

Business Outlook



IT'S YOUR MONEY

Paul J. Rockel

(NC)—What is the most important item to realize if you choose to invest in mutual funds?

Did you answer "rate of return?" If so, you were wrong. We realize that the rate of return with good equity mutual funds has proven over the past 10 years to average 15% and better per year. But, that doesn't mean it earns 15% every year. It is almost a certainty that there will be years in which 25% and 30% gains are realized, as well as

years in which there will be very little gain, and even losses. It is our belief that in every 10 year period there will be a minimum of two, and maybe even three, poor or negative years.

Nevertheless, we believe that mutual funds have a public record of giving the best return of any type of commonly available investment where your assets are looked after for you. We admit that if you were smart enough (or lucky enough) to invest in the right stock, or that special piece of real estate, or that game Trivial Pursuit, you would do better. But how many of us know about those special situations, and even if we do, after we take our profits is the next investment going to

win or lose for us?

Here is a true story about a mutual fund investor who invested \$71,000 in June 1973. We'll call him "Mr. Patience." We'll use an imaginary "Mr. Scared" who made the same investment at the same time.

Both 1973 and 1974 were down years in the market (in my opinion they were equal to the crash of 1929, which normally occurs about every 40 years). Both Mr. Scared's and Mr. Patience's value fell.

Both values fell from \$71,000 to around \$50,238 by December 31, 1974. Needless to say, both were completely dissatisfied with their investments (can you blame them?)

Mr. Scared decided he was going to cash out, despite the fact his mutual fund consultant advised him to remain in the funds, he did cash out.

Mr. Patience wanted to cash out also, but he listened to his consultant and remained in the funds. (Later, when his fund value returned to the \$71,000 invested level, he wanted to cash out again, but listened to his consultant, and left the value in the mutual fund).

A little over four years ago (1984) Mr. Patience retired, (52 months ago) and said he wanted \$2,000 per month sent to him from his mutual fund (It's called a monthly withdrawal plan, which gives you a completely tax-free income, if you have not used up your \$100,000 capital gains holiday).

By the end of 1987, he had received \$104,000 in monthly cheques (\$2,000 monthly x 52 months) and the remaining value of his mutual fund holdings was over \$583,563.

Mr. Scared, on the other hand, cashed out his \$50,238 at the end of 1974 (he had invested \$71,000). Let's suppose in the 13 years to the end of 1987, he had averaged 12% interest in the bank. He would now be worth \$219,214. \$148,000 of that would have been interest, and if he were only in the

30% tax level, it would have cost him \$44,400 in taxes (\$74,000 in the 50% tax bracket).

In answer to the question at the top of this article, I think we can say time (or patience) is the most important element in mutual fund investing. We should look at a mutual fund as a minimum investment of 5 years (preferably lifetime, as Mr. Patience has), despite the fact you can get your value at any time.

The above story is true, and concerns a real person and an imaginary one. One indeed got scared, the other listened, and had patience. I think you'll agree, patience was rewarded. By the end of 1987, his \$71,000 was worth \$583,000, plus he had received an income of \$104,000. Mr. Scared's \$71,000 might now be worth \$219,000, with a whopping tax bill to pay.

Yes, patience has its virtues (in mutual fund investing). PAUL J. ROCKEL is author of the book "Why I Invest in Mutual Funds" and is President of Regal Capital Planners Ltd.

For more information write: Peter C. Mason, M.B.A., Regal Capital Planners Ltd., 10 Fagan Drive, Georgetown, Ont. L7G 4P3.

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| <p>SEPTIC SERVICE</p> <p>McISAAC</p> <p>SEPTIC TANK PUMPING SERVICE</p> <p>— Emergency Service —</p> <p>MAC McISAAC 519-853-2790</p> <p>"Don't Delay Pump Today"</p> | <p>TV REPAIRS</p> <p>REPAIRS TO ALL MODEL TV's</p> <p>In your home</p> <p>TV's, Stereos, V.C.R.'s, Microwaves</p> <p>"Free Service Call With Items Repaired By Us"</p> <p>J.J. ELECTRONICS</p> <p>873-1820</p> | <p>TV REPAIRS</p> <p>SALES & SERVICE</p> <p>• TV • VCR • STEREO REPAIRS</p> <p>All Work Guaranteed for 90 DAYS</p> <p>WE SERVICE EVERYTHING WE SELL!</p> <p>HITACHI</p> <p>BRAMPTON COLOUR & SOUND</p> <p>453-4455</p> | <p>Homes Sold Creatively</p> <p>THIS WEEK'S MORTGAGE RATES</p> <p>AS OF JUNE 9th, 1988</p> <table border="1"> <thead> <tr> <th></th> <th>Variable</th> <th>1 Month Open</th> <th>3 Month Closed</th> <th>1 Year Open</th> <th>1 Year Closed</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>7</th> <th>10</th> </tr> </thead> <tbody> <tr> <td>Bank of Nova Scotia</td> <td>10%</td> <td>10%</td> <td></td> <td>11</td> <td>10 1/2</td> <td>10%</td> <td>11</td> <td>11%</td> <td>11 1/2</td> <td></td> <td></td> </tr> <tr> <td>Bank of Montreal</td> <td></td> <td>10%</td> <td></td> <td>11%</td> <td>10%</td> <td>11</td> <td>11%</td> <td>11 1/2</td> <td>11 1/2</td> <td>12</td> <td></td> </tr> <tr> <td>Canada Trust</td> <td></td> <td>10%</td> <td></td> <td></td> <td>10%</td> <td>11</td> <td>11%</td> <td>11 1/2</td> <td>11 1/2</td> <td></td> <td>12%</td> </tr> <tr> <td>C.I.B.C.</td> <td>10%</td> <td>10%</td> <td></td> <td>11%</td> <td>10%</td> <td>11</td> <td>11%</td> <td>11 1/2</td> <td>11%</td> <td></td> <td></td> </tr> <tr> <td>T.D. Bank</td> <td>10%</td> <td></td> <td>10%</td> <td>11%</td> <td>10%</td> <td>11</td> <td>11%</td> <td>11 1/2</td> <td>11%</td> <td></td> <td></td> </tr> <tr> <td>Royal Bank</td> <td></td> <td>10%</td> <td></td> <td>11%</td> <td>10%</td> <td>11</td> <td>11%</td> <td>11 1/2</td> <td>11%</td> <td></td> <td></td> </tr> </tbody> </table> <p>* 4 Yr. Renewal — * 5 Yr. Renewal</p> | | Variable | 1 Month Open | 3 Month Closed | 1 Year Open | 1 Year Closed | 2 | 3 | 4 | 5 | 7 | 10 | Bank of Nova Scotia | 10% | 10% | | 11 | 10 1/2 | 10% | 11 | 11% | 11 1/2 | | | Bank of Montreal | | 10% | | 11% | 10% | 11 | 11% | 11 1/2 | 11 1/2 | 12 | | Canada Trust | | 10% | | | 10% | 11 | 11% | 11 1/2 | 11 1/2 | | 12% | C.I.B.C. | 10% | 10% | | 11% | 10% | 11 | 11% | 11 1/2 | 11% | | | T.D. Bank | 10% | | 10% | 11% | 10% | 11 | 11% | 11 1/2 | 11% | | | Royal Bank | | 10% | | 11% | 10% | 11 | 11% | 11 1/2 | 11% | | |
| | Variable | 1 Month Open | 3 Month Closed | 1 Year Open | 1 Year Closed | 2 | 3 | 4 | 5 | 7 | 10 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank of Nova Scotia | 10% | 10% | | 11 | 10 1/2 | 10% | 11 | 11% | 11 1/2 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank of Montreal | | 10% | | 11% | 10% | 11 | 11% | 11 1/2 | 11 1/2 | 12 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Canada Trust | | 10% | | | 10% | 11 | 11% | 11 1/2 | 11 1/2 | | 12% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| T.D. Bank | 10% | | 10% | 11% | 10% | 11 | 11% | 11 1/2 | 11% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Royal Bank | | 10% | | 11% | 10% | 11 | 11% | 11 1/2 | 11% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |