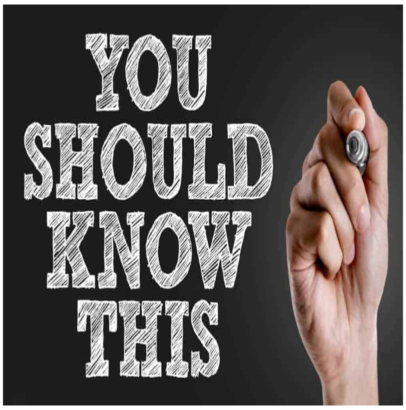

Feeling Financially Fragile in 2020? Here's a 3-Step Checklist

Description

COVID-19 brought severe money pressures and highlighted the vulnerabilities of Canadians in 2020. This year is almost over, and millions feel they're financially fragile heading into 2021. The massive work interruptions since mid-March resulted in heightened concerns about families' ability to meet essential needs and financial obligations.

Government transfers and various emergency measures are helping a great deal in alleviating financial hardships. However, the programs are temporary and will end within a prescribed period. Since the fallout from the pandemic is likely to extend, you can take steps to improve your financial position and not be in survival mode.

1. Do a budget makeover

The top financial priority in this abnormal situation is to ensure you can cover essential expenses. Similar to what most companies and businesses are doing, conserve cash. Re-evaluate your budget and do a makeover if need be. You'll have savings or emergency funds if you can free up more cash due to fewer expenses in a work-from-home environment.

2. Work out a debt strategy

On December 9, 2020, the Bank of Canada announced that it would maintain a rock bottom policy rate and continue buying bonds. The moves aim to drive down interest rates on mortgages and business loans to ease debt loads. Expect interest rates to remain low for at least the next three years.

If you have a mortgage, consider refinancing as you might save thousands from a drop in your rate. Also, carrying debt is never advisable during a recession. It might be a good time to consolidate debts and secure a lower interest rate.

3. If possible, create passive income

The **Toronto Stock Exchange** (TSX) suffered a massive selloff in March but has since recovered the losses. Canada's primary stock market index is now up 3.28% year to date, an incredible 57% rally from its low. Despite the market's volatility, many stayed on and are investing more following the rebound.

If your finances allow, it won't hurt to invest in dividend stocks. You can create passive income and have more financial cushion. It will also enable you to get back on track towards your long-term financial goals.

Build financial security

A high-quality dividend stock with bond-like features is **Fortis** (TSX:FTS)(NYSE:FTS). The utility stock is the perennial choice of risk-averse investors. You can build financial security and receive a recurring income stream amid a recessionary environment.

With Fortis as your anchor, there's capital protection and dividend safety regardless of economic circumstances. This $24.5 billion regulated electric and gas utility company is relatively immune to harsh market conditions. Earnings are predictable while cash flows are stable because the company derives 99% of revenues from regulated utility assets.

The recession-proof stock trades at $52.49 per share and pays a decent 3.85%. Assuming you own $150,000 worth of Fortis shares, the passive income is $5,775 or equivalent to $481.25 per month. Buy and hold the stock to keep the cash flow coming. Furthermore, management plans to increase dividends by 6% annually through 2024. Certain Canadians are less vulnerable to financial stress because they own defensive assets like Fortis.

Financial well-being framework

COVID-19 threatens economic stability as well as health. However, it doesn't mean Canadians are incapable of resiliency in a crisis. Following these steps can help you construct a financial well-being framework.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:FTS (Fortis Inc.)

PARTNER-FEEDS

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