

# Money Matters

Perdue speaks to UWC

## Financial consultant says 'invest'

By JANET DUVAL

Special to The Independent/Free Press

If you have money left over at the end of the month, what should you do with it?

Your decision can make a big difference in the size of your retirement fund down the road.

George Perdue, financial consultant with Money Concepts in Georgetown, has some advice. He spoke to the January meeting of the Georgetown Federation of University Women at Georgetown District High School.

First, pay down any "expensive" debts, those costing you more than 13 per cent interest — credit cards, for example.

Then, consider borrowing money at the bank and investing it carefully, using your house as collateral. Your investment will have to be in something that pays better than the cost of the loan, so GICs are out. "It's not for everyone, but the government subsidizes you. If you're in the 50 per cent tax bracket, you'll get half the loan interest back as a tax deduction."

Your house, he notes, is an "idle asset — it just sits there, costing you taxes and upkeep," unless you turn it into an active, leveraged investment.

Your next best steps are to buy RRSPs, pay off "inexpensive debt" such as the mortgage, and then invest in international equities, especially if you think Quebec will leave Canada.

"Only 3 per cent of all the opportunity to invest is in Canada. Our market has averaged 10 per cent for the last few years, while international markets made 14 per cent. There's a stampede of people

taking money out of the country. It's not illegal, but you do have to report it."

Perdue stresses choosing an investment plan that feels right for you. Your stage in life and emotional factors, such as fear of debt, mean each person's financial strategy will be different. A financial consultant should work with you to plan investments that make you feel comfortable.

A 50-year-old who wants to retire in five years will need \$800,000 to do so, on average. Someone retiring at 62 should assume they'll be living 20 to 25 more years.

The Canada Pension Plan was designed to last the average person only seven years past the age of 65, "so we've got a problem." Perdue suggests that to maintain the CPP, workers are going to have to triple or quadruple their inputs, or we'll all have to wait longer before we start getting it — perhaps until age 70.

RRSPs are an important investing strategy, but they're only a tax deferral. You are gradually building up a huge tax problem for someone. A spouse passes his RRSP to you tax-free at death, but when you die, the total amount collapses into the estate and is taxed immediately — so probably half will go to the government right away.

"There is enough money in Canadian RRSPs right now to pay off our national debt. But government tampering with them might lead to high level revolt!"

If you buy insurance purely to protect your income until your children leave home, you should shop the market and buy the cheapest term insurance you can. "There are huge differences in cost

out there" Perdue advises. Stop paying premiums when you reach the empty nest stage, and your investment assets will rise faster.

If, however, you want to build an insurance fund for retirement, then leave it to your children or your church, you should be looking for universal or whole life insurance.

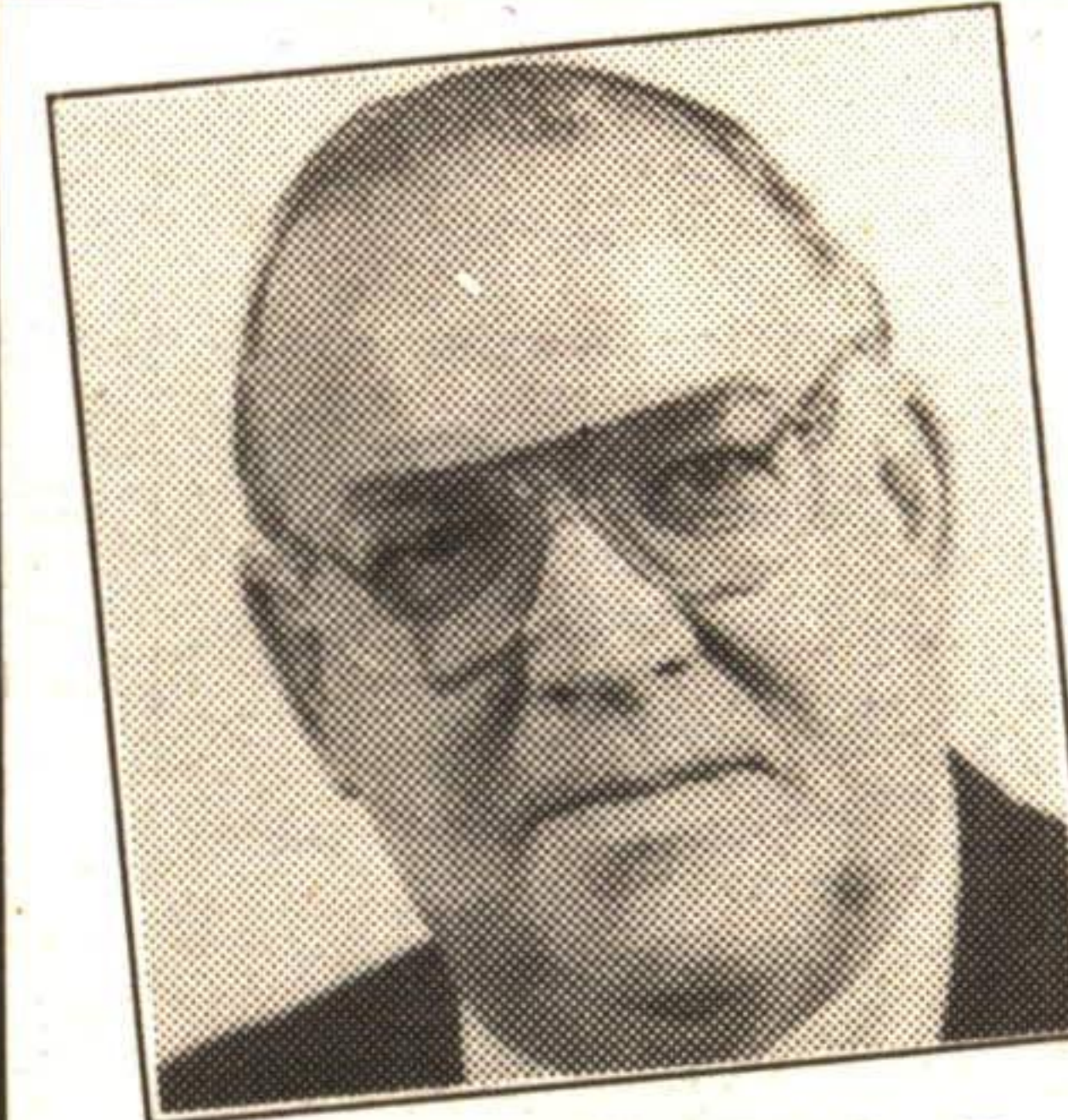
Many clients ask about the risk in various investments. Perdue points out that the cost of a stamp has risen from 8 cents in 1972, to 45 cents plus GST now, an average of 12 per cent per year. You have to take some risk to beat inflation.

There are three ways to invest: stocks, which are investment in someone else's company, bonds, which are an investment in someone else's debt, and cash products, such as GIC's and treasury bills. It's best to mix all three, a strategy known as asset allocation, in a proportion that will be unique for everyone. On average, Canadian stocks or equities have returned about 10 1/2 per cent over the years, bonds 8 per cent, and money products 7 per cent.

Mutual funds are pools containing multiple purchases of any one of these products, or a mix of all three. "It's like having our eggs in many baskets, and letting someone else do the day to day looking after for you. To buy individual stocks, you have to have the time to dedicate to them, or have a huge amount of money so your broker will pay attention to you."

It's hard to save money, but we all must do it, and the earlier we start the better. One of Perdue's clients is his 11-year-old paper boy. "He spends some of his money, and he invests some. He's sharp."

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