

Money Matters

Mutual funds an attractive alternative

By PAUL J. ROCKEL

Becoming a successful investor usually takes at least \$50,000, a lot of investment experience, and a great deal of free time to monitor changes in market conditions as they happen. Right?

Yet there is an attractive alternative for individual investors who have not got that much cash, time or experience: mutual funds. Managed by professionals, mutual funds enable investors to pool their money together and to diversify their investments while remaining liquid. By not concentrating all their money in one investment, investors reduce their risk. As well, their money is available any time they may need it.

In choosing a fund, the investor must decide which fund is most compatible with his or her personal investment philosophy. Investors in Canada can choose from more than 400 mutual funds. They reflect a wide variety of investment philosophies from the ultra-conservative to the highly speculative. Their portfolios may include common stocks, bonds, mortgages, foreign common stocks, preferred shares, precious metals, treasury bills, real estate or a combination of these types of investments.

Each fund's portfolio is selected by a professional manager or group of managers who decide what to buy and sell. The majority of mutual funds in Canada are open-ended, allowing investors to invest or withdraw their money at any time. The number of shares or units a new investor receives depends on the value of these assets at that time. Of course, when new investors join a mutual fund, they add their money to the pool of the other investors' contributions thereby increasing the funds' total assets. When an investor redeems his



IT'S YOUR MONEY
Paul J. Rockel

shares or units, the amount of money received depends upon the value of those assets then.

Each unit or share, which represents a small fraction of the fund's total assets, has a net asset value known as NAV. The underlying value of the securities in the fund determines the value of the units or shares. The NAV is calculated by taking all the fund's assets, subtracting administrative expenses, and dividing the remaining figure by the number of shares or units outstanding.

Less popular with investors are closed-end funds. Unlike open-end funds, these funds have a fixed number of shares outstanding. They are usually traded on an open Stock Exchange and sell for less than their underlying value. Closed-end funds have a limited following in Canada.

The value of most open-end mutual funds is determined on a daily basis at the close of the stock markets. However, some are valued on a weekly basis while others, mainly featuring real estate investments, are valued monthly. Most mutual funds can be bought or sold on a daily basis.

Mutual fund investors are most often charged a fee for getting into the fund and for the fund's ongoing management. Some funds charge a sales commission, referred to as a "front-end load," which can be as high as nine per-

cent but is negotiable depending on size. Yet some funds charge no "load" at all. Some funds charge "back-end" loads, a fixed percentage of the fund's value charged to the investor upon redemption of his investment. This percentage is variable and usually declines over time.

Professionals continually debate whether "load" funds outperform "no-load" funds. However, when mutual funds are bought as a long-term investment the "load" becomes very insignificant provided the fund delivers positive returns.

Costs for the on going management of the fund generally range from 1.25 to 2 per cent of assets plus administrative costs of your investment a year. These costs are reduced by the fact that the investments of thousands of shareholders are being managed by one manager. This is considerably less than the fees an investor would pay to his or her own professional money manager. These fees are paid by the fund itself, not by individual accounts.

When choosing a mutual fund, do so carefully. There are many funds in the market. Some have consistently performed well, while others have not been consistent. Decide what your own investment goals are. Know what your investment philosophy is. Then talk with an independent advisor who can choose between the many different mutual fund companies to custom tailor investments to your needs.

For free information 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.

Recession hits Ontario hardest

The folks in British Columbia can be forgiven for wondering why business writers wail and lament about the economy. Since the recession began last April, 21,000 new jobs have been created in the province.

Albertans, too, are asking what the fuss is about. Thanks to a strong energy sector, 12,000 new jobs have emerged in Alberta over the past year. Where's the recession?

In Ontario, that's where. There have been 226,000 jobs that vanished in Ontario in the first year of the recession. This compares with 118,000 jobs that were lost in the first year of the 1981-82 recession. Manitoba is not faring well, either. Jobs are disappearing, at more than twice the rate they did in the previous recession.

The numbers could be misleading. Companies have been much quicker to lay people off this time than they were in 1981. Thus, the devastation in Ontario could moderate over the next six months.

ONTARIO ALONE
Another thing distinguishes this recession from the previous

Your Business

by
Dianne Maley
Thomson News Service



one. Forecasters have been waiting for other provinces to follow Ontario down. This is not likely to happen. The problems that beset Ontario are related to manufacturing, real estate and retail trade. Alberta and British Columbia, for example, are more resource-based.

Inflation allowed Ontario's manufacturing sector to grow fat and inefficient, economists say. According to Michael Walker, executive director of the Fraser Institute of Vancouver, Ontario is now undergoing the restructuring that was done by British Columbia and Alberta in the mid-1980s.

"The last recession was particularly tough on natural resource industries. The result was that most of them went through a top-to-bottom house cleaning to encourage economic efficiency," he said. "Ontario is just now taking some of the steps that we (in the West) went through from 1982 to 1985."

HOW THEY FARED

Here is how employment has changed over the past year, compared with the first year of previous recession. The numbers were prepared by Statistics Canada.

In Newfoundland, 1,000 jobs have been lost, compared with 8,000 in the first year of the previous recession. Prince Edward Island lost 2,000 compared with 4,000. Nova Scotia lost 4,000, compared with 10,000. New Brunswick lost 5,000, compared with 9,000. Quebec lost 81,000, compared with 184,000.

Manitoba lost 15,000, compared with 6,000. Saskatchewan lost 1,000, compared with 2,000.

Alberta gained 12,000, compared with a loss of 31,000 in 1981-82. British Columbia gained 21,000, compared with a loss of 79,000.

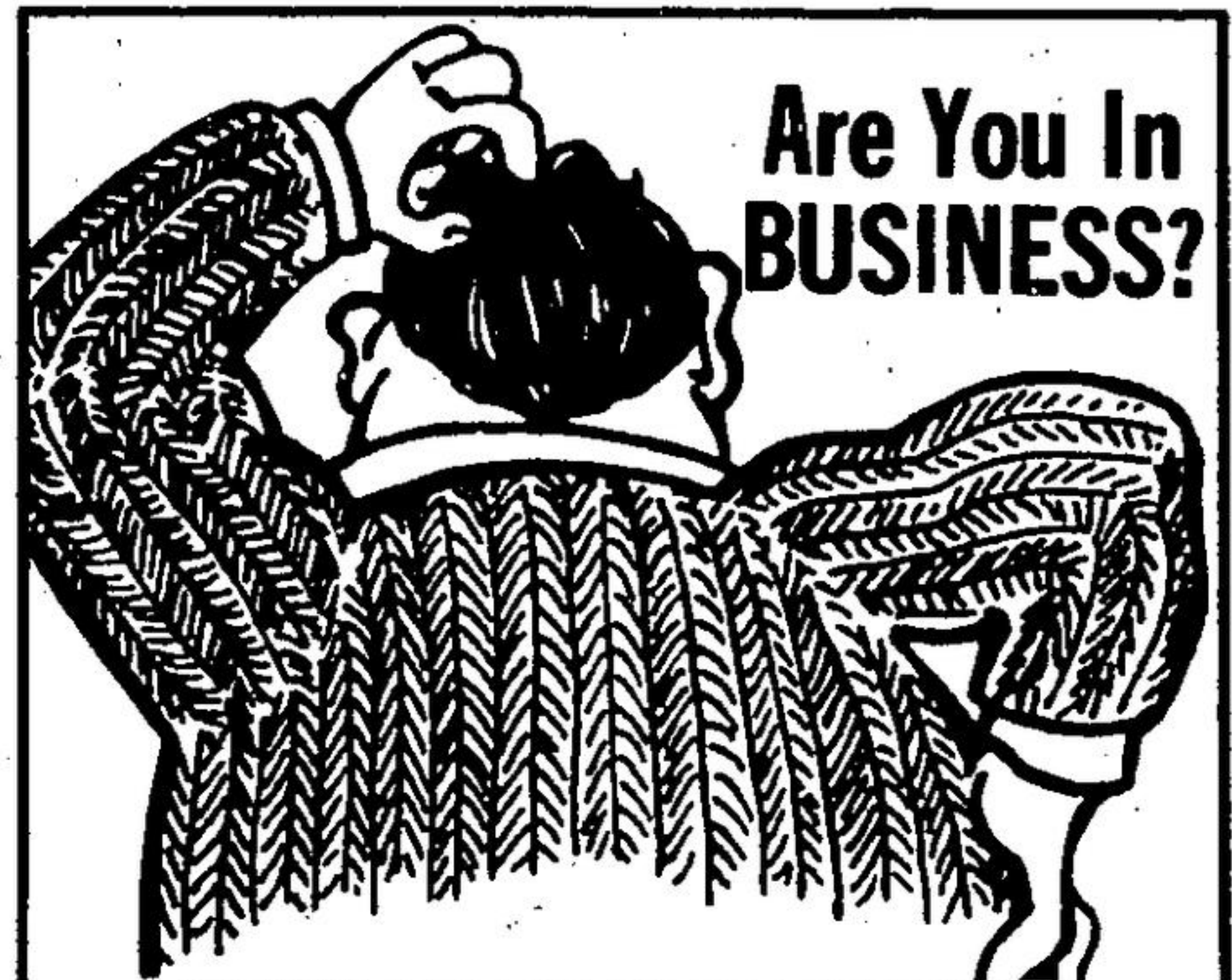
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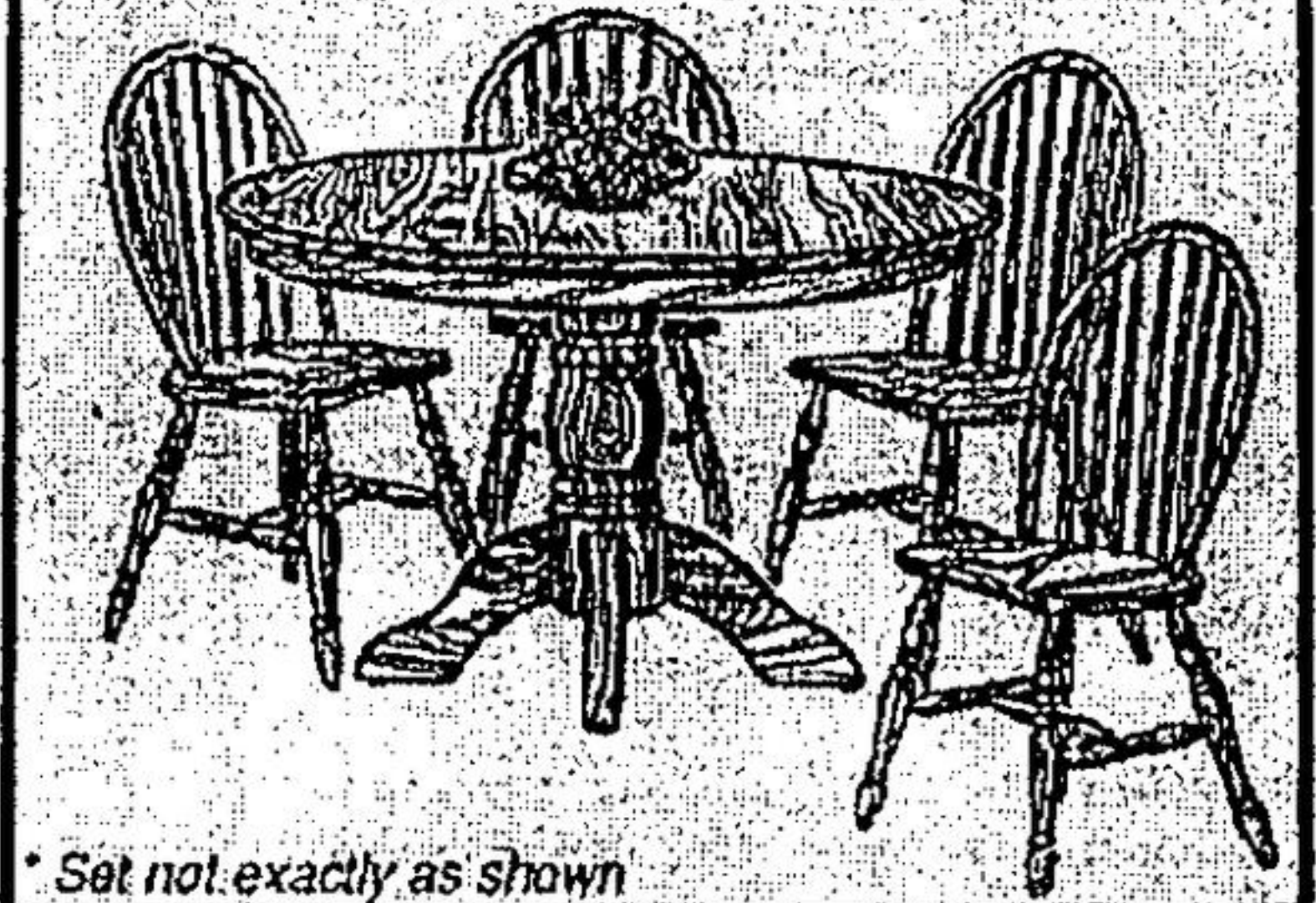
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