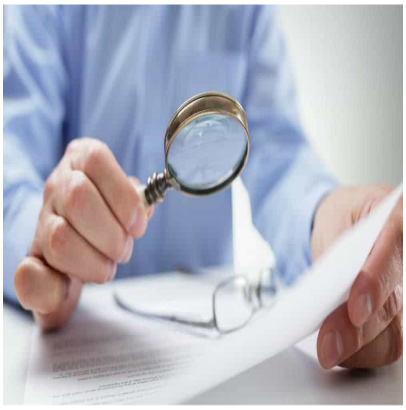

The Year-End To-Do List Every Investor Needs to See

Description

Creating an investment portfolio is often one of many steps needed to ensure financial stability. Those who have created portfolios and have a good handle on their finances may think leaving everything as is is the way to go. We can all do better, and in this article, I'm going to cover six things every investor ought to consider for the end of the year.

Create a budget

This is perhaps the most important step every investor should take in assessing their financial position at a given time. Knowing what one's baseline income and expenses are is essential to managing one's expectations. Knowing how much one needs to spend is essential to knowing how much one expects to invest over time. Without putting pen to paper, getting a real idea of where one's financial standing is can be difficult. There are a number of online tools available to help in this endeavour.

Find ways to increase your income

Adding an additional income stream sounds easy, but in practice, it can be difficult to maintain. The idea of a second income stream can be as simple as shoring up one's dividend portfolio. Dividend income is great in retirement, and there are many great Foolish articles on this topic.

Turning one's weekend hobby into another income stream is a great way to increase one's cash flow and improve one's personal balance sheet. Doing what you love and getting paid for it are two different things. Try to think of one or two ways to make some additional cash and factor this into your budget. Holding oneself accountable to one's goals is important.

Know how much you need to spend

After thinking of all the ways it is possible to increase one's cash flow, expenses are the next important item to identify. Knowing what's essential and what can be trimmed down is important. Investing more and spending less is a time-tested and proven way to generate wealth. Penny-pinching isn't the goal here. Being penny-wise and pound-foolish is a common theme among some spendthrifts. Spend wisely and strategically — having a plan and a budget helps greatly in this regard.

Spend what you have after saving

This is a famous Warren Buffett mantra and will always hold true. The idea of "paying oneself first" is not a new one. Committing to a certain monthly savings or investing target, and then spending what is left after essential expenses is a great way to stay on track with one's long-term goals. Many an investor has ignored putting consistent money in their RRSP or TFSA to retire with a Kraft Dinner-and-hotdogs lifestyle. If this isn't for you, plan ahead. The younger one starts with putting away money consistently, the better off one will be 30 or 40 years down the road.

Give whatever you can after all is said and done

Charitable giving is not only good for the soul; it's great for the pocketbook too. Donating to a registered charity gets you a 50% tax deduction. This reduces the tax liability investors with capital gains has, or increases the refund one receives from the CRA. Either way, if there's extra cash left over, being generous does pay dividends.

Rebalance your portfolio as necessary

If your holdings of a stock like **Shopify** have shot through the roof, it might be time to rebalance. Accordingly, if you're holding onto any losers in the energy sector for example, now might be the rebalance as well. Buying more of one's underperforming stocks and trimming one's winners is a great way to maintain good balance in one's portfolio. Having too high of a percentage of one's portfolio concentrated in one stock could be detrimental long term.

Selling one's underperforming stocks for tax purposes in non-registered accounts is another option. By taking advantage of such losses, and adding the same position later on, investors can realize "free money" in the short term. Tax-related questions should always go to a tax professional. Please seek guidance on any such strategies accordingly.

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