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financial forum

Small Business Development Corporation

Investment match-making is their business

Bob Moxley, acting director of the Ontario Ministry of Revenue's Motor Fuels and Tobacco Tax Branch, praises the resourcefulness of Ontario's investors and entrepreneurs using Match-up.

The Small Business Development Corporations (SBDC) program is in the match-making business. But it's not the business of bringing singles together. Rather, it is the business of uniting investors and small businesses looking for capital.

The service is called Match-Up — and it's free. Using computerized inventory of investors and growth-potential small businesses seeking investment capital, Match-Up can quickly determine who should be talking to whom. Through Match-Up, parties can find each other faster, and with a lot less frustration.

"With our expert staff and the best computer software-hardware combination in the business," says Reay Bevis, SBDC program administrator, "Match-Up has become one of oru most valuable tools."

"Match-Up is a people-motivated operation,-" he adds, "We try to bring like-minded people together. Personal 'chemistry' is a big part of every successful match-up."

For the entrepreneur or small-business owner with good plans but no collateral, traditional funding sources often present a roadblock to start-up or expansion. There are many private investors looking for small businesses in which they can invest their expertise as well as their capital. For many investors, the potential of the business often is much more important than its collateral — or lack of it.

Bevis says, "Through the SBDC program, investors become eligible for tax-free grants or tax credits, and may gain involvement with growth-oriented businesses in a capacity that can range from boardroom decision making, through to a day-to-day hands-on role. They get risk investment benefits with a lot of the risk removed."

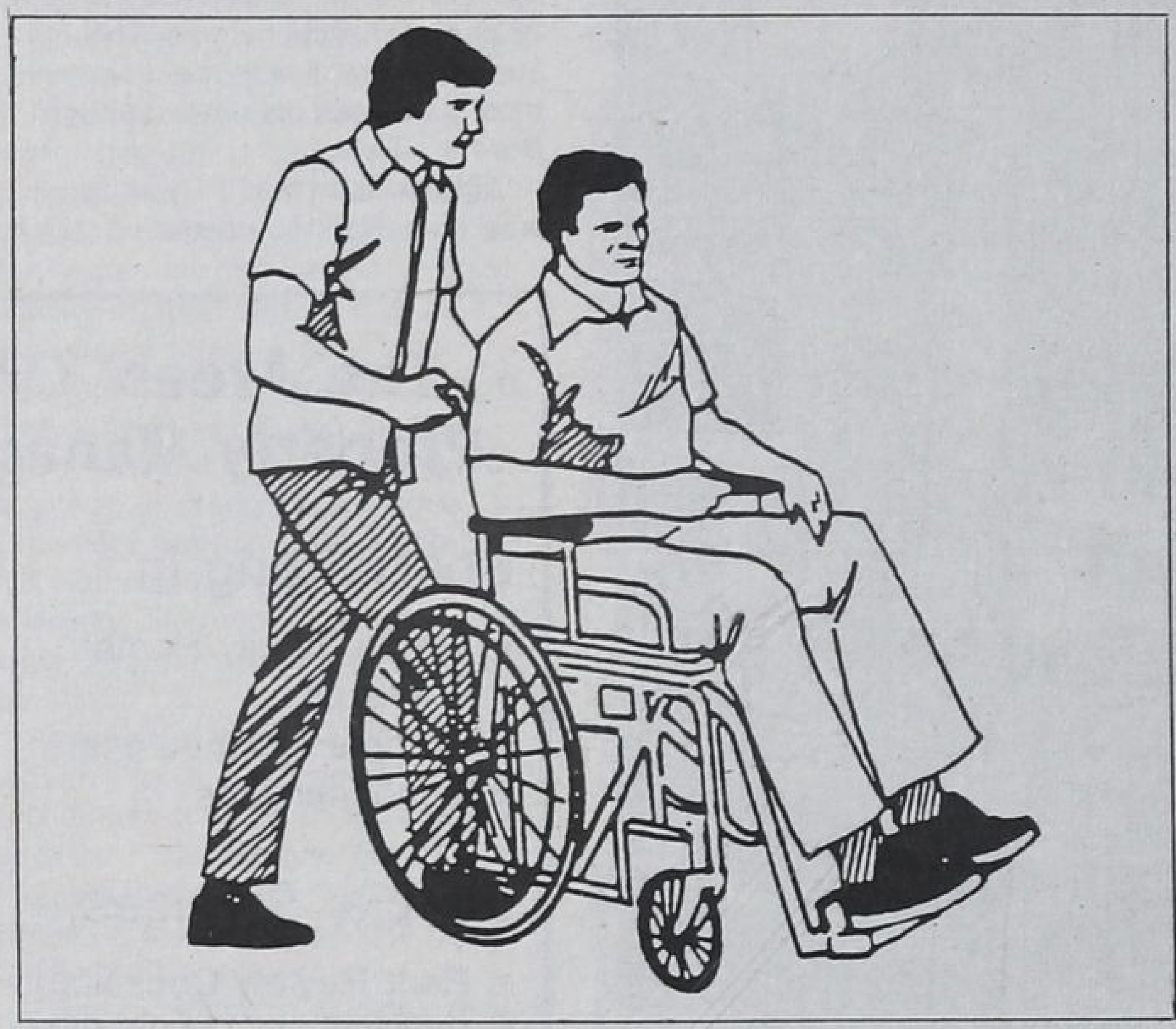
As well, says Bevis, small businesses ivested in by SBDC (investors who form Small Business Development Corporations) receive low-cost funding, extremely valuable expertise, and a risk-sharing, problem-sharing partner. "And," he adds, "they get help from investors who usually want to be out of this involvement within five years."

Reay Bevis Points out that the Match-Up process can provide good suport to small businesses by helping the owners focus their investment requirements. "Every company that needs money and lacks collateral ought to look us over," he states.

Bob Moxley, acting director of the Motor Fuels and Tobacco Tax Branch, which over-sees the SBDC program, puts it this way: "The success of the SBDC program lies in the energetic and ingenious uses of the concept by Ontario's resourcefulness, inventive investors and entrepreneurs. Since the program's inception ten years ago, there have been close to 2,000 investments exceeding $400 million."

Small-business people or potential investors seking Match-Up assistance, help in registering a new SBDC, or general information on the program, can call collect (416)434-SBDC.

Income protection is smart financial move



One of the cornerstones of a sound personal financial plan is life insurance. And equally important is disability insurance.

What these two forms of insurance provide is income protection, in the event of disability, and estate creation in the event of premature death.

If you are a single person and don't intend to ever get married, you may have decided you can do without life insurance. However, you should take out a disability insurance policy because there is a possiblity you may become seriously ill or suffer a severe injury during your lifetime. If that happened your employment income may cease, if you don't have a group coverage plan.

When it comes to life insurance, you should ask yourself two questions: How much coverage is enough? What kind of insurance will meet my needs?

The amount of coverage required very much depends on your personal circumstances.

For example, if you are a married man with three young children and your wife is a fulltime homemaker, the financial consequences of your sudden death could be devasting to your family, if you didn't have any insurance.

Before you decide how much coverage to get you should determine what it would cost to maintain the surviving members of your family at a decent standard of living. Let us suppose they would need a pre-tax income of $2,000 a month, or $24,000 a year. To obtain that amount of income would probably require $240,000 of insurance coverage. That sum of money, if invested at an annual rate of return of 10 per cent, would generate $24,000 a year, before tax.

However, you should keep in mind that inflation over the years will steadily erode the purchasing power of that income. On the other hand, as the children grow up the family's costs may decline and the widow could eventually encroach on the capital. One effective way of offsetting inflation is to have the $240,000 lump-sum settlement invested in such a way that the capital grows over the years besides generating income.

Other factors you should take into account when deciding how much insurance coverage you need include your age, the ages of your dependents, what other assets you own such as property, savings and investments, and whether your widow will be able to earn income outside the home.

There used to be a rule-of-thumb that you should have as a minimum coverage an amount of insurance which is three or four times your annual income. So, If you are earning $30,000 a year you should have a minimum of $120,000 of coverage. But because that would not generate very much annual income, it is advisable to talk to a professional financial planner about what would be a suitable amount of coverage.

Once you have decided how much coverage you need to provide adequately for your family, you then have to decide on the type of insurance policy to take out.

There are basically only two types of insurance available. These are "whole life" and "term." There are a host of different insurance products, or blends of products, some with fancy names. But in fact there are just the two fundamental types.

Professional financial planners recommend that in most situations the individual is best off with term coverage, one advantage being that it is less costly than whole life.

(Mr. Mardon is manager of corporate communications for Investors Group, the Winnipeg-based financial planning services company.)