



## Five Pillars of Financial Literacy

November is financial literacy month - a great time to reflect on your relationship with money and the decisions you make that guide you toward a secure future. Financial literacy is a set of five key skills that help Canadians navigate the complex world of personal finance with clarity, empowering them to achieve their important financial goals. These key pillars of financial literacy typically include the following:

**Earning** - Building and maintaining a steady income stream is necessary to meet daily financial needs, enjoy life and save for the future. Increasing earning potential through skill development, education and professional diversification opens doors to financial stability, long-term growth, and overall well-being.

**Budgeting** - Knowing where money is going is the foundation of financial literacy. Budgeting is like creating a detailed map that ultimately leads to a financial freedom destination. This map allows you to understand and control extraneous expenses and direct money towards the higher purpose of building wealth. Budgeting help investors to harness their money and priorities to align with overall vision and goals.

**Managing Debt** - Borrowing plays a central role in most people's lives, so understanding how to make informed decisions about debt is critical to financial well-being. For example, borrowing to purchase a home (an asset which usually appreciates over time) is different from using high-interest credit cards. Understanding types of debt, interest rates, credit ratings and strategic repayment strategies may empower you to save money and achieve your long-term goals.

**Saving and Investing** - Consistently setting money aside over time is a crucial pillar of financial literacy and this involves both saving and investing. Saving is allocating a portion of your income for future needs and emergencies. Investing is about putting your money to work by acquiring assets that grow through compounding returns. Understanding how saving and investing work together to increase wealth helps build a strong financial foundation for a more prosperous future.

**Planning** - The power of earning, budgeting, managing debt, saving, and investing can all be magnified by wise planning. A carefully considered financial strategy offers a structured approach to managing money and saving for the future. It factors in anticipated milestones like going to school, buying a house, supporting a family, or retiring comfortably. A well-designed strategy can lessen fallout when the unexpected financial stresses occur like job loss, illness, or economic downturns. Notably, 81% of Canadians who have developed a written financial strategy with a professional advisor report significantly higher financial and emotional well-being<sup>1</sup>.

Financial literacy is primarily about developing money management skills to help you make wise, informed decisions. How you employ these skills will vary depending on factors like age, time horizon and risk tolerance. But no matter where you are in your financial journey, your decisions today will set your course for the future.

<sup>1</sup>. Financial Planning for Canadians: The Value of Financial Planning

**Questions about personal finance? Give us a call!**

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