

Pattie Lovett-Reid: 26 financial tips you need to know

I was thinking over the weekend, financial terms are often used without an explanation. I thought it might be fun to tweet out a fact over the next 26 days, according to the “alphabet.” Of course, there are many terms I could come up with for a letter like A for annuity or assets or even allocation, and the list goes on. This isn’t meant to be an exhaustive list, just a few tips – in 140 characters or less – for consideration:

A – Annuity. A lump-sum payment in return for a fixed sum of money paid each year, typically for the rest of your life.

B – Balance. Protect your portfolio by having a mix of stocks, bonds and cash. Asset allocation makes diversification work.

C – Cash. “Cash is king.” Without the proper amount of cash on hand, you can run into major trouble, and even be forced into bankruptcy.

D– Debt. Canadians are barely able to make ends meet and are taking on debt to maintain their lifestyles.

E – Equity. Simply stated, $Equity = Assets - Liabilities$. How much equity have you built up?

F – Future. Save for your future - no one will care more about your future than you. Never abdicate financial responsibility to someone else.

G – Goals. Be specific and measurable. Instead of saying, “I want to have enough money to retire,” determine how much money you need and when.

H – Habits. It’s the little habits that can make the difference between a life of prosperity and one of constant financial stress.

I – Income. Do the side hustle. Have a skill, knowledge or experience that could bring in a little extra income?

J – Job. A job can be just going to work to earn a paycheque. The real difference between a job and a career is your attitude.

K– ‘Know Your Client.’ This is the ethical foundation of the securities industry. Security buy/sell recommendations must be suitable for the client.

L – Live within your means. That means live on less than you make. That means having extra money at the end of every month...even if it’s \$5.

M – Money. It is not the most important thing in your life. But it’s nice to have.

N – Net Worth. Your net worth is what you would have in cash if you sold every significant possession and paid off all of your debts.

O – Operating costs. They sneak up. Look for ways to lower your household expenses. Program the thermostat, become more energy efficient, etc.

P – Pay yourself first. Have money deducted right off your paycheque - you won’t miss it.

Q – Quality. Look for companies that are leaders in their industry, pay a dividend and increase their dividend over time.

R – Risk. When investing, ask yourself how much money are you willing to lose AND how much money can you afford to lose.

S – Spending. It's okay to spend - you just don't have to single-handedly prop up the economy.

T – Taxes. Look for ways to deduct, defer and divide income to put more money in your pocket.

U – Understand your investments. Most seasoned investors have one piece of advice: Understand what you are investing in – or rather, do not invest in what you do not understand.

V – Vacation. Live your life no with regrets, travel and vacation.

W – Will. You have to get this right, because you can't come back and make it right.

X – X is the 24th letter in the alphabet and that is the age you should begin setting your financial goals.

Y – Yield. The yield on a security is the amount of cash (in % terms) that returns to the owners of the security, in the form of interest/dividends.

Z – Zero excuses. Take charge now of your financial situation. Quickest way to kill a plan.