How to Gather More Money to Invest for Your Future

Description

Humans are habitual. Do you have a habit of drinking **Starbucks** coffee every day, maybe even two times a day? Do you have a habit of eating out multiple times a week; or watching movies every month? Maybe you go on a vacation or two every year.

There's nothing wrong with enjoying life, but if you realize that you're not saving enough or that you want to somehow find more money for investing, then you need to start reflecting on your spending habits.

After all, your job only takes you so far. At some point, you're going to retire. So, thinking ahead now will make your transition to retirement much smoother.

To invest in your future, in terms of investing in stocks for long-term returns, you need to have initial capital. There are two ways to gather more money for investing.

Spend less and earn more

Track your expenses for a few months. Separate them into necessity items and luxury items. You can track with a spreadsheet, using good old pen and paper, or even using apps. My friend brought mint.com to my attention. It's free to sign up, and it's supposed to make managing personal finances much easier. You can try it out.

Once you know where you're spending money. You can decide which expenses aren't necessary. By lowering your spending, you'll have more to invest in your future.

To complement your habit of spending less, you can earn more. If you have hobbies, see if you can earn some money from them. If you have extra time, see if you can get a part-time job or even a casual position somewhere.

If you combine spending less and earning more, you'll have more money for investing.

Where to invest for your future?

The stock market has historically outperformed bonds. And small caps outperform large caps. It's not hard to figure out why. Small caps have larger growth potential. It's much easier for a $500,000 company to grow to a $1 billion company than a $2 billion company to grow to a $4 billion company, growth of 100%.

However, small caps also come with higher risk than large caps. That's why I would never recommend that my friends buy small-cap stocks. There are small-cap ETFs to buy for reduced risk and diversification. These are great for investors to dollar-cost average into over a very long period.

Don't buy an ETF just because it labels itself as a small-cap ETF or dividend ETF. It's important to look at the top holdings of an ETF you're interested in to see if it's the kind of ETF you're comfortable holding for the long term.

Individual stock picks are likely to provide you with a higher income to start. For example, some real estate investment trusts are offering high yields of 9% today. **Northwest Health Prop Real Est Inv Trust** (TSX:NWH.UN) offers a yield of 9.4%, and **Dream Global REIT** (TSX:DRG.UN) offers a yield of 8.6%. Both own office assets and collect rental income.

Northwest is a global healthcare REIT that owns hospitals and medical-office buildings in Canada, Brazil, Australasia, and Germany, while Dream Global focuses on commercial properties in seven major cities in Germany: Hamburg, Munich, Frankfurt, Stuttgart, Dusseldorf, Berlin, and Cologne.

REITs pay out distributions that are unlike dividends. If you wish to avoid the tax-reporting hassle, you should purchase REITs in a TFSA or an RRSP.

In conclusion

By spending less and thinking of more ways to earn more money, you can invest more money for your future.

ETFs are low-cost alternatives to mutual funds that you can dollar-cost average into over time, no matter what the market is doing. You should understand what the ETFs hold to ensure you'll be comfortable holding them for a long time.

Through stock picking you can tailor your portfolio for a higher yield that suits your income needs.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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