ELLE **MONEY**

MONEY MATTERS

Get your finances in order with a deep-dive tune-up.

By TRUC NGUYEN

IN UNCERTAIN ECONOMIC TIMES LIKE THESE, it's hard to decide between revenge shopping and tightening our belts, because the desire for both is strong. Right now, there's still consumer confidence in the economy: The unemployment rate was at a historic low this past summer, and workers are still quitting their jobs as part of the Great Resignation due to factors such as burnout, industry changes and shifting priorities. But with consumer inflation hitting 8.1 percent, interest rates rising sharply and a potential recession on the horizon, the economic picture is suddenly looking a lot less rosy. Add in the facts that the Canadian economy has been shedding tens of thousands of jobs and homegrown companies from Hootsuite to Mejuri are announcing major layoffs and it's starting to seem like an opportune time to work on improving our personal financial health.

"We visit a dentist regularly to make sure our teeth are healthy and take our car in for a scheduled oil change, but sometimes we don't think to look at what's happening with our money," says Melissa Leong, author of the award-winning finance guide *Happy Go Money*. A tune-up and maintenance plan can help keep our finances in check for the short term and the long term.

Whether you spend an hour or a weekend on it, a financial checkup offers valuable insights about the state of your finances, giving you a chance to notice and address potential money issues before they become bigger problems. "I might do one after a period of overspending, like after the holidays, when I feel out of control or lost or confused about my money situation," says Leong.

As with so many things, the keys are finding the time and motivation to get started as well as breaking the task down into increments that feel manageable for you. "The best time to do it is immediately," says Jessica Moorhouse, financial educator and host of the More Money podcast. "If you delay it, you're honestly going to delay it for longer than you expect…and a lot can happen in six months or a year." Even if you can only do one task now, like reviewing your budget or trimming unnecessary expenses, you'll be better off than if you don't get started at all.

TAKE INVENTORY

The first step of a money revamp is figuring out your income and spending, especially if you don't have a budget and aren't currently tracking those two things. "I recommend that Canadians identify their after-tax income, monthly fixed expenses (including rent, mortgage, savings, insurance, health, maintenance, property tax, vacation fund) and discretionary expenses (groceries, clothing, gifts, eating out, entertainment, personal care, travel) and make sure each category is itemized," says Kelly Ho, certified financial planner and partner at DLD Financial Group. "It's important to take inventory before trying to do better," she says, adding that you should start by reviewing your bank and credit-card statements for the past two or three months. This part is essential because you can't improve your finances without fully knowing your financial situation. "Clarity will bring comfort," says Leong. "You can't start to make your money work for you unless you look at how much you're making, where your money is going and what you can do to make a positive impact."

You can also use this opportunity to look at your discretionary expenses—the ones that can vary from month to month—to identify spending patterns. Then consider whether your budget and spending accurately reflect your priorities and goals. "What do you want to have happen with your money?" asks Moorhouse. "That's the more fun part—getting deep and figuring out what you want in life and for your future." This could mean setting aside part of every paycheque to save for a big trip (now that travel is possible again) or putting funds into a dedicated savings account for some guilt-free clothes shopping.

While creating or updating your budget and tracking cash flow, you might also realize that you actually need to find ways to increase your income, perhaps via a side hustle or a temporary part-time job on weekends, in order to pay off debt quicker or be able to book that girls trip to Mexico. "If you want more than your income allows, then that means you need to earn more money," says Moorhouse.

IDENTIFY IMPROVEMENTS

Once you've got a clear picture of your cash flow, you can start making tweaks and improvements. Leong suggests things like cancelling any subscriptions you're not using and diverting those savings to your emergency fund (more on that later). Bumping up your automatic savings plans by just $10 or $20 per month can make a difference over time.

Beyond curbing any excessive discretionary spending, you could also look at fixed expenses like your cellphone bill and remove any paid features or data packages you're not using or see if you can find a better deal from the same carrier or a new one. This logic is ironclad: The more you can lower your monthly fixed costs, the more money you will have left over to put toward other financial goals. You could engage a professional at this stage to help you figure out whether your financial situation is in tune with your goals. "Financial planning is not only for the quote-unquote rich," says Ho. "It's [about] gathering the courage to go and talk to someone and actually have a second [and maybe] a third set of eyes take a look at your situation and tell you whether you're actually okay. A professional can discuss best- and worst-case scenarios with you and help make sure that your current savings rate and investments will actually support your goals."

PLAN FOR THE FUTURE

"Even if it's just a little amount, start putting money into your TFSA or maybe an RRSP for your future," advises Moorhouse. At the same time, don't forget to take a close look at your existing investments and any retirement savings to track their performance, make sure you're not paying too much in fees and see if you're on track to meet your long-term goals. "Take a look at what you're actually investing in," says Moorhouse. "If you don't understand what you're investing in, then that should be your signal to do a little more research."

There are lots of different financial products out there, from stocks to exchange-traded funds to Guaranteed Investment Certificates. You want to know not only where your money is but also what the fees are and whether the returns have been good or not. "If you're paying 2 percent or more, then the fees are too high," says Moorhouse.

SHORE UP YOUR EMERGENCY FUND

If you've been able to cut your spending or find some savings in your budget, this is a perfect time to stash some money away for a rainy day. Considering the current global economic situation, you'll want to make sure that you have started an emergency fund and are contributing to it regularly. Moorhouse recommends having at least three to six months of living expenses set aside in a savings account in case you're laid off or something else happens that negatively impacts your financial situation. "It's a game-changer for most people," she says. "Then you have a safety net." ■