

Money Matters

The 'now' expenditure can mean lost future benefits

By PAUL J. ROCKEL

I had to learn it from my wife. She confronted me with the statement: "Did you know our youngest son (age 16) cashed in \$500 of his mutual fund investments you made for him?" I had to answer truthfully, "No, I didn't."

You see, as a parent, I had deemed that each of our five children should end up with investments worth at least a million dollars by the time they are age 65. I knew that if I invested \$140 for them at birth, and it averaged 15 per cent per year through to age 65, (which the good mutual funds have proven to do long term) that \$140 would be worth over \$1,230,000 at age 65. Financial mathematics alone tells me that.

So, I invested \$140 for them at birth. True, I didn't know about these formulas when the first two were born, so I had to invest a larger amount when they were older. You would have to invest \$281 at age 5 to achieve the same result, and \$566 for a 10 year old.

In the case of our 16 year old, the \$140 mutual fund investment had grown to almost \$2,000 (it had done better than 15 per cent). He decided he wanted a motorcycle to get back and forth to work easier (since age 14 he has been working as a packer and carryout person at a local supermarket after school and Saturdays). While he had some money saved, he was apparently short \$500, so he cashed in some of his mutual funds.

I didn't like it but, it also opened up the opportunity to get a message across.

"Remember", I asked him, "the riddle you posed to me a few months ago? The one where you asked if I'd rather have \$100,000 for working the full 31 days in a month, or being paid one cent the

first day, two cents the second day, four cents the third day and doubling the amount every day for thirty-one days? Do you remember the answer?"

"Certainly," he replied. "The person who took the penny the first day, two cents the second, etc., would have ended up with over \$10 million in total pay (\$10,737,418 to be exact) for the 31 days. That was much better than \$100,000 offered for the month."

"Now", I responded, "let's apply the same principle to your life. Remember that monies averaging 15 per cent per year double in value approximately every five years. Just like the "worker" who took the one cent the first day, and doubled the amount in the succeeding days, would you sit down and double \$500 every five years, starting at your age now (16 years old) through to age 65, and tell me what answer you get."

I gave him pencil and paper, went away, and let him go to it.

A little later he came to me and told me that \$500 doubled every five years for 50 years, age 16 to



IT'S YOUR MONEY
Paul J. Rockel

age 66, would be worth \$512,000. That's over half a million dollars.

He was right.

His comment: "Wow, that motorcycle is going to cost me over \$500,000. Dad, I better replace that \$500 back into my mutual funds as soon as I can." (I hadn't asked him to.)

Possibly that \$500 was the best expenditure he ever made, or will make, because it was used to teach a valuable lesson. Too many of us save or use our savings, to spend "NOW" without giving a thought as to how much that "NOW" expenditure cost us in lost future benefits. If we are saving to build a "second income" (first income is YOU AT WORK, second income is MONEY AT WORK), we should

allow it to build, add to it regularly from our first income, until such time as we feel comfortable that we have enough MONEY AT WORK at work to provide the second income sufficient to support us.

For a projection of how much you will need, or for more in-

formation, contact Peter C. Masson, M.B.A., Regal Capital Planners Ltd. 10 Fagan Drive, Georgetown, Ontario or phone 877-7216.

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



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Q. I am a full-time farmer. Must I register for the GST even though my farming operation incurred a loss last year and I fully expect to incur a loss for 1991?

A. Possibly. You are required to register if your annual taxable sales and revenues (including zero-rated goods and services) are over \$30,000. As a farmer, most of the goods or services you provide are zero-rated, i.e., they are taxable at a rate of 0% as opposed to being tax exempt. Thus, you will be able to claim full input tax credits on your purchases, but only if you register. Because you will almost always be in a refund position, you are encouraged to file your GST returns on a monthly basis and as soon as possible after the end of each reporting period.

KEVIN CHMELNYTZKI

Associate Tax Consultants

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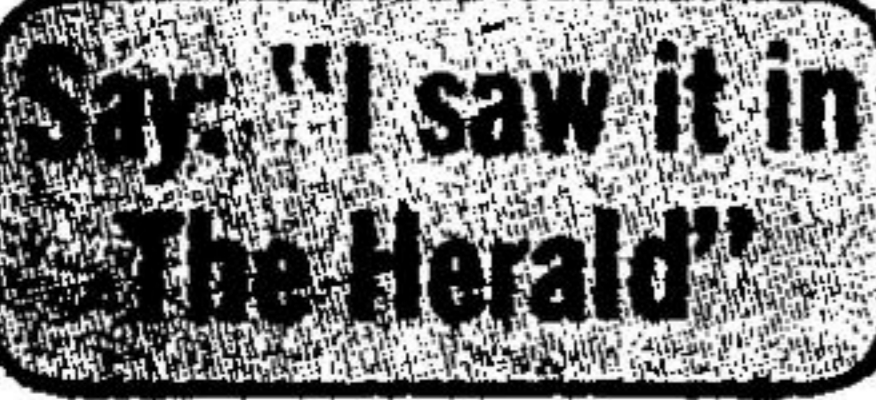
Chamber planning seminar

Statistics Canada have just released bankruptcy figures for Feb. 1991 which shows that bankruptcies were 60% higher than the same month last year. In fact there were over 2,300 bankruptcies during the month. The Halton Hills Chamber of Commerce has in fact lost members who have not been able to survive the economic slowdown that we find ourselves in. With these facts in mind the Chamber is planning a noon hour seminar called Business Realities In A Recession.

The Chamber has invited Mr. Aldo Makovskis C.A. Trustee in Bankruptcy for the firm of Donne Raymond Pannell to present information on how to avoid becoming one of the statistics. You will learn about the following: sound management practices, changing emphasis during a recession, relationships with banks and creditors, providing extra security for loans and finally getting your questions answered.

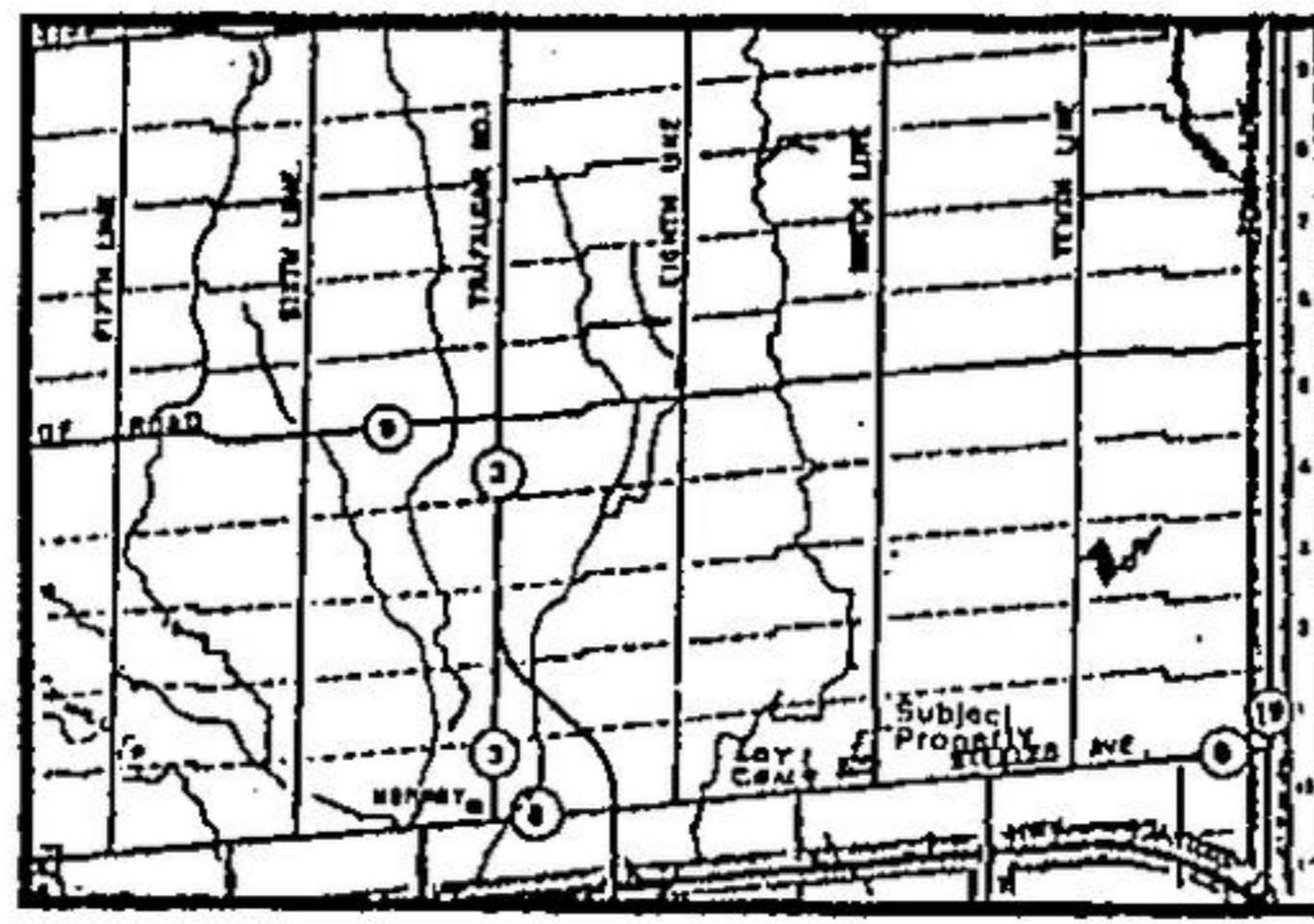
The Chamber is providing this program to help our local businesses to remain competitive and viable during these tough times. The cost is just \$15.00 per person which includes lunch. The information you receive could be worth hundreds of dollars. The seminar will be held April 30 at the North Halton Golf Club in Georgetown. Tickets may be reserved by calling the Chamber Office at 877-7119.

Take advantage of this low cost way of making your business better.



THE CORPORATION OF THE
Town of Halton Hills
1 Halton Hills Drive - P.O. Box 128
HALTON HILLS (Georgetown), Ontario L7G 5G2
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COURTESY NOTICE OF A PUBLIC MEETING WARD 2/NINTH LINE/STEELES AVENUE



General Committee for the Town of Halton Hills will conduct a Public Meeting to examine and discuss a proposed amendment to Esqueping Zoning By-law 74-51 to permit a contractor's yard for the storage and repair of equipment related to agriculture.

The property is located on the west side of the Ninth Line, north of Steeles Avenue in the Town of Halton Hills.

Further information is available in the Planning Department.
ALL INTERESTED CITIZENS ARE WELCOME.

Time: 7:10 p.m.
Date: Monday, April 8, 1991
Location: Council Chamber
Halton Hills Civic Centre
1 Halton Hills Drive
Halton Hills (Georgetown)
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