Plan... For Good Things

The Average Cost of a Wedding: $26,327

The High Cost of Higher Education

Average Annual Cost of a University Education

	Tuition	Room & Board	Total
Undergraduate	$4,524	$3,000 - $4,500	$7,024 - $9,024
Graduate	$5,447	$3,000 - $4,500	$8,447 - $9,947

University tuition increases at an average rate of 6.3% per year. Although a great expense, it is also a great investment. University graduates average a much higher salaries than people with only a high school diplomas (men–69%, women–73%).

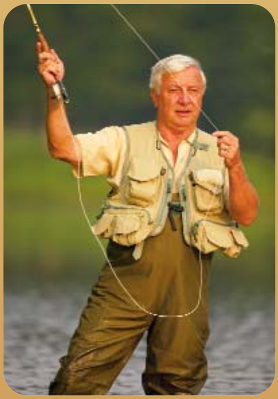
The most common methods of paying for an education are:

- Student loan: Enables the student to pay back the loan after graduation.
- Pay-as-you-go: Eliminates the obligation and added expense of repaying a loan, but generally involves a strong financial sacrifice at the time.
- Advance investment: Parents invest money in a program dedicated to college expense. It involves advance financial commitment but generally appreciates in value. RESPs may be used for education and allow you to take advantage of tax savings while you save.

Don't overlook another method of defraying educational expense—scholarships. A surprising variety of academic, athletic and other scholarships exist, some with quite reasonable qualifications.

Last, be sure to investigate the tax deduction possibilities:

- School expenses (tuition and books)
- Student loans (interest only)
- Employer assistance



Life has many roads. To make the most of your future, plan now to achieve your goals and realize your dreams.

By planning today, you have the advantage of shaping your future with well-informed decisions on what will benefit you and your family best. Planning ahead also helps prepare you for life's milestones—home remodeling, children, university, wedding, vacation home, travel. There are a number of ways to save and invest that will enable you to enjoy the big moments without affecting your retirement.

Make Savings Automatic

Plan your paycheque. Deposit a specific amount into savings account or other savings instrument. If you have difficulties with this, your bank or employer can set up a method of depositing it automatically. This is a convenient method of saving and keeps your contributions continuing on a regular basis. Even if you start with a small amount, be diligent and establish a routine. You can increase your contribution as your income grows.

Invest in Your RRSP

Deductible RRSP contributions can be used to reduce your taxes. Income earned in the RRSP is usually exempt from tax for the time the funds remain in the plan. You only pay tax on the amounts you withdraw. A spousal RRSP allows you to put all or part of any allowable RRSP contribution into an RRSP in the name of your spouse or common-law partner. As a contributor, you benefit from the tax deduction while building a retirement nest egg for your spouse or partner. When you both withdraw from your RRSP savings during retirement, the combined income tax you pay as a couple may be lower than what you would pay if all your savings were in a single RRSP.

The Average Sales Price of Houses in Canada*

West	Mountain	Central	East
$483,291	$365,888	$303,083	$214,176

National Trends:

1990	$95,500
1995	$100,000
2000	$160,000
2005	$275,000
2007	$297,000

Purchasing a home is a good investment because it builds equity over time. However, to base spending on perceived equity is a bad idea—equity is not tangible until it is released! You should never refinance your home for the purpose of making any type of investment.

* Source: crea.ca

Invest in Your Registered Pension Plan (RPP)

Contributions to an RPP are tax deductible for both the employee and the employer. Contributions to the plan and gains on underlying assets are tax deferred, so the funds are taxed when they are withdrawn from the plan.

Good Insurance for the Future

When evaluating life insurance plans, consider that many companies offer a participating policy (also called "with profits"). This allows the insured to participate in the insurance company's profits while maintaining an active life insurance policy. This is a wise way of having life insurance coverage while making long-term capital growth.

Start Budgeting Today!

The sooner you start, the sooner you will start taking control of your finances. Follow these six steps and you'll soon find extra money to invest.

Step 1 Figure out your income by averaging together your last several paycheques.

Tip> **If you recently got an annual bonus or worked unusual hours, try to exclude those numbers from your estimate.**

Step 2 Track your expenses, which include monthly bills and everyday purchases.

Tip> **Minor expenditures can be hard to track, especially if you pay in cash, so bring along a notepad to write them down.**

Step 3 Do the math to figure out what your bottom line is.

Tip> **It is easiest to fill out a budget worksheet, which will include all the expense categories.**

Step 4 Repeat the process over the next three months and compare your results.

Tip> **One month may have a large, one-time incidental expense, but plotting it out over three months will eliminate these abnormalities.**

Step 5 Pick out the month with the lowest amount of expenses and replicate it.

Tip> **To get even more involved, try charting another three months with the lowest amount to attempt to lower it even further.**

Step 6 Once your ideal monthly budget has been documented, put it in place as your budget.

Tip> **Don't forget to revisit this process often to check on your progress and allow for adjustments in your income or necessary expenditures.**

Compound Interest

The most prevalent form of interest is compound interest, which calculates interest accrual not only on the principal but on the unpaid interest as well. As a result, an account with compounded interest will grow faster than the less common simple interest account. Naturally, an amount will increase faster the more frequently the interest is compounded.

Many consumers will be familiar with compound interest, which is used by credit card companies and financing agencies. However, compound interest can also work for you in the form of a savings account or money market account, which will reward more the longer your funds remain untapped. For additional information regarding compound interest, check with your bank or financial adviser.

A general theory called the Rule of 72 can be used to figure out roughly how long it will take to double your original principal. If you divide 72 by your average interest rate, your answer will be the number of years it will take to double the principal. However, this does not take into account several factors such as taxable growth (if applicable) and inflation.

Use this example to figure out what it will take for you to double your money with compound interest.

Start with $100 and 9% compound interest from the bank.
With 9% compound interest, your money will double in 8 years.

72 ÷ 9 (%) = 8 (yrs) $100 doubled to $200
72 ÷ ___(%) = ___(yrs) $____doubled to $____

Resources on the Web:

Compound Interest Calculator – www.bankofcanada.ca/en/rates/investment.html
A handy form that will compile your compound interest, given principal, interest rate and length.

University Cost Calculator – www.hrsdc.gc.ca/en/learning/canada_student_loan/index.shtml
Will help determine your post-secondary education cost.

Envelope Budgeting – www.mvelopes.com
An entire site devoted to the art of envelope budgeting, which involves setting aside money on a regular basis to be used for a specific purpose.