BUSINESS

What will $1 million buy in 20 years?

IT'S YOUR MONEY

Paul J. Rockell

Fifty years ago when I was growing up, anyone who became a millionaire, or was a millionaire, was looked up to in awe and held in the highest esteem.Today, I am told there are several new millionaires developed virtually every working day of the week.

I can also state that 50 years ago the average wage might have been $20 per week, and when I started working as an apprentice in 1942, I received 20 cents per hour, but skilled workers were were earning 70 to 80 cents per hour (I remember a union winning a contract giving their workers 80 cents per hour, a fantastic figure back then).

So, a millionaire, 40 or 50 years ago was really something. Those workers who won that contract at 80 cents per hour (48 years ago) are probably earning $15 to $18 per hour, plus benefits of as much as $5 per hour. That's an average of over 20 times what they were earning 48 years ago.

This also means that today you would have to have achieved more than the $20 million dollar status, to have the same purchasing power as $1 million had back in 1942.

What have the last 20 years shown? Inflation has averaged 7.02% per year, thank goodness it has been much lower in the last seven years. It means that today, it costs $38,842 to purchase the same amount of goods and services that $10,000 would have bought 20 years ago. We need $3.88 to buy what $1 bought back then!

Frightening, isn't it?

We still hear people say "I want to become a millionaire", but does it have the same meaning as the millionaire status did when I was a boy?

What about the people who do achieve the millionaire status, even today? Can you name one, yes just one, who became a millionaire by saving and putting their savings into so-called "guaranteed" investments available from banks, trust and insurance companies? I don't believe there is such a soul, because all people who do become wealthy do so by "investing" rather than "loaning" money to an institution, which is what we do when we make deposits.

Let's suppose 20 years ago someone had $1 million and they loaned it out (to a bank, insurance company or to the Government by buying Canada Savings Bonds and/or T-Bills) and achieved a 10% return all the way through.

Someone else bought an apartment building with their $1 million 20 years ago, and received a rental profit of 10% all through those years. You can say they both earned the same income. True.

But the apartment owner saw the value of his apartment grow to $3,884,776 (if it just kept pace with inflation), whereas the person with the money earning interest still has only the $1 million (but it's guaranteed). One is $2,884,776 richer than the other, yet the both earned the same "income" (10 percent).

What if you had that million dollars 20 years from now. If inflation equals what it was in the past 20 years, a $15,000 car will cost $58,263.

What will your savings buy, 20 years from now? Will your savings increase in value to give you purchasing power that exceeds the ravages of inflation and taxes?

This writer believes that we must all become "investors" (I use mutual funds) rather than "loaners" who earn interest. When we earn interest we achieve the profit (which is 100% subject to taxes) and our principal is eroded by inflation. When we own something (investors) we receive profits in the form of dividends and capital gains (both of which are taxes much less that interest) and over time the value of the asset is likely to match or exceed inflation.

How do you save your money? Or do you save for your future well-being? Do you save 10% of what you earn? Do you understand the concept of paying yourself first?

For more information at no charge, contact Peter C. Masson M.B.A., Regal Capital Planners Ltd. 10 Fagan Drive, Georgetown, Ontario or phone 877-7216.

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Odd job squad to help homeowners

by Jamie Harrison

The Georgetown office of the Canada Employment Centre for Students has found a way for homeowners to clean up those small jobs "that keep piling up" around the house while at the same time giving students a summer job.

HIRE A STUDENT

The Odd Job Squad is a crew of about 40 students from both the high school and post secondary educational level who are interested in working on a temporary basis.

According to the employment centre's Sarah Footman the project is "going really well" and eases the economic burden on parents when kids find work with the squad.

The centre gives suggestions as to just what the members of the squad can be hired to do. Cleaning garages, chopping firewood and mowing lawns are just a few of the 29 ideas the job centre has for its odd jobbers.

Students working as part of the squad are in for a summer full of variety in terms of employment, something which could come in useful later in life when those skills may be called upon again in a "larger way", Footman said.

Footman said that 85 per cent of jobs are not advertised, but found through networking and word-of-mouth exposure. She added that improving job skills is paramount and suggested those seeking employment keep resumes short, always include a cover letter, and do some research on the organizations where they are applying.

The centre is closing August 1, and in an ironic twist the closure will leave Footman searching for a full-time job.

"I'm following my own rules," Footman said, but she intends to use the skills she has taught at the centre to help her land a job for the rest of the summer.

She also offers advice to those who have found work for the summer: "Don't slack because there is only a little time left before school."

The student employment centre has undertaken a campaign to raise its profile over recent years, including marquee advertising and messaging on trayliners at fastfood establishments.