

Personal Finance



4 Solid Financial Planning Strategies

Time management is a useful skill in both the real world and the world of investments and financial planning. What this means is that while a significant amount of time is spent by many examining the returns of mutual funds or scouring the stock page in the local newspaper, you also have to keep sight of some of the solid money strategies that exist. The advantage of all of these strategies is that they are low or zero risk, and the payoffs in many cases can be immediate. Unlike other strategies such as "learn to save more for your retirement" most of these strategies are easy to implement and relatively painless.

1) Examine Your Credit Card Usage

Of course the best way of using credit cards is by not carrying any outstanding balance. You purchase the goods on credit instead of using money that is either invested or otherwise earning interest, and then pay off the balance in full when the bill comes due. But in the real world, things don't always work out so well. However, use whatever cash you have to pay down your credit card bills. When any investment certificate comes due use the proceeds to pay off, or pay down your balance. If there is still an outstanding balance consider obtaining a personal line of credit at a bank or financial institution to pay off the credit cards. Typically the interest on a personal line of credit is 50% less than the interest on credit cards. If you have credit cards you should have no problem qualifying for a personal line of credit.

2) Start Banking Smart

If you have money sitting in a savings account consider switching the majority of the funds that you do not immediately need into a money market fund or a short term certificate of deposit (known in some countries as a GIC). You don't necessarily have to spend hours shopping for the best rates, though you can if you want to. Otherwise, just transfer to the money market fund or GIC that is offered by your bank or financial institution. While you are at it, you may want to give some thought to the way that you do your banking. You may want to look at timing your transfers from a savings vehicle into a chequing account in order to maximize your interest or minimize your charges. Also familiarize yourself with the full range of

services and packages that your bank or financial institution offers, as these chequing/savings packages are always changing.

3) Look at Getting Your Money's Worth From Brokerages and Mutual Funds

The argument over gauging the returns from load mutual funds, which charge a sales commission, with no load or commission free funds is unlikely to be resolved any time soon. However, the key advice here is to be sure that you are getting your money's worth. For example, it is probably worth paying a sales commission to get into a solid fund that allows you access into a limited market, say an emerging country where a no load fund may not be available. The commission is also well worth it if the financial planning advice that you receive is necessary and helps you to focus on your goals and objectives. However, if you know what you want and feel comfortable with your own research and assessment of your needs, pay closer attention to the management fees and sales commissions that are charged. This is particularly the case with domestic bond funds and money market funds that are, by and large, commodities. They tend to exhibit less variation within these categories between top performing funds and those that are laggards.

A similar case can be made for the full service vs. discount brokerage decision. If you use a full service stock broker be aware of the difference in fees between a discounter and your own broker. Make sure that this difference in fees paid is made up for by your use of research provided by the broker, portfolio analysis, stock picking advice and monitoring, or hand holding. Recognize what you are paying, and make sure that you are happy with the services being provided.

4) Get Organized

We left this one for the end as for many people dealing with the necessary paperwork associated with investments is a real chore. While it is unreasonable to suggest that a computerized, cross filed index of all important receipts, papers and tax returns is the norm, there is a happy medium between this and a shoebox full of old receipts and papers. Start with your will, for both you and your spouse. Make sure that other trusted

parties know the location of the will along with other important papers such as insurance policies and stock or bond certificates. Consider the advantages of amalgamating several near dormant bank or brokerage accounts in one place. If you have no further need for such an account close it out and transfer any assets to your current account(s). While you are at it you may want to start holding securities in street name, resulting in fewer certificates to keep track of. Compile and update a list of your assets and make sure that it is decipherable to others.