

## How to invest

# Investors must plan when they'll need to use their money

By BEN DUMMETT  
the Herald

The type of investment a person chooses depends on the amount of money a person has to invest and when that person needs the money again to meet expenditures, says Gary Elliott, the manager of The Municipal Savings and Loan Corporation.

Although the corporation, which is part of The Municipal Financial Corporation, and other like it are governed by provincial legislation, unlike the chartered banks which are governed by federal legislation, the two types of money institutions offer some similar types of investment packages.

The Municipal offers customers the option of three kinds of investment: a demand deposit account or investment chequing or savings account, a term deposit account, or guaranteed investment certificates or debenture investment certificates.

Regardless of the type of money institution a person chooses, Mr. Elliott recommends all people take the time to sit down with their bank manager and talk about the different options before deciding on an investment portfolio. Mr. Elliott started his banking career 20 years ago in Wales. Before moving to the Municipal, he was the manager of the Bank of Montreal in Georgetown.

As a basic guideline Mr. Elliott suggests that people put the money they need on a daily basis into a demand deposit account. As the account's title implies, a customer can withdraw money from this account at any time. And the greater the amount of money in this ac-

count, the greater the interest rate, says Mr. Elliott. A customer can either choose to collect interest on a daily or monthly basis with this type of account, said Mr. Elliott, who has been with the company since it opened in Georgetown in November.

People who choose a term deposit have to be willing to commit a minimum of \$10,000 for no less time than 30 days, Mr. Elliott said. There is no maximum amount that can be invested in a term deposit. But there is a time limit of 364 days, he said.

A couple would choose a term deposit if for example they sold their house and weren't planning to buy another for a few months, said Mr. Elliott.

Depending on a person's age and the amount of money to be invested, current interest rates at the Municipal dictate a demand deposit account would generate a higher return than a term deposit. People over 50 years old with \$50,000 to invest should consider a demand deposit account rather than a term deposit, said Mr. Elliott. People interested in long-term saving should consider a GIC or a debenture investment certificate, says Mr. Elliott.

These two types of investments offer customers the stability of a fixed interest rate for a long period of time, he said.

A minimum of \$1,000 is necessary for either of these investment types. The minimum term is a year.

People can either collect interest monthly, annually or have it re-invested and compounded with the original principal, he said.



The manager of The Municipal Savings and Loan Corporation in Georgetown, Gary Elliott, says deciding on an investment package depends on two factors: the amount of money to be invested and the length of time a person can do without the money. (Herald photo)



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## Net worth calculation helps you chart financial progress

Just as every business has a balance sheet, every individual, or at least every family, should have a net worth statement — a list of all assets and liabilities to show how much the household is worth.

There are several good practical reasons for knowing where you stand. First, you can make better use of your income and maintain better control of expenditures as you have a clear idea of what you own and what you owe.

Secondly, knowing what's left over after deducting current liabilities provides a strong incentive to save and as you see your net worth increase, you'll be encouraged

to help it grow more.

Knowledge of your net worth is also an essential component of all financial planning. How else can you judge what to set aside for buying a home, to pay for children's education, to establish your own business, to plan investments and to look ahead to retirement years?

A net worth statement is also needed for estate planning. Everyone needs a will and to know what's going to be left before deciding how the estate is to be broken up.

Furthermore, if you borrow cash or arrange a mortgage, you'll have to give the lender an accurate and up-to-date account of existing assets and

liabilities. How much you have will govern how much you can borrow.

Then in the future, you should plan to update your net worth statement annually. In the process, it's not absolutely essential to obtain reappraisals of valuable personal property each year. But it probably makes sense to have jewelry, art and antiques looked at by an expert every three years.

Your bank or trust company will probably have a folder to give you pointers on how to calculate net worth. Your local credit union also has an excellent little free guide, including a sample form, in the "Financial Fitness" series.

## Canadians work half a year just to pay their taxes

On average, Canadians worked for government just over half the year in 1989 and kept less than half of what they made for themselves, according to Vancouver's Fraser Institute.

"Tax freedom day," when the tax bill was paid for the year, was calculated to have occurred on July 3, on average.

This year things will be worse, as the taxmen's grip tightens across the land, the think-tank group believes. As for 1991, it's best not to think about how late in the year it will be when the total tax bill is paid if the Goods and Services Tax actually happens as scheduled on Jan. 1, 1991.

Fraser director Michael Walker says, "Since 1961, tax freedom day has moved from May 4 to July 3, and so taxation has become a much more sig-

nificant economic phenomenon in that period."

Calculated since mid-'70s

The institute began calculating the individual tax burden in the mid-1970s, when runaway inflation was the main topic of debate. Walker said it soon became clear government spending far outstripped the rate of inflation.

"We want people to be aware of the extent to which they are responsible for the generosity that periodically governments announce. We're never going to deal with the expenditure side of government, which is the main problem, unless people become aware of what the costs of that spending are."

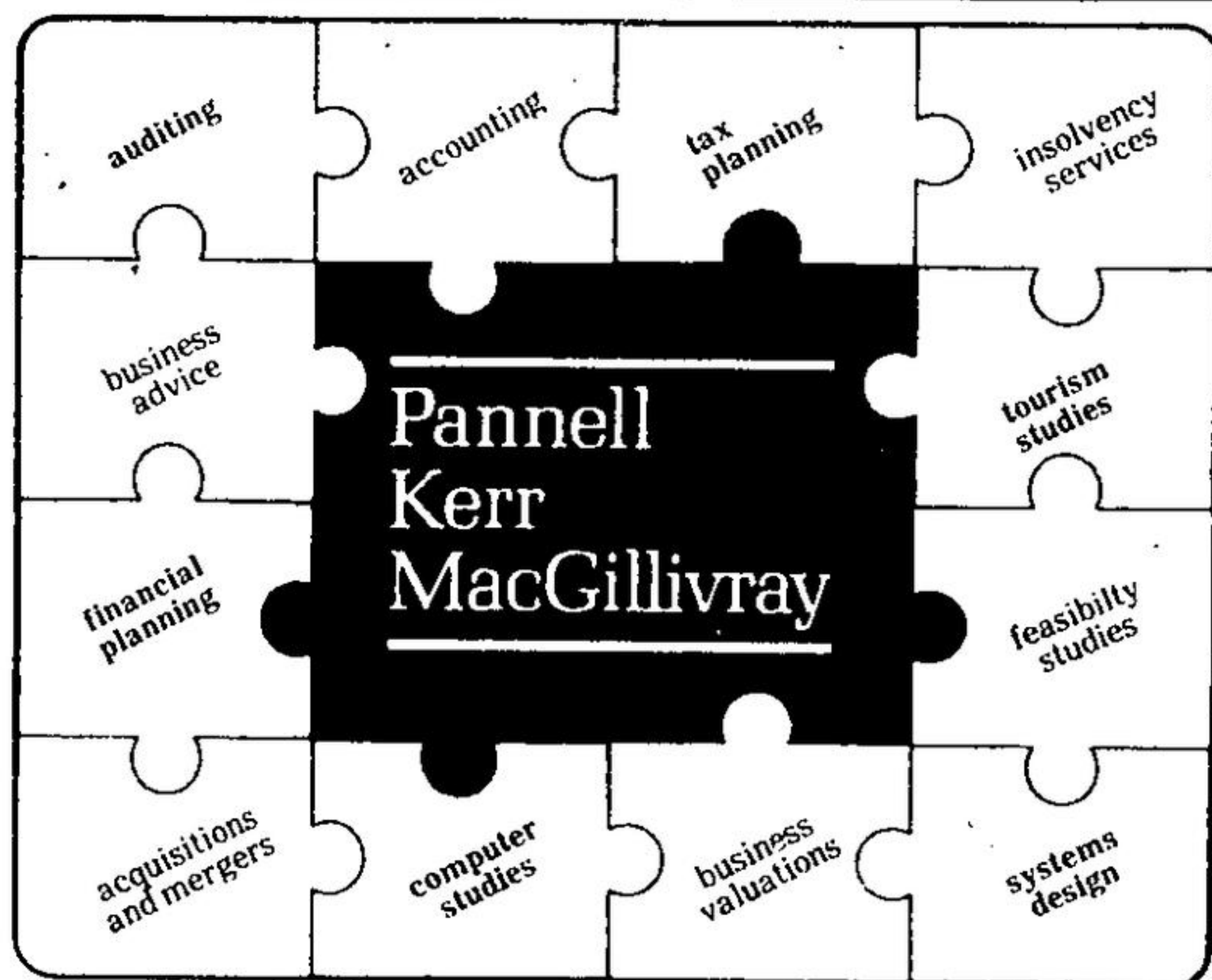
If Canadians actually had to pay all their taxes — from income, sales and property taxes to import duties and medical

levies — on tax freedom day, they'd be less tolerant of expensive government programs, Walker said.

As it is, the average Canadian already pays 50.2 per cent of income in a vast array of hidden and direct taxes — some 51 different categories included in the Fraser tax freedom day calculation.

Furthermore, no one escapes, Walker said. Even Albertans, who have no provincial sales tax, paid \$1,863 in federal sales taxes on average in 1988, Walker said.

"The reality is that the underground economy, which we estimate to have grown in leaps and bounds in recent years, is in part a reflection of the tax bill" because people avoided taxes by working for unrecorded cash payments or bartering services, Walker said.



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