

WEALTH BUILDING PACKAGE **12 STEPS** OF FINANCIAL SUCCESS!

Scott Ashby BBA, MBA

The Five Do's

I have lived on my own since I was 18 years old. Living independently taught me a few lessons. At the age of 20, I started a Registered Retirement Savings Plan (RRSP) as advised by my auto insurance agent. I contributed \$50 per month at first, but it was a good start. Soon the credit card companies found me.

They rolled in by the dozens, "this is great" I thought, "so much money!!!" What to buy first, a new TV, stereo for the house and a new car. Don't forget the dinners and entertainment with friends that were 'on me'! But then my bills also came rolling in, and I had to start taking money out of my RRSP to pay for stuff I did not really need. Before I knew it my RRSP was closed and I was \$20K in debt. What to do now?

I have since learned that credit cards, if carefully used, can work to your advantage. Just make sure that you can pay your balance BEFORE the interest starts and take advantage of reward programs. Keep in mind that credit cards, if abused, can also lead to tremendous hardships. At school I had achieved a Masters in Business Administration, and a lot of student debt combined with the same \$20k in credit card debt that I originally

started with. Fortunately, I have learned and developed some strategies that will help me reduce this heavy debt load and ensure an early and comfortable retirement.

First, "You can not improve what you do not measure"! DO use the **Master Tracking Sheet** to track your monthly expenses and income. This will help you see where you can cut expenses and where all your hard-earned money is going. If your cell phone is running high, change your plan, or ask yourself, "Do I really need a cell phone?". Compare insurance rates and make sure you are getting the best price. By constantly reviewing your personal spreadsheet, you can track your monthly expenses and appreciate the realities of your expenses. It is also a good idea to use the balance sheet where you will list all your assets and liabilities and use them to calculate your net worth. It is quite exciting and rewarding to watch your net worth grow.

Second, DO pay yourself first! I have heard this from many sources, and I firmly believe it is important to follow this rule. Make sure you pay yourself 10% of all incoming money first. Even if you get a large tax return...take 10% of it and put it into your RRSP's or GIC's (whatever investment vehicle you decide to use).

Third, DO NOT touch your investments! With exception for 2 reasons: (1) if you plan to buy a house, take advantage of the first time homebuyers plan and withdraw 20k from your RRSP to use as a down payment (it will have to be repaid within 15 years) and (2) when you retire. Other than that, never take it out, the marvel of compound interest will

ensure your investment grows. Save up the money for the big screen TV and buy it for cash, never consider your investment as a spending account.

Fourth, DO pay your debt off dutifully. Make sure you maximize your payments towards your debt, and try not to let it climb out of control. If you do let your debt escalate, then you know you are living beyond your means. If you have more than one debt instrument, pay down the highest interest rate first, and then once it is gone concentrate your efforts on the next highest interest rate. If your interest rate is 18.9% for every dollar you pay back you are getting an 18.9% return on your investment, where else can you get such a good return? Keep a credit card for emergencies or to take advantage of points programs, but DO NOT USE IT ON A DAY TO DAY BASIS. Set your monthly budget for expenses and follow it. Sure, surprises will come along, but if you go over budget one month try to reduce the following months to compensate. Try to have a savings account with a small balance to handle these sudden expenses without using your credit cards.

Fifth, DO maximize your efforts. If you are going to have credit cards why not have one with a rewards system (but make sure to pay it off each month BEFORE INTEREST is applied). I have an account with one of the major Canadian banks and a Master Card with a rewards program. I have set up all my monthly payments to either come off my credit card or come directly out of my bank account, all these transactions earn points. Also, all my weekly spending is done on my credit card and I pay it off online as soon as the expense occurs. This way no interest is charged and I earn points on every transaction. In eight months I have earned almost 4,000 points which can be redeemed

for approximately \$500 worth of grocery certificates or \$400 of gas certificates. Look for similar points programs that you can take advantage of.

And finally, and MOST IMPORTANT! DO remember to have FUN along the way. You only have one life, enjoy it as much as possible. Take vacations and see the world, but be thrifty. Go to the movies, buy a nice car, but again live within your means. Make sure you can pay yourself and your bills and still have money to enjoy your life. Save your money now, so when you are close to 60 you can retire and enjoy the rest of your life to its fullest. And do not get caught up in the credit card debt trap like I did.

Scott A. BBA, MBA

Class Mechanics Lenience – Centennial College – 1994

BAD – Automotive Marketing and Management – Centennial College - 1998

BBA – Automotive Marketing/ Management and Accounting - Northwood University
1999

MBA – Masters of Business Administration – Marketing/Research – Wilfrid Laurier
University 2005