

Smart financial management for twenty-somethings

Being in your early 20s is an exciting time of life. The world is yours for the taking as you begin this next chapter of independence, career, and creating a home of your own. The choices you make now as you establish your professional and personal lifestyles will lay the foundation for your future financial success, which means getting started on the right foot is crucial.

As your wealth management team, we can work with you to help you access the many resources available to help you manage your finances and create a solid financial plan for your future. What follows is an overview of some of the ways we can help, along with links and information to get help you get started — and stay — on the right financial track. Our goal is to be your financial partners through all the chapters of your life, and we look forward to setting out on this journey with you.

BUDGETING YOUR FIRST REGULAR PAYCHECK

Finishing school and embarking on a new career can be exhilarating. It also comes with a lot of responsibilities, especially if you're living in a place of your own for the first time.

Knowing where your money is coming from and where it's going are essential. A budget puts all of that information in one place and helps you anticipate shortfalls, adjust your priorities and plan for the unexpected.

In a nutshell, a budget records all of your income sources and all of your expenses, from rent to food to entertainment to savings. Once you've subtracted your total expenses from your total income, you'll be able to see where you may need to generate additional income, or where you have a surplus.

Remember, a budget is a guideline to help you stay on track. You'll need to adjust it from time to time as your needs change. And if you stray from it, just refocus and remember that financial management is an ongoing learning process — it's the big picture that counts.

Online budget help

Use the RBC Budget Calculator found online at www.rbcroyalbank.com/student/budgetcalculator to record all of your expenses and income — you supply the numbers, it does the math, you print it out. If only sticking to the budget were this easy.

FLEXIBLE CREDIT OPTIONS

When used wisely, credit can be an invaluable wealth management tool. At this point, you should be moving beyond a student credit card or line of credit, and adopting a credit strategy that will meet your changing needs over the next few years. An RBC banker can complete a thorough assessment of your credit needs, and provide flexible credit options including lines of credit.

INVESTING FOR GROWTH

When you're thinking about buying your first home or first car, retirement planning often takes a back seat. But in this case, time is most definitely on your side, and putting as little as \$25 per month away now can generate a huge payoff (literally!) later.

Most experts recommend the “pay yourself first” philosophy, which means you automatically put a certain percentage — generally 10 per cent — of your income into savings whenever you get paid or receive money.



How you make your savings work for you is a matter of personal choice and expert recommendations. There are two main types of investment accounts: registered and non-registered. Registered accounts are generally ear-marked for retirement. The funds also generate tax savings for the year in which you deposit the money. Non-registered accounts (which include stocks, bonds, GICs, mutual funds and more) can be used to save for shorter-term goals, like buying a car.

All investment decisions should be made in the context of a comprehensive financial strategy. Working with an accredited financial planner, one who can create a complete financial plan that will also take into account your investment needs, can help you clarify your goals and then set out a realistic plan to achieve them. You may prefer to manage all or a portion of your investments on your own. In that case, we can help you select an account that is right for your investment needs.

Being an educated investor

Whether you choose to work with a full-service investment advisor or prefer to handle your investments yourself, being an educated investor is always a good idea. RBC Direct Investing™, which offers easy, online access and trading for self-directed investors, also provides an excellent Education Centre at <https://www6.royalbank.com/educationcentre/english>. The site includes a range of resources for beginners to seasoned investors. Ask us for recommendations on additional resources, books and courses you can take on investing and advanced wealth management.

THE RESPONSIBILITIES OF FAMILY WEALTH

Being in line to inherit family wealth, a family business, or both, includes significant opportunity and responsibility. We can work with you and your parents to create a staged plan for transitioning a family business to the next generation. Your family's plan may include estate freezes, family trusts, insurance and other tax-effective strategies that will ensure an orderly, phased transfer of the business. Part of that plan will also include assisting you in assuming new levels of responsibility and ownership of your family's legacy.

Estate and trust planning experts are also part of the RBC team. Having served multiple generations of Canadian families, they provide a wide range of tax-effective estate and trust structures designed to support a family's current and future wealth needs.

Cool tool

Want to get your feet wet in the world of investing?

Through RBC Direct Investing, you can open a risk-free, cost-free practice account that will allow you to get comfortable with investing products and strategies before putting real money on the line. Speak with a member of your RBC Wealth Management team to set up your account.

Or for more information, visit:

www.rbcdirectinvesting.com/practice-accounts.html.

YOUR PHILANTHROPIC GOALS

Giving back is a big part of responsible wealth management. At this stage of your life, you may wish to expand your involvement in your family's philanthropic work. Take some time to become more involved in the causes your family champions, perhaps through volunteer or board work in addition to charitable contributions.

You may have your own views on the charities you'd like to support, either on your own or through your family. Consider researching and recommending a philanthropic cause at your next family meeting – provide a sound case for support in your presentation, and your family may incorporate your suggested charity into its annual philanthropic plan.

Your RBC advisor can also be an excellent resource when it comes to philanthropy, and will assist you in the creation of a giving plan that is in line with your goals and beliefs.

YOUR KEY PRIORITIES

At this stage of life, you're probably focused on a number of financial priorities. RBC specialists can provide expert one-on-one assistance, as well as a wealth of resource materials, to help in any or all of the following areas:

- Developing a wealth management strategy
- Understanding your personal net worth
- Obtaining a mortgage for your first home
- Playing a more significant role in your family's philanthropy or business

Making RRSPs and TFSAs work for you

Saving for your future should be a key part of any financial plan. There are some ways to save that will also benefit you today – in the form of immediate tax savings.

Registered Retirement Savings Plans, or RRSPs, are ideal for those in their prime income-earning years. These investment portfolios, ear-marked for your retirement and registered with the Canadian government, are allowed to grow in a tax-sheltered environment (contributions are taxed only when you withdraw them). In addition, the contributions you make to an RRSP are tax-deductible in the year in which you make them or in any subsequent year. You can get started early with your RRSP contributions when you are still in a low tax bracket, yet have the flexibility to carry forward your deduction (on Schedule 7 of your tax return) until you are in a higher tax bracket in order to get a larger tax reduction from the same contribution. But don't wait too many years if you can put the refund to use now.

Tax-Free Savings Accounts, or TFSAs, are similar to RRSPs in that they are government-registered accounts, and contributions grow in a tax-sheltered environment. TFSAs are more flexible than RRSPs, however, because you can withdraw contributions at any time without penalty. TFSAs also differ from RRSPs in some key ways: contributions are not tax-deductible, and annual contributions are capped at \$5,000. Both savings strategies work well together. A TFSA can provide a great way to save for short-term goals, like a car or vacation, or longer-term goals, such as a home or even retirement, if you have additional investment income you would like to shelter once your annual RRSP contribution has been maximized.

Ask an RBC advisor for more information.

Good read

Money Well Spent: A Strategic Plan for Smart Philanthropy,
by Paul Brest and Hal Harvey

SIX WAYS TO PROTECT YOURSELF AGAINST CREDIT CARD FRAUD

- 1 Never leave your cards or purse unattended at work or in your car's glove compartment — both are common targets for thieves.
- 2 If you're away on holiday, take cash or traveller's cheques with you whenever possible and store your credit cards in the room or hotel safe.
- 3 Plan for what you'll need, and take only that amount of cash with you for a night out with friends (this will protect your cards and your budget).
- 4 Make a list of your credit cards and their numbers, and keep it in a safe place. This will be helpful information if you need to report a lost or stolen card.
- 5 If your card is lost or stolen, immediately notify the credit card company.
- 6 Review your monthly statements carefully. If you notice any transactions that you did not make yourself, contact the bank or credit card company right away.

HOW WE CAN HELP

Whether it's helping you to map – and achieve – your short and long-term financial goals, establishing flexible credit structures that will respond to your needs, investing assets, or all of the above, we can help. Working with you, we will create a plan to meet your current financial needs and keep you on track to meet all of your long-term goals. Members of your wealth management team are available to meet you at a location and time that suits your schedule.

YOUR WEALTH MANAGEMENT TEAM

We look forward to working with you to create a tailored financial strategy that will meet your needs now and down the road.



RBC Wealth Management®

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