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## The Psychology OF MONEY

Does thinking about money make you feel blissfully grateful or unhappily glum? Poor self-esteem may drive an extravagant person to s h o p - a n d - s p e n d relentlessly. Fear of making

the wrong money choice may weaken the powers of decision. Mirroring fear-of-poverty, expressed by Depression-Era or War-Era parents may lead one to hoard money. High rollers have an inner need to win and may be addicted to the thrill of business as they over-risk their cash flow. Another may be manipulative, using money to gain control over others. With your partner (if applicable), assess how you have used and saved money in the past in comparison to the following money personalities.

- **The Spendthrift.** If you are an obsessive spender you may randomly use your credit cards buying things you do not need with money you do not have. You tell yourself that you will begin investing once all your debts are paid off.
- **Possible Solutions.** Divert your spending activities by

focusing on another self-esteem booster such as working out. Arrange for a financial advisor to automatically purchase a mutual fund from your bank account every month.

- **The Procrastinator.** If you delay making money decisions you may procrastinate about travel plans, buying a car, insuring your life, paying bills; or be afraid to invest for fear of purchasing the wrong mutual fund or buying at the wrong time.
- **Possible Solutions.** Establish times to plan how to achieve your financial goals, balance your cheque book, and pay bills. Meet with your financial advisor who can coach you on how to get started investing.
- **The Miser.** If you stash away money, typically in term deposits, you may fear poverty. You may hate paying for parking, drive an old car for years, maintain your own plumbing; refrain from dining out, buying new clothing, or paying for a much-needed holiday.
- **Possible Solutions.** A financial planner can help you allocate money for some safe investments while helping you to balance your portfolio for growth. As well, the advisor may be able to help you limit your fear of spending by assuring you that your financial plan is on track, while allocating some cash for life's

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enjoyment. Some life insurance contracts offer long-term security. These offer term deposits with interest that is tax deferred (from which the cost of insurance is paid). Cash is accessible (with certain restrictions), and a guaranteed tax-free benefit is paid upon death to create new guaranteed wealth for your heirs.

- **The High Roller.** If you buy expensive cars, clothing and watches, you may seek to leverage prestige as you climb the ladder of success.

- **Possible Solutions.** Remind yourself that your business skills, honesty, and integrity, along with your ability to get the job done, are the most important assets you possess. As far as investing, your advisor will help you to minimize the risk in your portfolio.

- **The Controller.** You may use money to control people that are close to you, promising purchases or favours based on certain conditions. If you constantly remind people how much you do for them, chances are you are using money to manipulate their behavior.

- **Possible Solutions.** Reflect on why you use money as a carrot. Are you trying to buy another's affection with money? Partners or children may actually resent the use of money as power over them, despite how good your intentions are. Ultimately you can't buy affection. If you help them financially, do it to empower, not control their destiny.

## Your Children & YOUR MONEY

Children are pressured today to: wear expensive brand name clothing, acquire the best hair stylist, visit the tanning bed, purchase \$150 sunglasses, tote cell phones, enjoy expensive March breaks, watch cable TV in their bedrooms, download more songs off the Internet in one day than past generations heard in five years. Many teenagers drive new swanky sport cars with 200 watt stereos—all before they attain the age of majority or obtain an education or a serious full-time job.

Wait a minute, what happened? Where did all the children learn this collectively cool lifestyle all at once?

Parents may mistakenly practice bonding by offering children immediate gratification. Some attempt to redeem themselves from working overtime away from the kids, by buying them everything under the sun upon initial request. Indirectly many parents attempt to buy the affection of their disaffected latchkey children. How can

we train a child to appreciate the proper use of money?

- **Pay your child an allowance** in smaller denominations such as five or ten loonies instead of in larger fives and tens.

- **Open up a savings account** for your child and inspire them to deposit regularly.

- **Encourage your children to establish financial goals** for special items they want instead of buying them outright.

- **Introduce your children to smart comparative shopping** and unit pricing, at the grocery store for example. Allow them to shop while concentrating on saving money. Let them participate in the Christmas shopping while exercising a budget. One or more children can buy for each sibling.

- **Let your children make money decisions** so they may learn even through their mistakes. Emphasize decisions based on both cost and the value of a good or service.

- **Always talk to your child about money** when you shop for value or when you pay the bill and gratuity in a restaurant or if you give to charity or to another good cause.

- **Talk to your child about the need to pay civil servants** via taxes—how the roads are paved and how the police and doctors are paid.

- **Teach your child about investing.** Consider purchasing a mutual fund that buys the same number of units per month (called dollar cost averaging). Discuss investing habits with the child, noting how it is important to get time on his or her side for money to grow into wealth for provision over the long term. Ask an advisor to visit, and explain the simple but effective investing laws to your children.

