

## Finding Good Financial Advice Like Discovering Gold

Contributed by Peter James  
Saturday, 17 February 2007

Finding a good Canadian financial columnist, who makes real sense of the numbers, can be like discovering gold. They can actually make you money by offering valuable perspectives on managing your wealth in Canada. John Caspar is such a columnist.

John Caspar offers startling insights into real cost of money

I recently discovered John Caspar, a vice-president and Investment Advisor with CIBC Wood Gundy and money analyst for CTV News in Vancouver while scouring the Internet for Canadian financial news.

Two of his most recent columns stood out for me: "The Cost of Smoking" and "The Real Cost of The Police." Basically both pieces revealed some startling facts for Canadians all too often spending our precious dollars foolishly.

Money goes up in smoke

Caspar describes average Joe Canadian, who smokes upwards of two packs of cigarettes a day. Buying the packs one or two packs at a time to 'control' his consumption, Joe is paying \$12 a day on his habit, or \$4,380 after-tax dollars a year.

But Joe, who earn \$60,000 a year, has to make \$6,300 in his tax 31% bracket in order to pay for those smokes. More than 10% of his gross income funds smoking - an activity that indirectly consumes still more financial resources and destroys his health.

Caspar offers a long list of other possibilities for that money: nice car, sizeable donation, gym membership, or even a fantastic vacation. Better still Joe could put the money into an RRSP or payoff existing debts like his Canadian credit card bills or home mortgage.

The fact is Joe has sound financial reasons in Canada to quit smoking. He just has to get a perspective on his habit and the real money going up in smokes.

The sound of money flushed down the toilet

But what if you are a non-smoker like 80% of Canadians, you still need to examine your discretionary spending. Take concert-going for instance.

Caspar points out that shelling out \$550 for a pair of primo seats to see the recently reunited 90s rock band, The Police, will actually cost you much, much more in real after-tax dollars.

This time, another average Canadian (Roxanne), who earns a tidy \$90,000 a year (not turning on the red light), discovers in her 40% tax bracket that she has to earn \$916 in pre-tax dollars to pay for those impossible-to-get-concert-tickets. Whoa, that's certainly not music to my ears!

I'll let Caspar explain in his own words: "It's not enough to say 'boy, that's a lot of money,' or 'gee, that's one percent of what I make in a year.' The real cost only becomes apparent when you consider the utility of doing something else with that money.

"So let's look at what happens if you were to put that \$916 in your RRSP. (Since you get a tax deduction for your RRSP contribution, it only costs you \$550 cash to contribute \$916 if your marginal tax rate is 40 percent.) If that \$916 compounds at 7.5 percent over the next twenty years, it'll be worth \$3,891. So if you buy the tickets, that's \$3,891 that you won't have in your retirement savings plan two decades hence."

Ouch, and you thought your head would be spinning after the two-hour concert. At the very least, knowing the real costs should help you 'police' your money better.

Obviously, all these financial facts and figures can be applied to any discretionary spending - season sport tickets, expensive vacations, that new pair of shoes, or whatever else you want but don't actually need. Before you shell out your hard-earned money next time, take John Caspar's insight to pause for an extra moment and tally up the real cost of that purchase. You may decide to spend your money differently.