Business Outlook

Upon your first day of work—start saving

(NC)—Jim and Jerry! They've been life-long friends, both having gone to University together, graduated from the same engineering course, found jobs virtually identical (and paying well), married, bought homes, raised families, etc.

But...this year, 1988, both have reached age 65, and their respective firms have a policy of retiring employees at that age. Jim is looking forward to that retirement, Jerry is dreading it.

Why?

Both had the same comparative life styles, actually, both had saved the same amount of their income (although in different methods), but one was wealthy (Jim) and the other had just enough in retirement to keep the wolf from the door (Jerry).

What made the difference?

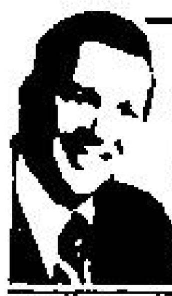
Jim started saving from the first day he started working. Jerry started saving (heavily) later in life, after the house was paid for, and his children had been put through University.

Jim decided to start saving 10% of what he earned, from day one. Admittedly, he was only earning $2,000 a year (so was Jerry) 40 years ago, but that was a good income then. So he saved $200 that first year, and continued to save 10% of what he earned, all through those 40 years, even when he was paying the mortgage, and putting his children through college.

In order to do some mathematics for our fictional friends, let's assume their average wage was $20,000 per year, all through those years (probably close to the average wage today). Let's look at what the results would be.

Jim would have saved 10% of that $20,000 per, namely $2,000 per year. Sure, it was hard, especially when he was paying for the house, but he took a 25 year amortization period on his mortgage, to keep his mortgage payments lower, and thus be able to save. Jerry, on the other hand, took a 15 year mortgage, with higher monthly payments, because he wanted to clear the mortgage in a hurry, and then start saving.

Jim, by saving $2,000 per year, putting it in mutual funds each year (which have proven over the past, in good funds, to average over 15% per year) would have invested a total of



IT'S YOUR MONEY

Paul J. Rockell

$80,000 in the 40 years, and, at 15% rate of return, would now have $4,091,907. Yes, that's over $4 million. (No wonder he's looking forward to retirement!)

Jerry, on the other hand, was busy making heavier payments on his house, to clear off that mortgage, and paying for his children's education (Jim paid for his kids' education, too) He was 50 years old, when everything was cleared, and then he really concentrated on building his future retirement funds.

Jerry started saving $5,333.33 a year for the next 15 years, and he too invested it in mutual funds where he averaged 15% per year. The total invested came to $80,000 (same as Jim's total investment), but his value is $291,826 (whereas Jim had over $4 million). What a difference!

Both had invested the same amount, at the same rate of return, but one had $3,8000,000 more than the other. Why the difference?

Jerry had fallen prey to the "I'll start saving when everything is paid off" syndrome, and had thereby lost the most valuable asset of all in building wealth, namely time. Jim had started saving when he started working at age 25.

Each day you and I do not save that $1 or $2, is lost, and even if we save double the amount the next day (or *later, as Jerry did*), there is no way we can buy yesterday back.

That's why we say, start saving the day you start working, or the day you read this article, no matter what your age. Put TIME plus savings to work for you.

Don't be another Jerry!

PAUL J ROCKEL is author of the book "Why I Invest in Mutual Funds" and is President of Regal Capital Planners Ltd.

For FREE information on mutual funds write:

Peter C. Masson, M.B.A., Regal Capital Planners Ltd., 10 Fagan Drive, Georgetown, Ont. L7G 4P3.

A brave new world opens to investors

Lorraine Bell, CA

MONEYCARE

(NC) — Thanks to the electronic revolution, old concepts of borders and barriers to capital investment have fallen by the wayside to be replaced by a new global marketplace.

For the Canadian investor, it means an opportunity to look beyond our borders and traditional investments when it comes time to make that next investment.

The key is investing globally which allows you to take advantage of the upside potential of various markets around the world. In addition, the geographic diversification acts to reduce your risk — one of the prime considerations in any investment.

To invest globally, you can choose to hold foreign real estate, stock in foreign-based companies or bonds issued by foreign companies or governments. Let's look at each in turn.

The most common global investment for many Canadians is a piece of real estate in Florida. This global investment may merely be a place to vacation or retire, but the investor can still benefit from the much more rapid appreciation potential of Florida properties, compared to similar real estate in Canada.

The Canadian investor who considers buying international stock must approach it in the same way he would approach a similar investment in Canada — looking first at the company itself, then checking out the industry and finally the economy of the country in which the company is located.

Why go outside Canada? Simply because at any given time, conditions differ in different countries. The North American automobile industry might, for example, be in the doldrums, while autos boom in Japan. If you're looking for the best investment in an automobile stock, the obvious choice in such a situation would be a Japanese manufacturer's stock.

The key to success as a global investor is to be extremely agile and always fully informed about what's going on globally through reading a wide variety of international publications and talking with the international analysts for major investment houses.

Often, you don't have to reach outside Canada's borders to invest globally. In recent months we've seen many major foreign companies not only buy up Canadian firms — and then offer their stock to Canadians — but also come in and do a straight forward stock issue in Canada to raise capital.

Foreign firms and governments also offer their bonds to Canadians often with interest rates that are better than those offered by Canadian companies and governments because of the particular conditions existing in their home markets.

These offerings reflect the fact that the companies and governments can't raise all the money they need in their home markets and must seek capital abroad. For the well-informed Canadian investor, the world is open to investment and the stocks and bonds may represent a solid opportunity.

For CA's advice on TV — see Your Wealth, available on broadcast channels in Ontario and on satellite across Canada, or see Money in the Bank, on your community cable channel.

Moneycare is general financial advice by Canada's chartered accountants. Lorraine Bell is with Prudential Bache-Securities.