Inspired Investor®

KNOW THE POWER OF YOUR MONEY MINDSET

PAY YOURSELF FIRST

+

Get a raise… yes, you!

Budget for the LIFE YOU WANT

Small business owner Frankie at her coffee shop

"At its core, your money mindset is really just how you think about money. But there's so much more to it since your money mindset ultimately affects all of your spending, saving and investing decisions. As someone who has had some type of job (I still think I was the best dog sitter around) since my early teens, I've been focused for a long time on saving, planning and putting my money to work – but it hasn't been without setbacks. Today, I try to make my spending decisions based on needs, of course, but also with an eye to what value a purchase offers. (And yes, that's easier said than done as I reflect on that very expensive – but yummy – latte I had yesterday.)

From budgeting to a set-it-and-forget-it savings strategy, we're bringing you simple and inspiring ways to help you feel confident in the choices you're making for your financial future, no matter what your money mindset is. Keep learning, keep growing. Let's go. — LEIGH FELESKY, EDITOR-IN-CHIEF

↗ **Find out more about the *Inspired Investor* team**

How to Master Your Money Mindset

Your core beliefs around your finances drive your spending and saving decisions every day. Find out what your money mindset is and make it work hard for you.

■ **WRITTEN BY THE INSPIRED INVESTOR TEAM**
■ **PHOTOGRAPHY BY RYAN BOLTON** ■ **ILLUSTRATIONS BY MICHELE PERRY**

When it comes to money and investing, everyone seems to tackle things just a little differently. Are some people right and some people wrong? Not necessarily. Rather, it often comes down to how you think about money. In other words, your money mindset.

A money mindset is quite simply your attitude about money and your unique set of beliefs about financial matters. Your money mindset affects how you think about finances, how you plan, how you deal with setbacks, how you save and spend, and how you deal with debt.

Understanding the kind of money mindset you have is powerful. It can help you figure out the best way to meet your financial goals, and be aware of possible pitfalls, obstacles and challenges. "It is very important to acknowledge your money mindset; to understand how you approach money, spending, and saving. It will help you to understand what you may need to tackle to achieve longer-term goals," says Stuart Gray, director of RBC's Financial Planning Centre of Expertise. (Not sure what kind of money mindset you have? Take our **quiz** to help you narrow it down.)

Let's take a closer look at some of the ins and outs of money mindsets, so you can put yours to work for you.

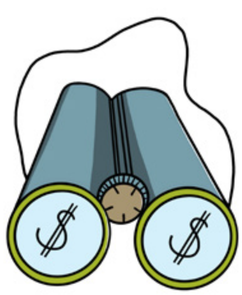
> "You're not fighting your natural inclinations, but are using them as tools to meet your goals."

HOW ARE MONEY MINDSETS FORMED?

Money mindsets are often shaped, not surprisingly, by our experiences growing up and how our families handled money. Whether your parents were extra-frugal, often worried about debt, refused to discuss finances or spent money without a lot of thought, that's going to affect how you think about money, too. In turn, you may make deliberate or subconscious choices to follow their path or specifically take a very different approach.

The experiences you have as an adult – perhaps starting your career in an economic downturn, or even the social media you follow – can also play a role in establishing money mindsets.

No matter your money mindset, or where it comes from, you can harness its power to make it work for you. Here's how.



1 Pay Attention

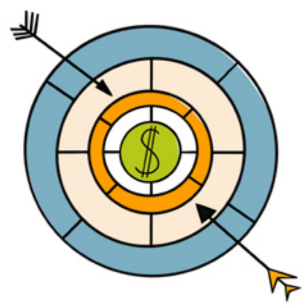
Recognizing your behaviour is a key step. "Once you have acknowledged your personal money mindset, you can plan and adapt your behaviour to improve your financial circumstances," says Gray. "For a spender, this may be setting some mediumand longer-term goals and 'forcing' savings to achieve them." One way to do this is to set up pre-determined amounts to go directly from every paycheque into investment accounts. On the other hand, he says, for a saver, it may be giving yourself permission to indulge in shorter-term spending on non-essentials to make your lifestyle more comfortable, convenient or fun. Crave expert advice? Feel motivated by a step-by-step series of goals? Fine-tune your financial life to make those approaches part of your overall plan.

2 Choose a Mantra

If you realize that your money mindset is making you uncomfortable about financial issues – maybe you're feeling anxious, envious or insecure – take a step back and try using a mantra, a positive personal motto that starts with "I" (such as, "I trust my judgement to make good financial decisions") that you can repeat to yourself again and again. This can help break a negative cycle in your mind and create a new dialogue, which in turn can help you make healthier decisions.

3 Align on Goals

What do you do if your money mindset is different from your partner's? "This can be a very volatile situation," says Gray. "Align on some key goals that you work towards together. Do not co-mingle your accounts. And simply recognize and acknowledge the differences so you keep communicating."



4 Approach It the Right Way

Want to make your money mindset more positive? Consciously choose an "abundance" approach. Ask yourself what abundance means to you and areas in your life for which you are grateful. This goes beyond your bank account and considers your health, energy and relationships, as well as food and shelter. Reflecting on and nurturing your idea of abundance can help you take steps to make the right decisions.

5 Recognize and Reward

No matter if you're a spender, a saver or somewhere in between, it's important to recognize and reward yourself for changing your behaviour so it lines up with your money mindset in a healthy way, says Gray. (Remember, it doesn't have a reward related to money. Instead of a movie, you could meet a friend for a walk or to watch the game.)

Taking the time to understand your money mindset is a valuable exercise. It means you're not fighting your natural inclinations, but are using them as tools to meet your goals. "Once you have acknowledged your personal money mindset, you can plan and adapt your behaviour to help you reach your goals," says Gray. ■

How to Budget for the Life You Want

The concept of a budget seems simple – money in, money out, make note of it. But for many, it can feel challenging or even scary. Personal finance author Melissa Leong takes the stress out of budgeting with these best practices.

WRITTEN BY MELISSA LEONG ■ PHOTOGRAPHY BY KATHERINE HOLLAND ■ ILLUSTRATIONS BY MICHELE PERRY

When I think of every milestone or major event in my life, I've always kept two things that were tremendously impactful: good company and a practical budget.

I budgeted ahead of my wedding and the birth of my children. I created budgets after promotions or job loss and after serious illness in my family.

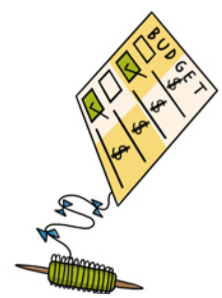
I've revisited my budget after periods of overspending or instability. A budget gave me comfort and a sense of direction.

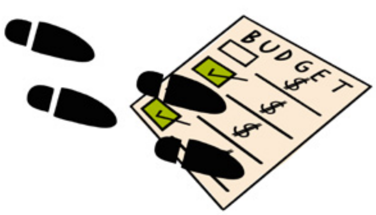
That said, not everyone feels that way. For many, the word "budget" can be intimidating or overwhelming. For me, it used to invoke feelings similar to restrictive dieting or being managed by an overbearing boss; so over the years I've shifted to calling it a "spending plan" – it's simply a plan for how you spend your money, based on your priorities and goals.

I know it might take more than a vocabulary makeover to create and manage a successful budget. To get you going, here are some best practices for how to build a budget that works for you (and tips for then sticking to your winning plan).

WHO IS A BUDGET FOR?

Anyone and everyone. What happens in life is often out of our control. But we can, and should, take charge of our finances. And the foundation of good money management begins with a budget.





WHAT ARE THE FIRST STEPS?

The first time you create a budget, it's going to take some time. But don't worry, once you've established one, it'll take less and less time every time you revisit it. First, find a budget spreadsheet online that you can fill out, print or download. (I sometimes still use paper and a pen.) Your bank or government website may have tools or free templates with helpful categories for expenses such as groceries, utilities, rent, etc.

Next, download all of your bank statements and credit card statements for the last two or three months. (If you use cash, you'll want to keep and collect all of your receipts to do this exercise.) List all of your income and expenses in their respective categories.

I divide my budget categories between needs and wants. Your needs are expenses required for survival each month (housing, car payments, insurance, etc.). My kids (and husband) insist that Lego is a "need" and I respectfully disagree; however, what is non-negotiable for me is savings. My savings are in the needs category – these include automatic payments I make to myself for planned spending, my emergency fund, debt payments, retirement contributions and education savings for the kids. You may also have seasonal or annual expenses (vet bills, home repair, etc.). Divide the amount by 12 to determine the monthly amount for your budget. If your income is irregular, take an average of your take-home pay from the last few years and divide that by 12 for your monthly amount to start.

This finished document reveals how your cash moves and whether you have a surplus or deficit. Next, you want to create a copy with this question in mind: "How much should I be spending in each category?" This is your spending plan, a flexible guide for reference. Without action, however, this is just a wish list. You have to start tracking your expenses to see if you're spending in line with your plan.

QUESTIONS TO ASK YOURSELF

- Did I account for all of my income and expenses?
- Are my numbers accurate?
- Did I include a category for savings?
- Do I need professional financial help?
- Did the money I earned last month exceed my expenses?
- If so, how much is left over for my goals?

HOW OFTEN SHOULD I REVISIT MY BUDGET?

If you feel out of control when it comes to your finances, I would create a spreadsheet and track earnings and expenses monthly for at least six months. After that, consider reviewing it every few months, after major life events or whenever you start to feel off track.

Be patient and kind with yourself throughout the process. Managing your money is a journey and you will have wins and setbacks as you create new habits.

> "If you're budgeting for the first time, or returning to it after a while, a few stumbles are just part of the process. Keep going."

WHAT IF I HAVE TROUBLE STICKING TO MY BUDGET?

Your budget may be too restrictive. Life is unpredictable and not always easily categorized. Look at your budget and simplify. Take your income. Subtract your mandatory expenses, your savings and your debt repayments. What's left over? Give yourself permission to spend this on whatever you deem to be valuable. Also, if you're budgeting for the first time, or returning to it after a while, a few stumbles are just part of the process. Once you've started (which is often the hardest part), giving up would be like turning the heat off just before the water boils. Keep going.

The simple act of using cash can help us be more mindful of our spending. Years ago, I would take a specified amount of cash out of the ATM at the start of each week and use that for discretionary spending. You could also put cash into envelopes at the start of each month for spending in different categories.

Getting others involved can also help. Consider telling a trusted friend or family member about a budget goal. For example, if you plan to bring lunch to work four days a week to reduce spending in your "eating out" category, ask a co-worker to join you or commit to texting someone on Fridays with your progress

Finally, when we make choices, our brains need time and practice to consider the long-term ramifications of our actions. ("If I buy this, will I be satisfied?" versus "If I buy this, what will this mean for my RRSP contribution goal?) I try to stick to a 24-hour waiting period before making unplanned purchases and I keep a card in my wallet that reminds me of my spending values and financial goals.

Fill this out, print it for your fridge or keep it in your wallet to remind you of your priorities and keep your spending in line with your values, whether that be health, family, adventure or financial freedom.

I am building the life
that I want and
my money is for
1.________________
2.________________

HOW DO YOU TAKE YOUR BUDGET TO THE NEXT LEVEL?

Your budget should help you achieve your goals. Identify your short-term goals (within a year), mid-term goals (within five years) and long-term goals (at least 10 years out). Without short-term savings or planned spending, including for vacations, holiday celebrations, gifts etc., your finances can veer off course. (When a family member got engaged, I saved $115 monthly for 13 months for her destination wedding; it helped to avoid taking on unnecessary debt.) For long-term goals, understand that time is a powerful force for your money, so start planting your seeds immediately and regularly so one day you'll reap a bountiful field.

Your budget should also reveal potential excess. Go through your expenses line by line. Where can you save? Do a subscription audit and see what recurring expenses can be eliminated or paused. Call your service providers (think phone, internet and television fees) and try to negotiate better rates. If you make cuts, earmark the extra money for your goals.

Automate your money, using your budget as a guide. In addition to automating bill payments, set up a monthly money transfer to your various savings goals. (You may use multiple savings/investment accounts for different needs.) It might also be a good idea to automate a money transfer into a separate chequing account associated with a debit card that you can use for guilt-free spending.

If your income is stable, a zero-sum budgeting strategy might work for you. This is where you give every dollar a job – you take all of your income and you allocate the money to something so at the end of the month, your balance is zero. It's a much more detailed approach, but knowing that each dollar you earned has been used intentionally each month can be very satisfying.

YOUR BUDGET TO-DO CHECKLIST

- ❑ Collect documents, including bank statements, credit card bills, pay stubs, etc.
- ❑ Save your receipts. If you often use cash, save a month's worth.
- ❑ Find a sample budget or spreadsheet or fill one out online.
- ❑ List your income and expenses in the respective categories.
- ❑ Go line by line through your expenses and identify excess, see where you can reduce costs, etc.
- ❑ Create a copy and set your own limits and targets. This is your spending plan for reference.
- ❑ Make a list of short-term, mid-term and long-term goals.
- ❑ Assign money to those goals.
- ❑ Track your spending over the next month and create another spreadsheet.
- ❑ Assess how close you are to your spending plan and adjust.
- ❑ Keep going. There will be ups and downs – you can do it.

Your budgeting strategy may vary slightly. What's most important is finding something that works for you. Wherever you are in your budgeting journey, you deserve a high five! With a budget, you're not at the mercy of what's in your bank account. You're taking charge and using your money to build the life that you want. ■

Melissa Leong, author of the feel-good finance guide Happy Go Money.

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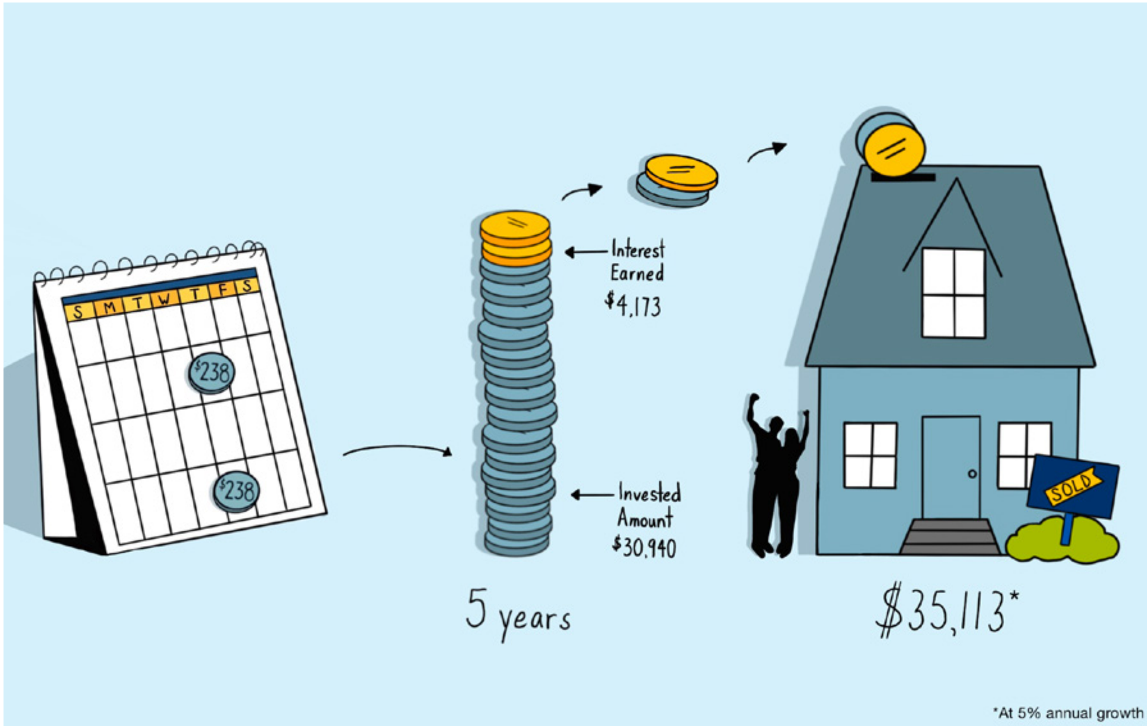


What It Really Means to Pay Yourself First

Learn more about a strategy that lets you work toward your goals with minimal ongoing effort, leaving you time to focus on other things.

- **WRITTEN BY THE INSPIRED INVESTOR TEAM**
- **ILLUSTRATIONS BY MICHELE PERRY**

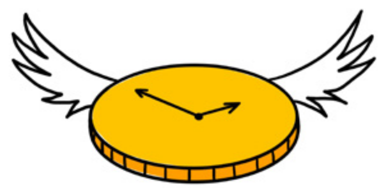
When a plane is on autopilot, it's not exactly flying itself, but it's set to maintain a course or altitude while the pilot concentrates on other details of operating the aircraft.

The same idea can apply to saving or investing. With pre-authorized automatic deposits into an investment or savings account on a set schedule, you're applying a "set it and forget it" strategy to your finances. Much like the plane's pilot, this allows you to work toward your goals with minimal ongoing effort, leaving you the time and energy to focus on other things.

A pre-authorized contribution plan, sometimes referred to as a PAC, is an automatic contribution to an account of your choice – typically your RRSP, TFSA, RESP and/or another investment account. The contribution generally comes from your chequing or savings account and once set up, the funds are transferred without any additional effort by you – nothing to remember, nothing to click, nothing to do at all.

WHAT ARE THE BENEFITS OF A PAC? YOU CAN:

1 Take Control and Free Up Time



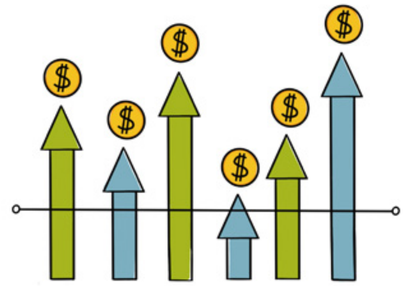
Everything about a PAC is within your control, from the frequency of your contributions (you can opt for weekly, every two weeks, twice a month, monthly or quarterly) to the amount you contribute (you can decrease it or increase it at any time). You can also stop and restart a PAC as needed, eliminating any concern about getting "locked in" to a plan.

Stress- and effort-free saving is a massive benefit to setting up a PAC. There's no shame in this, but let's face it, it can be easy to forget to tackle savings each time a paycheque hits our account. A PAC is like a personal savings assistant who helps keeps you on top of your goals.

2 Reach Your Goals Faster

Perhaps the most compelling upside of a PAC is the ability to help reach your savings goals faster. Building your savings through regular contributions means you earn money on your initial deposit AND on the money you've made on your earnings – thanks to the power of compounding. This is the case regardless of how big or small your regular contribution is.

3 Reduce Your Risk



PACs are also a way to take advantage of dollar-cost averaging (DCA), a simple investing strategy that can help you reduce the risk that comes with trying to time the market. By putting a fixed dollar amount toward your investment fund on a regular basis (say $25 month), you may pay more for investments some months (when markets are up) and less during others (when markets are down), but overall, the total cost will typically end up being less than if you contributed in one lump sum.

Financial professionals often say most people spend their money in this order: bills, fun, saving. A PAC can help you prioritize savings while still keeping aside some discretionary funds for the "fun" part.

> "Pre-authorized automated deposits allow you to work toward your goals with minimal ongoing effort, leaving you the time and energy to focus on other things."

PACS IN ACTION

Want to see a PAC in action? Try this **calculator** to see how saving regularly can help you reach your goals. You can calculate how your savings could grow with regular contributions, or how much you need to save in order to reach a goal.

For example, imagine you're hoping to buy your first home in the not-too-distant future – say, five years from now – and you have determined you'll need to save $35,000 toward a down payment. In the calculator, input some quick info such where you live and your annual income. Choose your contribution amount and frequency (bi-weekly is a popular option, but choose whatever works best for you), and your expected annual rate of return. With this information, the calculator can suggest how much you may need to put aside to hit your goal. In this case, with bi-weekly payments and a five per cent return, that's $238 every two weeks*. You'll also see the growth over time of your cumulative contributions and return.

There's a good reason we're often told to "pay yourself first." It's a golden rule of savings for one reason: it works. Paying yourself first can make saving like a reflex, as automatic as breathing. And who wouldn't breathe a whole lot easier knowing there's a nest egg building for your goals? ■

Ready to sign up for a Pre-Authorized Contribution?

*The results generated by the calculator are general estimates only and provided for informational purposes.

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How To Ask for a Raise in This Economy

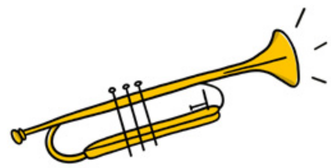
Asking for a raise in times like these may seem like a tough proposition, but you have more going for you than you think, explains career and salary negotiation coach Kathryn Meisner.

■ **WRITTEN BY SARAH TRELEAVEN**
■ **PHOTOGRAPHY BY RONALD TSANG** ■ **ILLUSTRATIONS BY MICHELE PERRY**

With rising inflation and high interest rates, Canadians have been asked to stretch paycheques further and further. At some point – perhaps while eyeing your grocery receipt or the chunk of your budget earmarked for living expenses – you might have caught yourself thinking: "A raise would be nice."

Wait, can you ask for a raise in times like these? Asking for more money at work might seem like a tough proposition with so much talk about a recession and high-profile layoffs, but many raise-seekers have more going for them than they think. Just ask Kathryn Meisner, a career and salary negotiation coach. She shared with us how, even in today's economy, the only thing standing between a worker and extra cash flow could come down to simply knowing their worth. Read on for her tips for communicating your value, finding the upper hand in negotiations, and – when you're feeling confident – popping the question.

TOUT YOUR ACCOMPLISHMENTS



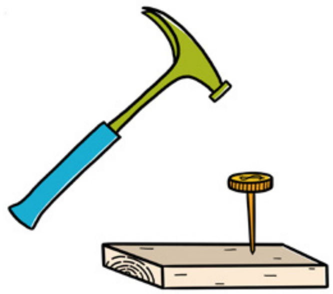
Being good at your job is important – but what's most important when it comes to negotiating a raise is that the people around you know that you're good at your job. "It's great that you know what you're contributing, but you also need to tell other people about that," says Meisner.

This is the kind of information that can be underscored in strategic meetings with managers – ideally, a weekly one-on-one. If that's not happening, look for other opportunities to update your manager on what you're working on, which skills you're sharpening and your broader career aspirations.

FIND THE UPPER HAND

Making the case for more money isn't just about being good at your job; you should also consider the circumstances of your position. For example, scope creep – when a role's responsibilities expand without a proportionate bump in pay – is common, and can quietly take place over the course of months or years before you realize it.

Recognizing such a scenario can give you leverage. "You should be paid for the work you're doing," says Meisner. Make a business case for why you deserve to be paid more for taking on additional responsibilities, she says. And this isn't just an opportunity to ask for more money. If the scope creep is substantial – and you feel confident you can handle the additional work – try pitching a new title or even whole new role to match your raise.



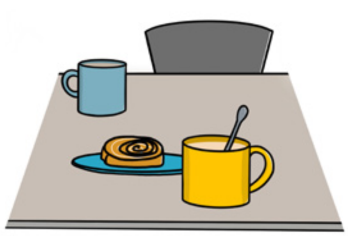
LAY THE GROUNDWORK FOR FUTURE RAISES

Maybe you don't feel like you're going above and beyond, but you're still a crucial team player. In that case, Meisner suggests reframing your perspective. If you don't feel like you can make a strong case for an increase in compensation right now, start investigating what you need to do to make the case down the road. Which benchmarks do you need to hit? Which relationships do you need to cultivate? And which skills will make you indispensable? "Make this your to-do list for the next six months," says Meisner.

> "Talking about money is very difficult, but once people start sharing, they open up, and it can really help you realize if you're being underpaid."

MAKE IT PART OF YOUR ANNUAL ROUTINE

Many workers save salary negotiation for major milestones, like securing a new job or being offered a promotion. But Meisner suggests that asking for more money should become an annual habit, ideally associated with positive performance reviews. "Even if you get a 'no,' that's still useful because you are practicing your negotiation skills," she says. "You're practicing being assertive, you're practicing communication skills, and you're often making visible some achievements or responsibilities that your manager may not know about."

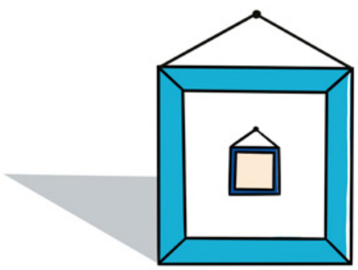


KNOW YOUR MANAGER

"Figure out what works for the person you're negotiating with," says Meisner. "I had a client who had a manager who preferred a PowerPoint sent to her in advance of the conversation of all the achievements, and I have had clients who have had managers who just have like a face-to-face conversation." She also recommends talking to a colleague who successfully negotiated a raise to get the inside scoop.

DO YOUR SALARY RESEARCH

Meisner recommends doing substantial advance work to sleuth out the pay for comparable positions within the company. That means internet research, asking others in the industry, or talking to friends or former colleagues. "Talking about money is very difficult," says Meisner. "But once people start sharing, they open up, and it can really help you realize if you're being underpaid." It's also your chance to find out if you're getting competitive non-financial compensation. Meisner recommends that women ask male colleagues how much they're paid.



CONSIDER YOUR BIGGER FINANCIAL PICTURE

Meeting with a financial advisor can provide the spark you need to ask for more money, says Meisner. Even if you can comfortably afford your monthly bills, "you might realize that your salary doesn't actually help you meet your financial goals," she says. "You really need to figure out what your goals are and what you need to do to get there." Putting together a financial plan can help you clarify your short- and long-term goals, and also give you a good sense of where to allocate the money when that raise finally comes through.

DON'T SWEAT THE TIMING

You might be tempted to consider all kinds of factors before you ask for more money – your personal performance, your company's financial situation, the industry outlook – but Meisner cautions against getting too hung up on the idea that there's a perfect time for a raise. "What I find with most people is that, if they wait for the right time, the right time never comes," she says. Managers will likely be candid if now is not a good time.

HAVE A PLAN B

Speaking of which, you're not always going to get the answer you want. But Meisner says that getting a "no" on a request for additional compensation isn't the end of the conversation. "Employers don't want to say 'no' too often, because it's assumed that if you reject someone's compensation request more than once, they're going to start looking somewhere else," she says. "Consider it the first step in the process." Meisner recommends asking for direct feedback and revisiting the conversation in six months.

After a few tries? "You have to ask if you want to stay," says Meisner. As a start, there's nothing wrong with meeting others in your field to feel out what positions or companies lie beyond your role. "I've had clients that have switched roles into their dream salary." ■

If you would like to review your plan or investments, we are here for you.

- Book an appointment with an advisor through **MyAdvisor** or **RBC Online Banking**.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