Work Smart - Not Hard

By Dr. Linda Hancock

ABOUT THE AUTHOR

Dr. Hancock has written a regular weekly column entitled "All Psyched Up" for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of "Life is An Adventure…every step of the way" and "Open for Business Success" is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email office@drlindahancock.com

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Sometimes people think that they need to work harder to do better. That isn't always the case. In fact, working smart is better than working hard. Let's talk about your future for an example.

Most people pay Income Tax based on the amount of money that they earn and the bracket that they fall into. You can get some of that back if you overpay, have dependents, file tuition receipts for education or invest in either an RRSP or Pension Plan. These deductions can result in a refund which most people spend on luxuries or to pay down debt.

There are some things that you can do, however, that will provide you with peace of mind as well as a better financial future but you need to understand the principals involved. If you invest in a Pension Plan for example you will benefit in a number of ways as follows:

1. **LESS TAX** - Let's assume that you are required to pay thirty percent tax on your income. For every $100.00 that you invest in a Pension Plan you will get a tax refund of $30.00. That means the investment really only cost $70.00 out of your own pocket. When you make a firm commitment to invest every single month you can then ask your employer to adjust your Source Deductions. That means that your pay cheque will actually be $30.00 higher each month and you will only need to add $70.00 more to have the whole $100.00 investment. By the end of the year you will have $1200.00 which consists of $840.00 from your income and $360.00 in tax money that you didn't have to give the government.
2. **EMPLOYER MATCHING** - Many employers have set up Pension Plans where they will contribute money in your name based on the amount that you contribute. For example, if your employer contributes fifty cents on the dollar that means you only have to invest $50.00 per month in order to have deposits of $100.00 in Pension Plan. This is a gift that you don't have to pay back!
3. **INVESTMENT GROWTH** - Pension Plans are usually tied to the stock market so, of course, there aren't any guarantees. However, over time they usually grow. I was very pleased and surprised to find out that one of my Pension Plans grew by fifteen percent last year! That was amazing.

So, let's assume that all three of the above are in place and you can contribute $100.00 a month. You would end up with $1200.00 from your pocket, $600.00 from your employer's contributions, and $540.00 in tax savings (using 30% rate). Instead of spending the Income Tax return, add it to your Pension Plan for even more growth. Then, using only 5% as a possible growth rate, you would earn an additional $117.00. At the end of the twelfth month you would have a grand total of $2457.00 from only investing $100.00 per month.

Think what would happen when this is compounded over 10 years or 20 years!

What are you willing to give up that costs you approximately $3.00 per day to have peace of mind and a good financial future? Better start today because you are losing money every day you delay.