Staying one step ahead of life's milestones

As a savvy investor, you know that having a well-defined retirement or financial plan is important to achieving the lifestyle you desire in your later years. Focusing on the right aspects of your finances at the right times is a big part of the planning process.

Below are some of the fundamental financial themes for key life stages—your 30s, 40s and 50s. Consider sharing these financial strategies with the people who are important to you as they move through life's milestones.

Your 30s

Build savings. Create good credit. Manage debt

After experimenting financially in your 20s, you've likely learned from your experiences by the time you hit your 30s. An important financial strategy for this decade is to build savings—for retirement and big purchases, like a car or house, and for emergencies. Using savings or investment accounts to address specific goals is a good idea.

It's also important to build a good credit history which starts when you apply for your first credit card or loan. It's then built up over many years. Build a good credit history by:

- **Paying your credit card bill right away:** Payment history affects your credit score, so there's a real benefit to paying your bill by the due date.
- **Having different types of credit:** It's better to have a car loan, a credit card and a mortgage than five credit cards.
- **Not using it all:** Consistently running up your credit card to its limit can weigh on your credit score.

As your 30s can be expensive, you likely won't be able to avoid debt, so managing it wisely is important for financial success. Credit card interest rates are typically high, which means paying them off in full every month is important. If you do carry a balance, consider paying off the debt with the highest interest rate first. Then make the minimum payment on your other debts, continuing this strategy until everything is paid off. Speak with us about other debt-management strategies.

Your 40s

Estate planning. Pay off high-cost debt. Retirement saving.

The 20s and 30s can be hectic as you figure out career, family and money. Life should be smoother in your 40s. During these years, consider your estate plan, which establishes your wishes for the transfer of your money and property, and the care of your children in the event of your death. An estate plan includes a will, named executor, power of attorney, a list of assets and other financial details. Executed with our assistance and that of a lawyer, an estate plan can help ensure your beneficiaries inherit as much of your wealth as possible. It will also help to avoid family disputes.

Paying off high-interest consumer debt is also important and allows you to focus on saving for the future. It almost always makes sense to pay off high-cost debt before contributing to an RRSP or TFSA. This is because it's more difficult to get a higher rate of return on investments than the interest you're paying on high-cost debt, without taking on added risk.

This is also the time to get serious about saving for retirement. Paying down low-cost debt, such as a mortgage, at the expense of retirement savings, can be emotional. And, it isn't necessarily driven by the numbers, especially with mortgage interest rates at near-historical lows. If the long-term rate of return on investments in an RRSP or TFSA exceeds the mortgage interest rate, investing may yield a greater benefit than paying off debt. Talk to us to determine whether an RRSP or TFSA will be the best choice for your long-term investing, depending on your tax contribution and withdrawal rates.

Read Jamie Golombek's Mortgages or Margaritas: Is paying down debt putting your retirement at risk?

Your 50s
Portfolio management. Pay-off mortgage. Tax minimization. Life insurance.

Your 50s tend to be years when household expenses subside and you can focus on other financial aspects. This is the time to save aggressively for retirement. Paying off your mortgage at this stage can provide you with a golden opportunity to redirect funds to your retirement savings.

Portfolio management can also become more critical. Consider shifting your investment portfolio from growth to a combination of growth and income. We can help you assess how much you'll need in retirement to maintain your desired lifestyle and if you're on track to meeting your goals.

Minimizing taxes is also important at this stage. One way to do that is to distribute the income your family earns as evenly as possible among all members. Known as income splitting, it allows you to transfer as much money as possible from the higher-income earners (taxed at a higher rate) to the lower-income earners (taxed at a lower rate). This strategy could put potentially thousands of dollars in your pocket every year. Talk to us about this and other tax-minimizing strategies.

Read Jamie Golombek's The Great Divide: Income splitting strategies can lower your family's taxes

At this stage, life insurance needs may also change. The children may be out of the house, the mortgage paid off and you're probably in good financial shape. Life insurance needs usually shift to include supplemental income in retirement, and estate and legacy planning. Insurance should focus on:

- Taking care of your spouse when their biggest earning years are complete;

- Paying fees typically due on death (like taxes on registered plans and funeral expenses) to ensure that the estate is left intact for your beneficiaries;

- Your philanthropic wishes.

We encourage you to get in touch with us to discuss what's important for your financial health as you move through life's milestones. We're also happy to talk with your loved ones to help them achieve financial independence regardless of their life stage.