Four ways to find "hidden" investment money

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Investing regularly is important. If you're going to achieve your retirement and other financial goals, you should consistently contribute to your RRSPs and non-registered investments. "Paying yourself first" through monthly contributions is an excellent strategy to build an investment portfolio.

If you're like most Canadians, however, you are not sure where to look to find the extra money needed to invest. There is a way – in fact, there are four good ways to perhaps uncover "hidden" money *you already have*, which you can use to start an investment plan on a regular basis. All it takes is a bit of smart money management using the strategies set out below.

Review your household budget

Carefully reviewing "how" your family spends its money and making changes can free up cash flow. Start by determining if expenses are essential, including your mortgage and utility payments, or if they are non-essential such as buying lunch at a restaurant every work day. Then ask yourself, what can I do differently? Small and simple changes like ensuring you turn off lights when you leave a room can make a major difference in how much money you have left to save each month.

Debt consolidation can increase your ability to invest

"Debt consolidation simply means paying off a number of higher interest rate loans or other high-cost debt by taking out a single loan at a lower interest rate for a consolidated overall lower monthly payment," says Jane Olshewski, Senior Specialist – Financial Planning Programs at Investors Group. "You can choose to consolidate debts such as car loans, education loans, credit cards or lines of credit and benefit through a single, more affordable monthly payment which is lower than the sum of the many monthly payments you were making previously." It can be an effective way to regain control of your finances, manage your monthly cash flows, free up money for other purposes and reduce stress. Additionally, any repayment plan that can allow you to move from simply servicing your debt balances to actually eliminating them is positive as well.

If you own a home, you can also consider consolidating your debt using a home equity loan. Your loan is secured by your home at usually a much lower interest rate than you currently pay on most credit cards, which can often range from 19 percent to over 28 percent. By paying less interest monthly, you've created additional cash flow that can be used towards your retirement, other financial goals or paying down your principal.

Restructure your mortgage

Sometimes, changing the structure of your mortgage can help you find the money you need to make regular investment contributions. Many individuals set their mortgage repayment at the highest amount they can afford in order to minimize interest payments and pay off their mortgage as quickly as possible. Although these are two important goals, other goals like building an investment portfolio to prepare for retirement and protecting against uncertainty through insurance products also need to be taken into consideration.

Does it make sense to pay off your mortgage over a different term to provide you with the cash flow you need to start an investment portfolio or to fund the monthly premiums on a life and/or disability insurance policy? If you have built up extra equity in your home, does it make sense to use the

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equity to cover your RRSP contribution or to start an RESP? With the help of a personalized comprehensive financial plan including a cash flow analysis prepared by a qualified Investors Group Consultant, you can decide how quickly you want to pay off your mortgage while working towards your financial goals.

Get tax back now, not later

Getting a tax refund cheque from the government each year might seem like a "windfall" profit – but it's not. By having too much tax withheld from your pay each month, you are actually giving the government your money to use throughout the year – and they aren't paying interest to you for your kind gesture. Instead, if you are an employee and your employer makes tax deductions on your behalf, you can reduce the amount withheld from your pay cheques each month by filing a T-1213 form with the Canada Revenue Agency (the CRA). The CRA will then issue a "letter of authority" to your employer, authorizing your employer to reduce withholding taxes. You can then invest part of your usual year-end tax refund immediately each pay period.

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