




Jim Yih
LIVE WELL. RETIRE HAPPY

Take Control of Your Money




- Financial Expert on Retirement, Personal Finance and Investing
- Author 5 books including his best seller Mutual Fundamentals
- Radio Expert for CHQT/Cool880
- Financial expert on Alberta Primetime, City TV and Breakfast Television
- Former Columnist for Edmonton Journal, Vancouver Sun, Canadian Investment Journal, Globe and Mail, Canadian Business, Fundlibrary.com, Canadian Money Saver, Professional Referrals, Yahoo.ca
- Award winning Personal Finance Blogger







Light Bulb Moments

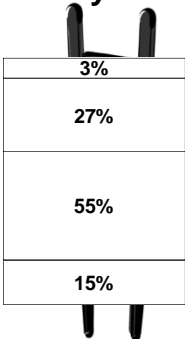




Financial Planning is SIMPLE not EASY





Who do you want to be?





Percentage
3%
27%
55%
15%


WHERE ARE YOU NOW?

WHERE WOULD YOU PREFER TO BE?

Source:
Jean Chatzky
The Difference

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7 Habits of Wealthy People

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1 Wealthy People Track Their Worth



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How wealthy are you?

- ✓ Money and wealth may not always appear as it seems
- ✓ We spend more time pursuing PERCIEVED wealth than ACTUAL wealth
- ✓ Too many people gauge wealth by material possessions and not by ACTUAL Wealth.

HOW DO YOU MEASURE ACTUAL WEALTH?



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Know Your Worth



Net Worth Statement

- RRSP
- Investments
- Business
- Pensions
- Insurance
- Other Retirement Assets
- What you OWE?



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2 Wealthy People
put money into
appreciating
assets



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Know Your Worth

4 types of assets

- 1) Depreciating Assets
- 2) Financial Assets (Appreciating)
- 3) Lifestyle Assets
- 4) Estate Assets

Where are you putting your money?



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3 **Wealthy
People live
within
their
means**



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The wealthiest people in the world aren't those with the most stuff. They are the ones who manage their lifestyle the best.

Diane McCurdy



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Know how much you are spending




Keep it Simple and Easy!

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2 Ways to Live within your means

Spend LESS than you earn

Earn MORE than you spend

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Levels of Wealth

Level 6: PASSIVE income > LIFESTYLE


Level 5: PASSIVE income = LIFESTYLE




Level 4: PASSIVE income = SURVIVAL

Level 3: ACTIVE income = SAVINGS

Level 2: ACTIVE income = LIFESTYLE

Level 1: ACTIVE income = SURVIVAL



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Wealthy
People
Save
money
regularly

Pay yourself first

SPEND

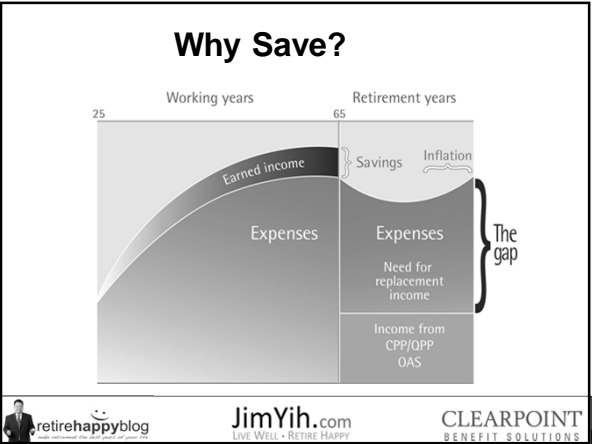
SAVE

SPEND

Workplace Savings Programs

creating the incentive to save

- 60% of small to medium size businesses NO NOT offer a workplace savings program.
- Great way to facilitate forced savings
 - Low savings rates in Canada
 - Pay yourself first
 - Earlier the better
 - Take advantage of free money
- Tax Benefits



How much will the government pay?

	Monthly	Annual
CPP	\$1038.33	\$12,459.96
OAS	\$551.54	\$6,618.48
	\$1589.87	\$19,078.44
AVERAGE	\$114.29	\$13,371.51

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The Retirement Gap

Income desired	Savings required
\$25,000	\$352,113
\$45,000	\$633,802
\$65,000	\$915,492

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How much should you save?

- Maximize your matching program
- The 10% rule
- The 18% rule
- The 25% rule
- As much as you can



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Principles of Saving Money

- It's never too late to start
- The sooner the better
- Make it automatic
- Something is better than nothing
- It's all about discipline



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Starting early pays more



	TERRY	CHRIS	TERRY
Annual Savings	\$2,400	\$2,400	\$2,400
Start age	25	35	25
End age	35	65	65
Number of years contributing	10	30	40
Total Contributions	\$24,000	\$72,000	\$96,000
Balance at age 65	\$260,415	\$233,891	\$494,306

DON'T WAIT . . . START NOW! Procrastination is your enemy



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Where should you save money?


Non-RRSP

TFSA


RRSP


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\$135,055	39%	\$136,270
\$87,124	36%	\$87,907
\$43,461	32%	\$43,953
\$17,593	25%	\$17,787
\$11,038	15%	\$11,138
Personal Tax Credits		

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Managing your savings and investments

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INVESTING IS NOT ROCKET SCIENCE



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"To invest successfully over a lifetime does not require a stratospheric I.Q., unusual business insight, or inside information. What is needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."

Warren Buffett

★ Framework - A clear, disciplined approach

★ Emotions - keep them out



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Reviewing Your Plan

STEP 1:

YOU

STEP 2:

MIX

STEP 3:

SELECT

REBALANCE



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There is only one way to make money in investing




BUY LOW SELL HIGH



Rebalancing

30% Invest A	\$3,000	+15%	\$3,450	33%	-\$330
50% Invest B	\$5,000	+ 3%	\$5,150	49%	+\$50
20% Invest C	\$2,000	- 10%	\$1,800	17%	+\$280
	<u>\$10,000</u>		<u>\$10,400</u>		

Instead of guessing, speculating or forecasting,
increase your returns strategically with discipline






STEP 3:

SELECT

How do you pick investments?
What's the most common strategy for selecting investments?

CHASING PERFORMANCE



Don't chase performance

How often does Chasing Performance Work?
*Since 1985 how many times have funds been in the top 20 for
2 consecutive years in a row?*

14.7%

What is the likelihood that funds will stay in the top 50% for:

5 years in a row	2.7%
7 years in a row	0.6%
10 years in a row	0.002%

Source: Fundfilter F.I.R.M. (Data: Dec 1985 to Dec 2008)



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Investment Principles



- Investing is personal
- Investing is a science
- Don't chase performance
- Develop a plan (asset allocation)
- Fees matter
- Dollar Cost Averaging
- Manage with rebalancing
- Three strategies to invest
- Getting help



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5 **Wealthy**
People are
smart
about debt



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Paying down debts can be good investing

To pay a dollar of debt you need to make more than a dollar (\$1.56)

- If Debt is costing you 5%, paying it down is like a 7.81% GIC
- If Debt is costing you 6%, paying it down is like a 9.38% GIC
- If Debt is costing you 7%, paying it down is like a 10.94% GIC



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How to pay down your debts faster?

Debt	Balance	Interest Rate	Minimum Monthly Payment
Visa	\$6,000.00	21%	\$165.00
Line of Credit	\$3,000.00	6%	\$45.00
Student Loan	\$10,000.00	8%	\$166.67
Mastercard	\$1,500.00	11%	\$33.75
Store Credit Card	\$2,500.00	19%	\$64.85
	<u>\$23,000.00</u>		<u>\$475.27</u>

Suzanne has an extra \$200 per month?
Where should she direct that money?



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Debt Snowball: Pay smallest balance first

Debt	Balance	Interest Rate	Minimum Monthly Payment	Actual Payment
Mastercard	\$1,500.00	11%	\$33.75	\$233.75
Store Credit Card	\$2,500.00	19%	\$64.85	\$64.85
Line of Credit	\$3,000.00	6%	\$45.00	\$45.00
Visa	\$6,000.00	21%	\$165.00	\$165.00
Student Loan	\$10,000.00	8%	\$166.67	\$166.67
	<u>\$23,000.00</u>		<u>\$475.27</u>	<u>\$675.27</u>

Put the \$200 per month against the Mastercard and then when it is paid off, put it towards the Store Credit Card.




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Debt Avalanche: Pay highest interest first

Debt	Balance	Interest Rate	Minimum Monthly Payment	Actual Payment
Visa	\$6,000.00	21%	\$165.00	\$365.00
Store Credit Card	\$2,500.00	19%	\$64.85	\$64.85
Mastercard	\$1,500.00	11%	\$33.75	\$33.75
Student Loan	\$10,000.00	8%	\$166.67	\$166.67
Line of Credit	\$3,000.00	6%	\$45.00	\$45.00
	<u>\$23,000.00</u>		<u>\$475.27</u>	<u>\$675.27</u>

Put the \$200 per month against the VISA at 21% and then when it is paid off, put it towards the Store Credit Card.



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How to pay down your debts faster?

SNOWBALL vs AVALANCHE

- Debt free in 41 months
- Total interest = \$5043.02
- small accomplishments are motivating

- Debt free in 39 months
- Total interest = \$4454.74
- rationally and mathematically superior




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Debt Myths

"As long as I can afford the monthly payments, I'll be fine"




\$300,000 home with \$200,000 mortgage
Making mortgage payments of \$1,100 per month

\$400,000 home with \$300,000 mortgage
Mortgage payments increase to \$1,750 per month based on a 25 year amortization

Bank suggested they extend the amortization from 25 years to 40 years to lower the monthly payment
Mortgage payments decrease to \$1,425 per month.
BUT

Total interest increases 75% from \$223,000 to \$389,000 (\$166,000 more to the bank)



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Debt Myths


"As long as I can afford the monthly payments, I'll be fine"

AND . . .

What if interest rates go up?

A 1% increase in interest rates increases the monthly payments by \$200 per month to \$1635/month



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Debt Myths

*"I pay my mortgage weekly instead of monthly
To save interest."*

Frequency	Monthly Payment	Interest Cost	Interest savings
Monthly	\$639.81	\$91,940.69	\$0.00
Semi-monthly	\$319.91	\$91,396.79	\$543.89
Weekly	\$147.65	\$90,275.80	\$1,664.89
Weekly accelerated	\$159.96	\$74,134.62	\$17,806.06

\$100,000 Mortgage, 25 year amortization, 6% interest rate

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Debt Myths


*"I pay my mortgage weekly instead of monthly
To save interest."*

Pay more money

- accelerated options
- double up payment
- anniversary payment
- shorter amortizations

Lower interest rates

- variable vs fixed
- lower the better


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Debt Myths

I'm going to borrow money from the equity in my house to invest and make lots of money"



- Theory versus Reality
- Understand the Risks
- Watch the assumptions
- Watch the timing (Buy Low, Sell High)
- Develop an exit strategy

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More Debt Myths

"Consolidating debts is a good thing"

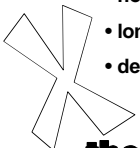
"At least I can afford the minimum monthly payments"

"It's Great to use the credit card since I collect points!"

"Debt is a necessary evil"

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GOOD debt vs BAD debt

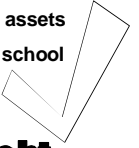


BAD Debt




- high interest debt
- non-deductible
- long term debt
- debt for lifestyle

GOOD Debt

- no interest
- deductible debt
- short term debt
- debt for assets
- Debt for school



the BEST debt is NO debt

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Debt and Savings

Bank Account \$2000	Line of Credit \$7000	<ul style="list-style-type: none"> - Take the \$7000 in the bank account and the TFSA and pay off the line of credit - Use the \$350 that was going to the line of credit to build up the TFSA and bank account - Use the line of credit as the emergency fund - This strategy requires some discipline
TFSA \$5000 + 2% + 100	-5% - \$350	
Net worth = \$0		

6

Wealthy People Surround themselves with the right people

No one is successful without help from others

Surround yourself with the right people

The power of association

- If you want to be happy, hang with happy people
- If you want to be wealthy, hang with wealthy people
- If you want to be successful, hang with successful people



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***No one cares
about you more
than you care
about you***



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7
Engage
*Wealthy People
Participate in their
financial affairs*

www.retirehappy.ca  WealthWebGurus.com

Engage

**Work SMARTER,
not HARDER**



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8 **Wealthy People
Protect
themselves from
financial
disaster**



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Risk Management

Care Planning

Life Insurance

Emergency Fund



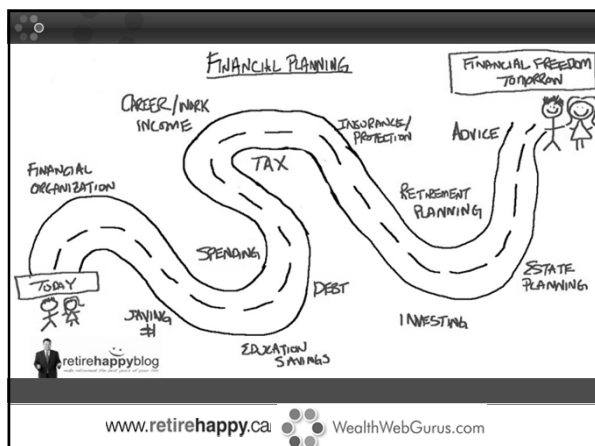
Estate Planning

LIVING BENEFITS



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Exercise

What is one thing you would like to change in your life (financially)?

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Exercise

What do you need to do to make that happen?

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7 Habits of Wealthy People

MY BEST IDEA



The Implemented Idea

"The definition of Insanity is doing the same thing over and over and expecting different results"

Albert Einstein
