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Author emphasizes concept of paying yourself first

By JOEY FITZPATRICK

IMAGINE YOUR employer came to you tomorrow and gave you a stark choice - unemployment or a 15 per cent pay cut. Unpalatable though it would be, most would gripe and take the pay cut. There would be pain at first, but then a strange thing would begin to happen. They would find that with some lifestyle adjustments, they can actually live on 15 per cent less.

Now instead of taking a 15 per cent pay cut, imagine forcing a savings plan on yourself in which you put that 15 per cent away right off the top. The principle is called "pay yourself first" and while author Robert Gignac makes no claims to having invented it, the concept is one that he passes on to readers in his book, *Rich is a State of Mind*.

Personal financial planning is an important subject that is largely absent from Canada's high schools and universities. That's one of the things that prompted Gignac and his own financial planner, Michael Townshend, to take on this project. Canadians generally learn their money management skills from their parents.

"That can be a good thing, because if your parents were good with money, they can teach you to be good with money," Gignac says. "But parents can't teach you what they don't know." Like many young people, Gignac went through his early 20s "spending 104 per cent of what I earned," a habit that obviously couldn't continue indefinitely. Today he's a writer and personal development speaker, and he hopes his first book will help Canadians take control of their personal finances.

Rich is a State of Mind is a novel that looks at financial planning through the eyes of a slightly dysfunctional Canadian family, wrapping financial lessons around the fictional life and death of Richard Jarvis. The story traces the last 13 months of the life of Jarvis - moderately eccentric, financially savvy and wanting to connect with his family in a way he never has before. The essentials of superior planning are enunciated in a series of stories told to Richard's niece and nephew.

One of those lessons is the power of mathematical compounding.

"We tend to look at it over one or two years and say, 'big deal' " Gignac says. "But we forget that if you start with a small sum of money today, 30 years from now you can end up with a very large sum of money."

With their tax deductions and tax-sheltered growth, RRSPs remain the cornerstone of most Canadians' financial plans.

"Some people have the misconception that RRSPs are tax-free. You will pay tax on the money when you take it out," he says. "But when you're younger the ability to build money and shelter it from tax is certainly worthwhile."

Annuities, the Canada Pension Plan, capital gains tax, dividends, interest and a broad discussion on borrowing to invest are also covered. The book also contains a dose of personal growth, motivation and professional development.

"The secret to financial success is not the big win. It's all of the little things you do over and over again."

Joey Fitzpatrick is a Halifax-based writer.

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