

Reality Cheque

April 2008

Create abundance from what you have regardless of how much money you start with.

Quick Facts

- Income tax time again! 2007 returns must be filed by April 30, 2008.
- Don't get caught filing late if you owe taxes. The penalty for filing late is 5% of the balance owing plus 1% of the balance owing per month until the balance is paid. (The penalty is worse if you have a tax balance owing from previous years!) Then you have to pay compounded daily interest on the outstanding balance. The current interest rate charged is 8% and fluctuates every 3 months.
- In 2006, 53.5% of those employed worked 40 or more hours per week.

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Make The Next Step! - Part II

Expanding your context and your network were the first two areas discussed in what it takes to move to your next level.

The other two areas identified were:

- expand your business
- expand your resources

Working for a business and owning a business are two entirely different sandboxes with entirely different rules. Unfortunately the rules in the employee sandbox are the most limiting and provide the least leverage.

As soon as you start a business, even as a sole proprietorship, you can start taking advantage of

the rules available to big businesses.

Leveraging opportunities continue to expand as you move to an incorporated company then a public company. Opportunities also expand as you do less work in your business.

Using businesses, the wealthy are able to increase their expenses and decrease their income.

Many people look as far as their bank account to determine their resources for investing. Fortunately some of the best opportunities for investing involve using other people's money (OPM), other people's time (OPT) and other people's resources (OPR).



You might be surprised to discover the hidden wealth of resources you may already have to use or can offer to others ...

- good credit
- ability to qualify for a mortgage
- equity in your property
- network of people
- time
- knowledge and/or skills

You do have what it takes to go to the next level!

The Next Generation

Smart Money by Ryan Niessen

After completing my second year of post secondary education and living on my own for two years as a student on a limited income, I have learned several important things about budgeting.

The most important thing has been said before but I

will say it again. Be smart with your money and budget accurately!

Shop around, buy bulk food, and don't live frivolously. It's amazing how much of a difference it can make in your budget if you buy food intelligently.

For example, buy a two litre carton of ice cream at the

grocery store instead of going to Dairy Queen.

The easiest way to figure out how to save money is to audit your monthly spending and then adjust it accordingly to purchase both the cheapest product as well as only the necessary products.

Investing In Experience

from the desk of Lorraine & Bonnie

The last two feature articles have focused on going to the next level of investing. We thought we'd mix things up a bit and take a look at answering the question "how do I ... invest with less than \$50 a month?"

Here's the start of a list (in no particular order) you'll hopefully be inspired to finish.

ü Clearly describe the grandest dream you have for your life.

ü Explore what types of investing will best help you reach your dream.

ü Inventory the skills and resources you have as well as the gaps you need to fill



ü Buy books to expand your context and/or increase your knowledge, etc.

ü Better yet ... purchase a library membership and do the same.

ü Buy lunch for someone who has done what you want to do and learn from them.

ü Volunteer your time to work for someone who has done what you want to do and learn the ropes.

ü Get yourself in front of deals ... attend workshops and presentations (be sure to leave your credit card at home), get on mailing lists, talk to

friends. Ask questions, questions and more questions.

ü Buy Legal Ease kits from a local registry office (Alberta), get familiar with their contents, then ...

ü Finish your estate planning - Enduring Power of Attorney, Personal Directive and Will.

ü Start a business - incorporate or register your trade name, get business cards.

ü Start building your team of advisors and find people who can fill your skill/resource gaps.

ü Leverage it into \$11,425 to invest.

Unfortunately we're out of space but not ideas. We'd love to hear your ideas to compile an even larger list to share!

Over to You

"So what can you do to improve your credit score?" *Kit F, Calgary*

Your credit score is a key filter used by lenders to determine if you are a good credit risk or not. The calculation is designed to predict your credit worthiness 12-24 months in the future. Knowing the impact of your credit decisions now, you can improve how you look in the future.

Steps you can take to improve your credit score over the short and long term:

• Make your payments on time.

• Keep balances on revolving accounts (eg. credit card) below 30-35% of the limit. Balances above 80% of the available credit can severely hurt your credit score. Pay these down below 80% as soon as possible.

• If you maintain balances have a *few* cards with lower balances rather than a single card with a higher balance.

• Avoid looking like a

credit surfer. Negotiate lower interest rates over switching cards to get a better interest rate. Minimize credit inquires (other than your own).

• Minimize using finance company accounts and deferred payment plans.

• When closing accounts, keep older accounts in good standing over newer accounts with little payment history.

"Small deeds done are better than great deeds planned"

Peter Marshall

By The Book

"Survival Is Not Enough" by Seth Godin - 2002, ISBN: 0-7432-2571-6

"Change is not a threat, it's an opportunity. Survival is not the goal, transformative success is."

Given the rapidly changing world we live in, Godin looks at what he believes is the foundation for long term survival of an organization (and ourselves) - expanding *zoomwidth*.



While change causes fear and avoidance, zooming is about stretching limits without threatening the foundation.

Godin believes flexibility and the openness to constant change positions us for building assets that work for tomorrow rather than holding onto what worked for

us yesterday.

Through numerous examples, we are shown how the willingness to look constantly at new ideas actually leads to long term survival - the very thing we set out to achieve by trying to control and avoid change.

<http://www.zoometry.com>.

Diving into Due Diligence

Mortgage Interest Rates

What better time to discuss the impact of interest rates given the unexpected half point cut to the overnight rate on March 24.

As mortgage rates fall more people can afford to own their own home which leads to more buyers in the market and increased demand. The increased demand leads to higher home values.

But as more people purchase their own homes the vacancy rate rises. This



means the competition increases to attract good tenants from a smaller pool of renters. Strong marketing becomes even more important.

Given these two realities, mortgage interest rates from a real estate investing perspective actually turns out to be an overall neutral factor.

For those using a property flipping strategy, lower mortgage interest rates are attractive for the reduced investing costs and a larger pool of buyers.

For those creating long term wealth and cash flow as a strategy, slightly higher interest rates are desirable to keep vacancy rates lower.

Mortgage interest rates and bank rates don't always trend in the same direction, especially since closed mortgages rates are based on the corresponding bond rate.

Do the extra 10 percent. Whether looking at fixed or variable rates, compare today's rate in relation to the 10 year historical average (ie. low, average, high) as well looking at the trend of the current rate (ie. up, down, flat).

(See the website *Resources* page, *Bank of Canada* for historical interest rate location.)

What's That?

Pension Plans: Defined Benefit vs Defined Contribution

If you have a pension plan it likely falls into one of two broad categories: defined benefit (DB) or defined contribution (DC). Knowing the difference is important for your future well-being.

A DB plan defines the *benefit* you receive after your retirement (eg. 70% of your average income in the preceding 3 years) until your death. The responsibility is on

your employer to fund any shortfalls.

A DC plan defines the *contribution* made to your plan. How much you have upon retirement is influenced by factors such as how much is contributed, number of years in the plan and the performance of the invested funds.

With a DC plan if your money runs out before your death, there's no

more money. The responsibility is on you to fund any shortfalls.

But beware, a 2005 report shows 59% of DB plans are underfunded so you may not be well protected after all.

Get to know the details of your pension plan and increase your financial education so you can invest wisely.

"Good words are worth much, and cost little."

George Herbert

Time For Fun

Did you know:

Alberta creates the most waste (968 kg per capita); Nova Scotia creates the least (427 kg per capita).

80% of waste in Alberta landfills could be diverted and reused elsewhere. (Alberta Environment)



Brain Teasers

a) Rearrange the letters of "IF TUNES DO SO MUCH" to form the name of a well known movie.

b) What belongs to you but others use it more than you do?

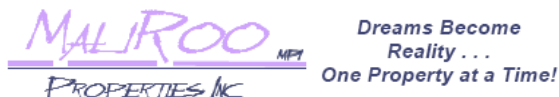
c) Three men and four women arrive at a meeting and everyone shakes hands with each other. How many handshakes were there in total?

- see answers next month -

March's Answers:

a) wedding ring b) red hot poker c) incorrectly

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Cashflow Game Nights

Come out and have a fun night playing your way onto the Fast Track ... where your money works hard for you instead of you working hard for your money.

Okotoks (doors open 6:15pm)
Crystal Shores Beach House - 403 Milligan Drive

- April 23, 2008 6:30pm - 9:30pm
- May 2008 - TBA 6:30pm - 9:30pm
- - summer break -

RSVP to vpcinfo@glomar-vpc.com or register at the Beach House: 995-1358

Calgary (doors open 6:30pm)
Willow Ridge Community Centre - 680 Acadia Dr SE

- April 11, 2008 7:00pm - 10:00pm
- May 9, 2008 7:00pm - 10:00pm
- June 13, 2008 7:00pm - 10:00pm

RSVP if possible to vpcinfo@glomar-vpc.com

Please remember to bring a calculator, pencil and eraser.

You can sign up for our courtesy Game Night reminder service at:
www.maliroo.com
or www.glomar-vpc.com/event_schedule.html

Catching Up

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Deb & Gary

March was a buzz of activity. A skating competition took us to Lethbridge for a fun weekend. All our club skaters did great and Jenaya took home two medals. While there we celebrated milestone birthdays for Gary & Ryan as well as Gary's parent's 51st anniversary.

Between competition events I took the opportunity to scout West Lethbridge. Properties can look much better online and confirms how important curb appeal really is. Rents on residential and commercial property have risen and I believe will continue on the uptrend. This is good news for investors!

The contractors in Lethbridge are very busy, as I discovered in trying to hire someone to do some improvements to our current rental property.

Some exciting news...Ryan has been accepted to a University in Australia as an exchange student and will complete one semester down under this summer.

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Bonnie & Lorraine

The cats officially declared the arrival of Spring and decided the time has come time to open the windows at any hint of sunshine. As we listen to the robins and chickadees our thoughts turn to giving the upstairs walls and baseboards a fresh coat of paint.

March seemed to be a month of getting the little things done and out of the way. Our taxes are finished for 2007 and all the back up documents are filed away. We took advantage of AMA's free paper shredding event to dispose of the accumulated boxes of papers needing shredding.

We continue to work on expanding our real estate and investing knowledge which in turn is helping us become even more laser focused in our plans. All in good time.

Cashflow Game Nights continue to build momentum. Three full boards were in play last month in Calgary with 18 players followed by 10 players in Okotoks. We truly enjoy being able to meet such fantastic people and hearing stories of how playing the game has changed people's lives.