year x 20 years = $400,000
(until age 85)

(In whatever combination of company pension, personal RRSP and other savings that you have). To make this work for you, replace the numbers above with your own numbers and come up with a total that matches your life.

SURVIVAL TIP

You need to know the destination before you plan and cost out the journey!

WHAT SHOULD YOU INVEST IN?

RULE

1 KEEP IT SIMPLE

You'll want to save and invest for as long as possible. It's also a sound strategy to have your investments spread out into different types of 'asset classes.'

For most of you reading this book, that means a blend of mutual funds and term deposits. There will be a mix that's right for you and your advisor can help you figure out all the right ingredients.

The greatest investor of our time, Warren Buffett, says he never invests in things or companies that he doesn't understand. You'd be smart to use this same guideline when it's time to choose the direction you want to head in.

RULE

2 RELATIONSHIP ADVANTAGES

You'll want to save and invest for as long as possibChoose one advisor, build a plan together, and then expect more. Same goes with your financial institution: choose one, give it all of your business then presume you deserve to be treated as such. It stands to reason that the more you work with someone, the easier it is to reduce fees while improving returns. It also makes the plan and paperwork easier to track.

GOVERNMENT RELATIONS: THEY WANT TO GIVE YOU MONEY!

TFSA:

Invest up to $5,500 every year. Whatever you earn is tax-free, and you can withdraw every year. Essentially, all the growth in a TFSA is safe from the taxman.

RESP:

The government will give you $500 per year for every $2,500 you contribute to an RESP per child. Contribute for 10 years and that adds up to $5,000. You may be eligible for the Canada Learning Bond as well. See **servicecanada.gc.ca** and follow the links to 'Raising a Family' and then 'Saving for your child's education.'

RRSP:

The government gives you a tax refund for every dollar you invest in an RRSP up to around $20,000 per year depending on annual inflation rates. The best place to see your RRSP contribution limit is on your previous year's tax assessment. So, if you invest So, if you invest $1,000 and your tax rate is 30% (average), you get $300 back. If you invest $4,000 in an RRSP per year, you get $1,200 back. Just think of it as a trip to Florida every year.

RULE

3 LADDER YOUR TERM DEPOSITS

The thing with term deposits is that the interest rates are low. To get the highest rates, you have to lock in for five years. Here's a better idea — if you hold term deposits (GICs) as investments, ask your Guide to maximize interest AND flexibility by helping you build a Ladder*. Here's how you do it:

1. Divide all your term deposits into five equal chunks.
2. Invest an equal amount in 1, 2, 3, 4 and 5 year terms.
3. As each term comes due, reinvest them in a five year term.
4. After four years, all your money will be in five year terms, but 20% of it will still come due for renewal each year. The beauty of this strategy is that you get the flexibility of one-year terms, and the maximum interest of five-year terms. Not bad. And easy to do with a Financial Guide.

Initial Investment	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
$10,000	1 Yr. @ 2.25%*	5 Yr. @ 4.40%				
$10,000	2 Yr. @ 2.90%		5 Yr. @ 4.40%			
$10,000	3 Yr. @ 3.55%			5 Yr. @ 4.40%		
$10,000	4 Yr. @ 4.05%				5 Yr. @ 4.40%	
$10,000	5 Yr. @ 4.40%					5 Yr. @ 4.40%

*Review with your Financial Guide or advisor to ensure this meets your priorities.

RULE

4 LEAVE THE STOCK MARKET TO THE PROS

You can always invest in the stock market yourself. Online trading tools make it accessible for pretty much anyone. It can be a lot of fun, and hopefully you'll have a lot of time every day to keep track of it. But this isn't the ideal approach for most people.

On the other hand, you can hire a stockbroker to pretend to be interested until he learns you have less than his minimum amount to invest. By the way, many brokerages need you to have well in excess of $200,000 to invest before they take you seriously.

Or, like the majority of us, you can leave the stock markets to the money management pros that run mutual funds in Canada and around the world. Mutual funds are still the best choice for most average investors. Why? Diversification is built in, you can match your risk tolerances, and you can smooth out market fluctuations with dollar cost averaging.

What's important here is that beyond a certain point, you have to find someone who matches Rule #5, which is...

RULE

5 LISTEN UP

That goes for you and your investment Guide. Find one who starts every meeting by listening to what's going on in your life. If the discussion starts with, "I've got a great mutual fund for you," end the discussion. Find experts who listen before they sell, and help you with your entire financial well-being as opposed to focusing solely on your investments.

Simplify, leverage, leave the stock market to the pros, and build a relationship with an expert who listens. Those are the five easiest steps you can take towards investing comfort.

There are people who spend all their time working the stock markets. By the time their big idea reaches you, it's old news. Same goes for when a stock surges and hits the streets...it's already ending. By the time you hear about a new trend, it's already changed. Unless you're prepared to play the stock market full-time, take the courses and the risks, you're better off in safe and simple investments.

Well, here we are at the end of Rule #5 and we haven't mentioned a mutual fund by name, or discussed rates. We haven't confused things with complex formulas, and we haven't attempted to explain, in a few simple words, how the stock market works. That's because nobody can explain the stock market like that. What we have done is given you some tools to make this investing thing easier.

HERE ARE SOME FINAL THOUGHTS:

- **Stay on the conservative side of your risk tolerance**. Too many people got burned in the last meltdown, and it will happen again. Learn from these mistakes.

- **Markets go up and down.** Rates of return are not guaranteed unless the small print says so. And the small print almost always says rates of return are examples only.

- **Keep asking questions until you're satisfied with the answer.** No matter how much you have to invest, it's your future at stake. It's that long overdue trip south at age 65. When your advisor really understands that, you've got the right person for the job.

- **More than anything though, pay yourself first every month**. You can't invest until you develop a solid savings habit. That's the best advice of all.

6. ODDS AND ENDS

We could write a whole book on financial literacy for children. Come to think of it, we could also dedicate an entire softcover to small business finance, insurance, wills, taxes and education funds. We'll write those books if you want us to. In the meantime, here are some of the bits and pieces that didn't fit easily into Budgeting, Managing Debt, Mortgages and Investing. It's a lot of stuff, so hold on and make plans to learn more.

KIDS AND MONEY

Children are great. They're always eager to learn and love experiencing new things. On the other hand, they sure can be expensive. As much as it costs to raise those wee ones, this generation of parents has the tools to teach them about money, to make it less of a taboo topic, and to prepare them for a life of managing money responsibly. Add in technology to make research easy and even fun and you really don't have any excuses not to show your kids how to be savvy with their dollars.

Making our kids comfortable with money is one of the best gifts we'll ever give them.

There are many websites you can visit for simple lessons about kids and money. We think **todaysparent.com** and **NorthernKnowHow.com** have some great content that can set them on the right track.

SURVIVAL TIP

'Junior Achievement' has an excellent program called 'Dollars with Sense.' It includes both teacher/volunteer guides and student workbooks. If you're working with a group of youngsters or in your school, it can be a great resource. Visit **jacan.org** for information on 'Dollars with Sense' learning tools. You can also let us know about other helpful youth-related financial programs at **NorthernKnowHow.com**.

IN THE MEANTIME, HERE ARE FIVE SIMPLE TIPS FOR GETTING YOUR CHILDREN AND THEIR MONEY ON THE SAME SPREADSHEET:

1. **Enlist your kids as bill assistants.** Let your kids help you open the bills and keep them organized. And explain what you're doing as you pay the bills together. They'll enjoy adding up the totals. While doing this, they'll also learn how much electricity costs, which may lead to more cooperation when you ask them to turn off a light.

2. **Running a lemonade stand gives kids the opportunity to work as a team (great for siblings) and they learn to count money while making change**. Once they've counted their profits, they also learn about spending decisions: is this candy worth a morning's effort at the stand?

3. **Look for kids' financial literacy classes in your town.** Ask your financial institution. You'll be amazed at how interested kids are in learning about money.

4. **Teach your kids about savings and discounts by having them go through the weekly flyers, and seeing if anything on your grocery list is on sale.** Depending on your kids' ages, you can appoint them as 'product finder' or 'coupon envelope holder' (you'll melt the cashier's heart) or 'tracker of money saved'.

5. **Connect allowances to activities and chores.** That changes it from entitlement to money earned.

SHARING ACCOUNTS: YOURS, MINE AND OURS

While this isn't a marriage counseling book, maybe it should be. Because not sharing, discussing and being open about money is the root cause of more breakups than anything else. Perhaps that's a good topic for our next book.

For now, here are two things you should keep in mind when it comes to sharing your financial life with someone else.

1. ACCOUNTS: One of the best pieces of advice you can ever take is to have one account running the household, with little savings accounts running off of it. Both of your payroll cheques go into this account. Everything flows out, so you can manage. On top of that, each of you needs his and her savings accounts. That should be a small percentage of the total coming in every two weeks. Consider making those your personal tax-free savings accounts.

2. COMPATIBILITY: Here's a little compatibility test to get you started on the right foot when it comes to discussing money:

Check agree or disagree for each question. Do it on your own, have your partner do the same and then compare notes. It's simple, but it's a start. *(If you disagree about money too often, get help. And make a plan to get over it.)*

		AGREE	DISAGREE
1	I hate discussing money with my partner.		
2	I question my partner about money all the time.		
3	We'd be better off if I could make financial decisions without my partner.		
4	My partner and I have had no success figuring out a budget		
5	My partner and I have our own accounts, and I don't know what's in his/hers.		
6	I feel guilty if I spend money without my partner's permission.		
7	We both have our own credit cards and neither of us knows how much the other spends.		
8	Financial discussions usually turn into disagreements with my partner.		
9	I feel guilty if I make financial decisions by myself.		

Since you and your spouse share a life, doesn't it make sense that you also share your money? Learning to talk about it is a priority.

HERE ARE A FEW EXAMPLES OF OTHER THINGS TO REMEMBER IN THE CONTEXT OF MARRIAGE AND MONEY:

- It impacts your taxes
- It changes your wills (if you have them)
- It changes insurance needs
- It changes pension plans
- The number of properties you own can impact your tax position
- If one of you is self-employed, finances at home change

INSURANCE PLAN

How do you know how much insurance you need? Well, let's start off by saying that you absolutely, positively, unequivocally need insurance (sorry for being pushy, but you really do). By the same token, you rarely need as much as some advisors suggest. Remember to follow the money. And remember how insurance agents make money, which is via commissions. They don't hide it. That's their method of compensation. The more insurance they sell, the more commission they make. You can do the math from there, so find a good advisor that you trust (as with everything else).

1. **Don't use insurance as an investment.** Use it as insurance and you'll be less inclined to over-do it.
2. **Use insurance to cover your home, car(s), your family, critical illness and disability.**
3. **Be sure to balance all of your plans.** For instance, if you have insurance from your employer, don't add to it unnecessarily.
4. **Only insure the biggest parts of your life.** Make sure your coverage has all the small details accounted for, and don't buy separate policies for every little thing you do.
5. **Leverage relationships by choosing one provider who covers all of your needs.** The more you do, the better the pricing.
6. **Beware of 'special' offers** (like the warranty insurance protection on your TV). Only buy insurance from insurance providers.

Living here can be more physical than elsewhere. Same can be said for where many of us work. That means disability and critical illness insurance are probably more important than elsewhere. We pay a little more for it too, but disability and critical illness insurance are the policies you need to be aware of and keep current.

WILLS AND INHERITANCE

If you don't have a will, stop what you're doing this weekend and make plans to get 'er done! Here's why: no will = no control over your money and assets when you're gone. That saddles your kids or your relatives with problems at a time when they least need them. Worse still, it can create arguments and even more stress.

There are do-it-yourself wills and advice online, and we're sure there are lawyers in your town that'll keep your will as simple and low-cost as possible. The best advice is to find a lawyer you trust to steer you through the process.

GIVING OR RECEIVING INHERITANCE? HERE ARE TWO QUICK TIPS:

1. If you're giving the money, don't make it a surprise. This allows the recipient to plan and be prepared.

2. If you're receiving money, don't spend it until you have it in the bank (and hey – maybe you shouldn't spend it at all for one year until you get your head around how it fits into your financial survival plan).

REGISTERED RETIREMENT INCOME FUNDS (RRIF)

When you blow out the candles on your 71st birthday, you have to move your RRSP savings into a Registered Retirement Income Fund. Your RRIF can still grow tax free, but you can't make new contributions. Actually, it's quite the opposite: **you have to start taking the money out and paying taxes on it.** Remember, an RRSP defers tax until you start taking the money out. The RRIF pays you an income out of your savings. It includes paying back the taxes you deferred, but at a lower rate based on your reduced income.

SURVIVAL TIP

For retirees at age 65, your income fund needs about $27 for every $1 you want to spend per year. That means your RRSP (which becomes an RRIF when you hit 71), needs $270,000 for every $10,000 in income before taxes that you want to withdraw per year. This is a pretty good rule of thumb, but it's by no means set in stone. For example, if you want to add $20,000 to your Old Age Security and Canada Pension Plan, you'll need a retirement fund in the neighbourhood of $540,000.

BUSINESS OWNERSHIP

Business ownership in Canada is on the rise. And these businesses are as wide and varied as the guys running them: basement operations, storefronts, a tool truck, or a bigger operation with lots of employees and even more possibilities. While all of these businesses are quite different, they all need the right plan.

WITH THAT SAID, HERE ARE FIVE THINGS YOU NEED TO DO TO CREATE A SOLID FOUNDATION FOR YOUR BURGEONING BIZ:

1. **Write the plan yourself.*** Sure, you need to get some advice. But start doing the math yourself so you can get an idea of the potential upside and downside of your venture.

2. **Get an accountant to help you figure out the numbers and prepare your position for tax management.**

3. **Get a solid legal partner.** Someone you can trust to properly set up your business or to develop the partnership structure you need.

4. **Choose the right banking partner.** Interview two or three, and remember that you should ask as many questions as they do.

5. **If you feel like you're being treated like a second-class citizen, walk away.** Your plan may not be perfect, but believe this: successful business owners become great banking customers.

You'll also need a plan. Not just a business plan, but also a financial plan that includes tax advice from your accountant, and investment advice from your guide.

The financial lines are blurred for business owners. Beyond legal differences, your business income impacts your tax position, household savings plan, RRSP planning and the rest of your financial life. Make sure your planning takes your entire financial life into account.

*Visit **canadascreditunions.com/creditunions/planner** to download a great Business Planning Guide. Or, ask for a copy at your local Northern Credit Union branch.

SURVIVAL TIP

When you're ready to begin financing, you'll need an operating line of credit and other basic financial tools. Don't over-bank for your size of business (check out a streamlined small business loan or line of credit instead of a full business banking package if your business only needs up to $25,000 to stay current).

CHANGING A BUSINESS BANKING RELATIONSHIP

The more surveys you read, the more obvious it becomes that the relationship you have with an Account Manager (at a credit union or a bank) makes all the difference in the world. So, if the person who serves you keeps changing or has no influence over the decisions that impact you, it's time to change financial institutions.

IF YOU FIND YOURSELF IN THIS POSITION, CONSIDER THE FOLLOWING:

1. **Interview at least three financial institutions.** Meet the people who will serve you and find out how long they've been in that position.

2. **Then get a pricing and fee comparison.**

3. **Last but not least, get references.** Armed with this knowledge, choose the financial partner that puts your business ahead of the formulas and national trends.

THE FINANCIAL DICTIONARY

We've used a lot of terms and phrases that we didn't have room to explain fully in this book. There's so much more to add that we would need years to compile it all. So here's an idea that works today:

1. **We've created a simple glossary of terms and financial language.** It covers everything in this book and then some. You can find it online at **NorthernKnowHow.com.** You can drop into any Northern Credit Union branch and we'll give you a printout. Or, call us and we'll have a Financial Guide bring a copy to your home if you live in one of our Northern communities.

2. **If there are terms or financial language that you don't understand, let us know by joining the discussion at NorthernKnowHow.com.** Post your question to our Facebook page and we'll respond. That's a promise.

7. ENDING ON A HIGH NOTE

WHEW.

That was a lot of financial speak. We hope we've done a good job at boiling it down into a simplified series of plans and strategies that can help you properly manage your money, assets, and everything in between.

At the risk of repeating ourselves, your financial survival begins with you. You have to be the one to make the decision to take control, and involve your loved ones in the process. This is a team effort, and doing it together will help you get through some of the tough choices you might have to make along the way.

While your success depends mostly on you, you can feel good knowing that you have access to the tools and advice that can make your journey a lot easier to navigate. We've mentioned **NorthernKnowHow.com** throughout this book, and we encourage you to visit often as we regularly post some great videos that cover the entire spectrum of your financial life. And just like this book, we do away with all of that financial mumbo-jumbo, and present it to you just as a Northerner should—openly and honestly, and with your best interest at heart.

Thanks for reading, and we look forward to helping you to not only survive, but THRIVE in the financial wild!


DEBT
BUDGETING
INVESTMENTS
MORTGAGE

NORTHERN

KNOW-HOW

Presented By NORTHERN CREDIT UNION