

THE WAY WE SPEND

Paying off onerous debt eases retirement worry

BY LISA GRACE MARR

Patricia Hamilton is freeing herself from the chains of debt.

She took her financial adviser's advice to heart: She headed straight to the bank, cashed in her RRSPs worth \$3,000 and paid off a credit card.

"I went home and did a dance in my bedroom, it felt that good.

"Jen and I went out to celebrate — we shared a banana split."

Marta Stiteler, a certified financial planner, is working with Patricia and her 22-year-old daughter, Jen, on a financial makeover.

The 52-year-old single mom of two adult children is masterful when it comes to cutting back on expenses, but is worried that she'll never be able to retire because she doesn't have any savings.

That made cashing in that RRSP really tough.

"I scrimped and scrounged for that RRSP," she said sorrowfully.

But Stiteler reasoned she wasn't getting 19.65 per cent interest on her RRSP — the cost of her credit card — and she wasn't going to take a big tax hit on her income.

Patricia paid a modest penalty (about \$300) for cashing in the RRSP, which she can offset by buying a small RRSP by next March.

The best part, though, was by getting rid of the credit card beast, Patricia had money to pay off other bills, and will be able to save.

She was behind on the cable and cellphone bills, but now that she wasn't paying \$200 a month to service the credit card debt, she slammed that down on the bills and got caught up.

She rejected the idea of getting rid of the cellphone. Her kids said it was a must.

So by the beginning of October, Patricia had freed up some cash each month to start saving.

Then the car started shouting at her.

"It was making this funny sound," she said of her late-model car. "It's been so good to maintain and now this. I just can't seem to get ahead."

She throws out her arms in exasperation.

She's been networking — trying to get three estimates to fix the problem, with repair costs ranging from \$200 to \$900.

It definitely puts a kink in Stiteler's strategy to start ramping up Patricia's retirement plans.

"This is why financial planning is always a moving target," said Stiteler.

"I think what you should do is just pay off that line of credit (with its balance of \$850), so by the time you know how much it will be to fix the car, you'll have paid that down."

Stiteler goes over three possible long-term investment solutions for Patricia's retirement.

It's homework time.

Patricia is armed with folders of various investment portfolios, a reduced debt load (for now) and that goal of a retirement fund firmly in her sights.

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Jen, left, and Patricia Hamilton look over bills at the kitchen table.

'Shock' of seeing savings

The number of submissions to The Way We Spend was overwhelming, so we asked several local financial experts to help many of those who made our short list.

These experts met with these candidates once or twice to give them some financial tips.

Name: Sarah Hayes and Matthew Marsden

Age: 24 and 23, respectively

Family status: Engaged

Occupation: Sarah: career counsellor at a nonprofit organization; Matt: just graduated from Mohawk, working as a mechanic

Net income: \$15,000 to \$20,000 each

Debts: \$5,000 family loans

Total estimated assets: \$500

Financial goals: Pay off debts, save for wedding, save for down payment on a house



From the submission:

"We are living paycheque-to-paycheque, there are two of us living in an apartment with basic amenities ... Most months are tight, usually we are scrambling at the end of the month to get together some cash."

From Marta Stiteler, certified financial expert:

Their financial future depends on them having employment and having at least the estimated salaries.

Recommendations:

Short-term goals:

■ Pay family loans at \$200 monthly from October 2009 to December 2010 to eliminate debt.
■ They will be able to save \$400 per month from October 2009 to July 2010 to have \$4,000 for a fall wedding in 2010, even though they originally planned for \$5,000.

■ They can set aside \$740 a month from October 2009 to January 2012 to have \$15,000 as a down payment for a house. They could also take advantage of the Home Buyers Plan and withdraw from their RRSPs to fund their home.

All short-term goal savings should be invested in guaranteed investments such as money market funds, GICs or high-interest savings accounts in order to protect the principal.

Sarah and Matthew should get insurance now, enough to cover their anticipated mortgage.

Retirement Planning:

■ The plan calls for Sarah to invest \$100 per month for retirement and Matthew \$200. After short-term goals are met, the plan calls for the RRSP payments for both Sarah and Matthew to increase to \$185 and \$350, respectively.

■ The plan originally called for a retirement income of \$50,000 net, but that led to shortfalls. We reduced the future retirement goal to \$42,000 — still more than they are making now, but not such a struggle to achieve.

After the advice:

"I found it all very confusing at first," said Sarah. "It's difficult getting used to our combined incomes. At first I didn't think (paying off debts, saving) was realistic, but now that we're both working, we're paying it off and sticking to our budget. (Sarah and Matt have paid off \$2,000 in debts). "We have actually been able to put some money in the savings account. It's a shock to go in and see it has a balance. Marta has given us materials to look at for our RRSPs for our long-term savings."

Special to The Hamilton Spectator

Open forum

Bring your money questions to The Spectator's The Way We Spend Open Forum Wednesday, Nov. 18. Learn how to save wisely, how to tackle debt and how to stretch your dollars further.

The event features financial experts Alison Griffiths and Suzanne Schultz. Best known as the host of Maxed Out on the W Network and Dollars and Sense on VIVA, Griffiths teaches people how to turn their financial lives around. She also writes the popular Me and My Money column in the Toronto Star and hosts House Calls, a seminar series on investing and money management.

Schultz is a chartered accountant and financial planner with RBC Dominion Securities, Hamilton. She hosts HGTV's House Poor.

The forum, to be broadcast on Cable 14, also includes experts from Catholic Family Services of Hamilton, Teachers Credit Union and families featured in our series.

When: Wednesday, Nov. 18, doors open at 7 p.m., Open Forum runs 7:30 to 9 p.m.

Where: The Hamilton Spectator auditorium, 44 Frid St.

RSVP: It's free. You must register in advance by calling 905-526-3535.

Check for forgotten funds

BY MEREDITH MACLEOD

Is it possible you've forgotten about your \$432,500? If so, you might want to rush off and visit bankofcanada.ca and click on services. There, you'll find unclaimed balances held by the Bank of Canada, and you can search by name.

If that \$432,500 is yours, it's the biggest balance held by the bank.

If it's been more than 10 years since an account was touched at a

Canadian bank and the bank can't track down the owner, that money is transferred to the Bank of Canada.

We're not talking nickels and dimes. At the end of December 2008, approximately 1,023,000 unclaimed balances, worth \$351 million, were on the books. About 94 per cent were under \$1,000, about 32 per cent of the total value.

Last year, 7,872 accounts were paid off to the rightful owner. Perhaps you're an heir to your bachelor Uncle John, and he left

some money in an account nobody knew about. Maybe you opened a chequing account at 12 and saved your paper-route money there. But somehow over the years you forgot about the paper-route account.

If you find a balance you're entitled to, you will have to prove your identity, and your bank will have to confirm your signature. If the bank can't do that, you'll have to come up with an original bank book or statement or proof that you lived at the address linked to the account.

If you're an heir to an estate, you'll have to provide legal forms confirming that, and proof the

deceased person lived at the address linked to the account.

The Bank of Canada maintains custody of all balances of \$1,000 or more for 100 years, until they are claimed. Unclaimed balances under \$1,000 are held for 30 years.

After that, the funds are transferred to the receiver general and become part of government revenue. The Bank of Canada has been holding unclaimed balances since 1944. The oldest on record, \$1,308.97, dates to 1900. It was transferred to the Bank of Canada in 1946.

You can also check balances by calling the Bank of Canada at 888-891-6398, sending a letter to Bank of Canada, Unclaimed Balances Services, 234 Wellington St., Ottawa, Ont., K1A 0G9, or by faxing 613-782-7802.

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HAMILTON SPECTATOR FILE PHOTO

UNCLAIMED: Bank of Canada holds all balances of \$1,000 or more for 100 years, until they are claimed. Unclaimed balances under \$1,000 are held for 30 years.

EXPERT
ADVICE

Go to the thespec.com for financial adviser Marta Stiteler's column on steps you can take to setting and meeting your financial goals.

thespec.com

Join the discussion Check out thespec.com — special reports for The Way We Spend website and blog. Feel free to e-mail us at business@thespec.com with tips, comments, insights — your experience is valuable.

Our expert



Marta Stiteler is a local financial adviser who specializes in financial, retirement and estate planning for Pillar Retirement Group and Worldsource Financial Management.

Stiteler holds an honours BA from Seton Hill College in Pennsylvania and a master's degree from McMaster University. Stiteler passed the certified financial planner examination in 2000 and achieved CIM, Canadian investment manager designation, in 2005.

Stiteler is also treasurer for the board of directors of the AIDS Network serving Hamilton, Halton and area. She is a past director of the Stoney Creek Chamber of Commerce and is involved with several boards and charities.

The team



Barry Gray, an award-winning photojournalist, has been at The Spectator for 23 years.



Writer Meredith MacLeod is a National Newspaper Award winner.



Lisa Grace Marr, an award-winning journalist, has been at The Spectator for 15 years.