The Money Cafe

Wealth Strategies 101

The secret is that there is no single path to wealth creation. All of those methods mentioned above have been successful for particular people. However, by paying attention to some very minor details, you too can find that path to wealth.

Here are out top five (5) Wealth Strategies:

1. **Live within your means.** Usually, people feel that it is simply a matter of cutting back on your present standard of living, which is why this aspect has a tendency to be disregarded. Cutting back is one of the most difficult things for a lot of people to do.

   There is a lot to be said about ways you can do this. Eating most meals at home rather than in a restaurant and watching television rather than going to the movies are excellent ways to form good spending habits. It will definitely have a positive effect on your family budget. Doing little things to ease your cash flow such as having your morning cup of coffee at home rather than stopping off at the coffee shop will produce long-term benefits.

   Try to look at the bigger picture rather than simply trying to "make do" with your budget. Instead of trying to make everything work out exactly, you could find ways of having a little extra. One way would be asking your boss for a raise but finding something on the side might be a more viable option. Maybe you have some free time on the weekends.

   You could use that time by bartending or doing some other similar jobs that can earn you about at least $100. You could work in the mall instead of shopping in it; you could baby sit for other people instead of paying someone to baby-sit for you. The money you earn at these little jobs can be invested and then start working for you.

2. **Be an Investor not a saver.** One of the secrets of wealth creation is to know how to let your money do the work for you. However, for that to happen you must have earned enough for your money to accumulate in an investment and allow you to enjoy its growth. Even still, many of the very wealthy people prefer to continue working not only because of genuine enjoyment for their jobs, but because they consider it to be a form of money management.

   There are so many people that are convinced that they'll never get to that stage in their life when they can afford to sit back and not have to work because their money is properly invested. These people tend not to consider the effects of compound interest. Everyone who earns an income is allowed to open a Registered Retirement Savings Plan. A maximum contribution of about $13,500 a year is calculated at the rate of 18% of gross earnings. If you invest the maximum amount of $13,500 into an RRSP tax-free when you are 40 with an average of 8% rate of return, you will have $ 1,065,885 at age 65.

3. **You worked for it, now let it work for you.** In the same way that your money would work to your benefit with the right decisions and investments, the wrong decisions can cause you some major setbacks. The best and most common example is a credit card debt. For instance, a person may charge up to $4,000 on a card with interest at 19.8% and an annual fee of about $40.

Most people would choose to make the minimum payments on the card but by doing that it would take almost 31 years to pay it off along with the additional finance charges that could add up to over $16,000.

I don't think that anything could be important enough for you to charge it and then spend so many years paying off the debt you have established by doing that.

Many people would argue that they would be paying their mortgage for that same period of time however the value of your home will appreciate in time. For the most part, things that are charged on a credit card do not appreciate and their "shelf life" is much shorter.

Did you know that if doubled your minimum monthly payments, you could be out of your debt in about three years? That is considerably better when compared to the 31 years it would originally take you. Getting out of your debt by paying it off as soon as possible is a good way to start off your future of financial freedom.

4. **Remember, pay yourself first.** Before you get your pay check several deductions are made on the amount you are entitled to receive. Deductions are made for Income Taxes, E.I., CPP and Insurance. You don't have the opportunity to decide whether or not you want to make any contributions. The money you wish to save for your wealth creation should be dealt with similarly. Find out if your company offers a group RRSP or Pension Plan. If they do, sign yourself up for the maximum contribution.

   This sum will also be taken out of your paycheck automatically. Some companies also match the contribution you make, therefore if you choose not to sign up you could be missing out on free money, so to speak. Should your company not offer this plan, you might have to invent your own process of deduction.

   Try to arrange with your company to deposit your paycheck directly into your bank account. If that can't happen, you may have to trust yourself to make the deposit the cheque on the same day you receive it.

   You should then make arrangements with a mutual fund company to make automatic monthly deductions and issue regular deposits into an RRSP. All these are simply strategies to have your money remove from your checking account before you are aware of it and spend it.

5. **Determine Investment goals.** How would you like to have $1 million by the time you turn 50? All you have to do is set goals for yourself. However, you should try to be realistic and never set a goal that you have any power over. You cannot base your objectives on grounds that you may receive a pay increase, you should set them in accordance with your own with your own will power and strategy.

   You might have to consider going back to school and getting the qualifications for a higher paying job.

   You might also have to consider making more risky investments and even getting a job where you work on commission rather than receiving a fixed wage each week. Assess the amount of risk that is encompassed and come to terms with the fact that the more risks you take, the better your returns are.