Strategies for SUCCESS

Time-tested investment strategies can help you achieve your savings goals

There's no shortage of "sure-fire" schemes to get maximum returns with a minimum investment. But the truth is, these schemes rarely live up to expectations. There are, however, some time-tested strategies that can help you make the most of your investments. Here are six strategies that can help you achieve your retirement income goals.

1. Start early – It's never too early to start saving for retirement. In fact, the earlier you start, the less you'll actually have to sock away to achieve your retirement income goal. That's because the earlier you start, the more time there is for your money to grow. On the flip side, the later you start, the more you'll have to save to make up for lost time.

2. Reinvest your earnings – By staying invested and not withdrawing RRSP assets, you harness the power of compounding. Compounding can make a huge difference to your savings over time. That's because through compounding, you earn income on both your initial savings and the earnings. After a while, it can add up pretty quickly.

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3. Diversify – You've heard the saying "don't put all your eggs in one basket." When it comes to investing, truer words were never spoken. By investing your money in a variety of different investments, you can minimize the impact of a decline in any one asset.

4. Maximize tax deductible contributions – Registered savings give you a significant advantage over non-registered savings. First, the more you contribute, the bigger your tax deduction. But even more important is the fact that investments in a registered plan are tax deferred. This means your investment earnings aren't taxed until you withdraw them from the plan, so your savings inside a registered plan grow at a faster pace than savings held outside a registered plan.

5. Dollar cost averaging – This is simply a fancy name for a strategy that smoothes out the ups and downs of the market. In short, it means investing smaller amounts on a regular basis, rather than in big lump sums. By investing smaller amounts on a regular basis, you avoid jumping into the market with all your money when prices are high or, worse, when they are about to fall. By investing regular amounts over time, you effectively average out the cost of a particular asset.

6. Invest to minimize tax – When it comes to taxes, not all investments are created equal. In non-registered plans, different kinds of investments receive different tax treatments. For tax purposes, investment income falls into one of three categories:

- **Interest income** – Interest income from savings, guaranteed investments and bonds is fully taxed as income.
- **Dividend income** – Dividends earned on Canadian stocks qualify for a federal tax credit. As a result, Canadian dividends are taxed at a lower rate than interest income.
- **Capital gains** – Capital gains (profits from the sale of investments) are also taxed at a lower rate than interest income. They're also reduced by capital losses (losses from the sale of investments).

If you know the story of the tortoise and the hare, you know the deliberate tortoise crosses the finish line ahead of the erratic hare. As the moral goes; slow and steady wins the race. It's a lesson that can be applied to investing. Developing a solid investment strategy and sticking to it is the best way to ensure that your savings grow over time. ■