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MONEY makeover
The Vancouver Sun

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ON TRACK TO PROSPERITY: Raveen Singh gets free financial advice from West Vancouver's B.C. Partners in Planning Blair MacLean (left), Marian Snowball and Ken Snowball (right)

Freedom 45? It's possible

MICHAEL KANE
Sun Money Columnist

Raveen Singh can retire at 45 if he continues to live frugally but he's more likely to get there if he sells two mortgaged condominiums.

There is little room for appreciation in the Vancouver condo market because of seemingly unlimited supply, say chartered accountant Marian Snowball and her colleagues at B.C. Partners in Planning, a financial advisory firm in West Vancouver.

Land, in contrast, is in limited supply. The planners say Singh should sell the condos and purchase a single-family home in Vancouver.

While Singh ponders that advice, he has set his sights on retiring at 45. As a 25-year-old engineer with little debt, he could make it.

He has glowing career prospects, abundant energy and no dependants. He's in full-time employment, well on his way to professional engineer status and plans to augment his UBC degree with an executive MBA.

At the same time, he is single, lives like a student, and is set to save a far larger portion of his income than most of us can manage.

"Forty five is a really early age to retire," Snowball said. "It's very aggressive but it's do-able."

To maintain his current lifestyle in early retirement, Snowball, her husband and business partner, Ken, and a third partner, Blair MacLean, say Singh's income must rise by nine per cent a year, over and above inflation averaging three per cent.

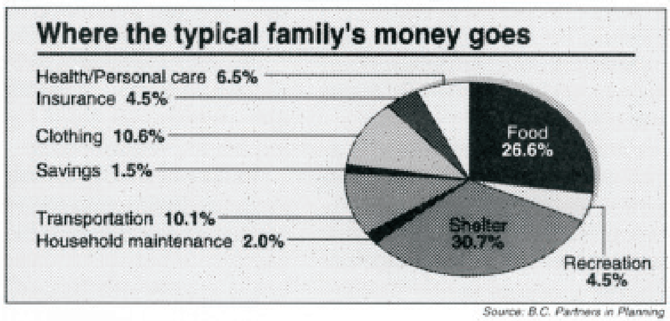
At that pace, he'll be earning about $210,000 in 20 years, the equivalent of $96,000 in today's money. Today he makes about $42,000 and has a net worth of about $50,000, made up of equity in the condos, RRSPs and individual stocks.

"We're looking at Raveen's aggressive personal style and assuming steady career advancement," Marian Snowball explained when Singh sat down for a *Vancouver Sun* money makeover, courtesy of the Chartered Accountants of B.C.

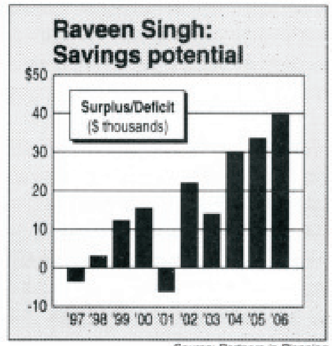
"An income of $210,000 sounds really high but it's not unrealistic for a 45-year-old engineer with management responsibilities to make $96,000 today."

Singh's needs are likely to change over 20 years, of course. He admits he wouldn't know what do with himself if he retired at 45.

Snowball says his financial plan is intended as a road map to give him the financial freedom to do what he wants at that time. It addresses risk management, budgeting, tax planning, investment strategies and retirement planning. As time passes, all can be adjusted to respond to changing goals, tax laws and financial environments.



Source: B.C. Partners in Planning



Source: Partners in Planning

Risk management covers wills and powers of attorney, life insurance and disability protection.

Singh should have a will, even though he is young and has no dependants.

"It's pain for your relatives to have to deal with your estate if you die intestate," Snowball said. "As well, you may have some views on the disposal of your assets. Rather than the state telling your parents what to do with your assets, you should be able to tell them."

By the same token, MacLean suggested Singh consider buying life insurance. Although he has no dependants, his executor or his estate could be obliged to sell one or both of his properties if he were to die suddenly. An insurance settlement would take care of the mortgages if it was not the right time to sell.

Singh is co-owner of a townhouse where he lives on Vancouver's Fairview Slopes and he rents out an apartment on the city's east side.

At his age, $150,000 of term life insurance would cost about $8 a month. That cost will climb as he grows older while the cost of disability coverage declines with age, reflecting a shorter payout period to age 65. Singh was urged to check that his employer disability coverage is adequate.

Budgeting deals with cash flow and savings strategies which Snowball illustrated with a chart showing substantial income surpluses for investment in the years ahead. This year's deficit is the result of rapid debt repayment and another deficit in 2001 takes care of a new car, to be replaced every eight years.

Another $10,000 is allocated every five years for a vacation.

*Please see **Tax, B6***

Tax planning and investment strategies key to retirement

Continued from B5

Singh is already planning an extended vacation to visit relatives in Fiji and Australia.

Tax planning options include maximizing RRSP contributions every year and attempting to make all debt tax deductible.

Singh may inherit a family raspberry farm. If it were gifted to him now, either fully or parly, he could use the losses realized to reduce his personal taxes.

There would be no tax effect to his parents, Snowball said, given the laws surrounding gifting of eligible farm property to children.

Singh was advised to move his non-registered savings — some mutual funds and stocks registered on the Vancouver Stock Exchange — to his RRSP to generate a tax deduction and take advantage of tax deferred compounding of earnings.

All of his RRSP assets could be consolidated in a single, self-directed plan for ease of management and to maximize the permitted 20 per cent of foreign content.

While Singh might be better off selling his losing VSE hand, it was acknowledged that he enjoys playing the market, despite being aware that 90 per cent of ventures on the exchange ultimately fail.

"I look at that kind of stock as a lifestyle decision, not an investment decision," Snowball told Singh. "Instead of going to a pub on Saturday night and blowing $100, you want to blow $100 on the VSE."

Investment strategies centred on real estate and mutual funds.

In recommending that he sell his condominiums, the planners noted that Singh could manage a suite or two within a home which would help in servicing the debt. He could still benefit from the principal residence exemption and capitalize on the appreciation.

They also recommended a portfolio of mutual funds, diversified by geography, investment style, investment objective and management.

Retirement planning was built around Singh's goal to retire at 45 with enough income to maintain his current lifestyle. That will mean saving an increasing percentage of his growing earnings and investing in assets like a home that appreciates in value, maximiming RRSP contribution room, and building non-registered savings, with a substantial percentage earmarked for a growth mutual fund for long-term capital appreciation.

Any change in Singh's circumstances, such as marriage and children, will mean moving the goal posts.

Freedom 55? More likely for Singh than most of us because he is starting young.