

Time is money: making the most of it

How to make more of your time and your money

Time and money are two of our most precious assets. And if you're like most people today, you could use more of both. We can't promise you more but we can show you ways to use what you have more effectively.

Start your research here:

- [Leverage to invest more efficiently](#)
- [Loans to lower income spouse has its reward](#)
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Leverage to invest more efficiently

Leverage is a powerful concept. It lets you use one dollar to control more than one dollar. You use leverage when you buy a house or when you finance a car. You have the asset but you've had to put up only a fraction of the price.

You can do the same thing with investing – it's called investing on margin – and it allows your investment dollars to go farther.

Once you qualify for a margin account with your broker, you would be able to borrow money against your marginable securities, which can be anything from GICs and money market instruments to stocks, bonds and mutual funds.

You can typically borrow up to 50% of their value. So if you had \$50,000 worth of marginable securities, you could borrow up to \$25,000 against them.

You can then use that \$25,000 to invest in anyway you like. If the value of your investments increases by more than the interest rate on your margin loan, you're ahead of the game.

On the other hand, if the value of your investments goes down, or if the value of the marginable securities you borrowed against goes down, you may receive a "margin call", requiring you to deposit more funds to make up for the lost value.

Investing can be risky. Investing with borrowed money increases the risk. If you're going to use this strategy, you should feel comfortable about investing using credit. For many investors, the advantages can often outweigh the risks.

Simply put, investing on margin may not be appropriate for all investors. You should always consider your time frame, asset allocation and your risk tolerance. In short, only you know whether a margin strategy is right for you.

If you'd like to know more about investing on margin, click [here](#) to find the CPA financial planning professional closest to you.

Loans to lower income spouse has its reward

Income splitting is a tax planning strategy which involves reallocating income among family members to reduce the total tax paid by the family unit. The idea is to shift some income from someone in a high tax bracket to someone in a lower tax bracket.

The degree to which you can reallocate income is restricted by the government's income attribution rules. For example, suppose you are in a higher tax bracket than your spouse so you decide to give money to your spouse to invest and earn income at their lower tax bracket.

The problem is, under the income attribution rules, income earned on capital that has been transferred by gift may be attributed to the one who made the gift. So even though it would be your spouse's investment that is earning the income, it would be taxed as if in your hands.

There is a way to avoid the income attribution rule in this situation. Rather than gift the money or loan it without charge, you could loan the money and charge the prescribed rate for such loans. This way, when your spouse invests the money, the income from the investment would be taxed in their hands.

There are a few conditions. You would have to declare the interest income on the loan but this income should be less than the income earned by the investment made by your spouse. The difference on these two amounts is the amount taxed in the hands of the lower-income spouse

In addition, you must have a formal written loan agreement and payments of interest must be made each year or by January 30 of the following year. If the interest payments are not made within this time limit, the attribution rule will apply.

An investment strategy to help reduce taxes

Another simple but very beneficial strategy is to use the income of the higher earning spouse to pay living expenses and tax liabilities and use the income of the lower earning spouse to make investments. This way, investment income earned will be taxed at the lower earning spouses' rate.

Can't find the time? Need the help of a professional?

If you're like most people, your most precious resource is time. And if you've read the information in this section on investing, you know that managing your investment portfolio is a time-consuming activity.

With information so easily available on the Internet, there is literally an endless supply of facts, analysis, advice and opinions. Chances are you'd rather spend your precious time on activities other than managing your investments.

But that's just one reason why you might want to consider working with an investment professional. Because even if you have plenty of time on your hands, successful investing in today's markets is not a simple matter.

Sure, if you've resigned yourself to staying on the sidelines and out of the market, your investment decisions are pretty easy. Put all your money into GICs and hope that inflation and taxes don't completely eliminate your returns. But as most experts will tell you, that's not a very wise strategy.

You need growth and that means you need a diversified portfolio that includes a variety of equities. This is where professional help can be invaluable – to help you build your portfolio. He or she can help you determine the right asset allocation strategy for you, based on your current situation, your needs, your goals and your dreams.

And once you've got your portfolio built, a professional can help you manage it, or they can manage it completely for you if you prefer. The kind of relationship you have with your advisor or broker is up to you.

The bottom line is this. If you're the kind of person who enjoys sitting in front of a computer screen all day reading, researching, analyzing, comparing and making tough decisions – and then sticking to them – then you may have what it takes to effectively manage your investment portfolio.

If not, you may want to think about taking advantage of the services of an investment professional. We can help. Clients, Partners & Associates Inc. offers whatever kind of help you want. From a professional you can simply call for advice to a Portfolio Manager who will completely manage your investments on a discretionary basis. And of course, all kinds of possibilities in between.

If you'd like to know about how a CPA investment expert might be able to help you, click [here](#) to find the CPA financial planning expert closest to you.