

## What You Don't Know Could Cost You

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The age old saying, 'Ignorance is bliss', may apply to many things in life. However, **when it comes to your finances, ignorance can be absolutely devastating.** Even the government is calling the startling **low rate of financial literacy among Canadians** an epidemic that can have catastrophic consequences for the nation's economic future.

A lack of knowledge on even the most basic financial matters has already led to a cascade of calamities that will have a far-reaching and long lasting affect on all of us. Among them:

- **It is reported that over 50% of all Baby Boomers are financially ill-prepared for retirement.** \*
- Families left destitute because of inadequate life insurance on primary income earners.
- Families uncertain about how to pay for the high cost of post-secondary education. \*\*

Most of these people didn't plan to fail; the problem is that **they simply failed to plan adequately.** While 30 years ago it may have been enough to just save religiously, the economy and the financial markets have since become much more complex, volatile and uncertain. And, when you consider all of the moving parts of a family's personal financial situation, each affected differently by various economic currents, you can no longer just set it and forget when it comes to your finances.

### Financial Literacy Begins with You

Understanding the financial world begins right at home with your own personal financial situation. Most of the people who fail out of ignorance probably did not have clearly defined financial goals. Without a vision for the future, there's little to motivate a person to learn and achieve. Establishing goals and then mapping out a plan to achieve them will force you to learn about your options and understand the possible obstacles. Many people have found it useful to have a qualified financial advisor guide them through this very important process.

Most people are unaware of many of the financial realities they face. For instance, while most people may realize that we are all living longer these days, they don't really know what that means in terms of their financial needs. A 35 year old male today, could expect to live until age 87. That translates into as many as 25 years in retirement on income sources that he must create.

### Ignorance is Costly

The road to financial success is full of roadblocks, the biggest of which is poor budgeting habits. A shocking number of people don't budget, and, as a result most of them are swimming in debt, have little or no savings, and are just a pay cheque away from financial disaster. While this can be attributed to laziness, or lack of discipline, the fact is that most people don't understand the true cost of debt and the time value of money. If a young couple could budget to save just \$500 a month for 35 years with an average return of 5%, they would accumulate nearly \$600,000. When you have control of your finances, and have your priorities straight, saving \$500 each month isn't very difficult.

**Time is a very valuable, but diminishing resource that should not be wasted.** The more quickly you can put your money to work for you, the longer it will have the magic of compounding interest working for it.

\* *Are We in a Baby Boomer Retirement Crisis? - Investopedia (2019)*

*\*\* Education Savings - Government of Canada (2019)*

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## Questions about Your Financial Strategy?

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