A FEW PEOPLE have the short-sighted and selfish attitude that what they earn they should enjoy by spending here and now.

Most people are not spendthrifts like that. They know that pleasure enjoyed at the expense of their own or another's pain is not something to delight in. But not all of them know how to go about striking a balance between immediate enjoyment and future comfort.

The secret is to build an estate. Everyone has an estate of some sort, even if it consists only of the clothes he stands up in, but the estate that counts toward happiness and security and serenity is the one deliberately set up and developed.

The worry may not show itself, but every man is aware subconsciously of a yearning toward a feeling of financial security, and though they may stifle all signs of it, wives and children who are in the dark about the future live under a cloud of foreboding.

While a man lives, he shares with his family the advantages of his life. Upon his death, these advantages are replaced in part by a monetary benefit he has had the foresight to provide.

In its sentimental aspect a human life may be altogether priceless, but there is no denying that there are hard financial facts to be faced.

The bread-winner of the family has economic value. As long as he stays in the picture, earning money, all is serene. The family enjoys the essentials of life, food, clothing and shelter, plus as many of the “extras” as are permitted by his earning capacity. When the bread-winner is taken out of the picture his income stops, but the needs of his family continue.

Not only sentiment

This rational concept disposes of the long-held thought that it was somehow awful to attach a dollar value to a human life. The emotional upset caused by death is terrible, and the loss of affection irreparable, but the fact cannot be ignored that life must go on for those who are left. How free it is from hardship will have been decided in large part by the provision made by the affectionate bread-winner.

He will have gone about this in a business-like way, estimating the need, accumulating and conserving his resources, investing intelligently, and using all the other facilities which the modern economic and social structure has to offer for meeting the emergencies arising out of the uncertainties of life.

Doing this has a bonus value in that it makes his lifetime more secure and his retirement more free from worry. As C. Elliott Smith says in Personal Finances (Alexander Hamilton Institute, New York, 1956): “Building up an estate creates a sense of security in the builder himself and give him the satisfaction of having something to show for his years of effort”.

To plan an estate requires that you study your own and your family’s needs thoughtfully and imaginatively; that you plan practically and economically to meet those needs, and that you make sure, by consulting people who know about such things, that you are moving in the right direction.

The money value of a man

We must fail in any attempt to estimate the value of a man to his family on the basis of affection and the psychological satisfaction derived from the fact of living together as a family, but his money value is a real, tangible thing.

In fact, the practice of estimating a man’s money value reaches far back into antiquity. Before the reign of Alfred the Great, which began in 871, Anglo-Saxon law set a value on men’s lives, called the wære. Since all men’s lives were not of equal value, the wære varied according to the rank of the individual, so that more compensation for the death of one man was decreed than for another.

About forty years ago it occurred to Dr. Louis I. Dublin and Dr. Alfred J. Lotka, statisticians of international repute, that the tabulation should be brought up to date, and they published their book called The Money Value of a Man (Ronald Press, 1946).

A man’s money value is individual. You cannot find
it by taking the earnings of the whole male population and dividing that by the number of men in the labour force. You must do your own arithmetic on the data applying to you personally.

If you are a man of 30 years of age you may, according to a Canadian table of life expectancy, anticipate about 42 more years of life. If you average $6,000 a year during that time, your anticipated earnings are $252,000. If you earn that $6,000 by working 244 eight-hour days a year, every hour is worth $3.07, and if you put aside the earnings of one hour every working day for a year you will have added $749 to your estate. In 30 years' time this annual saving, invested at 5 per cent a year, would add to your estate roughly $50,000.

To contrast the practicality of this way of figuring and the loose sentimental way, consider the fine-sounding phrase "you are worth your weight in gold". If you weigh 150 pounds avoidupois then your value in gold, at the rate of $35 per troy ounce, is $76,500; if you add weight as you grow older then as a heavy-weight of 200 pounds your gold value will be $102,000.

Your money value, based upon your earning power, provides a rational basis for planning your estate so as to meet the responsibilities you owe to yourself and to your family.

A family partnership

The family should be regarded as a business partnership in addition to the values it has socially. It should learn about the facts of economic life so as to be able to manage money matters with a minimum of anxiety. The more minor crises your family learns to solve with your help, the easier will be the solving of major crises when it is on its own.

The perplexity which faces a woman whose husband has just died may be lightened by his thoughtful arrangement of his estate during his lifetime.

Some men neglect to take their wives into the secret of managing finances. They labour under the delusion that the hand that rocks the cradle will not appear so appealing and charming if it helps him to count the cash income and the outgo. That is not a reasonable attitude. Every man is aware of his own desire to know about his future: let him think, then, of his wife's even more imperative need to know where she stands.

A man sometimes finds it hard to keep his financial balance: how, then, unless he allows her to participate in handling family finances, is his wife to learn how to do it on her own? The days of widowhood are strange, mournful and difficult days, which may be made easier if the family has been shown the financial foundation built for them and instructed in how to erect a new way of life on it.

Some men, fewer now than a couple of generations ago, are so situated that they cannot hope to do more than provide their families with a decent living, carry enough life insurance to tide over a transition period, and build up a small savings account. But even a moderate income, if wisely managed, will provide something for the future.

An affectionate man, one, that is, with more than surface affection, will go to great lengths of planning so as to continue to care for his family during the time when he is not there to see to it personally.

Some men take advantage of the New Year or Income Tax time to prepare an annual "statement of affairs." This is done with two purposes in mind: for their own information and to give help should someone else have to take over management. The statement need only list assets and liabilities. The assets include real estate, amounts in savings deposits, investments; insurance policies. The liabilities include mortgages, taxes owing, other debts and obligations.

An estate

In Canada there is a very healthy and widespread feeling of responsibility for the welfare of dependents. It is accepted as just a normal part of a successful life. Those who are to benefit by the estate start to attain security from the moment an estate programme is put into action. The builder profits also through peace of mind and the consciousness of having a purpose in life.

Building an estate does not involve higher mathematics or use of a slide rule. It can be done with the aid of simple arithmetic, plus a determination to sort out the things that matter and give them priority.

Your first task is to find out as nearly as you can exactly where you are now and how far it is to where you want to go. Check the facts as they are today, weigh your responsibilities, estimate the factors you can in some measure control, take account of factors you cannot control, forecast needs, and plot a course.

After defining your target area in this way you will set interim goals, making a note of dates when you will check your progress and also make sure that you have not lost sight of the essentials. Chance or good fortune may be expected to cover up some shortcomings, but it is just as well not to leave loose ends.

It is possible for the head of a family, in consultation with his wife, to make up a more or less detailed estimate of the income his family would require year after year, with a view to providing them with a sufficient estate to yield that income.

A good planning chart will have three divisions: What you own; What you owe; Reconciliation. The first will list real estate, furniture, savings, stocks, automobile, and other property; the second will cover amounts owing on mortgage, car, other instalment purchases, and loans; the third will tabulate what life insurance policies, social security benefits, savings, retirement benefits and all other assets, are needed and can be acquired to bring the first and second columns into balance.
Another method is to make a triple list covering the present time, the time of retirement and the time when you are no longer there to manage things.

List every expense under such main headings as: shelter (including rent, mortgage payments, taxes, property insurance, repairs, heat, light, telephone); food (including working day lunches); clothing (purchase, cleaning, laundry); transportation (car, parking, licenses, bus, commuter train and subway); vacation; medical (drugs, dental and eye care, group and medicare payments); income tax; charitable donations; church contributions; life and other personal insurance premiums; gifts.

You will have three columns. Under “Present” you will list the amounts currently expended; under “Retirement” leave out the items which will not apply (like travel to business, lunches); under “Estate” leave out the items which do not apply (e.g. life insurance) and reduce those for which the cost will be lower (vacation, laundry, medical). The result will be a realistic three-sided picture of your money value and the demands upon it.

Some persons may feel that making an estimate of this kind is too troublesome, but the fact is that it is a trouble-saver and a mind-saver.

The more complete your plan is to start with, the easier it will be to operate and the fewer adjustments you will have to make in it. Also, and this is important, the planning you do now for your own and your family's future is the expression of your personality.

On making a will

To dispose of our property in the way we wish is one of the privileges of the democratic way of life. We should not reject this freedom by leaving the job to an austere government department.

Your will is the instrument by which you express your well-considered wishes regarding distribution of your property. To shrink from will-making is to endanger the comfort and the well-being of your family.

This age prides itself on facing realities starkly, but there is one reality some people refuse to look at—that of death. Emotions become mixed up with practicalities.

Sir James Barrie, author of Peter Pan, wrote a play called The Will. In it, a husband and wife go to a lawyer to draw up a will. She is so tearful that her husband and the lawyer try to prepare the will without ever mentioning the words “death” or “widow”, or anything to suggest that the husband might not live forever.

Vital persons face facts and plan their goals. They take all the measures necessary to influence and ensure the fulfilment of their aims and desires. They know that a will is a necessary and unique instrument. When it takes effect they will no longer be on hand to give testimony or explain their desires.

What they want to do in the way of giving protection and care to their families must be clearly set forth in the will so as to satisfy legal requirements.

No generalization can be made about making a will except one: everybody should make one. An extreme example is given in Changing Times, the Kiplinger Magazine. Suppose you had no money put aside, and lived in a furnished apartment with only your clothes to call your own. Suppose that the bus on which you rode to work one morning was in an accident in which you were killed. Someone—your widow, mother, children, sister—should be able to collect enough damages from the negligent party to at least pay your funeral expenses. But if you left no will naming a beneficiary and an executor there would be difficulty in establishing a legal right to put in a claim.

Consider a more common occurrence: a man who owns real estate dies without making a will. His widow will be greatly hampered. She cannot sell the real estate to support herself and her children without an order from a court.

Some people think that the settlement of an estate is more expensive under a will than when there is none. The reverse is almost always true. The lawyer, notary, or other expert who draws up your will is aware of the ways in which to conserve money. There are exemptions from succession duties of which to take advantage: for children, certain gift bequests, property bequeathed for religious, charitable or educational purposes, and others.

As Lawrence Washington says in his book How to Plan Your Financial Security: “Everyone is taxed in one way or another from the cradle to the grave, but the man who saves is also taxed after he reaches it.” Death creates an immediate tax liability; the thing to do is to have the liability as small as the law allows, and this is a job for people who know the ropes.

Building an estate

When you start building an estate for your future years or for your family you need to be first of all a realist. Things are not always what they seem. For example, your real income is far below the dollar amount opposite your name in the pay-roll record. The cost of living index—or, as it is now called, the consumer price index—enables you to get a closer approximation of your purchasing power, because real income means the sum of the things you can buy with your money.

Here is how to find out. The Federal Government publishes every month a figure which is an index of the cost of essential living needs in terms of the base year 1961 equalling 100. You divide your annual income (after deducting income taxes) by the consumer price index and multiply by 100. For example: your income after tax is $4,860; divide that by the current consumer price index, say 130, and multiply by 100, which gives you $3,738. That is your true buying
Being budget-wise

The only sure way of providing that this standard shall be maintained now and in the future is by planning.

The formula for proper administration of family finances so as to get the best value out of life now while making provision for later is not something you were born with. It is a matter of combining mature common sense, experience, power of will, and a few principles.

Away back in 1938, before women became so interested in financial affairs, Ruth MacKay wrote a book she called Money Without Men (Farrar & Rinehart). In it she tells about the value of budgets and adds: "The best budgets are those based on present expenditures, an estimate of one's income and a little headwork to see that they come out even."

There is no budget that will suit every family. Statistics that give the average amount spent on this and that are useful only to statisticians. Your family is a unique entity, and your budget must give expression to your aspirations.

A budget that has estate planning in mind need not be a fearsome thing. It is an estimate of needs, a division of income, and a method of keeping control of expenditures: that is all.

There is no room in a happy family for skinflints — people who habitually examine the potato peelings to make sure they have been pared as thin as tissue paper. What is needed is a co-operative effort to get the most for your money, to establish priorities, and to ensure that considering the resources available your family members will get the greatest amount of satisfaction over their lifetimes.

Three earlier Monthly Letters dealt with budgets in some detail: "On Making Ends Meet . . . Planning Personal Financial Stability . . . Planning Family Finances". These are available through Royal Bank branches or direct from Head Office.

Saving and investing

Interest is not paid on money, but on what money does. If you hide your cash in a teapot it is idle, and you need not expect to lift the lid and find some dollars of interest added to your estate.

If you put your cash in the bank, or pay it in premiums to a life insurance company, or invest it in stocks or bonds, it is put to work, and it is the work it does that pays you interest or dividends.

Life insurance is probably the most basic tool of estate planning, and it is worthwhile to know about the principles on which it works. Henry Clay points out in his book Economics that some people profess to regard life insurance as a form of gambling, whereas it is the very reverse. The gambler converts a certainty into an uncertainty — the certainty that he has his money into the uncertainty whether he will have more or less. The insurer converts an uncertainty that he will be able to meet his obligations in the event of a possible misfortune into the certainty that he will.

Deciding on the form of insurance to carry need not be a bothersome problem. There are, pared to essentials, only three basic types of life policies: term, whole life and endowment. These are, of course, used by the estate planner in many combinations to meet his individual requirements. He shows lively interest in fitting his insurance into his present situation and needs and the future of his dependents. He does not merely buy a new policy from time to time as his income increases, but makes a programme to fit his particular family needs and his resources.

When to do it

Once you have decided to build an estate, using all the aids suggested here and others that you will think of, there is only one logical answer to the question "When should I start?" The task is easier now than it will ever be again. To start is not to say "This is it, once and forever." A properly made plan is one that offers itself to change as time brings new responsibilities and changed resources.

The act of starting provides a strong defence against worry, insecurity, financial instability and gloom. It will not multiply your income, but it certainly will help you to stop wasteful and unrewarding leaks in your outgo. It will enable you to concentrate your firepower on the decisive targets.

You will be helped in your planning if you make a mental picture of the way you would like your family to live, and then work toward that objective. Making intelligent, co-ordinated sense out of your affairs in this way pays off in satisfaction and leaves you free to enjoy life.

In doing all this planning you can be both clear-headed and gentle-hearted. In fact, it is not being gentle with one's dependents or kind to yourself to be cloudy about what life now and in the future holds in store.