

the HERALD Outlook

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Double your money in just 6½ years



Diane Maley
Your Business
Thomson News Service

With the magic of compound interest, you can double your money in 6½ years, assuming an 11 per cent interest rate and no taxes.

Compounding raises the effective interest on your investment, allowing you to earn interest on interest. A base rate of 10 per cent, for example, yields an effective annual return of 12.2 per cent on a five-year investment with interest compounded annually.

A base rate of 11 percent works out to a 13.7 per cent return over five years. Even higher returns result if interest is compounded semi-annually rather than annually.

The only way interest can grow tax-free, though, is in registered retirement savings plans, a good reason to set one up if you have not already done so.

Outside of RRSPs, it usually is a good idea to let your interest compound rather than take it out in annual payments - provided you don't need the income. Retired people who rely on regular interest income will prefer to take their interest as it is earned.

There is a way to put off paying taxes on compound interest. If you think you will be in a lower tax bracket in two or three years, you might want to take advantage of

this tax holiday. This arrangement will suit people planning to retire, go back to school or take a year off to write a book.

You will have to buy your GIC before Jan. 1, though, because the tax holiday ends this year. Starting next year, Finance Minister Michael Wilson will put an end to the income tax provision that allows taxpayers to defer reporting income on compound-interest investments for up to three years.

If you buy your compound-interest GIC before year-end, you will not have to declare interest until 1992. If 1991 is your low-income year, you can declare it then. As Royal Trust points out in its monthly newsletter, you do not need to choose a maturity date that coincides with the year in which you plan to declare the interest.

Interest-bearing investments continue to be a good place to invest your money, given how high rates are after subtracting inflation. Which term to choose is a more complicated question. Royal Trust, for example, believes interest rates will fall soon as the economy slows.

If you agree, you will want to switch to longer-term investments to lock in high rates.

On the other hand, short-term yields are attractive. If you believe, as some forecasters do, that interest rates will stay painfully high for the next few months, you will be in no rush to switch.

Economists admit it's a hard one to call. The U.S. economy is slowing and one trend-setting U.S. bank has cut its prime business lending rate. But interest rates in Canada are still up to four percentage points higher than they are south of the border and demand for credit is strong.

SNAFU® by Bruce Beattie



"I don't know. It just isn't the same... Junior faxing Santa Claus his Christmas list."

A first hand look at where money went

Vic Parsons
Ottawa Bureau



full view of his face. Stonecroft boldly chatted, making no effort to conceal his identity.

When the MPs entered, a blast of raucous recorded music assaulted their ears. Stonecroft chose a table and ordered beer while Droodge blinked as his eyes grew accustomed to the darkness. So, this was one of the strip clubs that had received loans from the Federal Business Development Bank.

When he had adjusted to the gloom, Droodge wished he hadn't. Not two metres in front of him stood a young woman without a stitch, as casually as though she were waiting for the bus.

Good grief, Droodge gulped, Tessie LaTouche, the Venison Tickle Vixen, wouldn't have taken off that much even at the culmination of her act. The MP didn't know from personal experience, of course, just hearsay.

Meanwhile, Stonecroft excused himself. He had spied a senior bureaucrat among a group of what had initially appeared to be beer-guzzling louts.

Too soon, there was a stripper beside Droodge. A familiar voice asked if he would like her to dance especially for him.

PATRIOTIC COLORS
Droodge looked up, aghast. He wasn't sure if he had turned white or red. He was probably flashing between one color and the other. The voice belonged to none other than Betsy, his secretary.

"What are you doing here?" he cried in horror.

"I just come over to earn a little pin money at lunch hour," she replied. "The pay at the office isn't that great."

Droodge tried to gather his thoughts. "Why, I can't have you working for me after this!" he trembled.

"Mr. Droodge," Betsy said quietly. "Do your constituents know you frequent these kinds of establishments? It wouldn't do for them to find out, would it?"

This time, Droodge knew for certain he had blanched. He considered for a moment. "You're right, Betsy. And you do deserve a raise."

Resemblances to true-life persons and events in the following are purely coincidental.

H.J. Stonecroft leaned across his desk. His bulbous nose twitched and his florid jowls quivered.

"I tell you, Droodge, we members of Parliament have an obligation to taxpayers to check out the way public funds are being spent," he argued forcefully. "The entertainment and hospitality industries are vital to this country's economic makeup."

The object of Stonecroft's attention fidgeted nervously on a couch. Elvis Droodge, MP for the riding of Upper Elbow-Venison Tickle, stared at the floor.

"I guess so," he muttered, barely audible.

"Why, of course," Stonecroft exclaimed triumphantly after an hour in which he had used every device in his repertoire to persuade his colleague that a visit to Le Paradis de Strip in Hull, Que., was in the public interest.

Stonecroft had a decided advantage. He was, after all, a veteran. Droodge was merely a young pup whose ideals still needed a little massaging to bring them into line with political realities.

"I'll call a cab, then," Stonecroft said, rubbing his hands. "We shouldn't be seen with our own cars. And I'll tell my staff we're off to a business lunch."

"After all," he chuckled, "the road to Hull is paved with good inventions."

BOLD ARRIVAL

Twenty minutes later, the cab arrived at the club. Droodge had pulled up the lapels of his coat, hoping the driver wouldn't get a

Berry's World



Jim Berry
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"Tell me — why do I remain in this abusive relationship with my computer?"

Story is a reporter's dream



Stewart MacLeod
Ottawa
Thomson News Service

It would be so easy - even fun - to write a blistering column about the Federal Business Development Bank lending money to strip joints across the country. It's a journalist's dream story, one that begs for righteous indignation.

How can you lose, hammering a government agency that's helping to finance table-top strip joints while other people are going hungry in the country? You can't lose in criticizing the situation, any more than Industry Minister Harvie Andre can win.

About the only thing he can say - and he has on countless occasions - is that procedures will be tightened up so that, in future, the bank will not find itself in the embarrassing position of financing erotic establishments.

Meanwhile, as more and more of these loans are being revealed by a hungry media, Mr. Andre is squirming uncomfortably under an opposition onslaught. It's not easy to defend such loans when opposition MPs can cite examples of Ottawa cutting off funds for women's shelters and other worthy causes.

In fact, it's probably impossible. But, tempting as it is to join the critical mob, someone has to come to the defence of the government here. At the very least, we can try and correct the widespread impression that Ottawa is taking money away from the needy for the express purpose of promoting the burlesque industry.

VERY COMPLEX

It's not difficult to make the point that the Federal Business Development Bank, a Crown corporation set up in 1944 to help rebuild the post-war economy, should not be helping strip-clubs. However, it's also not difficult to make the point that this has absolutely nothing to do with government funding.

The FBDB operates quite separately from government. For all practical purposes, it's a commercial bank, established to help small businessmen who have trouble raising capital. It has managed to make a profit over the years.

Now, whether it has outlived its usefulness, is quite another question. It might well be time to close down this "bank of last resort."

But so long as it remains in the business of offering loans to struggling enterprises, it's going to be virtually impossible to avoid financing some questionable activities. Bet if you went through the records of chartered banks, you would find they have helped out some very unsavory operations.

And the difficulty is, in most cases, the unsavory aspects surface only after the loans have been secured. In some of the cases already exposed, the loans were approved for clubs and restaurants that had never employed strippers before.

While they might have changed their entertainment format while still owing money to the FBDB, the bank had no mandate to make value judgments on what customers watched. The bottom line for the institutions was the repayment of the loan, as it would be with any other bank.