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As we approach the end of 2021, many of us are reflecting on our financial future. How can we work smarter, not harder with our money, so that we can plan for, and enjoy a life of financial freedom?

Whether we earn a lot of money or not, we can apply the same methodologies, develop goals and habits to set ourselves up for success. If you continue on the same trajectory does that align with your goals and vision?

Here are some tips to help you plan for year-end and kick start 2022 on the right foot:

1. REVIEW CASH FLOW:
Having a clear snapshot of where you are today including your cash flow, assets and liabilities (what is coming in by way of income vs. what is going out by way of expenses) etc., is prudent to get an understanding of where you stand financially.

Do you have an emergency fund in the case of job loss, illness or disability? Ideally, building up emergency funds that cover three to six months of expenses in a high-interest savings account that is accessible is ideal.

2. PLAN FOR RETIREMENT:
In the first 60 days of 2022, you have the ability to contribute to an RRSP and choose whether you designate the tax deduction towards 2021, 2022 or a combination of both years, depending on your marginal tax rate. The contribution room for 2021 is 18% of earned income reported on your tax return in the previous year, up to a maximum of $27,830. You may have room built up from previous years and can be applied to reduce future taxes. The tax savings can be used to pay down debt, or used towards investments and take advantage of compound growth over time with money that would have otherwise been paid in taxes.

A tax-free savings account (TFSA) is another great way to save for the future, whether it's for a major expense in the future or for retirement. The growth that builds within the account is tax-free at the time of withdrawal. The contribution room for 2021 is $6,000.

3. PAY DOWN DEBT AND REDUCE THE ACCUMULATION OF DEBT:
Is it better to pay down your mortgage or contribute to your RRSP or TFSA? Considerations are the interest rate on your mortgage vs. your investments, whether you qualify for tax deductions on your mortgage interest, and your marginal tax rate.

4. FUND KIDS' EDUCATION:
A registered education savings plan (RESP) allows you to save for your children's or grandchildren's post-secondary education and have the government fund 20% for each contribution up to $2500/year. The growth of the investment and grant grows tax-deferred. If your child is 17, December 31 is the deadline to receive a government grant.

5. YEAR-END TAX PLANNING REMINDERS:
- December 15 is the last quarterly tax installment for personal taxes.
- If you have non-registered investments in a loss position, consider selling to obtain a capital loss to offset capital gains paid in the last three years or carried forward to be used in the future indefinitely.
- Charitable donations must be made by December 31 and can be a win-win being able to donate to a great cause and in turn receive a tax credit. This can also be achieved by directly donating non-registered shares and be provided with a donation tax slip based on the market value of the shares donated.
- RRIF conversion: If you are turning 71 this year and claiming significant income, this is the last year that you are able to contribute to your RRSP prior to converting your account to a registered retirement income fund (RRIF).

6. GET ADVICE!
With the help of your financial advisor and accountant, you can plan ahead to ensure you are taking advantage of strategies suitable to your situation.

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