Canadians: How to Save Your 1st $1,000

Description

Unfortunately, too many Canadians don’t even have an emergency fund. They’d be stumped if their cars suddenly broke down or another emergency came up. They wouldn’t have the cash to deal with an emergency. It doesn’t have to be this way.

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Here’s how you can save your first $1,000. Once you’ve saved your first $1,000, it’ll be much easier to save the next $1,000!

It’s all about making good habits with regard to handling your money.

Here are some simple steps you can follow to save your first $1,000. First, spend less than you make. Second, pay off high-interest debt. Third, build an emergency fund, which will be your first $1,000. Fourth, start investing your excess cash for more income.

Spend less than you make

You’ll have excess cash left over if you always spend less than you make. For example, if you earn $3,000 a month, save at least 10% to have $300 leftover every month. In four months, you’ll have $1,200 saved! Some frugal Canadians have known to save as much as 50% of their disposable income!

That said, if you have high-interest debt, you should pay it off first.

Pay off high-interest debt

When you borrow money to pay for anything, you’re probably paying interest on it. Those interest expenses can add up super quickly, especially on your high-interest debt that’s most likely on your credit card(s).

So, aim to pay off your credit card(s) every month. I’ll have you know that the interest rates on your credit cards are probably around 18-20%. Even professional investors can't consistently get returns of 18-20% from the stock market every year! So, it makes good money sense to pay off credit card balances every month.

If you can, borrow from a personal line of credit (which charges lower interests) to help pay off your credit cards.

Build an emergency fund

You don't want to have to borrow (and end up paying interests) when an emergency comes up. So, after paying off high-interest debt, consider using your savings to build an emergency fund that should be at least $1,000.

Experts recommend having an emergency fund of at least three months of your living expenses. Build a sufficiently sized emergency fund for your peace of mind.

Invest for more income

Once you have your emergency fund in order, you can start putting your savings in quality dividend stocks to generate more income. You can eventually become financially independent through this strategy!

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As a new investor, consider investing in dividend stocks with safe yields of 3-5%. No matter if the stock markets go up or down, you'll get a nice steady income that can be used as excess cash for investing or to be used to pay the bills if the need arises.

Put **Bank of Nova Scotia**, **Fortis**, **TELUS**, and **H&R REIT** (TSX:HR.UN) on your potential list of dividend stocks to buy and hold. Currently, they yield approximately 3.7-4.6%.

Within the group, H&R REIT provides the greatest potential to boost its payout significantly over the next few years.

The diversified REIT cut its monthly cash distribution by half in May 2020 due to the pandemic. However, its portfolio of office, residential, and industrial real estate assets has been resilient. Moreover, its office and retail properties have average remaining lease terms of about 12 years and seven years, respectively. So, the REIT's cash flow should remain sturdy to support its monthly cash distribution. Its payout ratio was only 43.5% in Q1 versus 76.5% a year ago.

CATEGORY

1. Investing
2. Personal Finance

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

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