The family dollar juggling act

How to balance everyday needs with your financial goals.

FOR PARENTS, DAILY LIFE CAN SEEM LIKE A JUGGLING ACT. Adults in the family have a schedule, priorities and commitments. Kids have a schedule, priorities and commitments. Sometimes they match up. Often they don't. As a result, many families become experts at keeping multiple balls in the air.

Fortunately, when it comes to financial planning, there are ways to reduce stress by introducing flexibility and improving balance within the family circus. Families don't have to give up the present for the future – or the other way around. Instead, they can balance their short-term, mid-term and long-term needs, assigning some money each month to a variety of financial goals. The truth is, many decisions don't have to be "one or the other" – and that gives families flexibility to plan, save and spend in a way that works best for them.

Assessing the costs

The cost of raising the average Canadian child from birth until he or she turns 19 may be close to a quarter of a million dollars[1] – but, of course, every family has different expenses.

Let's start with the basics: food, clothing and a home that's big enough for a family. And then there are common extras: child care before and after school, camps when school is out, extracurricular activities and equipment, computers, smartphones, health care beyond the provincial plan and, looming on the horizon for many families, post-secondary education. Finally, there are the nice-to-haves – things like vacations, family outings to the movies or dining out once in a while.

In addition, parents need to cover the basics of their own financial needs: saving for retirement and other goals, creating an emergency fund, paying down debt and protecting their family's financial security with insurance.

Balancing all these competing priorities with different timeframes may seem overwhelming, but smart planning can help parents find the right balance. Here are six strategies to consider.

1. Kick-start education savings with an RESP

It's one of the best deals around. For every dollar contributed to a Registered Education Savings Plan (RESP) to help pay for a child's post-secondary education, the federal government will chip in $0.20 in Canada Education Savings Grants (CESGs). Contribute $2,500 a year to get the maximum annual

[1] www.moneysense.ca/magazine-archive/the-real-cost-of-raising-kids

CESG of $500, or $7,200 in CESGs over the life of a child's plan. That's more than one year's average undergraduate university tuition[2] – paid for entirely with CESGs.

Juggling tip: Ask family members to contribute what they planned to spend on birthday and other gifts to your children's RESP. Let friends continue to give presents. Remind everyone that education is a gift that lasts a lifetime.

2. Maximize free retirement savings if available

Not all employers offer matching contributions to a retirement plan (for example, a group Registered Retirement Savings Plan (RRSP) or defined contribution registered pension plan) – but if yours does, take full advantage of it. Industry estimates suggest at least 40 per cent of the money employers have set aside to match employee contributions isn't being used.[3] Set aside $100 a month for 20 years, and a 100 per cent match will boost retirement savings by $24,000, without accounting for any investment growth.

Juggling tip: Prioritize RRSP contributions for the partner who receives a matching employer contribution. In years when there's more than enough money available to maximize the match, build up the other partner's retirement savings in an RRSP or spousal RRSP.

3. Cover unexpected costs with insurance

Orthodontics. Prescription glasses. Medicine. Physiotherapy after a sports injury. Many health care costs aren't covered by provincial health plans. For those who don't have additional coverage through their workplace, or whose coverage may not be enough, individual health and dental benefits provide protection from the full impact of that scariest of sentences, "Your child needs braces." In addition, term life insurance can be an inexpensive way to protect family finances from the consequences of a death.

Juggling tip: An insurance premium may seem like one more bill – but it could help save money. If money is tight right now, opt for a basic policy today with plans to upgrade in the future.

4. Make the most of benefits and tax credits

The federal government paid families $18 billion in children's benefits in 2015–16.[4] Get your fair share by applying for the Canada Child Benefit for children under age 18 and, if a child qualifies, the child disability benefit as well.[5] In addition, costs for child care, medical expenses and adoption-related expenses may be claimed.[6] Post-secondary students may be able to claim student loan interest and eligible moving costs, as well as the more familiar tuition amount.[7]

Juggling tip: Got a tax refund? Rather than spending it, earmark it for a longer-term goal such as debt repayment.

5. Engage kids in finding the best deal

Comparison shopping is an important life lesson, so get kids involved in looking for the best value for the things they need. Costs vary widely for extracurricular activities and camps; if a specific program costs more, make sure it offers more too. When it comes to sports equipment, musical instruments and expensive school supplies such as laptops, consider good-quality second-hand items or see if friends with older kids have gently used hand-me-downs. Ask for tips from other parents and take time to research before buying.

Juggling tip: Brand new is exciting – but used means more money to spend on other things. If it's a priority to invest in the best instruction and equipment in one area (say, for a talented little violinist), make a trade-off – for example, rent instead of buying skates for that child.

6. Add flexibility to your mortgage

Fixed and inflexible mortgage payments may be one of the primary reasons why families struggle to juggle. With a traditional fixed mortgage, you lock into a set repayment amount for the term of the mortgage, and accommodating any changes in your household finances can be difficult. A flexible mortgage enables you to adjust your repayment amount or schedule when needed – to meet life's unexpected expenses as they arise or repay your mortgage faster when you can. You enjoy more control over how you respond to both short-term financial demands and longer-term debt management.

Juggling tip: Being able to set your own pace for repayment is a definite plus. Consider your situation carefully to help determine which type of mortgage best suits your needs.

Good financial advice can help

Parenting can be joyful, thrilling, frustrating and challenging – sometimes all in the same minute. At the end of a long day, it may not be easy to find the energy to think about financial planning. That's why it can help to talk to an advisor who specializes in strategies like the ones in this article. An advisor can suggest approaches that provide the right balance for your family, which could help make your juggling act an applause-worthy success. ■

[2] Statistics Canada, "University tuition fees, 2015/2016," *The Daily*, last modified September 11, 2015, www.statcan.gc.ca/daily-quotidien/150909/dq150909b-eng.htm (accessed May 7, 2017).
[3] business.financialpost.com/personal-finance/retirement/leaving-money-on-the-table-how-many-canadians-arent-taking-advantage-of-defined-contribution-pension
[4] www.fin.gc.ca/afr-rfa/2016/report-rapport-eng.asp#_Toc463249477
[5] www.cra-arc.gc.ca/benefits/
[6] www.cra-arc.gc.ca/tx/ndvdls/tpcs/ncm-tx/rtrn/cmpltng/ddctns/fmlyddctns-eng.html
[7] www.cra-arc.gc.ca/tx/ndvdls/sgmnts/stdnts/ddctns-eng.html

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