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POSSIBILITIES

unleash your imagination

Volume # 03- Spring 2000

Voltaire said, "Common sense isn't very common." Indeed.

The question of the month, at least the question that seems to be coming up a lot more frequently these days, is "Do you sell individual stocks?" The answer is no, and that almost always leads to a look of disappointment on the face of the asker. The get-rich-quick-scheme that had been percolating in their head since they got the "hot" stock tip from the waitress at the donut shop just ran into an obstacle. **Me.**

Please understand, I don't want to deter anyone from getting rich (on the contrary, helping people accumulate wealth is **exactly** what I purport to do), but I hesitate to encourage anyone to jump out of an aircraft without first considering the risks, and most certainly not without the assistance of a parachute. New economy, old economy, it doesn't matter. Common sense still somehow **makes** sense.

Despite the great rational arguments you may hear for buying the latest hot stock, it's euphoria that's causing so many to consider radically changing

their approach to investing. "Everyone" it would seem is doing it. Every morning the faces of new millionaires adorn the business section of the newspaper. We believe we are being left behind, and to avoid the emotional stress of being the only person left on Middle Class Avenue, we decide it's time to hop on the speeding train, before it's too late, even though we intuitively know that hopping on the train involves leaving common sense at the station.

One of the most important principles you can adopt with respect to money is this, "it's not a race". Repeat after me, "it's not a race." Good. Now every time you overhear someone talking about the stock they bought last week for \$2 that's now at \$4,000 repeat to yourself, "it's not a race". When you look in the newspaper and find that your mutual fund is still not on the "movers of the day" list, repeat to yourself "it's not a race".

I know, I know. If you can get there (wherever "there" is) faster, isn't that better? After all, there doesn't **seem** to be any risk! This time is different. This time it's a "new world". Technology has changed

everything. One only needs to look at the results of the past year to see the evidence. But remember: that's yesterday. Yesterday has always been easy to predict. Tomorrow? No one knows for sure. No one.

A time of great exuberance and incredible confidence is no time to lose our common sense. Old principles still apply. Common sense still dictates: invest early, invest regularly, think long term, diversify, be patient. That doesn't mean ignore new ideas, but simply to approach them with common sense. Build them in as **part** of your plan, don't replace your plan.

Despite the proliferation of sophisticated investment products, the growing complexity of our financial system, and the rabbit-like growth of the financial services industry, what is required right now, more than anything, is something we all already have. Ordinary common sense.

Unfortunately, Voltaire's comment appears to be as valid now as when he wrote it. Doing the "uncommon" thing however, may never have been more important.

Bill Bell

Keeping the family cottage in the family

Imagine sitting on a deck with your loved one, sipping a cool iced tea as the sun sets over a magnificent lake setting. Fiery reds and oranges compete and dance across the rippling waves gently breaking against your private beach. Your children chase each other through the pines and maples, their laughter juxtaposed by the lonely call of the Canadian Loon searching for its mate in the slowly gathering twilight.

Many Canadian families, including ours, presently enjoy this scene. For others it is a dream they are working to realize. Of course, along with the good times also come the endless repairs, upkeep and taxes including the inevitable capital gains tax.

Since 1982 Federal tax law has allowed each family one principal residence. Where a family owns both a home and a cottage, capital gains accruing on one of the properties will be taxable when sold. Most importantly, unrealized capital gains on the second residence are subject to tax in the deceased's final income tax return. The general rule is that a taxpayer is deemed to have disposed of all capital property immediately before death and to have received proceeds equal to the fair market value.

Our summer home has been in the family for several generations, and we hope to see that continue. Here are few options we have explored to ensure that our cottage doesn't end up being sold to pay the tax bill; :

- 1 Transfer ownership to adult children over the age of 19 prior to death. The transfer of property, whether by sale or gift, will always be at fair market value with the result that a capital gain or loss occurs at time of transfer. When considering this option it is important to understand that you are giving ownership to the children.
- 2 Hold the property jointly so that when one of the owners dies the other automatically gets title. If you are a single owner of the property and choose to add a child/children or spouse a capital gain or loss will occur at the time when ownership changes.
- 3 Purchase life insurance to cover any capital gains tax that will occur on your death.

These are only a sample of the options available. If you are embarking on the search for the perfect vacation home or already own your cottage, you should review with a professional how your second home fits into your overall financial and estate plan.

Please note: *Income tax laws and family laws affecting the devolution of estates can change very rapidly. You should continually review your estate-planning strategy to protect the real and future value of your assets.*

Victoria Inkster

Health care plans for the self-employed

Canadians are very fortunate to have one of the best health care systems in the world, but that doesn't mean we have all the health care protection we need. In fact, provincial governments are covering less and less of the medical expenses that are a part of everyday life. For example: most provinces offer little or no dental coverage or eyeglass coverage; most provinces limit coverage for prescription drugs through large deductibles, income, or age restrictions; and most paramedical services, such as psychologists, massage therapists, naturopaths, physiotherapists, and chiropractors, are limited or not covered by provincial plans.

Ensuring that your family's health care needs are met today and in the future is important, but unless you are a part of a company-sponsored employee benefit plan it hasn't been that easy. Thankfully, that has changed. There are now excellent choices in individual medical and dental plans that are affordable and comprehensive. Now, being self-employed doesn't have to put you at a disadvantage in this regard. In fact, premiums may even be tax-deductible.

Call us to find out more.

Laurie Sobie

A new way to manage money (especially debt) - Manulife ONE

As many of my clients know, my wife, Lynn and I recently bought a new home in Newmarket. When it came time to get a mortgage, we decided to try a new concept to Canada, the Manulife ONE account. Pioneered in the U.K. and widely used in Australia, the ONE account is a mortgage, line of credit, savings and chequing account all in one.

Here's how it works: You start off with a line of credit secured against your property, and then direct your pay cheques into the account. Since interest is calculated daily, every time your pay cheque is electronically deposited into the ONE account you save interest costs immediately. As you pay bills or need cash you simply increase your borrowings, until your next pay cheque hits the account. For example, a \$200,000 loan is reduced to \$197,000 with a biweekly pay of \$3,000; increased to \$197,200 with a \$200 cash advance...money in, money out--get the idea?

The beauty of this concept is its simplicity. Eight months ago I had 3 bank accounts, 2 lines of credit and a mortgage involving 3 different financial institutions. I was constantly moving money between accounts all in the name of paying less interest. (I hate paying interest! Sound familiar?) Inevitably I would occasionally slip up

and not make the transfers at the optimal time. Ugh, agony! (Remember what I said about paying interest). No longer. With our Manulife ONE account there are no decisions to make.

In addition to its simplicity, the ONE account provides us with a detailed transaction history any time on line via the internet, as well as a printed monthly statement. One thing I like about the monthly statement is that it graphs our repayment activities, showing us the progress we are making in paying down our debt. Talk about motivation to examine our spending patterns!

I also like the flexibility of being able to pay off the loan anytime or conversely borrowing money for investments instead of parking it in the home equity account. "But Tad you just said you hate paying interest". I do, but I don't mind so much when the interest is tax-deductible.

Want to know if Manulife ONE might be a solution for you? Give us a call.

Tad Gacich

Great Minds, Great Thoughts:

"Dream lofty dreams, and as you dream, so shall you become. Your vision is the promise of what you shall at last unveil."

John Ruskin

"Our life is what our thoughts make it."

Marcus Aurelius Antoninus

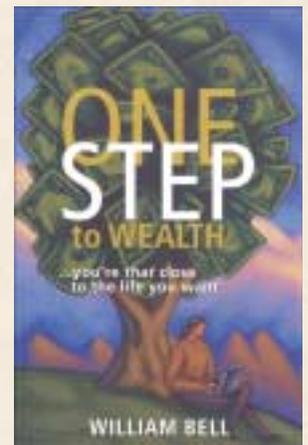
Interactive

Win a copy of "One Step to Wealth".

Yes, this book is authored by our very own Bill Bell, and so our "opinion" may be somewhat biased. Nonetheless, this is a work that all of us at Bell Financial are proud of, and something we believe everyone should read. If you haven't obtained your copy yet call us to get the special \$14 price... when it hits the book stores in the fall, it will be selling for \$18.95.

Want to win your copy instead? Send us an email (mail@bellfinancial.on.ca) or a fax (905-713-2937) with your name and phone number mentioning the "One Step to Wealth" draw. 3 names will be chosen at random and each will receive an autographed copy of Bill's book.

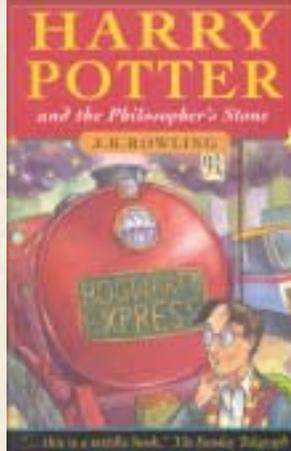
Congratulations to Scott Ecclestone who won copies of Robin Sharma's "The Monk Who Sold His Ferrari" books. We even managed to get Robin to autograph them for Scott!



Harry Potter and the Power of Imagination

(Hopefully *not* coming to a theatre near you)

Harry Potter is not a video game.
Harry Potter is not a music video.
Harry Potter is not an animated television series. So why are children so utterly besotted with Harry Potter?



Harry Potter might just be the most recognized character in literature today. Scottish author J.K. Rowling has taken the publishing world by storm with the phenomenal success of her three children's books: *Harry Potter and the Philosopher's Stone*, *Harry Potter and the Chamber of Secrets* and *Harry Potter and the Prisoner of Azkaban*. By year-end, 1999, each of the Potter trilogy had reached number one on the *New York Times* list of bestsellers, a first for a children's book. The books have become so popular with adults as well as children that two styles of cover art are offered in the U.K. - a colourful, animated version for kids and a more somber, inconspicuous jacket for grown-ups caught up in Rowling's spell.

For the half-dozen or so individuals unfamiliar with Potter et al, the stories revolve around Harry and his otherworldly adventures; he is, after all, no mere mortal. Harry is a wizard, and possesses the ability to, among other things, ride supercharged broomsticks and speak to snakes in their own reptilian tongue. He and his pre-teen cohorts, Ron and Hermione, are enrolled at Hogwart's School of Witchcraft and Wizardry, where young spellbinders study to perfect the dark arts of potions and incantations. Add to the mix a murky past where seemingly everyone from the wrong side of the mystical tracks has it in for our boy hero, and you have the stage set for a cauldron full of hair-raising adventures.

The seemingly universal appeal of Rowling's stories can be attributed to many factors. First of all, the characters are wonderfully and painstakingly developed, from the engaging protagonist Harry to the vile, loathsome Professor Snape. Throw in ghosts with attitude, trees with pugilistic skills (Whomping Willows), a gentle giant that raises fire-breathing dragons and other Magical Creatures and a villain so evil and feared that his name is never spoken (Lord Voldemort...Oops!) and the reader cannot help but become deeply drawn into each scene.

The story line of each book manages to remain tightly woven around the central theme of Good vs. Evil, yet consistently offers up a fresh and exciting labyrinth of twists and turns through which Harry must navigate in order to defeat his enemies. In fact, there is rarely an instance where a lull in the action might allow the reader's mind to wander beyond the confines of the book. No wonder these stories have quickly become the books of choice for the late-night flashlight-under-the-covers set.

In addition to the marvelous characters and the rich, textured story lines there is one quality of Rowling's work that has enabled her novels to transcend the current standard of children's literature: the use of vivid imagery to stimulate the reader's powers of imagination. In a magical world where anything is possible, the reader is free to imagine without boundaries. If twenty fifth graders were asked to draw a picture of Lord Voldemort (oops), one would likely end up with twenty graphic yet wildly divergent depictions of His Nastiness. And isn't that precisely the point of children's books - to stimulate the imagination without judgement?

It is especially noteworthy that the Potter books have enjoyed such popularity with a generation of kids who might have otherwise considered reading a book a subversive act. Much of today's media is fed to us: we passively ingest one image after another (usually via television or computer). What is often missing is the *interaction* between sender and receiver, a relationship or partnership that develops when ideas provoke thought. Imagine for a moment the difference between hearing a song on the radio that creates powerful, personal images and "seeing" the song through a music video. The video feeds us the image and the message; there is little room for interpretation (it just "is"). The song heard on the radio, however, can be interpreted in any way that we wish; we interact with the words and melody in a unique and intimate manner. In a very real sense, we are forming a relationship with the songwriter. Similarly, reading a book, especially a good book, offers children an opportunity to collaborate with the author and, by extension, with the characters. They can imagine themselves riding in a flying car or disappearing beneath an Invisibility Cloak because they have formed a relationship with Harry, Ron and Hermione. In terms of sheer excitement, a video game pales by comparison.

It is refreshing to witness the unrestrained joy that the Potter books have evoked in children and adults alike. In a world dominated by the power of the microchip, a children's story has succeeded in reminding us that true power originates in imagining the possibilities.

David Frank

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