

5 Tips for Managing Your Expenses

Are you looking for ways to keep expenses under control so you can improve your financial situation? That's an important step toward achieving your objectives, since reducing debt and growing your savings will help you build wealth for the future. Managing finances has become more complex than ever, so the challenge for many people is taking the first step. Here are five actions to help you get started.

- 1. Create a wealth plan.** You want to reach certain goals and a comprehensive plan can help you get there. A professionally developed wealth plan will account for your unique circumstances, objectives, time horizon and risk tolerance. It can help you save and invest wisely, manage debt obligations and take advantage of tax-efficient vehicles to keep more money in your pocket. Also, it can adapt to changing circumstances so your plan can remain relevant at any life stage. A wealth plan keeps you on track to achieve your goals, helping you gain confidence and peace of mind. But creating a wealth plan requires a significant amount of training and skill, so it's best to seek the help of a qualified advisor.
- 2. Maintain a budget.** A key aspect of wealth planning is setting a budget. Basically, a budget tracks your sources of income and your expenses over a given time period (typically monthly). Once you know how much money comes in and goes out, you can assess your financial health and make adjustments to strengthen your finances. For instance, if expenditures are higher than anticipated, look at your different expenses and determine which ones are essential (e.g., food, rent or mortgage payments) and which are "wants" (e.g., restaurant meals, new gaming system). Maintaining a regular budget will provide an ongoing snapshot of how well you're managing money and where improvements might be possible.
- 3. Consolidate your debt.** Carrying debt is often unavoidable, as many people have mortgages, credit card balances, etc. If possible, reach out to your financial institution(s) to see if it's advantageous to consolidate debt into one relatively lower-rate loan or line of credit. Doing so could help you pay off debts with high interest rates that may be unnecessarily eroding your wealth. Consolidating debt can streamline your finances since you only need to track one monthly payment instead of several. You might also consider contacting your financial institution(s) and negotiating a lower interest rate – it doesn't hurt to ask or explore other institutions that may charge a lower rate.

4. **Commit to saving.** Reducing your debt is important, but the flipside is increasing your savings. One common trick is to “pay yourself first” by taking a certain amount (e.g., 10%) of your monthly income and automatically depositing it into an interest-bearing account or investment plan. It’s tempting to spend money that’s readily available, so devoting some income to a regular saving or investment routine will keep you disciplined – chances are, you won’t even miss the money being saved. Another important part of saving is putting away money for emergencies (e.g., employment loss, major repairs/renovations, serious illness, etc.). Life is filled with unexpected situations that may require immediate access to cash, so an emergency fund (general rule of thumb is a minimum three months of household expenses) becomes essential.
5. **Make use of technology.** Advances in technology can greatly improve your finances. To compare institutions and products to see which ones offer the best rates/prices or the features you need, simply conduct an online search. There are also financial-related apps that may enhance your banking experience, help you save or invest, find an appropriate mortgage or insurance policy, keep your finances secure from cybercrime, create a budget to help you track your income and expenses, and much more. Search online for financial apps that interest you, and then read reviews and conduct other research to determine which apps are most suitable for you.

If you’d like to discuss ways to better manage your expenses, we can help.

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