

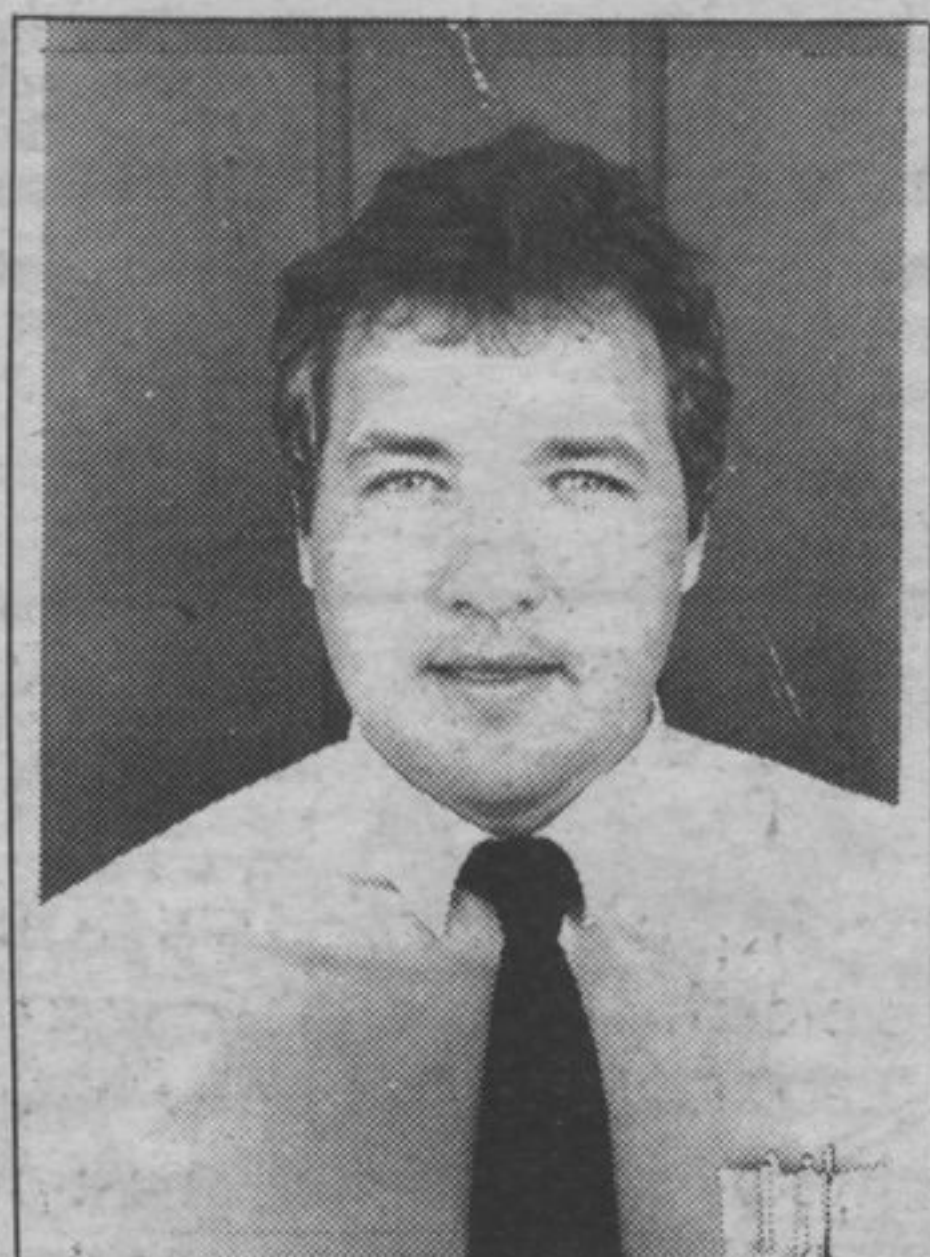
# Money Management

Steve Dafoe is a financial planner with Mutual Life and Mutual Investco of Canada. He is qualified by degrees in finance, economics and political science.

Dafoe was appointed to service the Terrace Bay-Schreiber communities. He believes the information provided in these articles is an integral part of money management and he hopes that it will provide what he believes is an important service to people in our area.

If you have any questions or would like to write concerning these articles, please contact the News at 825-3747 or write to the News, P.O. Box 579, Terrace Bay, POT 2W0.

These articles will appear on a regular basis.



Steve Dafoe

## Cash Flow Analysis

This is the third in a three-part series on money management. In part one we discussed the advantages of preparing a net worth statement.

In part two we discussed the preparation of a cash flow statement and described some of the steps in preparing the statement.

Now let's offer some comments on the value of a cash flow analysis.

If your income and cash on hand at the end of the month exceed your expenditures, you have a positive cash flow; otherwise, your cash flow is negative.

A positive cash flow means you have funds available for savings or other uses while a negative cash flow means you are depleting your capital or increasing your debt.

This information is available at a glance on the cash flow statement.

Consider the case of James and Donna, a hypothetical couple. Assume they have a mortgage of \$100,000 and deferred annuities and bonds amounting to \$30,000.

Their cash flow statement may appear as follows. References to income tax in their statement are based on rates in effect at the time of writing and have been rounded.

### Cash Flow Statement

| Income   |          |          |
|--|----------|----------|
| Salary   | \$67,000 |          |
| Interest   | 3,000    |          |
| Less: Income Tax                                 | 23,100   |          |
| Net Disposable income                            |          | \$46,900 |
| Expenditures                                     |          |          |
| Living Expenses                                  | \$32,703 |          |
| Debt Retirement                                  | 11,550   |          |
| Tax Deferred Savings (i.e. RRSP or Pension Plan) | 2,000    |          |
|  |          | \$46,253 |
| Cash Flow  |          | \$ 647   |

At first glance it would appear they are doing a good job of organizing their financial affairs and the positive cash flow confirms the view. Can the cash flow be improved? At least three basic options are available.

#### 1. Reduce the mortgage using the deferred annuities and loans.

- Pay monthly mortgage payments based on the reduced mortgage.
- Continue monthly mortgage payments based on the former mortgage.
- Increase monthly mortgage payments by the amount formerly paid on the bank loan.

#### 2. Increase the return on the present investments.

Let's consider one of the options. They could use the existing investments to pay down the mortgage by \$30,000 while paying monthly payments based on the reduced amount. The following chart indicates the present and revised cash flow statement.

| Income                | Present  | Revised  |
|-----------------------|----------|----------|
| Salary                | \$67,000 | \$67,000 |
| Interest              | 3,000    | ---      |
|                       | \$70,000 | \$67,000 |
| Less: Income tax      | 23,100   | 22,100   |
| Net Disposable Income | \$46,900 | \$44,900 |
| Expenditures          |          |          |
| Living Expenses       | 32,703   | 32,703   |
| Debt Retirement       | 11,550   | 8,085    |
| Tax Deferred Savings  | 2,000    | 2,000    |
| Total Expenditures    | \$46,253 | \$42,788 |
| Cash Flow             | \$ 647   | \$ 2,112 |

The realignment of investments and debt has resulted in an increase in cash flow from \$647 to \$2,112; an increase of \$1,465.

The example has been structured to indicate the result of debt restructuring. Even if your income is not as high as our example, proper planning can still have good results.

There are, however, other factors such as tax planning and the allocation of emergency funds which should be considered.

# Lions club formed

By Ken Lusk  
The News

The Lions Club has been rejuvenated and there now exists the new Terrace Bay-Schreiber Lions Club.

Members met on Sept. 17 at the Boy Scout Hall to hear guest speaker Walter Mianowski, past-district governor of the Lions.

Mianowski is also the mayor of Grand Marais, Minnesota.

The members are: Gary Callaghan, president, Tom Dickson, treasurer, Colin Crown, secretary, Mike Gould, 1st vice-president, Lucien Bilodeau, Bill Fell, tail twister, Gordon Darling,

Bob Jacko, Jack Chapman, 2nd vice-president, Roland Gander, lion tamer, Joe Commisso and Clem Fewer.

Bilodeau, Darling, Jacko, Commisso and Fewer make up the board of directors.

Gould, Chapman and Gander make up the committee that is looking after the plans for the Olympic Torch Relay, in conjunction with the Township of Terrace Bay.

People are urged to contact any of the members if interested in joining the club.

The News learned that the club became defunct about two years ago. Joe Commisso is a past officer of the original Lions Club back in the early '80s.

The official installation of members will be on Saturday, October 17, and meetings are every second and fourth Tuesday.

## Bits and Bites

By Helene Ballard  
Hello Everybody!

Sorry I missed last week's edition but I was down for the count with an attack of "gout". I thought that was just for rich old men; well I'm not a man and I'm not rich but somehow I got it anyway.

This month seems to be a bit more active; on the 9th we had our "Oktoberfest" party in the rec room, and needless to say, we all had a good time.

Our "Ladies' Auxiliary to Birchwood" were the hostesses for this event and as always, they were so very kind.

These ladies give of their time and effort to make life more enjoyable for all the residents and it is with a deep sense of gratitude that we say thank-you.

Looks like our weather is turning colder, but I guess it's that time of the year; no use to complain.

It's also the time to be careful for fires as we turn on the heat; it's a good idea to check and clean the furnace to make sure it is safe for another winter.

I would like to say welcome to Dr. Marc Marion who will be practising at the McCausland Hospital clinic.

We wish him well and hope he will like our town of Terrace Bay.

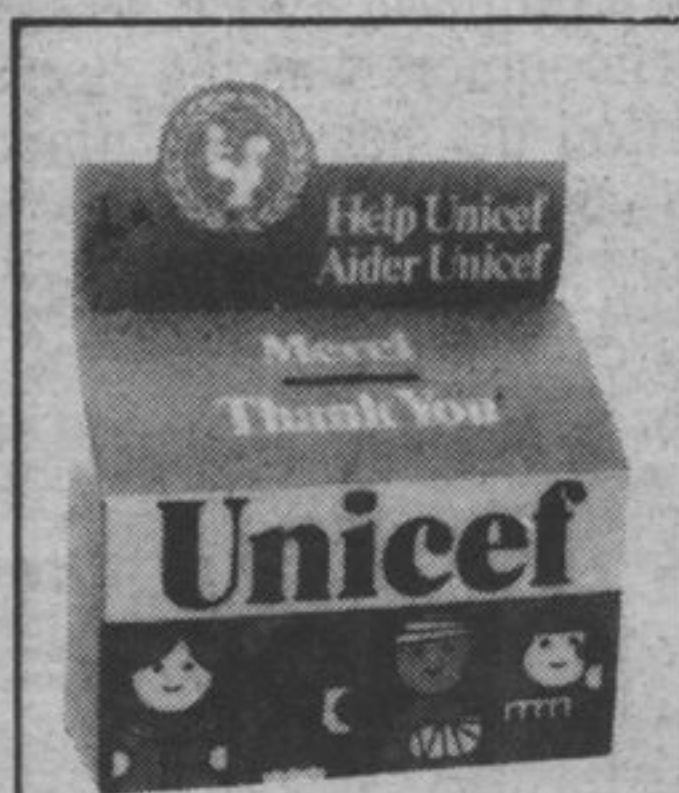
We also welcomed a new resident to Birchwood; Madame Gabrielle Gauthier, and we hope she will enjoy staying here.

I will have more news next week, so I'll close with this "wee bit".

"At the peak of the cold and virus season, the busy doctor tacked this notice to the door of his inner office- 'To save time please back into the office'.

I hope this brings a smile to our dear doctors.

Until next time,  
"Cheerio".



October is UNICEF month

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Sale Runs: Wednesday October 14, 1987 to Saturday October 17, 1987

WHILE QUANTITIES LAST STORE HOURS

9 a.m. - 5:30 p.m. - Monday to Saturday Thursday 'til 8 p.m.