

## Pattie Lovett-Reid: Building your wealth in 2017, one month at a time



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It is a new year and a new you – financially speaking. I decided to tackle the ways in which you can build your wealth, one month at a time. The ultimate goal is to attain a stronger balance sheet a year from now.

**January – Commit to taking control of your financial situation.** No one will care more about you financially than you. Set some goals that matter to you, will excite you and support your desire to change past financial habits. Consider signing up for a financial course. For example, the government offers courses via the Financial Consumer Agency of Canada. This isn't about having a lot of money, it is about taking control of the money you have.

**February – Pay down debt.** The bills are rolling in and the debt is piling up. Look to pay it off with the highest interest rate or the one that is costing you the most first. Couple this with paying down non-tax deductible debt. Where possible, make more than the minimum monthly payment, limit the number of credit cards you have and avoid taking on any more debt. I refer to February as a “credit card detox period” after a few months of over indulgence shut it down.

**March – Focus on your financial plan.** Once the bills are paid off, redirect any extra money you may have towards your investment strategy. There is no point in investing without a financial blueprint or plan. This is where your personal investment policy statement kicks into gear. Aside from simply having an investment strategy, understand what your personal philosophy is for your portfolio –that includes your time horizon, tolerance for risk and your required rate of return. Be very clear if you are in wealth accumulation mode or wealth preservation mode as that will help you align your investments to your goals. Be sure to review, once it is in writing, at least once a year.

**April – Maximize the money you keep when filing taxes.** Filing taxes by the May 1, 2017 deadline is all about what happened last year. It is okay to look in the rearview mirror but now is the time to look forward to make sure you get the biggest bang for your tax buck. Think about ways to lower family income by splitting income with family members, and be sure to maximize the use of plans that allow you to defer taxes such

as RESPs, TFSAs and RRSPs. Look for ways to deduct, defer and divide to keep more money in your pocket.

**May – Spend less and save more.** Canadians tuck away approximately four per cent of their personal income each year, down sharply from the roughly 10 per cent back in the 1980s. Spend less than you earn – it's easier said than done. But remember, you don't create wealth by how much you make, you create wealth by how little you spend. Pick one day per week where you spend absolutely nothing and tuck the equivalent into a savings account. At the end of the month, transfer the balance into investments aligned to your investment strategy.

**June – Become an automatic millionaire.** We all know there is nothing easy or automatic about wealth creation; however, when you automate the process you stand of better chance of achieving financial success. Set up a pre-authorized purchase plan where money comes directly out of your account on a monthly basis. Automate your bill payments and look to consolidate your financial dealings with one financial institution so you can see at a glance where you stand and the progress being made.

**July - Examine your portfolio.** We are midway through the year and it never hurts to have a look at your portfolio and rebalance back to your original asset allocation. Are you sitting in too much cash or too heavily invested in equities? You may not want exposure to certain asset class such as bonds but remember you can't time the market. Make this a year of balance and take the time to figure out your required rate of return versus your desired rate of return.

**August - Get insured.** Not every Canadian needs to have insurance but every Canadian needs to ask the question, "what would happen to my family if something were to happen to me right now?" How you answer the question will dictate the type of insurance you should explore whether it be critical illness or life insurance, for example.

**September - Create a will and formalize an estate plan.** "I put a plan into place years ago" -- I hear it all the time. However, in the likelihood your family dynamics have changed, your assets may have changed, the tax laws have changed and your intentions may have changed. It has been said, "a will is like a love letter to your family when you are no longer here to express yourself." Be sure the lasting message you leave those you care about is the message you intended because you can't come back and make it right.

**October- Amp up your earning potential.** When looking for a new job, never outline salary expectations. One, it is in bad taste and two, you have no way to know if you are lowballing or highballing. If you get the company to name a figure first, you stand a better chance of moving the scale higher. Remember, it isn't only about the salary. You could negotiate working hours, title, vacation time etc. Finally don't self-eliminate from a position because you don't think you have all the desired skill sets they are asking for. You might just have enough. End every discussion with a potential

employer by stating how much you would like the job and reinforce that no one will work harder for them than you - but of course only do that if it is true.

**November -- Be mindful of holiday spending.** All the holiday season pre-sales kick into gear; however, this year don't go broke trying to save money. Don't destroy all your hard work this year getting into better financial shape by going back into debt. A few ideas — pay with cash, shop on your own with a list, stick to the list and don't get sucked into all the hype.

**December - Review, reflect and revise.** The 3 Rs are imperative. Your financial plan is a work in progress, a blueprint for financial success but it isn't carved in stone. Give yourself permission to alter accordingly and celebrate your successes along the way.

I like to think about finances as a giant fly wheel and you are the nub in the middle. Each spoke on the wheel represents an element of your financial life. Each time you accomplish a financial goal, the spokes grow in number and so in turn does your momentum. Soon you will have so much traction you can't help but move forward.

If you follow these tips, I guarantee that a year from now, you will be in better control of your financial life and your financial fly wheel will be moving forward effortlessly.