Turn for the better

Mayor Russ Miller turned the sod May 11 to official open Meagan Meadows, which is being built on Cindy Place, while councillor Pam Sheldon, owner of Meagan Meadows Ab Tennant and the Bayfield Homes Jerry Montenmarnao looked on.

Ouch — we're making more, but retiring with less

(NC)—There it was in the "Stranger Register" (a financial magazine) reporting on the annual income statistics for people in the United States. (I haven't seen Canadian statistics, but I imagine they would be comparable.)

In talking about annual income(s) in the U.S., the report stated:

* Only 2% of Americans earn over $75,000 per year.
* 78% make between $20,000 and $75,000.
* 20% earn less than $20,000

Then the report went on to say about age 65:

* 92% of Americans are receiving less than $25,000 a year — *INCLUDING* income from Social Security, pensions and investments.
* Excluding home equity, the median net worth for people age 65 is:

(1) a married couple — $20,000
(2) a single woman $5,000
(3) single male, $3,500

I find the above statistics shocking. We must give credit to the advertisers, and those who issue credit, because we on the North American continent have been duped into being "spenders" only, particularly on things that lose value, such as cars, TV's, clothes, electrical gadgets, vacations, etc.

There is nothing wrong with spending on "things", as long as one of those "things" is our future. A small portion of what you earn should always be set aside for "you and your future" to build what I call a "second income" (your first income is your wages — your 2nd income is the earnings from investments).

Let's assume that all of us fit into that "20% earn less than $20,000 per year" category, and that all we earn is $18,000 per year. If we saved just 5% of that (maybe into an RRSP) starting at age 25, and our income and savings remain the same over the next 40 years, we'd have saved $36,000.

True, if we'd saved it in a bank account earning only 5% average per year (which many of us do) it would be worth $114,155. Still, that's a lot better than the "married couple net worth of $20,000 at age 65".

However, if we'd saved it, as an example, in a good equity mutual fund (most of which have long-term records of achieving 15% and better) at 15%, our $36,000 of savings ($900 per year) would be worth $1,841,358 at age 65. That's $1 3/4 million *MORE* dollars than saving the same amount at 5% (which is what most of us do).

Boy, could we ever buy "things" then, and really help build the economy. If we were to convert that $1,841,358 into a 10% per year income, we'd have $184,000 per year to spend on all those advertised "things".

You see, the person (most of us) who spends what they earn each year, in the above example, would have $900 more dollars to spend each year, amounting to $36,000 in total, over the 40 years. That did "it's little bit" to keep the economy going.

But the "saver" now has $184,000

IT'S YOUR MONEY

Paul J. Rockel

PER YEAR to spend, and if they continue spending it each year for the next 11 years, will spend over $2 million, putting that value back into the economy, buying the goods and services that you and I produce (at work).

On top of that, because they were only spending 10% (whereas the mutual funds were averaging 15%) the value of their savings would now be ($1,841,358 x 11 years x 5%) over $3 million ($3,149,347). You could now take 10% of this new value, giving you over $300,000 per year to spend. Think you could do it?

It's a lot better than the "less than $25,000 per year that 92% retire with" now.

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