

JW S03E18 Enoch Omololu

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SPEAKERS

Enoch Omololu, Pat Bolland

Pat Bolland 00:15

We've all had moments where we'd like to give advice to ourselves. But a few years earlier, and I read a great article, but the 10 tips that you can give young people. And so we're gonna be joined by the author of that particular article, Enoch Omololu is the founder and CEO of Enoch Media, as well as founder of savvynewcanadians.com... Enoch, a real pleasure to meet you.

Enoch Omololu 00:42

Thanks for having me on, Pat, nice to be here.

Pat Bolland 01:10

Okay, I do want to get to the tips that you're going to give to younger people. And that's an important part of the discussion but savvynewcanadians.com? Why did you found it? Was there something that happened to you that stimulated that?

Enoch Omololu 01:24

So in 2016, when I founded savvynewcanadians, my approach then was to document my understanding of Canada and personal finances for myself. And then over time, that sort of segwayed into me, using it as a resource points for my friends who saw me as the finance guy, they had a question, they came to me for answers. And instead of repeating myself over and over, I just sent them to the blog, or you can find this specific topic here. And then, one year, one year in, I started seeing traffic from pretty much all Canadians, so it was getting traffic from all over the provinces. And I decided maybe other people are interested in this information, let me continue writing and promoted it, which is what has led to what the site is as of today.

Pat Bolland 02:14

And that need continues to expand, I take it because we are just talking to somebody the other day, that says that there's no place to get financial information is that what you're finding?

Enoch Omololu 02:25

I think there are places... the issue is finding information that you can easily digest. So people are looking for ideas that have been broken down into exactly what they need. They can find this information, perhaps on the government's website, but then it's clouded and packaged in all this legalese that most people are not interested in, in the order detail, they just want the call is not so they want the list that can work with and start calling right away. I find if you have that resource that they can access and easily digest, then you do have an audience.

Pat Bolland 03:03

Okay, so let's talk about that article. I read it, I think in Forbes magazine, the 10 Essential Money Tips for Young Adults. Let's just walk through those starting off with what you thought was important 'learning to budget'. And I gotta tell you, I am not good at doing a budget. Never mind when I was younger.

Enoch Omololu 03:24

Yeah, I think a good starting point for young adults is really starting to understand how the cash flow works. So what's my income? What are my expenses? How do I get this to abrogate to cooperate with each other so that at the end of the month, I still have some time left for savings. And a good way to do that is to start budgeting actively. So mindfully budgeting looking at your income and your expenses. And then once you compare both, you know exactly what your money is coming in, out is going out. Maybe there are spots that you can put off some expenses or shave them down. Maybe there are some areas that you can that you actually need to add on some some additional bonds to help yourself and then of course, still there are ways to pull out a bit of money to put in your savings account and your investment accounts and all of that but with budgeting you literally to look at the finances, your cash flows, and understand how your money is working for

Pat Bolland 04:25

You know, do you recommend software programs and things like Quicken that easily going to your bank and tell you how much you're spending on things as a way to track that or, or are there simpler ways to do it?

Enoch Omololu 04:40

And go starting points if you don't have access to a tool is just used on a spreadsheet, or even just a paper where you can just add it itemize expenses itemized income and finally totals. But if you do have access to a and have like a budgeting app or to like don't you just mentioned those like sketching out because it sort of makes things pass if you're not actively trying to document or at most numbers, which can get boring over time. But you have a tool that gives you a snapshot of your finances at any point in time. So paid tools like using the budget, or the ones that some banks to offer all of those upgrades. If you don't have access to those kind of spreadsheets, you the paper does something to document all your money is going in and out. It's moving.

Pat Bolland 05:28

Keep it simple. Well, one of the first recommendations you create, or say to do is to create an emergency fund. Why is that so important?

Enoch Omololu 05:39

Once you have your budget in place, good now understand how your money is flowing in and out. The first thing I recommend if you don't have an emergency fund is to create an emergency fund is bonds that you can access when you are in a pinch. So if you need access to funds immediately, say you have a cabinet, or you have you need to pay for something like right away, you don't have to now go to your credit cards and over extend on that or you don't need you won't need to access like a payday loan, or anything like that. So an emergency fund gives you at least some leeway to pay for expenses without overextending without getting into debt. And experts do advise you keep three to six months worth of your regular expenses in a savings account that serves as your emergency fund. It can, it can't be an exceptional way to avoid taking on debt and getting into that vicious cycle of not being able to pay off your debt, interest rate and all of that

Pat Bolland 06:39

Good advice then you move on to something called the 50-30-20 rule. break that down for me,

Enoch Omololu 06:47

I think that he totally is a budgeting rule that ties in with pretty much living to learn how to budget ... so 50% of your income coming in, you can comfortably say okay, if I spend 50% of my income on needs, and I spend 30% of my income on wants, I still have 10 to 20% I can allocate to savings, investments, if your situation warrants it to pay off debt. So it's the other way of simplifying finances for the everyday Canadian or everyday person is you can take those numbers under showing instead of wondering, okay, how do I allocate these other allocate that it puts you in a box essentially saying, no matter what percent of your income should go to wants, so or needs, I have all this needs but people keep on adding on to needs, or I also need that that chain also need that, that jewelry also need that maybe they just want. So once you are sort of tied into that box of 50% goes to needs and then 30% goes to wants. It also limits how much you can allocate towards just anyhow. And then 20% goes to savings and investment. So it's a rule that helps to sort of formulate a strategy to ensure that you are meeting all right targets when you have a budget.

Pat Bolland 08:22

But it's important that you separate needs from wants. And in fact, that's one of your rules learn how to separate because jewelry, I would classify as a one I don't necessarily see as need, but other people might see that as a need.

Enoch Omololu 08:39

Yes. So it's very important to do that. Right, right at the beginning, when you start to think about budgeting is what am I needs? What are my wants, and needs? In my opinion, the way I define it is what do you actually need to survive, essentially, from day to day, so that your food, your housing. your transportation, those I consider to be legitimate needs. When it comes to want. These are the things that they may help your day to day living by making it more comfortable, but they won't, you don't necessarily have to survive because of them, but they are not necessary for survival. And that would mean add additional clothing more expensive clothing could mean an expensive vehicle for example. So beyond what you would need on a on the lowest deficits are the minimum. So anything that extends beyond the minimum could be classified into the ones category. And this doesn't mean that the ones

aren't important, which is why you're the budgeting rule. The 50-30-20 budgeting rule allows you to allocate up to 30% of your income to wants because they are utterly important in getting you keeping you happy and getting you feeling comfortable. But that's that's it, that's as important as the need. So being able to separate those two is quite important. And like you mentioned, once our needs will come ready for people. So smooth was a kid may have different needs than somebody who doesn't have a kidney are different needs. Males and females have different needs and wants in some categories, all of that comes into play.

Pat Bolland 10:21

Quality of life is what I would put into the one side where is the sustaining of life, I guess would be in the need side as you so eloquently broke it down. Your next rule says to use cash, instead of credit, this is interesting.

Enoch Omololu 10:39

So this will won't apply to everyone. I think that will is a one on one on one on one basis type of a rule in the sense that if you feel you have a predilection to overspending, or to using credit, and in a way extending yourself spending more than you would normally spend, if you are spending cash, this shows comes into play, it can help you better manage your finances, because if you're paying with cash, you can feel the pinch right away. If I'm paying with my debit card, I'm thinking of oh, how much we actually have in my in my checking account? That's that nagging feeling is there is how much do I actually take into account. And I see the immediate impact in the drawdown of my balance. Whereas with the credit card, I don't have to check the credit card. Just notice it's a balance that I have a \$10,000 limit. Yeah, it's easy for me to spend much more easier, easier for me to spend money. So the way this works is if you are having challenges in paying off your debt, or you're in your credit card balance, using cash can be very helpful in limiting your wasteful expenditure. Expenditures.

Pat Bolland 11:51

Controlling your expenditures. The next rule has to do with setting goals for yourself. And I gotta be honest with you, I sometimes have an issue with people setting goals, because if they don't get to those goals, they can be disappointed.

Enoch Omololu 12:07

Yeah, so I do I see this a bit different. When I set goals, I set lofty goals, not reaching those goals means I've actually moved far away from where I was before, I wouldn't do I did not reach those lofty goals. So setting goals for myself could mean for deciding you know what, for this year, I'm going to save \$10,000 and have it in my investment account, if at the end of the year \$8,000, or 7500. That's great, because it's very much different from me, I've been \$0 in that savings account. So I think setting those goals, this basically helps you move from point A to point B or get get you from point A to close to point B, which is a departure from where you were initially. So I find it's very great to always always set goals, and then do your damn best to get to them.

Pat Bolland 13:02

Let me interpret that a little bit differently. So you're focused more on the process than you are on the actual goal.

Enoch Omololu 13:08

I think both are very important. But I am not going to hold myself. I want to get myself to actually if I don't reach the final goal, because the goal I set out to initially is often an aspirational one. Yes, so and you can also set small goals if it's easier for you. It's I think at some point, it's almost like a learning process, you set small goals, you reach them, then you increase the threshold. Instead, even by our goals, you read them and you said even loftier goals, and on and on and on. It's how you sort of deal with that world.

Pat Bolland 13:46

Educate and invest in yourself. Some people can invest in themselves, literally, but not a lot of people can as well.

Enoch Omololu 13:56

Yeah, so at getting an investment in yourself is actually part of the setting. Certainly goals, because sometimes you set goals that require you to actually take certain steps to actually reach them. So for example, if I set a goal for this year, I'm going to start investing, and I'm going to start with my RSP. Then of course that means I wrote I want to learn about RSPs or the function or the work, what kind of investments can I automate RRSPs? Or do I still save on taxes with my general investments? How do I save on investment fees? So that's all part of the process in which you just set a goal and then now is the time for you to educate yourself to actually achieve that goal, or invest in yourself to achieve that goal. Investing in yourself could mean taking a class back to school, it could mean paying for it on an online course to learn about sitting investing, for example, or paying for equal pay paying for financial advice in a plane a financial advisor is in a sense, depending on the outcome could mean invest Kill yourself because now you're gonna learn for them. And eventually that will trickle down into you increasing your net worth because of the advice and the learnings that you have to do not

Pat Bolland 15:11

Paying off your debt is next. And with interest rates changing so quickly in the last year or so, I guess that's a really important one these days.

Enoch Omololu 15:20

Absolutely. Like if you if your current career, I interested, even before thinking about things like investing, I would suggest or command being affected, because you're likely going to earn enough in returns to commence to compensate for the the interest paid on AI interested. So the credit card balance, for example, our interest personal loans, payday loans, all of that, yeah, definitely. It's important to pay to strive to pay off debt as quickly as possible. And then thinking about investing, of course, I'm not putting this in the same category, things like mortgages, low interest rates, those those are also great if you can get them out of the way. But I would prioritize paying high interest debts before even considering investing.

Pat Bolland 16:16

Learn how taxes work, and taxes are always going to be around, aren't they?

Enoch Omololu 16:22

Absolutely. So that ties in with the investing part of of the of the learning process. It says that if you understand how taxes work, and you're looking for legal ways to minimize them, then investing in say your RRSP, which helps you defer your taxes into the future is a great strategy. Same Same goes with investing in the TFSA. So maximizing your TFSA your registered investment account, before moving on to say non registered investment accounts. All of that ties in with understanding the taxation system, because you want to do your best as as legally possible to also minimize the taxes you're paying over time.

Pat Bolland 17:05

The last one, number 10 is to set yourself up for multiple income streams. And this is an important one because there's a perception that a whole generation because of COVID. And they got payments through COVID. There's a whole generation that isn't working hard enough. What's your sense of that?

Enoch Omololu 17:25

That's it. That's it sentiment, I think it's a reality. And I've seen it myself. So my approach to it is this, if you want to do the minimum and get paid for it, that's one strategy. But if you want to retire earlier, or you want to build up a retirement nest egg that is going to allow you to live comfortably, knowing fully well that the social, social. Net, I forgot to write writing for it now. But the set up so social. Net, basically, of all that is available to the government and all of that social. Yes, definitely. Yeah, thank you in place, and maybe in place in the future, but maybe not. So if you want to actually like prepare yourself, for a comfortable retirement that is going to be almost guaranteed. My approach to it is to look for other ways to earn money as well, in addition to maybe your day job. And also just because the economy is what it is, anything can happen. Having diverse streams of income, I find it it's a great way to work, first and foremost, put your mind at peace. And then also accelerates your ability to save for retirement management that is also just being able to be more flexible in your budget. So let's we talked about want and need. If you find that your quality of life is easier, when you have all the wants that you have on your list, then a multiple sources of income can help you probably afford them, which makes it easy makes you more comfortable. It makes you happier if that is the case, and then makes it easier for you to save for retirement. So having multiple sources of income means if one drops off, do you still have some ways to pay and fund your lifestyle?

Pat Bolland 19:21

Yeah, all of these are very much common sense, aren't they?

Enoch Omololu 19:26

Yeah.

Pat Bolland 19:28

Amazing you know, thank you so much for your time.

Enoch Omololu 19:30

Thanks for having me.

Pat Bolland 19:33

Enoch Omololu is the founder of savvynewcanadians.com Thanks very much for joining us on this edition of The Just Word. I'm Pat Bolland.