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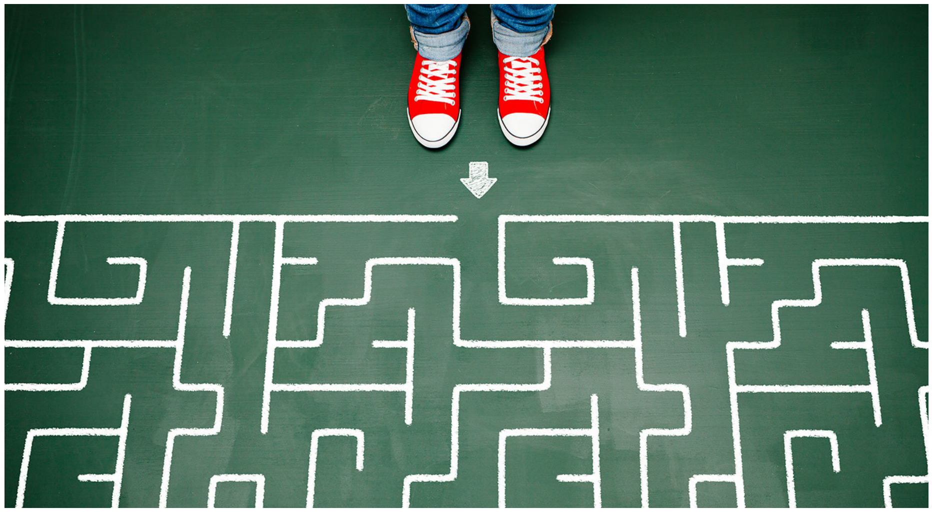
Do Finances have to be Complicated?



Finances can be complicated … but do they have to be?

Why are Finances Complicated?

There is one reason finances are complicated: everyone, including you, is doing everything they can to separate you from your money. The more complicated, the easier this is to accomplish. Now, I do try to avoid conspiracy theories, but this one is different. For one thing, it's true. For another, you can, once you recognize it, do something to defend yourself.

Look around … everywhere you turn, someone is trying to sell you something. You need to decide what has value to you. The number one thing you can do to better manage your finances is to think five times before parting with your money. That's not complicated. It does require some effort and, for most of us, changes in our habits.

Simplifying Finances

How, then, can we simplify finances? Let's start with three basic rules:

1. **Spend less than you earn.** Charles Dickens summarized this beautifully: "Annual income $20,000, annual expenditure $19,500, result happiness. Annual income $20,000, annual expenditure $20,500, result misery." (from David Copperfield, adjusted for inflation and Canadianized).

2. **Monitor things.** There are plenty of budgeting tools and on-line apps to help you spend less than you earn, and they do help with the arithmetic (mainly adding and subtracting) to check you're spending less than you earn. But it can be even simpler than that. If all your income and spending go through one bank account, you just need to check at the end of each month that the balance in that account is either going up over time or remaining steady while you put savings away somewhere else.

3. **Take it slowly.** You can't learn all about finances in one go, and you won't get rich quickly. My favorite saying when it comes to investing is "slow and steady wins the race". You can learn a little bit at a time. You can gradually grow your savings.

   Start by focusing on the bit you can do right now. Figure out how to make realistic short term goals and a day-to-day plan to get there. For example, if every year, you find yourself out of money to make RRSP contributions by the RRSP deadline, look at your budget now to see where you can make a small cut in your expenses. Set that small cut aside every paycheck and contribute it to your RRSP as a lump sum at the end of the year or, better yet, on a monthly basis as you get paid. Then when you get the tax refund on your RRSP contributions, open up a TFSA account and put your tax refund in it. The following year, see if you can continue with this small cut in your expenses, and repeat the process.

This site is designed to help you take it slowly. We focus on saving for retirement and spending in retirement. We divide finances into 4 buckets: Save, Manage, Spend and Legacy. In each bucket, we give you a simple framework. Once you're comfortable with that, you can dig deeper … or not.

http://www.retirementworks.ca/theworks/blog052017b-Do-finances-have-to-be-complicated.html

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