FINANCIAL POST

Start the year on the right fiscal foot

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> Beginning of the year is a great time to revisit your investment portfolio

After the holidays, it can be a busy time for financial planners. It's as if the Ghost of Christmas Future descended and inspired not only goodwill but money-mindedness. Perhaps time with the family has people thinking of how to care for them in the future. Or perhaps the break from work has people fantasizing about a blissful retirement. "Sometimes we're caught up in the rat race of everyday life and you don't think about the long-term future," says Myron Knodel, director of tax and estate planning at Investors Group. "But then when you have time, you think: What is my life going to be like 10, 15, 20 years from now? Am I doing what is needed now in order to have the lifestyle I would like in my retirement years?" So resolve to get in financial shape in 2013 and beyond. To get you started, we sought out some long-term planning advice from the experts.

Assess what you've got and decide what you'll need for the future

"A big part of the question is: How much do I need to save?" Mr. Knodel says. Ask yourself: "How long do I plan to work? Will I have an inheritances? What type of lifestyle do I want in retirement?" A variety of retirement calculators exist online to help you figure out how far your savings will go. If you need help, engage a professional, such as a financial planner, or speak to someone at your bank. But be aware of how they get paid; some planners may get a commission on securities they sell while others charge a flat fee for advice only or charge a percentage based on the amount invested.

Start thinking about death

Too morbid? How about: Start thinking about what kind of awesome goodbye party (funeral) you'll help your heirs throw. To ensure your loved ones are cared for, first list your assets. Figure out what you have and decide who and which charity gets what. Choose an executor and then make a will. Without a will, the law decides who gets everything you own. Even young parents need a will. "Without a will … if you have a lot of money, even if that child has no ability to manage money, he will get everything at age 18," said Les Kotzer, a wills and estates lawyer and author of Where There's an Inheritance. Finally, choose a power of attorney who will act on your behalf if you are unable. (Don't forget to review your will every few years or when your circumstances change. Your son-in-law might have grown on you by then.)

Pay down your debt

Get rid of credit-card debt. Consider contacting your credit-card companies and asking them to transfer you to their low-rate option (and make sure the low-rate option doesn't cost you an annual fee), says Elena Jara, director of education at Credit Canada Debt Solutions. Combining debt onto one low-interest card could save you in interest charges. If you're having difficulty, speak to a credit counsellor for advice. "You want to get rid of your mortgage debt as soon as possible because the interest that you pay is non-deductible," Mr. Knodel says. "But you need to have a balance: If I have limited resources, do I pay down my mortgage or make a contribution to my RRSP? You want to have an eye on both of those issues and deal with them together. One strategy is if you make an RRSP contribution and get a tax refund, take it and use it to reduce your mortgage."

Pay yourself first

"There are two kinds of people in life: There are those who spend first and save what's left over and those who save first and spend what's left over," Mr. Halpern says. "The second group generally has money available for retirement planning and children's education and getting recreational properties. The first group ends up working for the second group most of their lives." So imagine you're a squirrel, working your tail off to gather food for winter. Save inside an RRSP or your tax-free savings account until that room is maxed out. A TFSA is also a great place to house your emergency fund. The time to start saving is now — don't expect it to get easier as you get older. "Oftentimes in people's fifties is when they're spending the most money. At the same time, they need that money for their future," says Tom Hamza, president of the Investor Education Fund. "We're seeing a lot of people retire with mortgages; that's just something that's unprecedented."

Look into insurance

"Sometimes the answer to leaving an inheritance is life insurance," Mr. Knodel says. Determine how much you want to leave and if you need more, make up the difference by buying life insurance. If you already have life insurance, check your rates. "Insurance rates have come down on term insurance; people today can get insurance for less than what they were paying for it 10 years ago, even though they're 10 years older," says Mark Halpern, a certified financial planner and president of illnessProtection.com.

Have a good investment plan that suits you

Consider your stage in life, your time frame and what kind of volatility you're comfortable with. Like the RRSP, the TFSA is a good place to start investing for the long term by including slightly riskier securities like dividend-paying stocks or investment funds. Most financial institutions have online tools to help you rebalance your portfolios. And remember: The more time you have, the more risk you can afford to take. "Beginning of the year is a great time to revisit your investment portfolio," says Howard Kabot, vice-president of financial planning at RBC Wealth Management. "Some people may have done tax-loss selling.... Call up your advisor and say you want to talk about the long-term goals of this investment portfolio. Where are we going with this? Do I have the proper asset mix of equities, fixed-income, cash, bonds, etc.?"