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Under 35 and thinking about retirement

More young people are heeding the need to start investing early to achieve financial freedom
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They're young, ambitious, in fighting financial form - and already looking to the time when they can call it a career. Canadians younger than 35 are fast becoming a force in retirement planning, getting into investment mode earlier than previous generations.

Take **Angela Calla**, a 25-year-old mortgage expert living in Port Moody, B.C. Turned on to investing by a substitute accounting teacher in high school, Ms. Calla has been investing early and often since she was 17, and says she's already well on the road to an "abundant" future. "He [the teacher] said that if you give me a cheque today for \$150, I guarantee by the time you're 65, you'll be a millionaire," she recalls from her office at Dominion Lending Centres in Coquitlam, B.C.

"He said interest on interest is more interest ... I thought, 'Whoa, that's huge.' I was ready [to open an investment account] the next day. One of my goals was home ownership and building a good sustainable portfolio, and now, with how I've set myself up, I could probably afford to retire at 30, but I'm not the kind of person who would consider that," adds Ms. Calla.

Although her achievements aren't typical of twenty-somethings, her aspirations for financial freedom are shared by a growing number of young Canadians, according to investment gurus and at least one recent study. A Decima Research survey conducted this summer by the brokerage firm Edward Jones, which has its Canadian base in Mississauga, Ont., suggests that under-35s are far ahead of baby boomers in the retirement savings game. Seventy per cent in the 25-to-35 age range said they had begun a savings plan. Among respondents over 50, only one-quarter said they began saving during that 10-year age span, with most waiting until they were over 35.

What's driving young people to start saving earlier?

"The whole environment for retirement savings has changed," says Philip Kuzyk, an Edward Jones financial adviser in West Vancouver who helped set Ms. Calla on her retirement-security path. "People aren't necessarily at the same employer all their lives, and they're not necessarily in a pension plan. The onus is on workers now to ensure they have proper investments."

It's still a struggle to get young people - many caught up with consumerism, and trying to juggle student and other debts - to realize the benefits of long-term investment planning, says Allan Kalin, a financial planner with Polson Bourbonniere Financial Planning Associates of Markham, Ont. But they're also realizing that the sooner they invest, the longer their money can grow and, in the case of RRSPs, the greater the tax-free compounding and benefits, says Mr. Kalin. "Many are earning far more than their parents did at the same age, and they are looking for some immediate tax relief." Brian Feldman, a dentist in Pickering, Ont., was in his early 20s when his mother suggested that Mr. Kalin get him on the right financial footing. "I understood I needed to put aside money every month to get the benefits of compounding, and the tax benefits are great, too," says Dr. Feldman, now 38 and the sole breadwinner as his wife, Rhonda, is home full time with their two young children. Like many younger Canadians, Dr. Feldman is driven by his fear for the future. "I'm pretty conservative, with mild risk in my investing ... I consider myself more the tortoise than the hare, but I believe the tortoise won the race."

Most Canadians aren't crossing the finish line in winning form, according to another study. Only one in three Canadians expecting to retire in 2030 are saving at levels needed to cover household expenses, concludes a report released in April by Ontario's University of Waterloo. Advisers traditionally suggest aiming for a retirement income of 70 per cent of your salary, but investment experts say that percentage is creeping higher, based on factors such as heightened consumerism, the trend toward having children later in life, and the ease of buying a home with little or no down payment.

Real estate can be lucrative, but also risky, and should form only part of a possible investment strategy, they recommend. "With a well-diversified mix of both stocks and bonds, as well as mixing up the investment styles of portfolio managers, one can reasonably expect good rates of return with a minimum level of risk," says Mr. Kalin. He recommends that young people finance their investments through monthly contributions. The financial hit isn't as heavy, and more units of a fund can be purchased in one shot, a concept known as "dollar cost averaging," adds Mr. Kalin. Mr. Kuzyk emphasizes equities for young people "because time and compound growth are on their side to handle any market downturn."

Compound power

How powerful is the punch packed by compound interest?

With a onetime investment of \$10,000 over 30 years, using 12 per cent simple interest, the principal plus interest earned is \$46,000. Take that same \$10,000 over 30 years and compound it yearly, and you catapult to \$299,599. Compounded quarterly, it zooms to \$347,109.

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