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Money from nothin'

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When times get tough, what are the first expenses you cut? Maybe you stop eating at restaurants or downgrade your vacation to something shorter and less tropical.

Or maybe you've been eyeing grandpa's gold chain and wondering about its market value.

It's tempting to ditch your RRSP contributions when your pay-cheques are small, but is a few extra bucks in hand worth the long-term consequences of cancelling your contributions?

Aside from a possibly delayed retirement, you'll feel the pinch of missed contributions during next April's tax season. Remember, the tax on income put toward RRSPs is deferred until retirement, when your income and tax rates are likely to be lower.

Edgar Ladouceur, a 65-year-old retiree from Spencerville, Ont., didn't start planning for the future until he married his wife, Anna-Lee. "It helps to have a partner," he says. "It became even more important when my daughter was born. I want her to have something to inherit."

Today, their savings have survived a couple of recessions and a university education, and the pair live comfortably on their RRSPs and Anna-Lee's teacher pension. "Over the years, I actually contributed more money to my RRSPs during the lean times," Mr. Ladouceur says, "because in the good times you can spend, but in bad times you can't."

So, how do you keep making those payments when your wallet is coughing up dust?

Some financial re-organizing would help. **David Phipps, a certified financial planner from Ottawa, suggests moving money from your non-registered savings to your RRSP. "You get the tax break," he says, "plus future growth is tax-deferred."**

Sometimes, you have to get a little creative. Start simple by looking around your house for found money: Return the empties in your garage, auction off your stamp collection on eBay, use your local Craigslist to unload your forgotten exercise equipment.

When shopping, sign up for free store discount programs, such as Air Miles or Shoppers Drug Mart's Optimum program, that earn you points redeemable for items you would be purchasing anyway. With PC Financial you can earn points on purchases and redeem them for groceries. RBC has its Registered Rewards Program, which allows you to collect points with your Visa card and redeem them for RRSP or RESP contributions.

But back to grandpa's gold chain. It is, after all, just sitting around, contributing nothing. With gold prices soaring, is now the time to melt and sell your gold?

Even with gold prices where they are, selling your gold jewellery as scrap will cost you as much as 75% of its retail value. That's because the price of gold refers to the value of a single ounce of 99.9% pure gold (the lower the karat, the lower the gold content). That melted-down gold and diamond engagement ring will likely net you less than \$100.

"Traditionally, something like a gold chain sells for four or five times the price of its gold content," explains Michael Isman, general manager of Royal City Jewellers and Loans Ltd., and director of the B. C. Pawnbrokers Association. "If I sell it for scrap, I get gold content. If I sell it as a used gold chain, I get about double the price of the gold."

In other words, you'll make more if you sell your jewellery intact.

If it's a short-term financial fix you need, you can always try a pawn shop for a loan. At any given time, Canada's pawnbroking industry has about \$100-million on loan to everyone from the working poor to upper middle class. There are about 1,200 pawn shops across the country. Each customer is required to show government-issued photo ID, and every item is reported to the police.

Royal Canadian Jewellers, Canada's largest pawnbroker, averages \$1-million in loans a month, Mr. Isman says. You usually have 90 days to repay the loan, with interest, before they re-sell your stuff.

"We're dealing with people who want their stuff back. They've run into a financial roadblock and need some financial help. We are the people's bank," says Mr. Isman.

Just two weeks ago, he lent \$35,000 in return for an Emily Carr watercolour from 1908, bought at an auction three years ago for \$100,000. "I expect them to come back," he says.

For both pawning and purchasing, gold and diamond jewellery are the most popular items, he says. "[They] retain their value better than anything else. Everybody's got some, and you can live without it for a month or two." On the other hand, "nobody wants to give up their big screen TV when the hockey playoffs come around."