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## Setting financial goals for 2009

By [Amy Brown Bowers](#) • Bankrate.com

Money is on nearly everyone's minds these days. Do I have enough? How can I get more? Where did mine go? With the new year well under way -- a year that's shaping up to be financially challenging for most -- here are some life-stage-relevant steps you can take and goals you can set to improve your finances.

### 30 and younger: Invest in yourself

People in this age bracket should focus on building earning potential, being smart about debt accumulation and practising good money habits.

"The most important financial asset that they have is their earning power," says Warren MacKenzie, president of Toronto-based Second Opinions Investor Services. "They should be focusing on improving their knowledge and earning power, because that's what's going to help them the most in the long run."

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Next, be prudent about the debts you incur.

"Watch out for the Loan Ranger," says Alim Dhanji, a Certified Financial Planner, or CFP, with HC Financial Group and Assante Financial Management in Vancouver. "This group is hit by advertisers the hardest. Buy now, pay later indeed. It's important for this group to understand and largely avoid a life reliant on debt financing."

As for getting into the habit of saving, don't worry about how much you can set aside -- just focus on doing it.

"You could take the poorest person, and if they are spending a little bit less than what they're earning, and they're putting it aside, they're going to be wealthy someday," says MacKenzie.

"People under 30 are usually in spending mode...They often think that they can't afford to save, so we start small (\$25 or \$50 per pay cheque) and build from there," says Vera Adamovich, a CFP with IPG in Stittsville, Ont. "Even \$25 per pay ends up at \$600 per year," she says.

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-- Posted: Feb. 13, 2009

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And while you may think you have no money to spare, monitoring your cash flow may change that.

"If you don't know where your money is going, how are you ever going to find enough to save?" asks Marc Lamontagne, a CFP with Ryan Lamontagne Inc. in Ottawa. "Having a handle on your cash flow has been a proven method of financial success."

### 30 to 50: Build a plan

As you enter your peak earnings years, it's important to establish a plan to help you reach your goals. "It's just like having a road map in a strange city -- if I do this, then I'm going to get there," says MacKenzie, adding that this stage of life is among the most stressful and that having a plan is the best way to reduce stress around money worries. A good plan shows where you are, where you want to go and includes systematic and concrete steps that will get you there.

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No matter what your circumstances and no matter how tangled your financial situation, getting help from a qualified expert to build a plan is always a good idea.

"In this age group, most seem to have the startling realization that they only have a few more years in which to save for retirement," says Kathryn Jankowski, a Toronto-based wealth consultant and divorce finances specialist with T.E. Wealth. "If you retire at age 65 and live to age 90, then you have 25 years of income replacement to think about. When the kids are gone and your job is more established, this is the best time to aggressively save for your retirement years."

### 50 to 65: Double-check your plan

Now is the time to double- and triple-check that you're set for retirement by eliminating debt and maximizing contributions.

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Dhanji suggests people in this stage recalculate their retirement projection. "Are they still on track to meet their retirement objectives? Will they have to work longer or reduce their retirement income?" he says.

Lamontagne says this is also the stage at which you should maximize your RRSP and Tax-Free Savings Account, or TFSA, contributions. He suggests considering borrowing to invest if all of your debts are paid off.

"The interest you pay is tax deductible if the investment is made to a nonregistered account. The stock markets are at a low, so timing is good, and borrowing costs are very low, so the new monthly expense will be relatively small," he says.

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If your debts are paid off, be careful of something MacKenzie calls lifestyle creep. With more income and fewer expenses, "there's generally more money available, and it is so easy to develop richer tastes. You get used to more expensive trips and more expensive clothes and a nicer car and going out more often ... What used to be a luxury becomes a necessity."

### 65 and older: Sustain your plan

While you reap the benefits of years of saving, make sure the way you spend doesn't mean you'll run out of money too quickly.

"Make sure the amount of money you are taking out of your investment portfolio to live on is sustainable. If you are forced to sell while the markets are down, then you won't be able to ever recover those losses," Lamontagne says.

If you are worried about having enough money, revisit your financial plan and talk to an expert about making any necessary changes.

"People 65 years of age and older should take no more risk than necessary, because they do not have the option of going back to work," says MacKenzie. "They need a financial plan to determine how much risk they need to take to get the return that is necessary so that they never run out of money. The financial plan will also show them how much they can safely spend."

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