Four Financial Promises to Keep

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We've had a few weeks to make and break our New Year's resolutions. Now is a good time to make some promises to give your finances an extra boost in 2018 and help see you better off by year-end.

1. Promise to make the biggest RRSP contribution you can.

When it comes to improving both your immediate and long-term financial position, an RRSP deposit could help. First, you are putting money away for your future and reaping tax savings now. Second, your investment is tax-sheltered until retirement, meaning you don't have to pay taxes on the investments until you retire or withdraw the money.

2. Promise to re-invest your tax savings.

It is very tempting to spend a tax refund on "want" items now, but you'll be better off in the long run if you tuck it away. Treat any tax refund as a bonus for your portfolio and put it to work building your future wealth. An annual refund of, $2,500 invested at 7% compounded annually will grow to approximately $34,541 in just 10 years.

3. Promise to budget for Christmas spending throughout the year.

Many open their credit card bills in January and are stunned by the amount they spent on Christmas. A $5,000 Christmas spending spree, using a credit card with a 19.5% financing rate and taking 12 months to pay the bill off, will actually cost $5,544. Don't forget this is after-tax money. Budgeting a certain amount for Christmas spending now, dividing by 10, and putting that amount aside each month can help you avoid January credit card shock.

4. Promise to invest regularly.

Save more throughout the year and you'll have more at the end of it. It's that simple. Review your spending habits and look for ways to cut back. If you leave the money in your everyday bank account, it will be too tempting to spend it. To make sure your savings plan has a better chance of success, set up a separate investment account. You can even set up an automatic monthly deposit plan.

Considered the secret of many successful investors, regular, systematic investing can help you two ways:

First, it provides you with a disciplined process for building your wealth. The normal ups and downs of the markets are less likely to distract you when you're building your portfolio with a regular automatic investment plan.

Second, you can benefit from what is known as dollar-cost averaging. Simply put, your regular investment purchases more units when markets are low and fewer units when market values are high. Averaged over time, you can build your investment plan at a lower overall cost.

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