

# Stock market investment can be risky venture

TORONTO - With so many stock market bears ambling about, brave souls may be tempted to sell short. This is a risky thing to do if it works. But if the market turns against you, you could lose more money than you bargained for.

Fortunately, there is more than one way to skin a bear. If selling short is too risky, you can buy options to sell either stock or a market index. If selling short is not risky enough, and you have lots of money, you can play the index futures market.

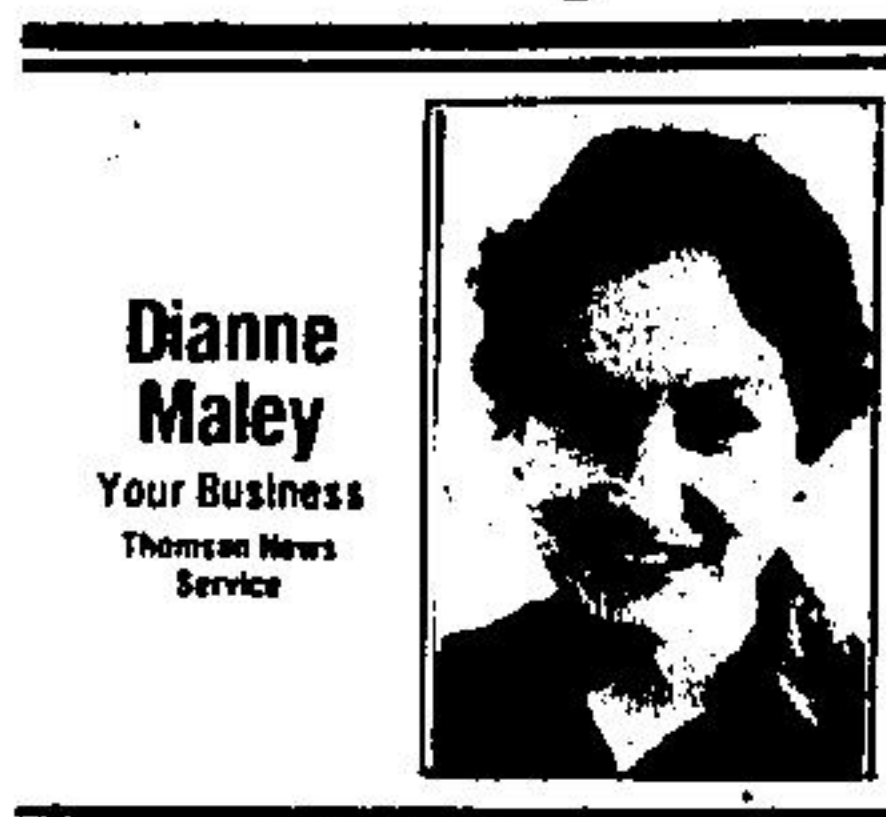
I called Paul Bates, president of Marathon Brokerage, to ask how people can bet against the market. Marathon is a discount brokerage firm that is partly owned by Central Guaranty Trust.

Is selling short riskier than buying?

"Considerably," Mr. Bates said. If you buy a stock for \$10 and it comes crashing down, the most you can lose is your investment. If you sell the stock short and it subsequently skyrockets, you could lose a bundle. That's because you would have to buy stock in the market, whatever the price, to cover your position.

### NOT IDEAL

When you sell short, you are selling stock that you do not own. The risk is that you may have to come up with it. "Your broker literally borrows the stock from another client," Mr. Bates explains. The lender may want it back. If he



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does, or if the stock goes up so much your broker gets nervous and asks you for more money, you could be forced to go out and buy it. "It's a problem that should be looked at carefully," Mr. Bates said.

Selling short should be limited to stocks that are traded actively, he notes. The price of thinly traded stocks tends to be volatile.

What brokers will not say is that the prospect of a stampede of small investors selling short gives them a headache. If the market turns with a vengeance, these people could lose their shirts. Brokers would be hard-pressed to collect from them.

Mr. Bates, for one, prefers options. An option gives you the right to buy or sell a stock at a set price for a limited period of time. A call option gives you the right to buy; a put option to sell. If you think the market is about to tumble, you can

buy out options.

Bear in mind, though, that most people who play the options market lose money. "That's common of most ultra-speculative situations," Mr. Bates conceded.

### LIMITED LOSS

With an option, the most you can lose is your investment. If you buy \$500 worth of put options and the market rebounds, you will let your option expire and kiss your \$500 good-bye. To trade options at Marathon Brokerage, you need a minimum balance of \$5,000. As well, your broker would prefer if you had some experience with the stock market.

As for the futures market, this is not a place for small investors. The risks are far higher than the options market and the potential losses are enormous. Futures work best as a hedging device for big institutional investors.

Finally, there are new creatures called put warrants. Warrants to sell the Japanese stock market, known as Nikkei puts, have been tremendously successful. Canadian dollar puts, in contrast, are considered expensive.

If you would like to bet on the stock market, as your stockbroker for more information. If you prefer to deal with a discount broker, you can call Marathon's toll-free number from anywhere in Canada. Most banks also offer discount brokerage services. Shop around to compare rates and services.

# Starting your own business requires basic research

By RICK BATES, CA

People who go into business just to make money usually go broke.

It takes a wide range of skill and, above all, determination. Look hard before leaping from your humdrum job, because about 40 per cent of small business startups fail within the first year.

But for those who succeed, there can be tremendous satisfaction from becoming masters of their own destiny.

Striking out on one's own becomes more tempting in an economic downturn. Big companies restructure. It often means letting people go and shuffling the corporate deck.

The job transfer might mean a long commute or a belated realization that loyalty to the company was a one-way street.

Whatever the reason, more people begin to dream of starting their own little business. A rash decision, however, could lead to ruin.

First, take an honest look at your own strengths and weaknesses. Don't kid yourself, like the guy who sucks in his belly when passing a mirror.

There needn't be a direct link between your present job skills and your new line of business. A mechanic, for example, needn't confine his thinking to opening a garage. He might decide to go into custom cars or supervising a do-it-yourself repair shop.

It comes down to this: find yourself a market and get to know that market. Go to trade shows, read annual reports and business

newspapers, talk to suppliers and potential customers.

In his Small Business Handbook, Irving Bursteiner says a successful small business owner should be a jack of all trades and a master of all.

After doing your own basic research, you might want to talk to a consultant to see if you're going about it the right way. The most important step is to prepare a basic business plan.

Look upon it as a road map. Set out on paper your cash-flow and income forecasts, and the financial condition you expect your company to be in a year from now, and five years down the road.

To spur realism, keep in mind the spectre that 80 per cent of small business go under within six years.

The next step is the hardest - getting the launching money. Banks, some badly burned by easy-going loans in boom times, are getting pickier. You might have to raise

much of the money through mortgaging your home or persuading relatives to invest.

With money in hand, comes the hard-slogging moment of truth: was the management expertise you thought you had good enough?

Incompetence is the root cause of practically all business failures. All the determination in the world won't make up for it.

Given your skill, motivation and self-satisfaction will turn out to be greatly more important than just seeking to make money.

For CA's advice on TV - see Your Wealth, available on broadcast channels in Ontario and on satellite across Canada, or see Money in the Bank, on your community cable channel.

Moneycare is general financial advice by Canada's chartered accountants. Rick Bates is an assistant professor at the University of Guelph.

# Coffee machines recalled

TORONTO - Proctor-Silex Canada Inc. has announced it is voluntarily recalling certain 10-cup drop coffeemakers made during 1985 and 1986, because they may present a potential fire hazard.

The coffeemakers involved are Model A474AL, Type A3, with Series Numbers ending in 58 or 68. However, units marked with Series Numbers A1558 or A3058 are not being recalled.

The model, type and series number are marked on the metal bottom plate of the coffeemaker.

The potential hazard, discovered by Proctor-Silex, results from an improper operation of a component part of the coffeemaker, supplied by another company.

The coffeemakers subject to this voluntary recall are no longer being manufactured nor are they available in retail stores.

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Survey Completed Wednesday Sept. 5, 1990	MORTGAGE RATES ANNUAL INTEREST					
	SIX MONTH	ONE YEAR	TWO YEAR	THREE YEAR	FOUR YEAR	FIVE YEAR
<b>TRUST COMPANIES</b>						
Canada Trust	13.75	13.75	13.75	13.50	13.50	13.50
Municipal Trust	N/A	13.75	13.75	14.00	14.25	14.25
NRS/Royal Trust	13.75	13.75	13.75	13.50	13.50	13.50
<b>CHARTERED BANKS</b>						
Bank of Commerce	14.00	13.75	13.75	13.75	13.50	13.50
Bank of Montreal	13.75	13.75	13.75	13.75	13.50	13.40
Bank of Nova Scotia	N/A	13.75	13.75	13.75	13.50	13.50
Royal Bank	13.75	13.75	13.75	13.75	13.50	13.50
Toronto Dominion	13.75	13.75	13.75	13.75	13.50	13.50

This survey was prepared to help the Herald Homestyle readers track weekly Bank and Trust Company rates.

# Hometown names can be researched at Ottawa bureau

Have you ever wondered how your home town got its name? The Canadian Permanent Committee on Geographical Names in Ottawa has records of about 440,000 place-names, which come from a variety of sources. Some are quite obvious, while others leave us perplexed.

Flin Flon, Manitoba, is always a puzzle. Is it a Native name? A French derivation? An agricultural product?

Actually, Flin Flon is named after a fictional character, Josiah Flin-tabbatey Flonatin, who invented a submarine and went down through a hole in a bottomless lake into the earth, where he found gold.

Places are often named after their physical description, people, other places or events that took place nearby.

Edenbridge, Saskatchewan, was not in fact named directly for Adam and Eve's first home. The town was started by a small group of Jewish farmers from South Africa, and was originally called Yid'n Bridge. This was later changed to similar-sounding Edenbridge.

Some are from Native languages and often described natural features, like Winnipeg, meaning "murky waters", and Niagara, which means "thunder of waters."

Many Canadian provinces came by their names in a similar way. Yukon, for instance, comes from the Loucheux Indian "Yu-kun-ah" meaning "great river", and Quebec took its name from the Algonquin term for "narrow passage."

When it was time to re-name Rat Portage, Ontario, the neighbours got together. KE came from Keewatin, NO from Norman, and RA from Rat Portage, to make the name Kenora.

Then there are colourfully descriptive or lighthearted names like Peekaboo Corner in New Brunswick, Come By Chance and

Heart's Content, both in Newfoundland. Saint-Louis-du-Ha!Ha! in Quebec, and Punkeydoodles Corners in Ontario.

At first, Funk Island seems to be in the "colourfully descriptive" category, but in fact was not named for a melancholy mood. The barren rock island, made a wildlife sanctuary in 1968, is home to huge flocks of seabirds and likely got its name from the smell of bird droppings.

The influence of the French and British ruling class, political or military leaders or famous explorers can be seen in Canadian place-names.

The province of New Brunswick, for example, is named for the British royal family of Brunswick.

British Columbia takes its name from the early, non-Native settlement in the province, as does Nova Scotia, Latin for "New Scotland", after the first Scots who arrived in the province in 1773.

Newfoundland, originally called "new found isle" by explorer John Cabot in 1497, became known as "New found launde" in 1502. The North West Territories was the original label for the land acquired from the Hudson's Bay Company in 1870.

Ouch! The naming of Kicking Horse Pass was definitely a painful process. The name was adopted in 1858, when one of the first explorers of the pass that lies on the B.C. - Alberta border was kicked in the chest by a pack-horse that he was trying to pull out of the water.

Discover the history behind other Canadian place-names in the new Junior Encyclopedia of Canada, published by Hurtig Publishers Ltd. For more information on the Encyclopedia, please call toll-free 1-800-661-6464.