



You need more financial savvy in new freelance economy

The working world is going through a revolution. There's no such thing as taking or having "a job for life" anymore. That's a thing of generations past. And the concept of having a full-time, nine-to-five career job and steady paycheque is rapidly falling by the wayside. We're in the new "freelance" economy.

According to the Freelancers Union 2016 survey, 55 million Americans – 35 per cent of the total U.S. workforce – are freelancers. They're in fields from information technology, to health care, to graphic design.

In this country, Statistics Canada says 1.9 million Canadians are self-employed sole proprietors. Another 2.3 million people are temporary workers. Combined, that's about 25 per cent of the Canadian workforce.

What it all means

What does all this have to do with financial savvy? Plenty. It means having financial savvy – knowing how all the elements of personal finance work together – is more crucial than ever.

For freelancers and temporary contract workers, there's no such thing as:

- company sponsored registered retirement savings plans (RRSPs)
- company pension plans
- paid benefits coverage
- company sponsored group life, disability, home or auto insurance

Being without a company-sponsored RRSP is a big thing. With these, employees can have a regular amount deducted from their paycheques and deposited into a RRSP. Many employers will match contributions. Freelancers and contract workers, however, are totally on their own. You're responsible for your own future financial security.

Learning about investing

It means you've got to learn about:

- tax-free savings accounts (TFSAs)
- registered retirement income funds mutual funds

- exchange-traded funds
- all the other ways of investing and how to use them to your best advantage for your financial interests

Not only this -- you've also got to make sure you diligently put a portion of every cheque you receive from clients into a RRSP. And you've got to keep a regular eye on your investments. You must make sure they're building the income you're going to need in the future.

Sound overwhelming? It takes significant financial savvy to be comfortable doing all this on your own. If you haven't got the money smarts or comfort level to do your own investing in your future online, get help. The most financially savvy thing you could do is turn to a professional financial advisor.

Getting savvy with an advisor's help

He or she will help you make the best decision about your financial interests. It's best to work with an advisor who's a member of Advocis, The Financial Advisors Association of Canada. Why?

- Advocis has a rigorous code of professional conduct its members must follow.
- Advocis members usually have designations such as Chartered Life Underwriter, Certified Financial Planner and/or Certified Health Insurance Specialist. Advisors with these designations are very professionally qualified to help you. They can provide expert advice about life, disability and critical illness insurance; and proper financial planning.
- A professional advisor will listen to your needs and goals. She'll walk you through an investment risk assessment. Together, you'll determine your risk-comfort level and what investment vehicles are right for you. There's higher risk in mutual funds than in TFSAs, for example.

Other key savvy things

If you're a freelancer or contract worker in the new economy, you've also got to be financially savvy about:

- saving and spending
- money, credit and debt management

You've got to have a safety net.

That's because most contract workers and freelancers go through cycles. There are the times when money's just flowing in and they've got more work than they can handle. Then there are the droughts. Those potentially long spells when there are no contracts; no prospects. That's when freelancers wonder how they're going to pay next month's mortgage -- never mind all the other bills.

Money smarts for the “what-ifs”

Then there are the “what-ifs?”.

- What if your vehicle cooling and heating system goes up the spout? You could be looking at a \$1,500 repair bill. How will you pay that? Do you have money set aside to cover the unexpected?
- What happens if you get a toothache and need a root canal? Or eyeglasses? Have you invested in one of the plans available from the likes of Blue Cross, Green Shield Canada or Manulife Financial? When you’re a freelancer or contract worker without benefits, financial savvy includes paying attention to those television commercials.

Don’t live on credit

Living on credit isn’t money smart. It can become a financially dangerous habit in times of lean income. Before you know it, your credit card is maxed out and your credit rating’s terrible. That could make it difficult to get a loan, replace a vehicle, buy a home, or rent an apartment or condominium. Plus, you’re buried under a mountain of debt.

According to an August 2017 report by Moody’s Investors Service, Canadians owe \$1.69 for every dollar of their disposable income.

The Fraser Institute said in July that household debt in this country is up to \$2 trillion. That’s up from \$357 billion in 1990.

Clearly, household debt is at record highs today.

Get savvy before leaping head first

More and more North Americans – from late baby-boomers to millennials and centennials – are espousing the freelance way of life in the new economy.

But if you’re going to take the plunge – for whatever reason – make sure you get financially savvy first. It’ll mean more financial security down the road in your freelance lifestyle.