

How to be financially prepared for whatever comes your way

Don't let the next calamity catch you and your finances off-guard.

If we've learned anything from the pandemic, it's the importance of being financially prepared. A considerable number of people found themselves in dire straits, while others weren't sure how best to save the money they weren't spending because of lockdowns. Many scrambled to create wills, buy life insurance, make sure their estates were in order, and more. Indeed, [82% of Canadians](#) were feeling anxious about their finances in 2020, according to Policy Advisor.

Given that you never know what might happen next in your life or with the economy, it's important to have all your financial ducks in a row before the next crisis occurs.

So, how can you ensure you're prepared for whatever is around the corner? Here are five areas to consider looking at today.

Investments

What do the years 2001, 2008, and 2020 have in common? The stock market plummeted by significant amounts. You never know when the next big crash is coming, but it's a sure bet that at some point in your lifetime, financial markets will suffer major losses again. Protect yourself by [diversifying your portfolio](#). That means ensuring your portfolio has broad exposure to asset classes, geographies, companies, and currencies to spread out the risk in the event of a market correction.

Insurance

Not enough people have insurance. According to Policy Advisor, [38% of Canadians](#) rely solely on their workplace or group benefits for life insurance, while 14% have no life insurance at all. While it's no fun thinking about insurance,



it may be one of the most important ways to protect yourself and your family against the unexpected.

There are some key insurance products to consider: life, critical illness, and disability. Life insurance is the most commonly chosen one and will give your beneficiary a lump sum payout after you pass away. Critical illness insurance can cover income lost due to a life-threatening illness, like cancer; it's paid out as a lump sum and won't necessarily cover all income loss. Disability insurance is for instances when you can no longer work due to illness or injury, is usually paid out in monthly installments, and won't cover all income lost due to the illness or injury. The key is to assess your situation, see how much income your family might need if your salary disappears, and then find a policy that works best for you.

Estate planning

Over the last year and a half, estate planning has become top of mind for Canadians. In 2018, an [Angus Reid](#) poll revealed that 51% of Canadians didn't have a will. A [poll](#) conducted in 2021, however, found that COVID-19 had prompted 53% of participants to write or update their will. A well-thought-out estate plan is a must when preparing for the unexpected—without one, your

assets could get distributed in ways you might not like. While an estate plan should include a will, it also involves [beneficiaries](#) on your registered plans, potentially setting up trusts that would give you more control over how your money is spent after you pass away, determining who gets the cottage, ensuring there's money to pay estate taxes, and more. These plans can get [complicated](#), so ask a professional for help.

Emergency savings

Creating an [emergency fund](#) should be high up on your to-do list. Set up an account that you contribute to regularly, but only touch if you lose your job, if your roof caves in, or in the event of another unexpected situation. Set up automatic monthly transfers so your fund can grow on its own. Most experts recommend saving six months of your salary but do the math yourself to see how much might need to get you through a rough patch.

Budgeting

Understanding where your money is going each month is another key element to being financially prepared. Create a list of all your expenses, and your income, and see where you stand. Are you spending more per month than you'd like? Are you saving enough? Budgeting makes it easier for you to plan for any upcoming expenditures, but it also allows you to quickly cut back if something goes awry. Make sure [to include your partner](#) in the discussions as well, as preparing for the unknown should be a team effort.

None of us can ever know what's around the corner and how an event, whether personal or global, will really impact our savings and lifestyle. But the better prepared you are, the better shape you'll be in when the next crisis occurs.

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