

Quick Math Tricks = Financial Wizardry

Russell \$20 Rule – Estimating Your Retirement Backpack

Every \$20 you have at retirement will generate \$1 of income for 30 years (i.e. retire at 60, age expectancy of 90, 3% inflation with 65% in fixed income & 35% in equities).

I.e. If you require \$20,000/year income (in addition to government benefits or company pension); you will need \$400,000 on your retirement date.

FYI: Maximum CPP and OAS support is approximately \$17,000/year at age 65

Rule of 72 – Compounding Coolness in action

Calculate how fast money doubles by dividing % rate into 72

I.e. Your money will double in just over 7 years at 10%, at 8% money doubles every 9 years, 6% takes 12 years, 4% takes 18 years (hope you're young)

By procrastinating, you are eliminating the 'Big Jumps'

*FYI: Wealth = money * return * time (use time to your advantage while you can)*

Inflation Impact - Cutting money in ½ without damaging the paper

If inflation stays at 3%, your purchasing power is cut in ½ every 23 years

For a 35 year old - \$50,000 will only buy \$25,000 worth at 58... and can only buy \$1,000/month worth at 81.... Can you support yourself on \$1,000/month???

A real-adjusted return is what you have after the effects of inflation... You need 3% just to stay in the same spot – more than that when taxes are taken into account

FYI: Our government boasts that 'core inflation' is at 2.3% (June '09). However, this doesn't take into account energy or food. Food costs rose 6.4% last month from a year ago, led by a 16.4% increase in fresh vegetables, a 13.9% increase in fresh fruit. Core inflation is a fine measurement as long as you don't plan on eating food, driving your car or heating your home

Asset Allocation – Bulls, Bears, Oh My!

Refers to how an investor distributes their investments among various classes of investment vehicles. Ball-park guide of weighing equities and fixed-income is to assign fixed income investments to your age. As you get older, your portfolio gets more boring. (Note: boring can be cool)

I.e. 40 years old. Investments are 40% fixed income, 60% equities

FYI: Rebalance annually to consistently buy-low and sell-high. Budget and Dollar-cost-average

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