The Stan Clark Financial Team's

PERSPECTIVES

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Financial Planning

Millennials' endgame: Financial independence — *Conclusion of a series*

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Over the past year – and can you believe it has been a year? – we as the team's three on-staff millennials have led younger-generation readers on a journey through understanding finances. We've covered topics from the basics of budgeting to the difference between stocks and bonds, always focusing on the endgame of reaching financial well-being.

It has been an interesting and often fun journey! Here is a review of the tips we shared with you, our fellow millennials.

Everyone wants that endgame of financial stability. The dream is to have a job that is fulfilling, be able to own your own home, save for retirement, go on extravagant vacations – all while raising children and contributing to society. In other words, to become financially independent. Most likely your parents had the same dream, and their parents before them.

Whether you're just starting university, have graduated and are looking for a job, or have been part of the workforce for a few years now, it's never too early or too late to think about your future and your finances.

1. Think about your future self
Over the past year, we presented a lot for you to think about, most importantly to remember to think of your *future self*. It's fun to live in the moment – and fun is something you should always make time for – but it is also important to set yourself up for success in later years. By making conscious money decisions and avoiding mindless spending, you will have greater opportunities to set goals. These might be going back to school to pursue a new career, starting your own company, buying your dream home, or even retiring early! Whatever your goals, now is the time to start thinking about your future self by creating a clear vision for what you want. Learning to prioritize for your future over your short-term concerns will help create that strong foundation to set you up for success.

2. The big B
The latte factor: You remember going over that – how those weekly coffee runs add up big-time. This kind of mindless spending and routine is at the centre of a potential downward spiral. The easiest way to get rid of this impractical habit is to – that's right – BUDGET. You can still have those lattes as long as you budget for them! Simply put, budgeting helps keep track of what's coming in vs. what's going out. Learn to categorize your expenses on a monthly basis so you know exactly where your money is going.

3. Pay yourself first
Okay, so now you have created your budget. Time to make saving and paying off debt a top priority. Put some money away before you have a chance to spend it! We provided a few suggestions on how to do this, like using a budget app or setting up automatic contributions to a savings account or investment vehicle like a Tax-Free Savings Account or Registered Retirement Savings Plan. (More on those below.) Note: Experts recommend having enough cash to cover you for six months in the case of an unexpected emergency, such as job loss.

4. Identify good spending vs. bad spending
Make a conscious decision for each purchase: Is it a need or a want? Good spending is paying for things that you need; bad spending is paying for things you want ahead of paying for your needs. By identifying your spending triggers (e.g., that dollop of guacamole is always extra), and learning to stop and think, you will make better choices about your purchases.

5. Get comfortable with investing
Investing at an early age is a great way to grow your money over the long term. It means your long-term savings can outpace inflation. Now, everyone is different. It is important to identify the right mix for your own needs and be comfortable with your own investments. Also, don't forget to educate yourself! The tools we recommend for success include: diversification; investing in well-established companies; and realizing the long-term benefits of stocks by removing your emotions from market ups and downs and media influences.

6. Know your investment vehicle options
There is more than one effective way to save for your future self. A *Registered Retirement Savings Plan* (RRSP) helps you save for retirement. The two big advantages of an RRSP are: 1) tax-deductible contributions that lower your taxable income, resulting in less tax to pay; and 2) tax-free growth, meaning you don't have to pay tax on any of your gains. A *Tax-Free Savings Account* (TFSA) is one of the most important personal finance vehicles for growing your wealth. You can contribute $5,500 (on average) per year; as of this year the total accumulated contribution amount is $52,000. The earlier you start, the longer your investment horizon will be – allowing you to see the growth of your money completely tax-free!

Life expectancy is on the rise. As well, we young people are much more active and conscious of our health. Combine this with modern medicine and our generation can expect to live and work longer than previous ones. Good to know – but it's also important to anticipate these longer lives and plan for them accordingly.

Sure, finances can seem scary. But they don't need to be. The key to success is to equip yourself with the proper tools and education.

We hope you've enjoyed our millennial series in *Perspectives* as much as we enjoyed writing it and sharing our personal experiences. Millennials, here's to our future and financial success! ■

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