About the Author

Talbot Stevens is the president of a financial education firm that specializes in teaching people how to benefit financially *without sacrificing* their standard of living. Through his employer-sponsored and public workshops, you learn not only how to increase investment returns, but more importantly for many, how to lower costs and free up money to start investing.

With degrees in Engineering and Computer Science, he objectively identifies simple ways Canadians can be more effective consumers *and* investors. He has also started a petition to make basic financial education a part of the school system.

Talbot grew up on a small farm in Southwestern Ontario. He currently resides in London, Ontario, with his wife Theresa and their young, tireless, endurance testers, Derek, Ryan, and Kristin.

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Preface

Most people know that there are more important things in life than money — but try to tell that to your banker when you're behind a couple of payments!

Now, more than ever, your financial success depends more on what you know than how hard you work. Ironically, in a world where we make dozens of financial decisions every week, we are not taught how to manage our money.

Fortunately, as you will discover in Part One, a fictional story, taking control of your financial future is easy. As illustrated by the story's financial illiterates in their journey through the hurdles of everyday finances, **anyone can achieve *Financial Freedom Without Sacrifice* simply by understanding a few basics and applying simple common sense**. By using an entertaining 'novel' approach to make learning fun, the process of cutting your expenses and increasing investment returns is made not only more appealing, but even enjoyable.

Part Two contains over 150 *Quick Reference Strategies*, together with real-life examples quantifying their benefit. It allows you to quickly identify which strategies you can benefit from, and doubles as an index.

It is important to realize that achieving your own financial freedom means much more than having enough money to do what you want, when you want. The real gains are the emotional benefits — the peace of mind that comes from the security of not having to worry about being laid off, losing the house, or whether you'll have a retirement fund large enough to enjoy the lifestyle you've looked forward to for decades. A healthy financial life often results in less stress, better relationships, and a happier, longer life in general.

As you are reading, be careful to resist the temptation to quickly skip over ideas that appear to be 'obvious' or 'common sense'. Unfortunately, common sense doesn't always translate into common practice. Take a close look at your own situation to ensure that you are benefiting from each strategy that applies to you now, and review the *Quick Reference Strategies* annually to identify new opportunities as your circumstances change.

To help future generations get the education needed to succeed in today's financial world, Financial Success Strategies has started a petition to make basic financial education a mandatory part of the school system. If you would like your children and grandchildren to benefit from this knowledge, you and/or your organization are invited to send signatures supporting this petition to the address below.

I wish you all the best, and trust that the ideas presented here will help turn your financial dreams into reality.

To your success,

Talbot Stevens
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Part One

Journey to Financial Fitness

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The Shortcut to Success in Any Area

"Hi Scott, Rob. How's it goin'?" I asked, arriving at the golf course for another chance to humiliate myself. Golf was one of the few sports that I didn't seem to be able to figure out. It fascinated me that I could have absolute control of a 3,000-pound automobile travelling over sixty miles an hour, but couldn't control where a one-ounce golf ball went to save my life. Maybe that was what kept me coming back.

"Good, Talbot, but we'd be happier if we were on the third hole now. What kept you?" Rob demanded.

"You guys know I play my worst golf in the morning. Why couldn't we play this afternoon like I suggested?"

"Rob's got company coming after lunch," Scott explained.

I suppose it could be true. On the other hand, it wouldn't surprise me if the story were made up just to get me to play while I was still half asleep. They've done worse to me before.

"Rob, how's the job search going?" I asked. Two months ago, Rob was enjoying his job as a sales manager for one of the furniture store chains. Now, he was another helpless victim of corporate 'downsizing'.

"It's tough," he replied solemnly. "I've never been out of work before, and there's not a lot out there right now. It was hard enough trying to keep up with the bills before. Now I'm finding out what it's like trying to survive on unemployment insurance."

"I'm sure you'll find something soon," Scott encouraged.

"I know you will," I reassured with conviction. Although years older than Scott and I, Rob had the energy and determination of a teenager. That, combined with his sales experience, should make him a valuable addition to many companies.

"I hope so," Rob said flatly. "Otherwise, we'll have to borrow money from the in-laws to make ends meet."

Remembering that we were on the golf course to get away from our daily concerns, I asked, "Rob, did you really write that note about taking care of Jeffrey and your dog Jake? It was hilarious."

"Yeah," Rob perked up. "And unfortunately, it's a true story. But don't let Scott see it or he'll never have kids."

"Don't worry. I don't need any more reasons not to get married," Scott reassured. "Just seeing what it's done to you two is enough!"

After nine or ten holes of discussing how much trouble Rob's kids could get into, Scott's latest toy purchase, and of course, the Blue Jays' chances of winning another World Series, I brought up a subject we had never talked about before.

"Hey, do you guys know much about life insurance?" I asked, watching Scott's tee-off shot cruise 250 yards straight down the fairway.

"What do you mean?"

"Well," I explained, "when my uncle died without enough life insurance, it made me realize that I didn't know the first thing about managing our money. So I decided to do something about it and learn a few basics. After a little reading and talking to a good insurance agent, I learned how to save $900 a year on my life insurance *and* triple the protection."

"Wow!" Rob exclaimed. "That's a lot of money, especially if you save that amount every year. To be honest with you, I don't even know how much the family is insured for. All I know is that it's all lumped into one payment that comes out of our account every month. It's not like you think about life insurance every day."

"That's for sure," Scott added. "I don't think I've thought about my policy since I started it eight years ago."

"Why do you have insurance?" I asked. "You don't have any dependents." As we watched my third tee-off attempt drift silently out of bounds, it became obvious that the only thing that could bail me out was my most powerful wood — my pencil.

"You don't have to have dependents to need life insurance," Scott claimed.

"Scott, how much do you pay for life insurance?" I asked.

"Not much, a little over forty dollars a month. Why?"

"How would you like an extra $500 this year, and next year, and the year after, . . . for doing nothing?"

"I'd love it. Who wouldn't? What are you getting at? Are you saying I don't need life insurance?"

"Unless you're living with someone we don't know about, who would benefit from the insurance payout when you died?"

"No one, I guess. My parents would get whatever estate is left . . . but they don't need the money. But it's not just insurance," he reasoned. "It's a universal life policy that is also building up a cash value. The agent showed me how quickly it would grow and I was impressed."

"As I said, I've done a little reading and talking to a life insurance agent, and learned a few things you might not be aware of.

"First of all, you have to realize that whenever you're dealing with a commissioned salesperson, there is a always a *potential* conflict of interest, meaning that their recommendation might be influenced by what makes them the most money. Naturally, you, the consumer, want the product with the best value — the best product for the lowest cost.

"Let's assume for a minute that, like many people, you don't know which product is the best value," I elaborated. "What if the best product for you results in a commission that is *one-fifth* that of another product that the agent's company wants him to sell? If the agent is not the Pope, but just a normal person with a family to feed, which one do you think he's going to try to sell you?"

"I'm betting it's the one that makes the agent and his company the most money," Rob claimed.

"But at the time, my policy looked like a good investment," Scott argued, still rationalizing his decision. "The agent showed me how the cash value would grow over the years at ten percent. Isn't that a good return?"

"With today's interest rates, that might seem attractive. But if your policy was like mine, you'll find the returns aren't guaranteed, they're only *projections*. That means they aren't worth the paper they're printed on. Besides, only part of the premium goes towards the investment. The insurance book said that a big chunk goes to pay for the insurance, the agent's commission, and administrative overhead. The money spent on these things you never get back.

"Universal life policies," I went on, "are much better than the traditional whole life plans. You probably don't have as bad a deal as I had. As with my old whole life policy, your investment portion grows tax-free. More importantly, your dependents *do* get both the death benefit and the investment if you die. But most people would be better off to keep their investments and insurance separate — assuming, of course, they need both.

"Since the agent's commission alone can be as much as the first year's premium, many of these cash value plans have no savings value at all for the first few years. And it's not always easy to cash in the 'investment' — the fine print sometimes limits what you can do and there may be large penalties to discourage you."

"Let me get this straight," Scott said. "You're saying that by using a better investment, I could have more money working for me. And this is because the insurance, commissions, and policy overhead eat up much of my premium."

"Exactly."

"Well, I think I'll check it out. If what you said is true, and I do save a few hundred a year, I'll pay for the next nine holes," Scott promised.

"That would be a nice switch," I reflected, glad that my new financial knowledge was really starting to pay off. As an incentive to improve our golf, the loser had to buy the winner a beer. Now on the fourteenth hole, Scott was once again almost certain not to be buying. Rob and I were equally poor players, and break out the champagne whenever we break one hundred. And on the second nine, we usually do worse!

"So how did you save so much on your life insurance?" Rob wanted to know.

"It's actually very simple — once you know how," I declared. "The most important thing is to buy the right kind of life insurance. Term insurance can be as much as ten times cheaper than whole life insurance."

"But doesn't term insurance keep getting more expensive each time you renew, making it really more costly in the long run?" countered Rob, as he surprised us all by dropping a twenty-foot putt.

"Yes, term insurance naturally gets more expensive as you get older," I responded. "But that doesn't mean that it's more expensive over your lifetime. Term insurance is very inexpensive until about age fifty. Not long after that, you probably won't need life insurance any more, unless . . ."

"Unless what?"

"Unless you want to ensure that you have a certain size estate to pass on. People who own a business or a lot of real estate might want to have permanent life insurance like term-to-100 or a good universal plan to make sure there is enough of an estate to cover the capital gains taxes that must be paid at death."

"So you save almost a thousand a year just by getting the right life insurance?" Rob asked, impressed with how easily the benefits were achieved.

"Yep. That's it," I replied. "And if you're like me, you'll get back some cash value from the old policy that will put you even further ahead."

"Hey, could I get the name of that agent?" Rob inquired. "I should find out if we can save some money on insurance. We could sure use the extra cash these days."

"Her name is Maria Fernandez. She only sells simple term insurance and seemed to put our interests ahead of her own. She'll also explain how you can save money by not insuring your kids. Like Scott, your kids don't have anyone who is dependent on their income, so they don't need to be insured."

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Save Hundreds on Car and Home Insurance

Naturally, I was very curious and anxious to find out how to earn twenty-five percent interest guaranteed. I wished Sue had had time to explain how. If she hadn't already left the country, I would have called her to find out.

The bank had no idea. The best investments they offered paid less than ten percent interest. When I was in the bank, I noticed that you could get a personal loan for about ten percent.

That led me to a great idea. If we borrowed money at ten percent and earned twenty-five percent guaranteed, we would make a guaranteed fifteen percent, using no money of our own! The only problem was, how do we make twenty-five percent?

Remembering what Sue had said about the shortcut to success, I started calling financial planners. Several said that there were investments that *could* gain twenty-five percent in a year — but not guaranteed. They explained that the only way to achieve higher returns was to take larger risks. I translated this to mean that we could just as easily lose twenty-five percent as gain it. Why would we risk losing money to get higher returns when there was a way to get a great return guaranteed?

It puzzled me that the experts could not provide the answer. Their advice centred around suggestions like "pay yourself first" and "contribute to an RRSP". After explaining that we didn't have money to invest since everything we could save was going towards a house, I asked if they knew of other ways we could save money, like we had with life insurance. I also pointed out that we had no interest in setting up a budget to dictate how our money would be spent.

However, the financial planners only seemed able to help once you had extra money to invest. This was unfortunate, I thought. If they could show us how to free up money for investing, they would not only get our business, but also two happy clients.

My search for the elusive way to earn twenty-five percent interest was interrupted by a bill that arrived in the mail. Our car insurance premium was due.

Remembering how much the life insurance premiums varied, I decided to call a few insurance brokers to see if we could get a better rate. When I first took out the insurance, I had simply gone to my parents' agent, figuring what was good enough for them was good enough for me.

It surprised me to discover that the yellow pages listed what seemed like hundreds of companies looking for my business. After a few minutes on the phone, I had quotes from three different brokers, one higher than what we were paying, and two lower. The best quote was $250 a year less than our current premium! Although I realized that purchase decisions should never be based on price alone, I felt that several hundred dollars a year was too much to pay for any possible difference in service from our current agent.

It amazed me that fifteen minutes of **shopping around for car insurance could save us $250 a year**. That works out to a thousand dollars an hour for the first year's benefits alone! Geez, at this rate, we would be millionaires in a few months. Well, . . . maybe not, but I did recently receive this personal letter from Ed McMahon . . .

By getting the same product for less, we saved money *without* giving up anything. And because saving one dollar is the same as earning two, we were actually gaining $500 a year. At that point, I decided to **make shopping around for all major purchases a habit for life**.

Then I remembered Maria Fernandez, the agent who had been so helpful with our life insurance. She also sold general insurance so I called her.

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Save Thousands on Your Next Car

The timing of the car's breakdown couldn't have been worse. For months I had been talking about getting my own computer. I knew that if I was going to do well as a programmer, I had to do more than read books and magazines.

With every available penny already going towards the down payment, it made it that much more difficult for Theresa to understand spending a couple thousand dollars on a box that for her meant nothing but frustration and the occasional outburst of colourful language. Now that we needed a new car, it seemed all but certain that the computer purchase would be delayed indefinitely. I suggested to Theresa that she postpone the birth instead, but to no avail.

Having already decided that our first family vehicle was going to be a minivan, we set out early Saturday morning to see what the local dealers had to offer. I don't know why, but whenever we drove into a dealer's lot, salespeople seemed to race each other to get to us. I suppose it was possible, especially for a car salesperson, to take one look at our rusted, ten-year-old Chevy as it limped onto the lot and conclude that we *needed* a car. True, the car was definitely showing its age and was more than ready to be put out to pasture. Even with a new transmission, there was only one way that a mechanic could look at it and pass it for a safety — if he looked the other way.

As I had never seriously explored a dealer's showroom, my initial reaction to some of the prices was shock. The numbers on some of the luxury cars belonged on houses — not on five seats suspended on four wheels! Although the salespeople were very helpful in most ways, there was one thing that almost no one was willing to do.

"What's the *real* price of the van?" I demanded. "I see the MSRP, the Manufacturer's Suggested Retail Price, but you're not going to suggest we pay *that*?"

Like a politician, most answered the question with another question. "What can you afford?" or "Why don't you give me a price and we'll work from there?" After one sales rep dodged the question three or four times, I became so infuriated that I wanted to strangle him. However, I resisted the temptation, as I remembered that in some provinces, it is still a misdemeanor to kill a car salesman.

After several weekends of shopping around, Theresa and I decided on a vehicle that had everything we wanted. It even had a few options we didn't want, but the sales rep said that's the way the options were packaged. Just before going down to the dealer to sign the papers, I got a phone call that changed everything. It was Rob.

"Hi, Talbot, I'm just calling to make sure you know that hockey is starting in two weeks."

"Yeah, I know. Scott already told me. Thanks anyway."

"Oh, I called that insurance agent you told me about and I've got good news. Your next round of golf's on me!"

"I take it you saved a buck or two?" I asked smugly.

"Not exactly — $1,200 a year!" Rob exclaimed excitedly. "That's not even the best part. Before, we didn't even have enough insurance to cover our debts. Now, we're insured properly, *and* we have an extra hundred dollars a month to help us get by!"

In all the years I've known Rob, this was the first time I'd ever heard him talk about his finances with enthusiasm. Even before he lost his job, he was constantly half-joking about being in debt up to his eyeballs. Although he didn't show that it bothered him, perhaps joking about it was his way of dealing with a hidden stress.

"Fantastic," I said, glad Maria could help. "Rob, did I tell you we're buying a new minivan?"

"No. When are you getting it?"

"We're going down to sign the papers today."

Part Two

Quick Reference Strategies
With Real-Life Examples

Free Up Money Without Sacrifice

PRACTICAL CONSUMER STRATEGIES

- ❏ **Shop around** for everything. Get at least **three quotes** for every major purchase. Prices for the same product can vary by as much as 200%. *p. 43*
  - Remember that **$1 saved is $2 earned**. You must earn almost $2 to take home $1 after paying taxes, CPP, UI, benefits and other deductions. *p. 40*
  - Because shopping around takes only minutes with the Yellow Pages, you can **earn hundreds of dollars an hour**. *p. 43*
  - Use brokers, especially for insurance, investments, and mortgages. *p. 66*

  Examples:
  - James found a 0.5% lower rate on his $100,000 mortgage, saving about $35 a month or over $2,000 on a 5-year term.
  - Just by shopping around, Beth lowered her car insurance from $1,100 to $700. She gained $400 in fifteen minutes, or $1,600 an hour.
  - Instead of Canada Savings Bonds, Carmen bought cashable GICs paying 0.5% higher.

- ❏ **Buy slightly used** instead of new (homes, automobiles, furniture, appliances, etc.). This can also save the GST. *p. 80*

  Example: Sheri bought a quality, used dining room suite for $600 instead of $1,200, saving $600.

- ❏ **Negotiate**. Don't automatically pay the 'suggested' list price. Ask for a discount or something free. Talk to the manager and offer 10% less. *p. 86*

  Examples:
  - By shopping around and negotiating, Antonio bought a $2,200 stereo for $1,500, saving $700.
  - Carmen asks the store to pay the GST.