

Managing Personal Finances



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Financial Planning

- Financial planning is a review of our current financial situation and long-term financial goals, as well as strategies to achieve those goals
- Benefits of financial planning
 - Increased financial security
 - Reduced stress
 - More available resources
- Financial planning considers the following areas:
 1. Current cash flow
 2. Debt reduction
 3. Savings
 4. Retirement planning
 5. Death and disability





BUDGET PREPARATION TIPS

- Start with reviewing your bank and credit card statements for the last month or two – all recurring income and expenses are there
- Compare what you see on the bank statement to what you thought income and expenses were
- Use Excel or pen and paper for preparing a budget
- Consider the following expenses:
 - Mandatory expenses
 - Discretionary expenses
 - Unexpected expenses
- Include debt repayment and savings in the budget
- Adjust discretionary expenses to balance the budget



CURRENT CASH FLOW MANAGEMENT

- Budget is the most important tool for managing cash flow
- Prepare a budget and review/adjust it regularly
- Budget example



FINANCIAL GOALS AND STRATEGIES – DEBT REDUCTION

- Types of debt
 - Credit card debt
 - Bank loan
 - Car loan
 - Mortgage
 - Tax debt
- Preferred debt
 - Low interest
 - Low monthly payment
 - Stay away from credit card debt
- Debt restructuring
 - Review and understand the current debt
 - Are repayments manageable for your cash flow? If no, can we approach the lender with a different payment plan?
 - Can aggressive debt be replaced with another loan?
 - Once a plan is made, follow it – make payments on time



IGNITE ACTION TO STRENGTHEN THE FUTURE



Personal Credit Rating

- Important for getting loans, mortgages and credit cards
- Credit scores are calculated using information in your credit report, including your payment history, the amount of debt you have, and the length of your credit history
- How your actions impact credit scores:
 - Pay your bills on time, every time
 - Keep your credit card balance well below the limit
 - Apply for credit sparingly
 - Check your credit reports regularly

Credit Score Factors



Credit Score Factors	
Payment History	35%
Amounts Owed	30%
Length of Credit History	15%
New Credit	10%
Types of Credit Used	10%



FINANCIAL GOALS AND STRATEGIES – SAVINGS

- Bank saving account or a GIC (guaranteed investment certificate) – earns interest, can be closed for withdrawals for a number of months (higher interest). If a bank is on reserve, interest is tax free for a status investor
- Employee saving plan – can be available through employer. Can also request to deposit a part of wages to a personal savings account
- Tax Free Saving Account (TFSA) – accumulating limit of \$6,500 per year (total limit is \$88,000 if never contributed), can check the limit on CRA notice of assessment or by calling CRA at 1-800-959-8281. This is the best investment strategy because income earned is tax free and can withdraw funds anytime.
- Investments (stocks, bonds, mutual funds) – investment income (dividends, gains in value) is taxable unless earned in a TFSA. Banks like to sell mutual funds – watch fund management fees, they're normally very high. Consider investing in ETFs instead (exchange traded funds)
- House – equity in a purchased house (not on reserve)



FINANCIAL GOALS AND STRATEGIES – RETIREMENT

- Types of retirement income
 - Work pension
 - Canada Pension Plan – maximum monthly amount for 2023 is \$1,306. Most First Nations don't participate in CPP.
 - Old Age Security – maximum monthly amount for 2023 is \$687.56 for age 65–74 and \$756.32 for over 75
 - Registered Retirement Savings Plan – RRSP. Normally not a good strategy for status individuals, can't access funds until retirement and investment income is taxable
 - Tax Free Savings Account – TFSA
 - Other savings
- Personal retirement goals
 - How much money will we need to live on?
 - Will our pension be enough?
 - How much savings do we need?
 - Rule of 72 – money doubles in $72/\text{rate of return}$ – if making 5% per year on investments, money will double every $72/5=14.4$ years
 - Consider a financial planner



IGNITE ACTION TO STRENGTHEN THE FUTURE



DEATH AND DISABILITY – INSURANCE

- Life insurance – can have a savings component
- Disability insurance – short term and long term
- Most employers offer insurance as a part of their benefit plan
- Review insurance coverage amount vs monthly payment, do you need additional coverage?



DEATH AND INHERITANCE – WILL

- In the absence of a will, all inheritance goes to the surviving spouse
- If no surviving spouse, inheritance is divided equally among all children
- In general, a will has to be signed by you and two witnesses, all need to be together at the time of signing
- A handwritten will can be dated and signed by you, no need for witnesses (has to be fully handwritten)
- Videotaped will is not valid in Ontario
- Legal advice is not mandatory but is recommended
- A will normally appoints an executor – a person that will look after dividing the inheritance among beneficiaries
- Will example and additional info – https://yourlegalrights.on.ca/sites/all/files/Will_Kit.pdf

Practical Application for First Nations Finance

Thank you for your time



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