



Building a Secure Future Through Savings

By Charlene Birdsall, CPA, CMA, CIM, CFP, National Bank Financial – Wealth Management

It's Tuesday, and you're eating Kraft Dinner and beans just waiting for your pay cheque on Friday – are you living on the edge? Or do you have the financial freedom not to worry about money?

Whether it is for retirement, a major purchase, or for an unexpected emergency, saving for a rainy day provides a financial cushion that can offer peace of mind and security. The benefits of saving extend beyond just having extra cash on hand; they encompass financial stability, goal achievement, and an improved mental well-being.

The best way to save money depends on your financial goals, current situation, and spending habits. Here are some general strategies to help you save effectively:

- **Create a budget** – Start by tracking your spending each month and separate it into necessities and discretionary spending. Then set financial goals by short-term goals and long-term goals.
- **Cut unnecessary spending** – Identify non-essential expenses and subscriptions services that you don't use. Instead of stopping for your expensive latte on the way to work, maybe do this every second day. You can also look for sales on food and buy generic brands. Compare prices by shopping around for deals on big ticket items before making major purchases.
- **Build an emergency fund** – Aim to save between three to six months of living

expenses in a separate but accessible account to cover any unexpected expenses.

- **Reduce debt** – Pay off your high-interest debt first and consider consolidating debt to lower interest rates and simplify payments.
- **Automate savings** – Set up an automatic transfer from your pay that puts away at least 10 per cent of your gross income. Also consider setting up automatic transfers to your Tax-Free Savings account and your Registered Retirement Savings Plan.

But why should I save?

One of the most significant benefits of saving is the financial peace of mind it offers. Having a savings account or an emergency fund helps protect you from unexpected expenses. Without savings, unexpected costs can lead to significant debt and financial stress. But, with a well-funded emergency savings account, you can cover those expenses without disrupting your financial stability.

Financial stability also means having the freedom to make choices without the constant worry about money. It allows you to take calculated risks, whether it's changing careers, starting a business, or investing in further education. When you're not living paycheque to paycheque, you have the flexibility to make decisions that can lead to personal and professional growth.

Saving money is a critical component of achieving both short-term and long-term goals.

Whether it's buying a house, taking a dream vacation, or retiring comfortably, savings are essential. By setting aside money regularly, you can systematically work towards your goals without having to rely on credit or loans.

Stress relief

Financial stress is a common issue that affects many people that can lead to anxiety, depression, and a variety of other mental health problems and constantly worrying about money can take a toll on your overall well-being. However, having a robust savings plan can alleviate much of this stress.

Knowing that you have money set aside for emergencies and future expenses provides a sense of security and serenity. This is a financial cushion that allows you to focus on other aspects of your life, such as personal relationships, career, and hobbies, all without the constant burden of financial worries hanging over you.

Investing savings

Investing savings and taking advantage of compound interest can significantly grow your wealth over time. For example, if you saved \$5000 per year in an investment earning 5 per cent over 20 years, you could realize \$165,330 at the end of that 20 years – that is the beauty of compound interest. These savings could then be invested in stocks, bonds, mutual funds, guaranteed income certificates (GIC), or exchange traded funds (ETF),

which all help your savings grow as long as you invest in high quality investments and diversify to reduce the risk.

Financial independence

Saving money is a crucial step towards achieving financial independence. Financial independence means having enough savings and investments to support your desired lifestyle without relying on a regular paycheck. Attaining this level of financial freedom allows you to retire early, pursue passions, or take extended time off work to travel or spend with family.

Financial independence also empowers you to make life choices based on your values and desires rather than financial constraints. It provides the freedom to live life on your terms, whether that means starting a business, volunteering, or simply enjoying more leisure time.

In conclusion

The benefits of saving are far-reaching and multifaceted. From achieving financial stability and personal goals to enjoying the peace of mind and independence, saving money is a fundamental aspect of a secure and fulfilling life. By prioritizing savings, you can build a financial cushion that protects you from life's uncertainties, empowers you to pursue your dreams, and creates a lasting legacy for future generations. Whether you are just starting your financial journey or are well on your way, it is never too late to begin saving and reaping the numerous benefits it offers. ▶

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