Investors must plan living, death estates

IT'S YOUR MONEY
Paul J. Rockel

I was at a funeral today!

Yes, he was only 56 years old and died of lung cancer. Yes, he was a smoker, but that's another story.

Yes, I had talked to him over 20 years ago about saving and investing, but at that time he was too busy buying a house and raising a family, and paying for all the necessities of life. And... because he was a friend, he said he'd let me know when he was ready to start. He never did let me know, and I only hope and pray he set up a savings and investment program somewhere.

He spent 36 years in the teaching profession, the last 20 of them as a principal.

It got me thinking.

Some of my children have taken "business" courses in high school, as well as economics courses, but none of them seem to have been taught the basics of building a sound financial future for themselves. This is something that everyone can do in this fine country called Canada, whether they be labourers, business people or professionals.

The two basics are to plan for a "living estate" and a "death estate."

The "living estate" is to ensure that if you live to a normal age, and hopefully into retirement, that you will have the assets to live those retirement years in comfort and with the financial ability to enjoy life, travel and all the other amenities that come with freedom of time.

The "death estate" is to ensure that if an untimely death were to occur, that you would have sufficient life insurance to provide for your family for their future.

These two "estates" are the cornerstone of any financial plan.

And... we think that we know the best way of incorporating these two "estates" for virtually everyone.

Firstly, we should plan ahead for "living." That means we should save a part of everything that we earn. No matter what the circumstances, we should always live on less than we earn, and save the difference. The person who is just 21 years of age, earning just $1,000 per month, if they decided to save just five per cent per month, that would be $50. If it were saved regularly each month until age 65 at 15 per cent return (good mutual funds have achieved 15 per cent to 20 per cent over the last 10 years), that person would have a "living estate" of over $2,000,000. If the amount saved was $100 per month the "living estate" would be over $4,000,000 by age 65.

Problem is, most of us do not start saving at age 21. We're too busy buying cars, going out on dates, enjoying life now that we have started working. Life is for spending, we say. But, if we wait to start saving that $50 per month until we are age 30, instead of having $2,000,000 at age 65 we'd have only $600,000. That's $1,400,000 LESS than starting nine years earlier.

The "death estate" should be term insurance. It is the cheapest that you can buy. But, before you buy, talk to an independent insurance broker who is able to survey the various term plans offered by as many as 50 insurance companies. Once you have built your "living estate" in many cases you probably don't need insurance. On the other hand, if income taxes are going to be a problem upon your death, you do need insurance to pay them and leave your estate in tact.

For more information on "living estate" and "death estate", contact Peter C. Masson, 10 Fagan Drive, Georgetown or phone 877-7216.

Paul J. Rockel is President of Regal Capital Planners Ltd. and author of the best seller "Why I Invest in Mutual Funds."

Income tax time isn't going to be fun this year

Weir's View

By Ian Weir
Thomson News Service

Oh, boy. Ohhh, boy. Somehow, I'm starting to get the feeling that Income Tax time isn't going to be any fun this year at all.

Now, this is not - good heavens - to say that Income Tax time was much fun last year, either. Or any other year. It goes without saying that filling out your tax return is invariably as much fun as root-canal surgery, or re-runs of Geraldo.

It's just one of those joyless tasks we must embrace to prove we're patriotic Canadians, like supporting the CFL, or laughing at Wayne and Shuster. But this year, things are starting to look positively grim.

My stomach began to sink last fall, when the government came right out and admitted that this year's new tax regulations might seem just a little bit complex and confusing.

Governments are in the business of passing incomprehensible gobbledy-gook off as simple common sense. When they actually admit their regulations are complicated, you know you're in major trouble. It's a little like hearing a Spanish Inquisitor tell you he has one or two teensy disagreements with your religious beliefs.

And then, while innocently watching TV the other day, the full horror dawned. A financial company which offers assistance in filing tax returns is actually concluding its commercials with the warning: "Don't face the new tax laws alone."

Good lord. Here we were, still hoping this April 30 would be just the usual sort of tax deadline - unpleasant, but survivable. And now, all of a sudden, we learn it's High Noon.

As I say, I've had quite enough trouble standing alone against the old tax laws. Indeed, there's still considerable unpleasantness concerning a small sum which Revenue Canada insists I owe them from the 1986 tax year.

(I'm starting to get highly irritated, considering that I have demonstrated my good faith by repeatedly conceding that I owe them money. I admitted this from the outset, and have continued admitting it for the past two years. They're the ones who refused to accept this admission in the spirit in which it is offered, and call the whole thing quits.)

And now a financial institution is warning us the new tax laws are so tough that only a fool would face them alone?

Whimper.

There is, of course, one last strand of hope we can cling to. Just possibly, this financial company is exaggerating the gravity of our peril.

Put it this way - accountants have always had an image problem. They're undoubtedly nice and efficient people, but the fact remains that nobody would rank them alongside paratroopers and oil well firefighters on the list of Real Men with Real Jobs.

As such, it's possible these TV commercials are step one in the campaign to cast accountants in a more favorable light - as the steely-eyed gunslingers who stand fearlessly between helpless homesteaders and the low-down Revenue Boys.

If so, these ads simply reflect every accountant's secret dream - which is to hear a chorus of little voices crying "Come back, Shane!" as he leaves the office each evening.

But somehow, I don't think so. Somehow, I've got this horrible feeling the accountants are telling the truth. As such, it's time to share a small piece of information with Revenue Canada.

I've got this younger brother, see? He goes about six-foot-one, and maybe 190 pounds. Plays recreational hockey, my brother does. Plays goal. That's why the boys call him Gump.

Gump can be a nice feller. Just a heckuva nice guy. Until you cross one of his kin folk. And he's just become a chartered accountant.

So perhaps you could pass the word along to those new tax laws? If they want me, I'll be down by the corral.

Gump'll be with me. And he's bringing his calculator.

OUR LANGUAGE

by Jeffrey McQuain

To erase or remove, expunge. If you ever misuse this verb in your writing, be certain to expunge it.

Slumber sleeps lightly or dozes. It ends with lumber, which you'll remember if you saw wood while you slumber.

Q. In a book about the American Indians, I came across the word hogan. What does that mean?

A. Hogan comes from the Navajo (or Navaho) word hooghan, which means "house, dwelling." A typical hogan would be built of earth and logs and covered with mud or sod. (Television may yet offer a series about the Navajos, but it's not "The Hogan Family.")

Minor injuries

A Georgetown man was injured in a two-car collision at Sideroad 22 and Tenth Line Saturday afternoon. Halton Regional Police say an eastbound 1986 Hyundai driven by a Georgetown man, 20, was struck by a 1985 Ford Mustang driven by a Windsor man, 24. The Hyundai received major damage. The Ford was moderately damaged. Police charged a male passenger, 24, of Bowmanville, with not wearing a seatbelt. A 23-year-old male from Georgetown was treated for minor injuries and released from hospital.

Two-car collision

A car driven by an 82-year-old Halton Hills man was struck by a 1988 Plymouth Friday afternoon. Halton police say a 1977 AMC was eastbound on Guelph Street near Alcott Drive when it struck the Plymouth. Both cars received moderate damage. A Georgetown woman, 46, is charged with going through a red light.

Stereo stolen

Halton Regional Police report a theft from a car parked at Alexander Street in Georgetown Thursday night. Police say an apparently locked 1982 Chevrolet was missing an AM/FM stereo and a pair of prescription glasses. Total value of the goods is $400.