

SMART MONEY

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Getting by...

...with a little help from her friends

UBC library assistant gets some key advice from The Sun's makeover team: Use your RRSP now but claim the refund later; look forward to buying your first car; get to work on making your travel and retirement dreams come true.



Ten tips to get a grip

Clients of BC Partners in Planning go home with a 10-tab binder to help them keep track of their financial affairs. If you are one of the majority of Canadians who have yet to get a financial plan, here's the West Vancouver firm's template to help you get your act together.

- 1 PERSONAL DATA**
Copies of important numbers you would need if you ever lost your purse or wallet, and details of documents that should be kept in a safety box, such as passports, birth certificates, your will, and employment contracts. This is also a good place to write down your financial goals.
- 2 CORRESPONDENCE**
Mail from your financial adviser, plus loan and mortgage statements.
- 3 TAX RETURNS**
Keep copies and add Revenue Canada correspondence, tax slips and receipts as they come in.
- 4 INSURANCE**
Details of life, property, disability coverage, and employee benefits.
- 5 FINANCIAL PLAN**
This is a written document to help you see where you are going and how you are getting there. It should become your well-defined road map to financial security, say BC Partners in Planning.

- 6 PERSONAL INVESTMENTS**
Your account statements from bankers, brokers and mutual fund companies.
- 7 REGISTERED RETIREMENT SAVINGS PLAN TRUSTEE STATEMENTS.**
- 8 INVESTMENT CORRESPONDENCE**
Quarterly statements and other mailouts from financial institutions that will help you to compare your personal returns with marketing promises.

- 9 NET WORTH STATEMENT**
This is where you keep score.

- 10 QUESTIONS**
Clip copies of articles that catch your interest and write down anything you want to bring up at your next meeting with your financial adviser.



ROB KRUYT/Vancouver Sun

COMING TO TERMS WITH HER FINANCIAL OPTIONS: Eleanore Wellwood (centre) and her financial makeover team: Investment specialist Ken Snowball (left), insurance specialist Blair McLean and accountant Marian Snowball.

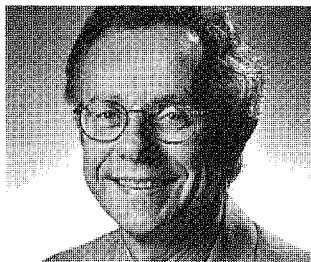
Eleanore Wellwood concedes she is not very interested in money and says she does not want to spend a lot of time dealing with financial issues. That makes her typical of the majority of Canadians who muddle along without the help of a financial planner.

What's different is that Wellwood sought a free *Vancouver Sun* Money Makeover, courtesy of the Chartered Accountants of British Columbia.

At 50, she realizes she needs to come to terms with her financial options and to plan for her retirement. Her frustration is that a lot of financial advice doesn't appear to apply to a debt-free single person earning \$31,500 a year and living on less.

That's a common misconception, borne out by a Gallup poll released to mark National Financial Planning Week, which ends Sunday. The poll shows that only 30 per cent of people in the \$20,000-to-\$40,000 in-

Michael Kane



come bracket are working with a financial planner.

Individuals at every income level can benefit by having an adviser, whether it is to tackle debt, minimize taxes, maximize investment returns, or to safeguard loved ones and possessions through insurance and estate planning.

This makeover presented an unusual challenge for chartered accountant Marian Snowball because Wellwood, although middle-aged, has been working

for less than eight years after a career as a self-described "perpetual student."

The UBC library assistant cycles to work from a rented home, shared with two others and her cat, and has about \$13,000 in the bank. Her goals are to retire at 65 with an adequate income and then move to the Interior. She'd like to buy her first car before she retires.

To help her get there, she carries four financial aces in her back pocket:

- A quarter interest, worth \$150,000, in a waterfront cottage at Sorrento on Shuswap Lake that she visits by bus every other weekend during the season.
- A family trust fund that will eventually give her about \$75,000.
- A pay-equity settlement and job upgrade that will boost her income and savings.
- Membership in a defined-benefit pension plan that will pay about \$600 monthly on retirement.

On the downside, her short work history and relatively low salary means that she will only qualify for about 45 per cent of Canada Pension Plan, or about \$350 monthly at 65. The average CPP benefit is about 56 per cent of the maximum as a result of earnings below the yearly pensionable amount or missed contribution years.

Snowball and her colleagues at West Vancouver's BC Partners in Planning calculate that Wellwood will need about \$26,000 a year — \$2,166 monthly — before taxes to sustain her current lifestyle in retirement.

Since her current income is taxed at the lowest marginal tax rate, it is not a given that she should contribute to her registered retirement savings plan.

If she contributes and receives a deduction at the 25-per-cent tax rate and draws down the RRSP in the future at a higher rate, she could end up

SEE MICHAEL KANE, F6

MICHAEL KANE from F5

Investment program suggested

paying more than she saved. The solution is to contribute the maximum she can afford each year but claim the deduction only when her income improves, as expected, and she is pushed into the 40-per-cent marginal tax bracket.

That way her investments enjoy tax-deferred growth while she holds out for a greater reduction in taxes.

Wellwood completed a generic risk questionnaire — the kind readily available from mutual fund companies, banks and credit unions — which indicates she would be happy to invest with dual emphasis on achieving capital growth over time and moderate income flows.

To achieve those ends, Snowball's husband and business partner, Ken, an investment specialist, recommends that she transfer maturing guaranteed

investment certificates into a mutual fund asset allocation program that would maintain a mix of 45 per cent equities (shares), 40 per cent fixed income (bonds) and 15 per cent cash (such as treasury bills, money market funds and Canada Savings Bonds.)

As one category goes up and another declines, the portfolio is automatically rebalanced to maintain the desired mix.

During the past 60 years, such a portfolio would have delivered an annual average return of nine per cent.

Wellwood was surprised to learn she could start such an investment program with as little as \$2,500.

Blair MacLean, an insurance specialist and the firm's third partner, said Wellwood has no need for life insurance because she has no dependants. He suggested that she name a benefi-

ciary for her coverage through the UBC Benefit Plan to reduce probate fees on death.

MacLean noted that working for UBC provides an excellent benefits package that would cost about \$5,000 if purchased independently.

It includes dental, long-term disability, extended health care, free tuition, Medical Services Plan and worldwide travel assistance.

Wellwood's defined benefit pension plan guarantees a pension for life with employer contributions worth about 2.5 times her cost.

Using a computer program, Snowball and her colleagues looked at various scenarios built around selling her interest the Sorrento property in the near term or in retirement.

At one extreme she could achieve a net worth of more than \$600,000 by the year 2035 if she doesn't alter her current spending, sells the property in 2000 and invests the proceeds at a rate of return of six per cent.

At the other extreme she would have to sell the property before age 83 to maintain her lifestyle expectations. Alternatively, she could sell the property now and spend more on travel.

A more likely scenario is that she will sell at retirement to pay for the purchase of a retirement home. The Sorrento property has appreciated substantially since it was gifted to Wellwood, her brother and sisters, but there will be no taxes to pay on the gain when she sells.

The property is treated as her principal residence for capital gains purposes because she does not own any other property. However, she doesn't qualify for the B.C. homeowner's grant to reduce her property taxes because she does not live there permanently.

In all of the scenarios, Wellwood will be able to buy a \$20,000 car before she is 60 and to replace it every 10 years.

In the meantime, she has to decide if she will splurge on an extended vacation to visit friends in Australia or take a long-delayed vacation in Europe.

"The money makeover has been very helpful," she said.

"It wasn't at all clear to me that I would ever be able to afford a car.

"Now I have some goal-setting to do."

Figures effective Jan. 14/99		Survey of Savings Rates				
Bank rate 5.25	Prime	TERM DEPOSITS		G.I.C.s		
		30 Days	90 Days	1 Year	3 Year	5 Year
Bank of Montreal	6.75	3.30	3.30	3.65	4.00	4.30
Bank of Nova Scotia	6.75	3.30	3.30	3.65	4.00	4.30
Canada Trust	6.75	3.30	3.30	3.65	4.00	4.30
Canadian Western Bank	6.75	3.80	3.80	4.75	5.10	5.35
Canadian Western Trust	6.75	3.75	4.60	4.15	4.65	4.70
CIBC	6.75	3.30	3.30	3.45	3.80	4.10
Citibank Canada	7.00	3.50	3.50	3.75	3.95	4.25
Citizens Bank	6.75	4.00	4.00	4.25	4.50	4.75
Citizens Trust	n/a	4.00	4.00	4.25	4.50	4.75
Community Savings Cr. Un.	6.75	3.25	3.30	3.85	4.05	4.15
Cooperative Trust	6.75	3.05	3.05	4.20	4.55	4.85
Delta Credit Union	6.75	3.30	3.30	3.45	3.80	4.10
Edelweiss Cr. Un.	6.75	3.40	3.40	4.05	4.30	4.30
First Heritage Savings	6.75	3.40	3.40	3.65	4.10	4.30
Four Corners Comm. Savings	n/a	4.10	4.05	4.05	4.10	4.15
Fraser Valley Cr. Un.	6.75	3.30	3.30	4.75	4.75	4.75
Gulf & Fraser Cr. Un.	6.75	3.30	3.30	3.65	4.00	4.30
Hongkong Bank of Canada	6.75	3.30	3.30	4.15	4.35	4.30
Laurentian Bank	6.75	3.05	3.05	3.65	4.10	4.30
London Life	n/a	n/a	n/a	3.62	4.12	4.25
Manulife Financial	n/a	n/a	n/a	4.00	4.12	4.37
Maritime Life	n/a	n/a	n/a	4.12	4.25	4.37
National Bank of Canada	6.75	3.50	3.50	4.00	4.20	4.50
National Bank of Greece	6.75	3.40	3.40	3.65	4.00	4.50
North Shore Cr. Un.	6.75	3.30	3.30	3.45	3.80	4.10
Peoples Trust	6.75	4.25	4.25	4.25	4.25	4.25
Richmond Savings Cr. Un.	6.75	3.30	3.30	3.45	3.80	4.10
Royal Bank of Canada	6.75	3.65	3.65	3.75	4.00	4.30
Royal & Sun Alliance	n/a	n/a	n/a	3.75	4.00	4.25
Scotia Bank & Trust	6.75	3.30	3.30	3.65	4.00	4.30
Standard Life	n/a	3.00	3.12	4.00	4.12	4.25
Standard Life Trust	n/a	3.50	3.62	4.25	4.62	4.62
Sun Life Trust	6.75	4.00	4.00	4.62	4.62	4.87
Surrey Metro Savings	6.75	3.30	3.30	3.45	3.80	4.10
Toronto Dominion Bank	6.75	3.30	3.30	3.65	4.10	4.30
United Overseas Bank	6.75	4.00	4.20	4.60	5.00	n/a
VanCity Credit Union	6.75	3.30	3.30	4.15	4.35	4.10
Westminster Savings	6.75	3.25	3.25	3.90	4.10	4.10

Rates are subject to change without notice. Some rates are expected to increase today. Required minimum deposit amounts will vary by institution. PARAGON FINANCIAL SERVICES INC. 685-3264/1-800-663-0730

Mortgage Rates Survey	6 Mo. Closed	6 Mo. Open	1 yr. Closed	1 yr. Open	3 yr. Closed	5 yr. Closed
	6.90	7.15	6.40	7.00	6.75	6.90

See Saturday New Homes Section for a detailed survey of mortgage rates. E&OE