

There are only three legitimate ways to lower your taxes



IT'S YOUR MONEY

Paul J. Rockel

(NC) — Taxes! We pay over one-half of everything we earn today in Canada, to the tax man.

Yes, even the moderate earner probably pays over 50% of everything earned to the tax man, through federal income tax, provincial taxes, municipal taxes, sales taxes (both hidden and added to purchase costs, gasoline taxes, liquor taxes, cigarette taxes, etc. etc. What it all boils down to is that you and I spend at least one-half of every day working to feed the appetite of our various governing bodies. Those in higher tax brackets spend as much as three-quarters of their working day working for the tax man.

The Government (federal) has given us three "legitimate" ways to attempt to reduce those taxes. Virtually every tax deduction fits into these categories:

- 1) R.R.S.P.
- 2) Tax "Shelters"
- 3) Leveraging (Borrowing to invest).

Number 1 has become well-known to most Canadians, and today is called a R.S.P. (Retirement Savings Plan — they've dropped the word "registered"). Thousands upon thousands of Canadians are now using this remarkable program to build savings for their future retirement. The Government has set limits as to what you can contribute each year (the limits are now rising) but it makes those contributions tax deductible and even allows all investment gain within the plan to accumulate without any current tax liability. However, they deem that all proceeds, when taken out, even in a monthly "pension", are taxable when received.

Problem is, many people choose RSP's because they are tax-deductible, and the want to save taxes. Too many Canadians give little or no consideration as to what they earn. The person saving \$2,000 a year into an RSP from age 30 to 65 @ 10% will end up with \$542,000, whereas the person who achieved a 15% rate of return would end up being worth over \$2 million. That's almost \$1.5 million more than the 10% investor. (If inflation averages 6% per year, you will need \$230,000 income per year 35 years from now to match what \$30,000 per year will buy now). The \$2 million, at 10% would provide \$200,000 per year income in retirement, whereas the person with \$542,000 (10% investor) would only have \$54,200 per year income.

Many good mutual funds have averaged a 15 per cent return or better over the last 10 years.

Number 2 above was "tax shelters". The Government periodically allows tax deductions for special projects they want to see fulfilled. They allowed special deductions for those sponsoring movie films, because they wanted to make Canada the "Hollywood of

the North". There are oil and gas exploration deductions, all kinds of limited partnerships, and when housing was short, they allowed deductions for MURB's (Multiple Unit Residential Buildings). The biggest problem with most "tax shelters" is that they almost invariably turn out to be "lousy" or money-losing schemes, whereby you save tax, but you lose most, if not all of your money. Films have proven to be disastrous, with 90% or more of the investors losing all of their investment (but they did save on taxes).

Number 3 above is called leveraging, which simply put, means borrowing other people's money for investment. What you do is borrow money from the bank, trust company, etc. and invest it where you hope to earn income. For people such as this writer, it has proven to be fantastic. I borrow monies from the bank at say 12%, and then invest it all in mutual funds, where I hope to achieve at least an average of 15% per year over a 10-year period (as past performance has shown). But, because the borrowed monies were borrowed for investment in mutual funds, the interest cost becomes tax deductible. If I'm in the 30% tax bracket, this means the 12% interest cost is actually reduced to 6% after-tax-deduction cost. If the fund averages 15% per year, made up of tax-free capital gains and virtually non-taxable dividends, I'm achieving 15% per year, it's costing me 6% per year (after-tax borrowing costs), meaning I'm ahead 9% per year, on using O.P.M. (Other People's Money). That's what we call leveraging, and it's potential results.

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

For free information on mutual funds, ask for "Why Doesn't Everyone" and contact Peter C. Masson, 10 Fagan Drive, Georgetown, Ont. or phone 877-7216.

Pioneer girls

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Book review

Woodstock examined in detail

By ROB MITCHELL

Ivis Costello once asked the musical question, "What's so funny about peace, love and understanding?" He should read Woodstock. The Oral History...

This lengthy tribute (Doubleday, 400 pages, \$22.95) to the final gap that was once euphemistically called the summer of love is exhausting in its detail and first-person recollections of that now historic three days of music, sin and drug-induced stupidity amid the rolling fields of Max Yasgur's farm in upstate New York in the summer of 1969.

Author Joel Makower did an admirable job in tracing the many participants involved in Woodstock, from stage hands to Yasgur neighbors, the local constabulary and sundry flower children. However, when compared to other recent remembrances of Woodstock, notably Rolling Stone magazine's August issue, some of the most obvious players involved in the event either weren't interested in talking to Makower, or he simply neglected to contact them. Given the number of musicians who played at Woodstock, we are treated to a few spartan comments from some of the lesser knowns who managed to grace the stage.

The musicians he does quote have surprisingly little of interest to contribute. David Crosby, one of the few prominent musicians he quotes, recalls one of his heroes of the Woodstock experience was a Port-O-San attendant who tried to deal with the woefully inadequate bathroom facilities.

Such non-luminaries as Wavy Gravy (a.k.a. Hugh Romney, who acted as an impromptu master of ceremonies) and others spend too much time in self congratulation over their mighty efforts in the "freak out" tents, recounted in requisite '60s psycho-babble.

What was Woodstock? At the concert, singer-songwriter Richie Havens offered such insights as "this is what it is like in Vietnam, only it's guns." The very people this proselytizing was directed at had the least involvement with the art. The Woodstock audience was, for the most part, white middle-class teenagers, more in tune with the rhetoric than the reality of their country's involvement in southeast Asia.

LOST

What really seems lost in this book is the importance of the music. This was a concert like no other. With the exception of a few obvious absences — the Rolling Stones, Le Zeppelin, the Velvet Underground — this was the cutting edge of popular music at the time (the Beatles at this stage had long forsaken touring). Jimi Hendrix

played Woodstock, Janis Joplin, The Who (introducing excerpts from the first rock opera, Tommy), The Grateful Dead, Jefferson Airplane, Sly and the Family Stone, The Band, Iron Butterfly was scheduled to play, but the band was left stranded at its hotel due to traffic conditions).

Too much of Woodstock, The Oral History is needlessly consumed with petty detail from hangers-on, anecdotes filtered through 20 years of instant karma. It's almost pathetic plowing through some of the nonsense the late Abbie Hoffman offered about his involvement with the concert, when, in point of fact, he muscled his way into the event for his own aggrandizement, and was subsequently bonked on the head by Pete Townsend's guitar when he tried to make a speech during The Who's set.

What Woodstock did more than anything else was wake up Wall Street to the potential of rock music. A potential in evidence everywhere one looks today. Woodstock's enduring legacy has nothing to do with peace and love and everything to do with dollars

and cents, right down to the registered Woodstock logo that adorns the opening chapter of Woodstock, The Oral History.

The reality is Woodstock was the concept of four young entrepreneurs who wanted from this event everything its participants claimed to eschew. One of them, Artie Kornfeld, was responsible for signing the pop group the Cowbills to Capitol Records. The Cowbills would later be developed into the TV series, The Partridge Family.

Even in the summer of love, the organizers weren't so stupid to have failed to negotiate movie rights and a record deal for the Woodstock nation. One of the ironies of this book is, after 20 years, those same minds have achieved so little.

It's remarkable that, in so many ways, Woodstock has become the cornerstone for a generation. Woodstock. The Oral History is testimony to that fact. I guess you had to be there.

—Rob Mitchell is a former disc jockey and avid music collector. He currently works as media advisor to Ontario NDP Leader Bob Rae.

The advertisement that ran in our paper on Wednesday, August 30, 1989 for Country Video & Games was incorrect. It should have read "Special Invitation to All Members." We apologize for any inconvenience this error may have caused.

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