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The only fail-proof way to reach your financial goals is to save more

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There is only one fix for the damage that low interest rates are doing to your finances.

You need to save more. That's only the fail-proof way to reach your financial goals. Forget about finding strategies or products that will rescue you, because there are none.

Interest rates vary a bit on savings accounts, bonds and guaranteed investment certificates, but not enough to matter a lot. Stocks have been doing well lately, but their unpredictability should dissuade you from using them excessively to boost returns. The economy's no help, either.

Hourly wages were up 2 per cent last month on a year-over-year basis, but that's just enough to offset your rising living costs. If you want to meet your financial goals, you need to save more.

The past few years have shown us that the smart question to ask about interest rates is not "When will they rise?" Rather, it's "Can rates fall further?" Consistently, the answer has been yes. Just this month, the interest rate on 10-year government bonds in Canada and the United States touched all-time lows in the 1-per-cent zone.

Negative interest rates seem unlikely in Canada and the U.S., but they're well-established in some European countries and Japan. There's even a debate about whether more drastic measures than lower rates are needed. For example, there's the concept of helicopter money, where funds are distributed to people by central banks to stimulate the economy.

Interest rates will rise at some point in the future, so you should at least go through the mental exercise of figuring out how you'd make a higher mortgage or line-of-credit payment. But low interest rates are today's reality, and they require some behavioural adjustment.

We have certainly altered our borrowing behaviour, as shown in the country's high household debt levels and the hot housing markets in some cities. But our savings have not adapted. The national savings rate has been in steady decline in the past 12 months – down to 3.9 per cent in the first quarter of 2016 from 5.2 per cent in the second quarter of 2015. We're saving less at a time of diminishing returns.

Financial planning authorities recently issued their latest guidance on the rates of return that planners should be using for long-term projections. For people who want a balanced portfolio tilted very slightly to stocks, they forecast annual returns of 3.9 per cent after fees estimated at 1.25 per cent. For an aggressive portfolio, just 25 per cent in bonds, they see net returns of 4.8 per cent.
The aggressive portfolio is ideal for millennials, and for older investors who are fine with stock market ups and downs. But how many people are truly in this latter category?

It's worth asking this question with the brief Brexit-driven stock market decline fresh in our minds. Britain's vote to leave the European Union was a surprise, but so was the level of panic in the markets immediately afterward. Investors, both retail and institutional, are nervous.

You have to get your mind straight about saving in a low-rate era. Don’t give in to the quitter’s mantra that there’s no point in saving when rates are so low. In fact, your own contributions are what matter most in today’s financial reality, not the rate you get.

If you start with $1,000 and annually put that much into a savings account paying 1 per cent for five years, you end up with $6,203. That block of savings is no less significant because just $203 of it came from interest.

Let’s set a goal for your savings: Increase the amount you regularly put away in your emergency fund, your home down-payment fund, your retirement account or whatever by 10 per cent. If you’re not doing the regular contribution thing, set up automatic transfers into a high-rate savings account on the days you get paid. Even $25 a payday is worthwhile.

By all means, check around for the highest possible savings rates on websites like Canadian High Interest Savings Accounts , and consider whether you could tolerate some more stocks in your investment portfolio.

But you also have to face facts. In a low-for-longer interest rate world, you gotta save more.