

Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™



Financium.com



Secrets of the Wealthy MILLION DOLLAR INVESTMENT PRINCIPLES™

Wealth is created by following basic, yet important financial principles. Aristotle said, "Money is a guarantee that we may have what we want in the future". You may want to send your children to college or university, care for your parents in their retirement, or live in a better neighbourhood. You may want to travel, take up the piano, or purchase season tickets to the symphony. These are not selfish desires. Before we can feel strongly about financial planning, we must visualize what money can accomplish.

Creating wealth is based on a formula

Money invested over time at a good rate of return creates and further increases wealth. Time is your greatest ally because it allows your investment to compound. Money creates money. The longer the period invested, the greater potential wealth.

Lump Sum Investment

If a person aged 25 makes a one-time investment of \$2,500 in a mutual fund, earning an average rate of return of 10% over a 40-year period, she will have \$113,148 at age 65. If she waits to invest the same \$2,500 at age 45, she will have only \$16,819. You can see the importance of investing early.

Annual Investment

If the same 25-year old invested \$2,500 every year, earning the same average rate of return of 10%, she would have

Practical Wealth Creation Ideas

...for Simplified Financial Success™

\$1,217,129 by age 65. Starting late, at age 45, would yield \$157,506. The 20-year head start would allow her to achieve millionaire status by the age of retirement.

What can the late starter do now to catch up?

The only options are to increase either the amount invested or the rate of return. The individual cannot control the future rate of return, so the best and safest course is to increase the amount invested. To achieve millionaire status at age 65, the 45-year old will need to invest \$15,873 at 10%, over each of the remaining 20 years.

Get time on your side

Many middle-aged people procrastinate for years after acknowledging the need to save for retirement. They continue to spend their money buying a bigger house, better cars, and educating their children. If you have fallen behind, maximize your RRSP by taking advantage of unused RRSP contribution room. Regardless of your age, maximize your potential to become financially independent. Develop a plan and take action today.

The rule of 72

The rule of 72 tells us that the number of years it takes to double your money is equal to 72 divided by the average annual rate of return. For example, if your rate of return is 12%, it would take 6 years to double your money ($72/12=6$).

Note: The rate of return was used to illustrate the effects of compound growth, and in no way is intended to reflect future gains or values of returns on investments in mutual funds or segregated funds. For simplicity, it was assumed that the money was compounded without taxation. Investments were made at the beginning of each year.

Please seek professional advice prior to investing. Where mutual funds are considered, please read the funds' prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments which are not guaranteed; their values change frequently and past performance may not be repeated. Any indicated rate of return is for illustration purposes only and is not intended to reflect future values of returns on investment. Financium, the publisher does not guarantee accuracy of information, and will not be held liable in any way for any statements or statistics in this publication, though we seek to present reliable, precise and complete information. Written permission of Financium who retains all rights, must be obtained prior to any reproduction. ©Financium. email: admin@adviceon.com [03/01/10]