Financial Wisdom

- Wealth Builder -

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Be Prepared For Emergencies & Opportunities

Randy worked for a small business. When the owner died suddenly, the business accounts were frozen and it took several weeks before they could be accessed to meet payroll. Randy had trouble meeting his financial obligations and had to find a new job.

Jane worked at a small company for many years. When the owner decided to retire, she offered to sell the business to Jane. As she didn't have the funds available, the business was sold to someone else. The new owner let Jane go shortly after taking over.

Joe and Gayle had been renting a house for several years. When the owners decided to sell, they offered it to Joe and Gayle first. Because they didn't have enough for a down payment, they couldn't afford to buy the house and also had to move.

It seems that many people today are so busy living a lifestyle, they forget that emergencies and opportunities need to be dealt with. Randy, Jane, and Joe and Gayle would have been able to deal with their situations more favourably if they had established emergency and opportunity funds.

It's all too easy to start taking one's cash flow for granted and get lulled into the belief that it will go on uninterrupted. Many fall into the trap of trying to save money after all other payments are made. Usually, there is little or nothing left to save this way. Those who are best able to handle emergencies and opportunities that arise are in the habit of paying themselves first. How do you pay yourself first? There are many ways and they include:

High Interest Bank Accounts - This may sound like an oxymoron, but there actually are a few banks that offer high interest savings accounts; some with chequing privileges, too. Bear in mind that any interest earned on money in these accounts is fully taxable. However, most bank accounts are readily accessible, so it can be easy to withdraw funds for things that aren't really emergencies or opportunities.

Guaranteed Interest Certificates (GICs) - Funds can be deposited for a certain period at a fixed interest rate. The interest is fully taxable, even if left on deposit in the GIC. Because GICs are for a fixed period, funds may not be available at the precise time they are needed.

Tax Free Savings Accounts (TFSA) Introduced a few years ago, these plans allow you to earn growth on your deposits without paying taxes on it. Withdrawals can be replenished in the future and your investment choices mimic RRSP options.

Universal Life Insurance- These policies can combine protection and savings in one plan. The minimum premium is set at a level to cover the cost of the death benefit. The policyowner can choose to pay more, within certain limits, and these extra premiums accumulate on a tax deferred basis. Generally paid out as part of the death benefit, the extra deposits can also be accessed, depending on the company, by withdrawal or policy loan.

**Fictional characters for illustrative purposes only.*

Questions about your money management strategy? We can help.

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