Financial Resilience

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You've likely heard the term "financial resilience". You may even know it refers to a household's ability to navigate and overcome financial stress and hardships that life inevitably throws at you. But did you know that financial resilience can be measured?

This calculation is based upon key indicators that include household savings, stress levels around current and future financial obligations, social resources and support, the ability to meet short-term savings goals, debt management and credit score. Depending on how you score in each category, you're given a number from 1-100, with 100 being the most financially resilient. In 2022, the mean financial resilience score in Canada was 55.58[1].

This means that almost half of all Canadian households are financially vulnerable - or not well-positioned to absorb unforeseen challenges. Nearly 30% report having a savings buffer of less than three weeks[2]. This is exacerbated by rising interest rates and higher debt-servicing costs on mortgages, loans and credit cards, putting more people in the position of living paycheque-to-paycheque, leaving even less money to build emergency funds and a financially secure future.

The good news is that there are ways to increase financial resilience. We've put together five essential strategies for you to consider:

Set goals

The road to financial resilience is paved with goals. You can use them to create a plan you can stick to even when the going gets tough. It starts with asking yourself key questions, such as: What do I want to achieve? Why is it important? How much do I need? What will I give up in my budget to help me achieve my plan? Once you're done, write it down and share it with your household.

Build an emergency fund

Building an emergency savings fund will protect you from financial setbacks and help you recover quickly. Ideally, save to cover three months of your everyday expenses to make you less financially vulnerable.

Know where you're spending

Establish your fixed spending (rent, mortgage, food, utilities, debt repayment, etc.) and then track your spending for at least 30 days to see where your money is going. This is the best indicator of what life costs and where you can cut back to build your savings.

Deal with debt

With rising interest rates, there's never been a better time to pay off your debt. It can be daunting but start with those with the highest interest rate and work backwards.

Work with a knowledgeable partner

A financial advisor will offer a new, expert opinion on how to be more financially resilient. They work with you to build a flexible financial plan to prepare you for even the most unexpected challenges. People who have a financial advisor in their corner are also happier and report significantly less financial stress.

Anyone can benefit from working with a financial advisor to make the most of their hard-earned money and build the financial resilience to protect their family and achieve their goals. **We're here to help** [1].

[1.] Financial Resilience Institute: Seymour Financial Resilience Index™, Page 8 - https://www.finresilienceinstitute.org/wp-content/uploads/2021/09/Index-June-Release_July-22-Final.pdf [2]
[2.] The Globe and Mail: The road to financial resilience - https://www.theglobeandmail.com/business/adv/article-the-road-to-financial-resilience [3]

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