

It's Your Future ... Invest In It

Invest in the markets and receive income with SWIP

According to Statistics Canada, in families with at least one spouse 65 years or older, 14 per cent of their total income in 1994 was from investment income.

In 1990, it was 25.5 per cent of income.

Interest rates have dropped dramatically in the 1990's and seniors have suffered. What is the solution?

"Many older people are looking at the (stock) markets," says Lillian Morgenthau, president of the 240,000 member Canadian Association of Retired Persons.

"But if you need something coming in every month, you're not going to get it from stocks."

First, with the Mark Twain:

"There are two times in a man's life that he should not speculate. When he can't afford it and when he can."

Everyone should be looking at the markets given the current low interest rate environment.

As professionals, we at Ross Dixon Financial Services have

always stressed diversification. The only discussion should be the degree of diversification which is strategically assessed on an individual basis for each investor.

Secondly, you can have your cake and eat it too.

You can invest in the markets and receive a monthly (or annual) income called Systematic Withdrawal Plan.

Illustration one (at right) plots a \$10,000 SWIP in the Trimark Select Growth Fund.

Although the equivalent of 7.8 per cent is paid out monthly, the capital invested continues to rise to \$15,863 (a total return of 13.29 per cent).

In the chart, the statistics start with 1989, to capture the negative impact of the recession and to reinforce the concept of long-term investing versus short-term market fluctuations.

"If a man and his wife both reach 65, there's a good chance one of them will make it to 90," says Peter Lynch, an investment manager.

"People have more time than they think to ride out corrections, which is the main reason we shouldn't be worried about the next one, or the one after that."

One benefit of the SWIP is that any payout schedule can be selected by the investor. You must recognize that a payout percentage higher

than the actual return of investment will deplete the capital and a payout lower than the actual return of the investment will increase the capital.

Another important benefit to the SWIP is the income tax advantages it represents.

The net after tax returns of the Trimark Select Growth Fund would have been 12.14 per cent. A GIC would require a 22.02 per cent return to enjoy the same after tax return.

This article was submitted by Ken Prentice of Ross Dixon Financial Services in Stouffville.

Illustration One - Trimark Select Growth Fund (SWIP)
(After Tax Return)

Month End	Invest	Withdrawal	Income	CapGains	Reinvest	Taxes Due
04/89	10,000					
12/89	0	520	90	6	96	45
12/90	0	780	74	122	196	64
12/91	0	780	0	77	77	43
12/92	0	780	0	0	0	62
12/93	0	780	0	605	605	305
12/94	0	780	0	233	233	203
12/95	0	780	0	453	453	291
10/96	0	650	0	0	0	125
Total	10,000	5,850	164	1,496	1,660	1,136

ENDING MARKET VALUE: \$15,863
TAXES PAYABLE: 1,136
NET AFTER TAX RETURN: \$14,727 12.14%

Courtesy Graphic

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