No Savings? No Problem! 3 Steps to Build Your Fortune

Description

Many will not save unless the situation demands. Others can't set aside money due to financial priorities. The 2020 global pandemic would have brought financial hardships if not for the government transfers. Fortunately, the health crisis produced a twist for the better. Canadians suddenly saw the importance of financial well-being, not just personal health.

According to Statistics Canada, the household savings rate grew in the early months of the pandemic. People controlled their spending and kept more cash to avoid financial dislocation. If you have no savings, it's not late to make it a habit and build a fortune. A simple but realistic three-step guide will help you secure your financial future.

Use an easy budgeting method

An easy budgeting method is the 50-30-20 rule. The method should assist you in managing finances efficiently and adequately. Divide your disposable or after-tax income into three categories: 50% for essential needs, 30% for wants, and 20% for savings. Since you can't spend more for wants during lockdowns, assign a higher percentage for savings instead.

Once it becomes a habit, managing your funds won't be as stressful. When you stick to the budget, you keep all spending in check. More importantly, you get to save money consistently. Sometimes you'll discover you can free up more cash as you go along.

Pay but do not accumulate debt

If you're chasing after a long-term financial goal, eliminate obstacles, particularly outstanding debts. Craft a debt-repayment plan to pay down debts, partially or fully. Your financial situation should improve, as you gradually lessen the debt burden to be debt-free eventually. The quicker you can get rid of your debts, the faster your savings will accumulate.

The warning, however, is to avoid accumulating more debt. If you need to borrow, make sure the loan has positive consequences. Good debts like mortgages, home equity loans, and student loans have lasting values. Remember, the ultimate objective is to achieve financial independence.

Invest in income-producing assets

The third step is wealth building. Canadians have excellent investment vehicles available to them. Open a Tax-Free Savings Account (TFSA) or a Registered Retirement Savings Plan (RRSP). If you have either one already, maximize the accounts by using your savings for investment purposes. Most TFSA and RRSP users buy dividend stocks to hold in their accounts. Money grows tax-free.

A high-yield stock like **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) will enable you to grow a massive cash stockpile. Since this energy stock pays monthly dividends, money growth is faster. Keep reinvesting the dividends to realize the magic of compound interest. At $37.22 per share, the dividend yield is 6.77%. A $200,000 investment will swell to $385,054.69 in 10 years, assuming the yield remains constant.

Pembina Pipeline is a $20.47 billion energy infrastructure company that has been operating since 1954. Its large asset base today consists of pipelines and facilities, including 19 gas-processing facilities. About three million barrels of oil equivalent per day pass through the company's extensive pipeline network (18,000 kilometres).

An eye opener

COVID-19 was an eye opener, because Canadians are prioritizing savings more than spending during the pandemic. It gave people motivation to improve their financial situations. No savings shouldn't be a complex problem to fix if you follow the three-step guide.

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