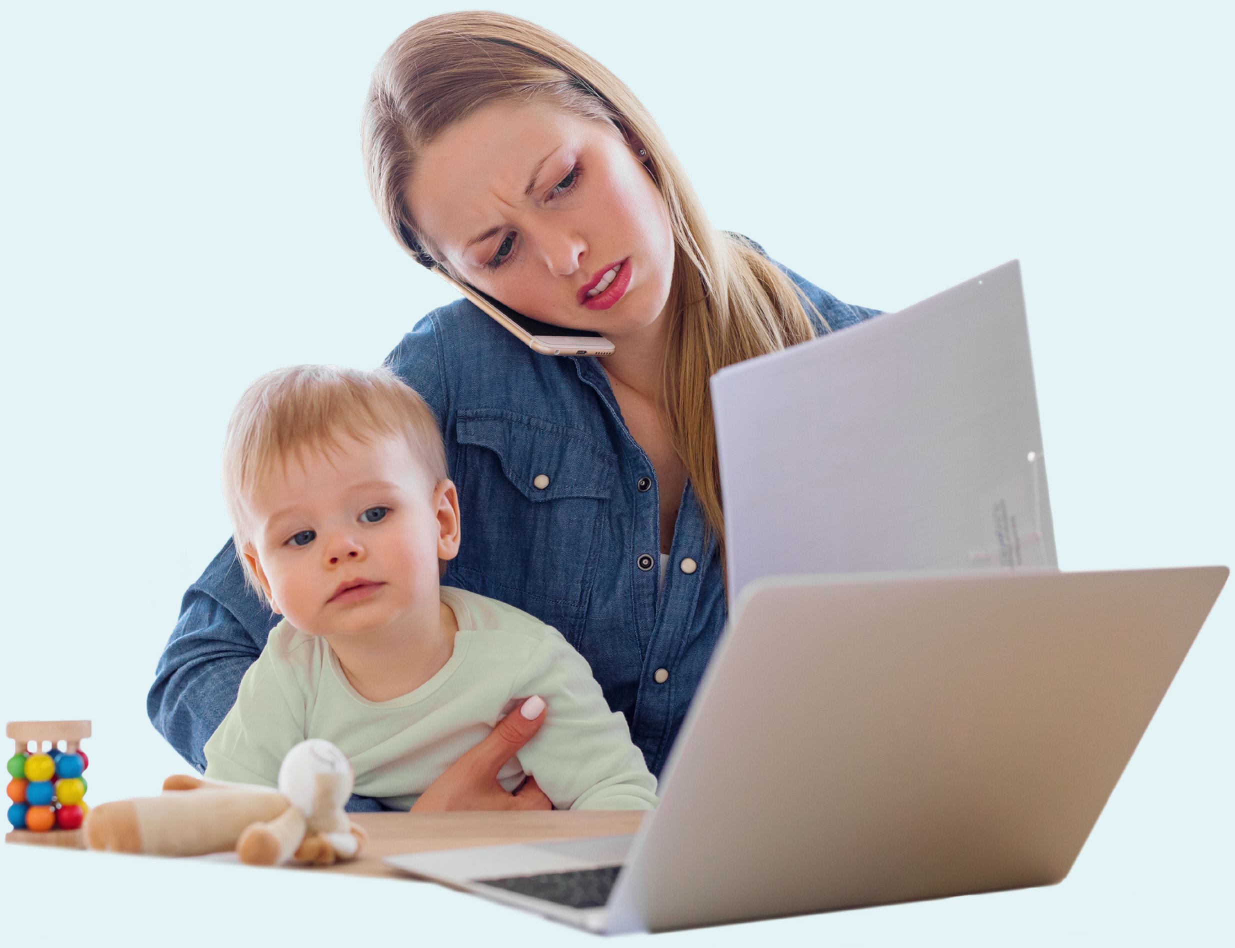
GROW YOUR FINANCIAL KNOWLEDGE

MoneySmart MANITOBA

5 WAYS

TO BE SMART ABOUT DEBT WHEN YOU'RE INVESTING



Debt can weigh you down. Here are some investing tips that allow you to plan for your future without creating a debt burden.

1 AVOID BORROWING TO INVEST

- It's good to invest, but don't go into debt to do it!
- Start with small contributions.
- Don't save at the expense of other necessities.

2 COMPOUND INTEREST CAN WORK FOR YOU IN YOUR INVESTMENTS OR AGAINST YOU WHEN YOU HOLD DEBT

- It's true that investing early is the best way to save because compound interest works in your favour.
- But if you carry high-interest consumer debts, compound interest on the loans can make it hard to get out of debt.

3 HAVE A PLAN TO PAY OFF DEBT

- Focus on high-interest debts first, such as credit cards and lines of credit.
- Consumer debt charges higher interest – often more than you can make with investments.
- Be sure to spend less than you earn, especially when it comes to consumer goods and services.
- Some debts, such as mortgages, are not necessarily considered bad debt because the underlying value of the asset (a home) may increase over time.

4 DON'T USE YOUR CREDIT CARD TO INVEST

- Paying for investments with your credit card is a risky business.
- Being asked to do so can be a sign of fraud.
- In addition to having to pay back the purchase amount you may be on the hook for interest payments.
- It is a sure way to stay on the debt roller coaster.

5 PLAN AHEAD

- Life happens: savings and investments can help protect you if the unexpected happens.
- Building a "rainy day fund" of three months' salary may keep you from going into debt in an emergency or unforeseen life event.

An investment is like a major purchase, so be sure to do your homework first and make sure it's the right investment for you.

MoneySmart Manitoba is an unbiased financial resource dedicated to helping Manitobans grow their financial knowledge. It is a service provided by the Manitoba Financial Services Agency.

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