

Outlook on Business

Why have mutual funds done better?

Have you benefitted from inflation?

Chances are you have - if you purchased a home or, if you are now purchasing a home, it will probably be worth double what you paid for it 12 to 15 years from now.

It doesn't necessarily mean you can buy more goods and services than you did at the time of purchasing your home, but at least you kept pace with inflation, and can buy just as much with those inflated dollars.

That's what happens when you own something. Conversely, if you save those dollars and loan them (such as leaving them in the bank,



IT'S YOUR MONEY
Paul J. Rockel

GICs, Term deposits, or taking out a mortgage, etc.) you are virtually "guaranteed" to lose purchasing power, thanks to the ravages of inflation. Even if you earn a reasonable rate of rent (interest) on those loaned dollars, you are often lucky to break even, after the twin evils of "taxation" and "inflation" take their toll.

If today I would earn 10 per cent in interest, and I'm in the 46.46 per cent tax category (1989), I would pay almost half of that in taxes, leaving me with just over five per cent. But, they tell us inflation is rising again in Canada, and will probably reach the five per cent (or more) in this year of 1989. Take away the five per cent inflation rate, and what do I have left? Almost zero (zero per cent) in purchasing power gain. Sure, I have more dollars, but I can't buy any more goods or services with those dollars than the original amount I invested would buy, at the time of investment. I've gained nothing.

Equity (ownership) investments pretty well always keep pace with inflation. If you own a business, chances are the land it sits on, the buildings that house that business, will continue to increase in value to keep pace with inflation. That increase in value is called a capital gain (and we still have a capital gains holiday of up to \$100,000 on which we pay no tax).

In addition, if that business proves to be profitable, we have a second form of gain, namely our share of the profits. If it is a corporation that owns that business, those profits come to us as dividends, which are taxed very lightly (whereas interest (loaned) dollars are taxed fully).

What if that business just increases in value this year by five per cent (we'll assume inflation is kept at five per cent), and it earns an after-tax profit of five per cent, a combined total gain of ten per cent. The five per cent increase in value comes to you, the owner, tax free, if it comes within your \$100,000 lifetime capital gains limit. The dividends have something called a dividend tax credit, which in effect means you might pay 30 per cent of the dividend in taxes (if in the 46.46 per cent bracket).

So, with a 10 per cent interest gain, you have almost nothing left after taxes and inflation (example above), whereas with the ownership gain of capital gains and dividends, you have a 8.5 per cent after-tax gain. Take out the value of inflation (five per cent) and you have a purchasing power gain of 3.5 per cent.

Both the "loaning" investment and the "owning" investment had the same 10 per cent gain, but the loaning investment gave you almost zero per cent in "spendable gain," whereas the owning investment gave you 3.5 per cent.

Which would you rather have? I own parts of hundreds of businesses. I have never seen 99.99 per cent of any of them, I don't know their names, I don't know what they do, I don't even know where they are located, or even in which country. And I owned a part of all of them even when I only had \$100, or \$1,000 invested.

I do it by investing in "equity" mutual funds, which are pools of capital, (yours, mine, your neighbors, my neighbors, etc.) managed by people who do know the best businesses to invest in, and who look after it fulltime, every working day.

They have averaged well over 15 per cent per year for me (and the hundreds of thousand of others in the funds) over the past 10 years. And it's "owning" dollars, with very little taxes.

I not only keep pace with inflation, but I end up with an increase in purchasing power, which I probably wouldn't do if I loaned those dollars (to the bank, etc.)

I like it!
For free information on "Mutual Funds" and "Planning for the Future," contact Peter C. Masson, 10 Fagan Drive, Georgetown, Ont. or phone 877-7216.
Paul J. Rockel is the author of the best seller "Why I Invest in Mutual Funds" and President of Regal Capital Planners Ltd.

Florida a good bet for March break

If you're looking for sun and sand this March Break, travel experts advise Florida.

"It's to the warm weather," said Murray Henley, of Barber and Henley Ltd. travel service in Georgetown. Both Mr. Henley and Melitta Hannon of Beeline Travel (also in Georgetown), agree that Florida, the Dominican Republic and Mexico are some of the more affordable places for families to visit during the annual spring recess in March.

"Many families are going to Florida," said Ms. Hannon. One of the major reasons why the south is so popular is that holidaying there is more affordable than going overseas due to the increased rates in flying fares and package tours during a prime holiday season.

Both of the travel services feel that individuals or couples going away for March Break do not book as much as families. Mr. Henley said that his service has not booked many students. This could be due to the fact that students may be booking flights on campus, or taking alternate routes to their destinations.

In addition, the AIDS (Acquired Immune Deficiency Syndrome) scare last year in the most popular student March Break vacation spot, Fort Lauderdale, has deterred prospective partiers from booking vacations there.

Skiers will be interested to know that even with the lack of snow in our area, both Beeline and Barber and Henley report ski holidays have not been that popular. This is not through preference of our slopes to a place like the Rockies, however. Ski trips are considered

too expensive for the average budget, especially for those with families.

As an interesting sideline, Ms. Hannon feels that those prospective travellers interested in Venezuela as a vacation, while wary, should not be too concerned about the recent political problems in that country. Economic

pressures on a major part of the population in Venezuela have led to mass rioting in its major city of Caracas.

Media services have been focusing on Caracas due to this, but Ms. Hannon feels that unless political tensions increase, the hotel and tourist districts in Venezuela will remain safe from violence.

ASK KATHY

FIBER

Because of the "fast-food" society we live in, many foods have been refined in processing, thus losing their valuable fiber. Refined foods are often quick and easy to prepare and store well, but seldom provide the body with necessary vitamins, minerals and bulk. Sufficient bulk or fiber is important in one's diet to help alleviate constipation.

Fiber itself has no known nutrients, little or no calories, and unlike proteins, carbohydrates and fats, is not digested, passing through the large intestine almost unchanged. However, foods rich in fiber, such as fruits and grains, usually require more chewing and more saliva than many other foods; and some experts believe



KATHY HAJAS
Diet Center Counselor

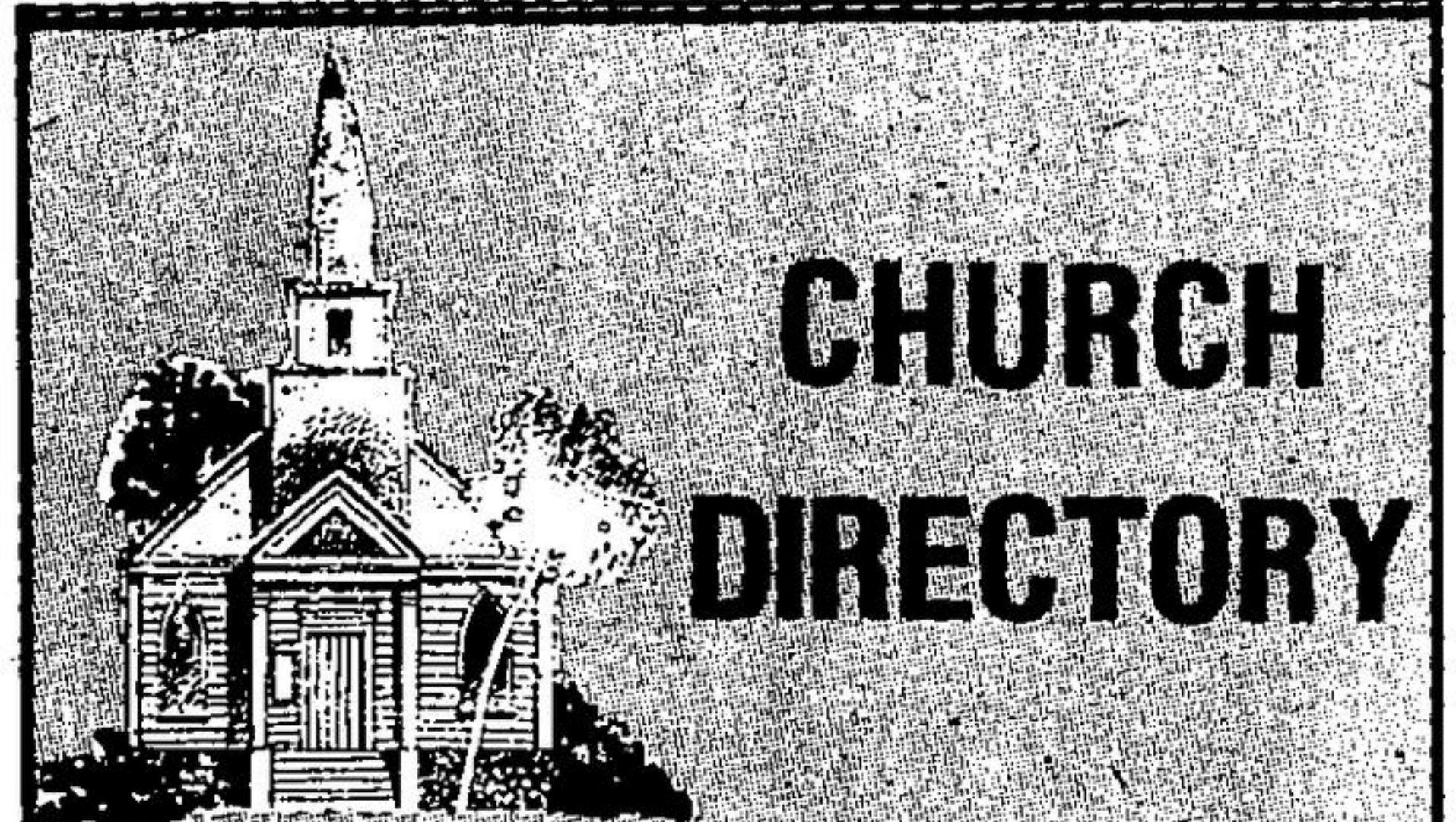
chewing sends a signal to the brain saying that you are satisfied.

Diet Center stresses that eating whole fruits is more satisfying than drinking fruit juices. These fruits supply more bulk, take longer to eat, are slower to digest than juices, and are excellent sources of energy.



Business Number
877-2900
Home Number
853-0780
98 Mill St., Georgetown

Personal Consultation
By Appointment



CHURCH DIRECTORY

TO
ADVERTISE
IN THIS
SPACE
CALL
DISPLAY
ADVERTISING
877-2201

NON-DENOMINATIONAL
(PENTECOSTAL)

ALL PEOPLES CHURCH DELIVERANCE CENTRE

41 Finchgate Boulevard, Bramalea
(S.W. corner Finchgate/Hwy. 7)

- Bible Study
 - Worship • Deliverance
- Sunday 10:30 a.m. & 7:00 p.m.
Wednesday 8:00 p.m.

We Provide:
- Children's Church
- Nursery Service
- English-to-Italian translation

Pastor: George A. LeRoy
792-2176

SAME DAY TAX RETURNS

101 Guelph St., Georgetown
877-2217

MEET «THE TOP DOGS» AT #1 PET CENTRES

AND
CATS



SHITZU
MALE
C.A.C. REGISTERED
\$488.99

Mini Schnauzer
Male
C.A.C. REGISTERED
\$349.99

LHASA APSO
MALE
C.A.C. REGISTERED
\$449.99

Terripon
Female
\$169.99

HAGEN
5 GAL.
AQUARIUM KIT
REG. \$199.99 NOW \$159.99

**2 FOR 1
TUESDAYS**
BUY ONE GET ONE FREE
ON ALL OTHERS...
OF EQUAL VALUE OR LESS

**2 FOR 1
TUESDAYS**
BUY ONE GET ONE FREE
ON ALL OTHERS...
OF EQUAL VALUE OR LESS

HAGEN
10 GAL.
AQUARIUM KIT
REG. \$399.99 NOW \$299.99

SCIENCE DIET
CANINE
GROWTH

HAGEN
HAMSTER
CIRCULANTS

SCIENCE DIET
FELINE
MAINTENANCE

SCIENCE DIET
CANINE
MAINTENANCE
CANS 1.5L
40 LB BAG 19.99