Act like you're poor, end up rich

By Jonathan Chevreau

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THERE ARE TWO ROUTES TO WEALTH. One is to maximize income, and with it taxes and stress.

The other is to simplify, minimizing your needs and keeping costs down. Those interested in the second method can attend a seminar entitled "Cost Cutting your way to Wealth." Naturally, it's free. It's by that paragon of frugality, Dale Ennis, publisher of *Canadian MoneySaver* magazine. The seminars, which take place at local outlets of Costco Wholesale, began in western Canada in the fall, reached Ontario this month and end in eastern Canada in May.

"Money is just a skill you learn," Ennis said in an interview prior to the Etobicoke seminar. His talk touches on every facet of saving money in the modern world. This "cheapskate" theme should resonate with most personal finance columnists, for whom frugality is generally second nature. As I like to say, "Act like you're rich and you'll end up poor. Act like you're poor and you'll end up rich."

Ennis begins the seminar by showing how seemingly casual purchases by young people can end up costing them major wealth over the long run. In each case, the consumer fritters money away by failing to distinguish between wants and needs.

Perhaps you like to indulge in a $1 lottery ticket? If you've done so every day since you were 18, that will cost you $580,000 in foregone wealth by the time you reach 65. That's assuming you could have invested instead in an index fund yielding 11% a year.

Or perhaps in a youthful haze of romance you splurged $10,000 on a diamond ring. That gesture will cost you $650,000 by the time you're retired, Ennis says.

If you smoke, drink and have a daily junk food habit, that triple whammy will cost you more than $2-million.

It gets worse. If your culinary tastes run beyond junk food and you've spent $25 a day in nice restaurants since you began working, Ennis estimates the opportunity loss at a mind-boggling $10.4-million.

And if you rent an apartment at $1,000 a month rather than buy a home, you'll end up throwing away an incredible $13.4-million over a lifetime. Ennis cites as his source Michael LeBoeuf in the book The Millionaire in You.

Teaching consumers how to save money was a natural second career for Ennis. His first was as a teacher in Ontario's public school system. In 1981 he quit to start *Canadian MoneySaver*, published from his home in Bath (near Kingston, Ont.). He has a solid base of knowledgeable contributors who provide advanced articles on just about every major topic in personal finance. Because he accepts no paid advertising, readers have some assurance the content is objective.

Despite the modest $20 a year subscription cost, it's been "profitable since day one." Publication frequency used to be 10 times a year, but it recently went down to nine times, with four pages added to each issue.

During our interview, there was little we disagreed on—a classic case of preaching to the choir. While the magazine may tackle them as topics, it's clear Ennis himself is skeptical about wrap accounts, mutual funds sold with deferred sales charges (DSC), and principal-protected notes (PPNs).

He's particularly wary of funds with high management-expense ratios (MERs). One chart shows the "true cost" of mutual-fund management. Thus, $100,000 invested in a fund with a 3% MER will cost you $56,340 over a 30-year time horizon.

For those who still prefer active management, he suggests F-class funds or his own short list of no-load funds from firms like

Mawer or McLean Budden. He's also a big booster of index funds and exchange-traded funds (ETFs).

Asked his view of Universal Life Insurance, Ennis says simply, "I'll pass." Hedge funds? "They're not for the average user by any means." He's lukewarm about bond mutual funds and says you have to be "darn careful" about income trusts.

Generally, he is wary of complexity in financial products, preferring the KISS principle (Keep It Simple, Silly). Thus, Ennis considers home ownership to be the single best use of investible funds. Paying down your mortgage as quickly as possible provides a "guaranteed rate of return." And he believes the best tax shelter is a home-based business.

Ennis is a big fan of quality Canadian dividend stocks, particularly those with a long track record of growing their dividends. His seminar mentions several examples, including the bank stocks so beloved of my late father-in-law. Ennis is also a keen advocate of building up stock portfolios through low-cost Dividend Reinvestment Plans (DRIPs).

The Web site at www.canadianmoneysaver.ca provides extensive access to past articles, links and other goodies. Unlike a lottery ticket or gourmet coffee, this is $20 well spent.