

How about tax-free income?



IT'S YOUR MONEY
Paul J. Rockel

It's almost too good to be true.

One of the most fabulous investment programs ever "invented," which (in my opinion) was already terrific, has become with each successive Federal and Provincial Budget the almost perfect monthly income program the world has known.

Would you like to receive a monthly income which if you haven't used up your capital gains deduction of \$100,000 is almost tax free? Really, who wouldn't? After all, if I have \$10,000 or a multiple of that saved and invested in Canada Savings Bonds or in G.I.C.'s or term deposits at the bank or trust company or credit union or, for that matter in a mortgage, every penny that I earn is taxable. This means that if my investment of \$10,000 that earns interest and pays 11 per cent, then I must pay tax on the whole \$1,100 of that interest earning.

If I have a taxable income of less than \$27,500 then I must pay tax at the rate of approximately 27 per cent. If my taxable income is over \$27,500 and under \$55,000, my tax rate rises to about 41 per cent on the amount over \$27,500.

Therefore at a taxable income of \$20,000 my tax on the income from that \$10,000 would be (\$1,100 x 27 per cent) \$297 leaving me with a \$803 profit. If inflation is 6 per cent (which it is currently in the Toron-

to area), that eliminates (\$10,000 x 6 per cent) another \$600 from my original \$10,000, leaving me with a purchasing power gain of \$203.

Putting it in proper perspective, it means that my real rate of return (after taxes and inflation) is not 11 per cent but 2.03 per cent in more spendable dollars than the year previous. At a taxable income of \$30,000 I'd have \$49 left after taxes and inflation for a return of 0.49 per cent (not even one per cent). And that's a good investment?

But today, thanks to current tax regulations, you can have a monthly income which is largely tax free. Yes, I repeat largely tax free. And to my knowledge, it's only available through mutual funds.

It's called a systematic withdrawal program, and what it does (automatically each month) is to sell off a little of your holdings to realize a capital gain, and then pay it to you. In fact almost 100 per cent of people on such income programs take a set percentage of their original investment each month. The good mutual funds have a history of increasing in value at rates of from 13 per cent to 17 per cent or more on an annualized basis. As long as I take out less than they have been earning, my capital will not be depleted.

So, if I wanted to take 11 per cent per year, it would amount to \$1,100 just as before, however because the income is in the form of capital gains and dividends my tax in a typical case would be about \$25.

Take off inflation of 6 per cent and what we have left in spendable dollars is \$475.

Which would you rather have... \$475 or \$203? Or \$49?
For a FREE chart showing the

past 15 years of how a withdrawal plan has worked at a 12 per cent payout, ask for "Cundill Withdrawal Chart" and 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."

OUR LANGUAGE

by Jeffrey McQuain

Use pending to describe something undecided or about to happen. It's simple to spell: there's no mistaking the ending of pending.

In film, dub adds sound effects or new dialogue. This verb is relatively new, but I like the sound of dub.

Q. We're planning a brunch, and it made me curious. What can you tell me about the word brunch?

A. Brunch is a blend of breakfast and lunch. It's been around since before the turn of the century, and is more popular than ever. A blend, by the way, refers to any word formed by combining parts of other words. You'll remember blend the next time you have trouble spotting a motel (motor hotel) in the smog (smoke/fog).

Q. Before I join a health spa, can you tell me where they got the word spa?

A. Spa comes from the name of a resort town in eastern Belgium. The town of Spa, long famous for its mineral springs, found its name being applied to other health resorts by the 1600's. The lowercased spa no longer requires mineral springs; in fact, you're lucky to find a hot tub.

ACROSS

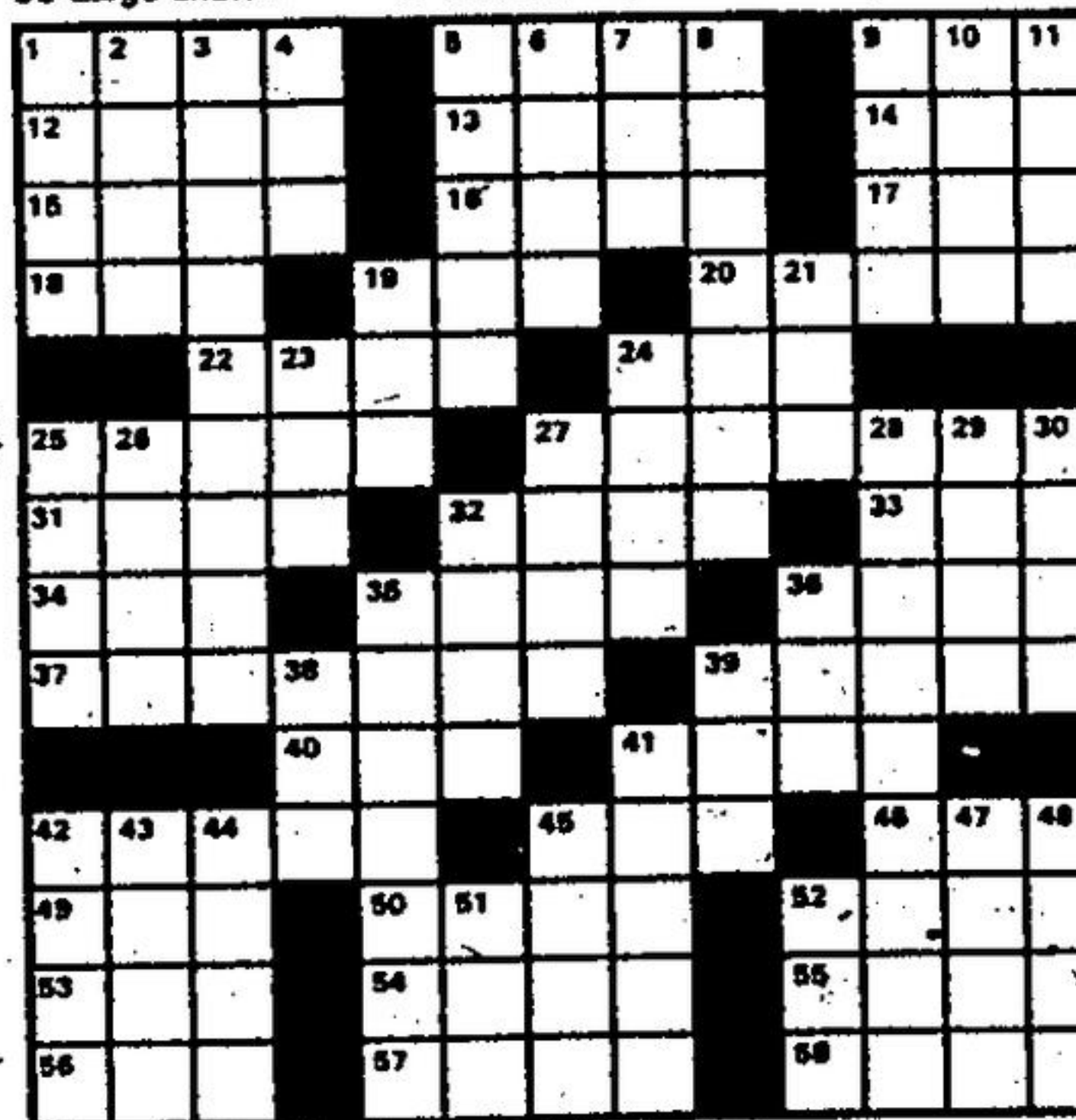
- 1 Three-banded armadillo
- 5 Footless
- 9 Comedienne
- Arden
- 12 Greatly
- 13 Thomas — Edison
- 14 Poetic contraction
- 15 Bushy hairdo
- 16 Precipitation
- 17 Landing boat
- 18 Calif. airline destination
- 19 Long time
- 20 Social rank
- 22 Beethoven's birthplace
- 24 3, Roman
- 25 Warehouse
- 27 Venetian boat
- 31 Mongrel
- 32 Ditty
- 33 Author Fleming
- 34 Half of bi
- 35 Le — auto race
- 36 — Domini
- 37 Tackling quarterback
- 39 Devoured
- 40 East of Ill.
- 41 Paradise dweller
- 42 Goes out
- 45 Chemical suffix
- 46 Zsa Zsa's sister
- 49 Printer's measure
- 50 Small monkey
- 52 Dill seed
- 53 Actress Charlotte —
- 54 Adam's grandson
- 55 Printer's direction
- 56 Gravel ridge
- 57 Extraordinary
- 58 Glimpse

DOWN

- 1 Nursemaids



- 2 Smoke (a cigarette)
- 3 Of calisthenics
- 4 Greek letter
- 5 Biblical priest
- 6 Policy
- 7 Egg (comb. form)
- 8 Ballerina's forte
- 9 Skinny fish
- 10 Suit part
- 11 Art deco illustrator
- 19 Compass point
- 21 First —
- 23 Make a choice
- 24 Charged particles
- 25 Australian birds
- 26 Sandwich filling
- 27 Disklike bell
- 28 Balms commune
- 29 Narrow country road
- 30 In a short time
- 32 Gravel's kin
- 35 Large church
- 36 Motorists' org.
- 38 Set of tools
- 39 Dutch commune
- 41 Aromatic seed
- 42 Architect — Saaninen
- 43 Dec. holiday
- 44 Two words of understanding
- 45 Believe — not
- 47 Vice pres.
- 48 L.L.B.
- 51 Two peas — pod
- 52 Enzyme



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