MyMoneySmarts™
Build your financial savvy. Shape your future™

Your money smarts affect your quality of life

How financially savvy, or money-smart are you? And just what is financial savvy, money smarts or financial literacy, anyway? Overall, Canadians are very smart, educated people. More Canadians have a post-secondary degree than do people in any other country. But our money smarts leave something to be desired.

There's a dearth of financial savvy across the generations. That's a key reason why in June 2015 the federal government launched *Count me in, Canada*. It's our national strategy for increasing financial literacy in this country.

Whatever you call it – financial literacy, financial savvy or money smarts, it's something you should pay attention to every day. *Because your money smarts can affect your quality of life*.

Understanding what "financial savvy" means

Broadly, the main things encompassing personal finance – and hence financial savvy – are:

- money, credit and debt management
- saving, spending and investing

There are many facets within these two main areas, including:

- creating a budget and sticking to it
- choosing the right credit card – and why you should have one
- knowing the difference between TFSAs, mutual funds and exchange traded funds
- lines of credit versus credit cards
- why paying attention to your credit score is important, and
- investing in life insurance and living benefits coverage
- having a financial safety net for unexpected things
- why it's important to start saving for the future early
- how compound interest works
- how and why having a financial advisor can help you

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Having money smarts means having a good practical knowledge and understanding of how all these things work together. Not only that, but also *how to make them work best together for you*. How savvy you are about all of them really can affect your quality of life.

Less financially savvy, lower quality of life

Let's say you signed up for a credit card while in college. A bank rep was on a campus drive one day. He explained getting a credit card will help you establish a credit rating. You bought the sales pitch. But you didn't first make sure it was the right credit card for you…because you didn't know that's important to do. Then you got into the bad habit of paying on credit instead of your using your debit card. And you *never* got into the *good* habit of paying the balance off in full every month, or paying as much as you can afford instead of just the minimum monthly payment.

Financial stress

A decade later, your credit card debt's out of hand. You're constantly buried under it plus a mountain of utility bills, vehicle payments, auto insurance and mortgage payments every month. You've got to put food on the table; and keep yourself and your child clothed. You never had an allowance when you were a kid, so you never learned money-management skills early. As a result of that, you never made sure you had enough in a savings account for a safety net. Now you're not bringing in enough household income to cover all the monthly expenses. Your credit score's in the sewer. The consulting business you started after being laid off twice in the changing work world hasn't taken off yet. You've been barely surviving on your partner's salary.

It's overwhelming for both of you. You're under constant financial duress. All you can think about is the very real possibility of losing everything you've worked for. You're wondering where you went wrong. All this constant financial stress is affecting your health and your relationships. It's not a pleasant situation. It's not the quality of life you thought you'd have at this point.

Comforts that come with being financially savvy

Meanwhile your 30-something, next-door neighbour – we'll call her Lisa – has a starkly different quality of life. She has, it seems, won the lottery or come into a substantial inheritance. She's earning a good living in marketing, and seems to be living in comfort and style. She's always cheerful and happy. You're feeling very resentful towards your neighbour. Truth is, Lisa is just money smart. Much more so than you.

She has just bought a new pick-up truck; is having her home totally renovated; travelled to both Ireland and Australia this year; has a retirement nest-egg that makes money for her while she sleeps; and revels in being a foodie. At the annual neighbourhood summer barbecue Lisa went on endlessly about her favourite meals at all the trendy restaurants she and her boyfriend Jonathan visit regularly. They're planning on having their first child next year. They're not going to the expense of getting married. That's because they've been together five years and know they can use the same tax strategies living common-law. They've already started putting aside money that'll go into a registered education savings plan when the time comes. And they're planning on being mortgage free in 10 years.

You, on the other hand, *may* eventually get out of the hole you're in and on a better track. But it's going to take some hard work, discipline and getting more money smart. Several degrees of financial savvy separate Lisa's quality of life from yours. When you're money smart, you can be more financially secure. You can indulge in your interests now plus make sure you've got the future covered. It's as simple as that.

Take the first step towards being financial savvy

Many Canadians need a bit of a nudge to become more money smart. Consulting with a well-qualified financial advisor is a great first step to becoming financially savvy. They can help you prepare a financial plan and educate you about the best way to reach your goals. To find an advisor near you, visit Advocis, The Financial Advisors Association of Canada at advocis.ca, and follow the links, or go directly to ouradvisor.ca.