Wonder Woman

Lori Jones makes $50,000, and has money in the bank. She's also a single mother with five kids BY PAUL DELEAN

illustration by Seth

Ten years ago, when she was a single mother scraping by on about $10,000 a year, Quebecer Lori Jones imagined an annual salary of $50,000 as the height of luxury. In 2000, she finally joined the club, only to discover she's not living that much higher than in the early '90s.

"It's sick. I never made so much money in my life. I now pay more in income tax than I earned when my son was a baby, and I'm still struggling," she says. "I don't get it."

Of course, much has changed in a decade. Jones is still unmarried, but instead of one child, the self-described "granola person" now has five, aged one to 14 years — all but one with the same father, who has lived apart from her for all but a brief period since they met at university in the mid-1980s.

In 1999, Jones earned a PhD in sociology from the Université de Montréal to go with her BA and MA from Concordia University, a credential that significantly boosted her salary as a statistics and social sciences teacher at a local college. But

"I am very afraid that I will grow old and be poor like my mother," says Jones. "She's barely scraping by"

the position she's held since 1992 is still classified as temporary, meaning there's no guarantee the contract will be renewed from one 15-week semester to the next. "I have to reapply for the job after every semester. To get a permanent position, I have to wait for someone to retire or get run over by a bus."

She doesn't own a home, RRSP or any investments, but for the first time in her life, Jones has accumulated a nest egg. A combination of family-allowance payments, retroactive salary from a contract settlement and a demutualization payout from an insurance company has left her with about $10,000 in her bank account and the realization that she has no idea how best to use it. "Frankly," she says, "I don't know what the hell I'm doing financially. I'm an educated woman, but I don't know what would be the best thing to do with my money."

Jones, 35, isn't used to having any extra cash. There wasn't much in the home where she grew up, in a small town near Montreal. Her mother still lives in the area, working in a factory for $12,000 a year. "I am very afraid that I will grow old and be poor like my mother, who is barely scraping by," she says.

Jones receives no financial support of any kind from her children's father, an occasional construction worker, and doesn't expect any. "He's a great dad and helps look after the kids. He's a nice person, just a bit lost. I feel sorry for him. He just doesn't have any ambition, goals or money."

His mother, however, is a great support. She looks after the children free of charge, while Jones works in a suburb 40 km from her Montreal apartment. It's a long commute, but Jones is not keen on moving closer to a job that is not guaranteed, especially if it means losing the quality childcare of the woman she affectionately calls her mother-in-law. "I feel I'll jinx things if I move out there," she says. "If I lose my job, we'll be stuck there. I love living downtown, even if I never go anywhere."

She drives a 1997 Plymouth Voyageur minivan, bought used

In 1998, there were 1.2 million single-parent families in Canada, up from 1.1 million in 1994.

this year for $14,000 and for which she'll be paying $400 a month for four years. It's her only significant debt, other than $24,000 in student loans, which she is paying back at $300 a month. The interest rate on the student loan is 6.75%. The car loan is at 9.2%. "I never have run up a credit card," she says. "My mom's money-management advice was that credit is a bad thing."

Jones actually owns a second vehicle, a 1994 Suzuki Swift, which she's entrust-

ed to the father of her children. "Theoretically, I could sell it from under him, but he needs it to get around. He can't buy it from me because he has no money."

Jones pays $600 a month in rent for her five-bedroom apartment in a trendy area of the city, a real bargain. "The landlord has never raised my rent in the three and a half years we've lived here." Utilities and heat cost $210 a month.

"I think sometimes about owning my own house," she says, "but the more I talk to people who own them, the more I think it's not a good financial thing for me. Especially in this neighborhood, where prices went mental this year." Sheepishly, she admits she doesn't have home insurance, "even though we have computers and stuff in the house. I'm paranoid that my house will burn down or get burglarized while I'm away."

Clothes are not a major expense. Friends have donated a lot for the children. "The shoes I buy, though, and they're expensive." Entertainment consists mostly of magazines and newspapers, videos, cable TV, the occasional movie and an Internet hook-up. "I haven't seen an adult movie in a theatre in years," Jones says, "and the closest I've been to a vacation is *National Geographic*." Her medical plan at the college costs her $100 a month, but does not cover dental work or prescription glasses.

Jones sometimes thinks about quitting teaching — not because she doesn't love the work, but because she wonders if she could make more doing something else. The pay scale for college teachers in Quebec tops out at about $60,000, which doesn't leave much upside from the $51,000 she's grossing now. And the combined federal and provincial family allowance payments — currently about $700 a month — surely will be reduced next year, since they were based on her 1999, pre-PhD salary of about $41,000.

Still, teaching frees up her summers, "which is a huge bonus. I'm off from mid-June to mid-August. You can't price that when you've got five kids. I wouldn't want to work all summer with them languishing in day camp."

Although money usually is tight, Jones says she doesn't feel deprived. She'd just like to be able to put something aside for her children's education or the occasional family vacation. "I'd feel better with savings or RRSPs, but at this point, I'm basically just trying to feed everyone. We can live on my salary. We're not rolling in money, but we're happy. I can't really say we're lacking for anything. I have friends way poorer than I am. My kids don't think we're poor; I tell them we have lots of children in our house, and that makes us really rich. If I wanted to go places and do things, I wouldn't have five kids."

72,076 university degrees were ranted in Canada in 1998, down from 178,074 in 1994. However the number of ıraduate degrees ȷranted – 28,393 – was up from 27,195 in 1994.

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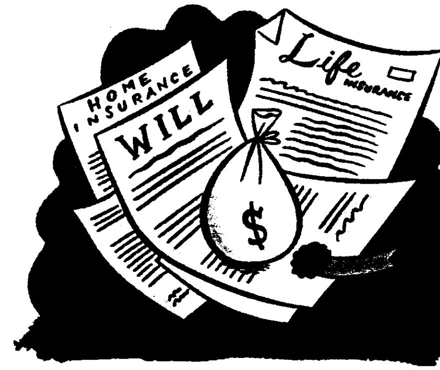

FINANCIAL SNAPSHOT

[illegible]	
Salary	51,032
Family allowance	8,400
Total Income	**$59,432**
EXPENSE[illegible]	
Rent	7,200
Auto maintenance and gas	1,900
Pension contributions	3,883
Deductions	2,006
Income tax (provincial)	5,829
Income tax (federal)	5,989
Auto insurance	700
Life insurance	95
Food	7,800
Entertainment	1,047
Household expenses	920
Utilities	2,652
Clothing	2,400
Savings	3,600
Gifts	2,000
Charitable donations	50
Periodical subscriptions	530
Educational expenses	695
Van loan	4,800
Student loan	3,600
Miscellaneous	1,736
Total Expenses	**$59,432**
[illegible]	
1997 Plymouth Voyageur	14,000
1994 Suzuki Swift	4,500
Savings	10,000
Total Assets	**$28,500**
[illegible]	
Van loan	14,000
Student loan	24,000
Total Liabilities	**$38,000**
Net Worth:	**-$9,500**

illustrations by Seth

WHAT THE EXPERTS SAY

Financial planners Keith Donoghue and Sylvain Lapointe came to pretty much the same conclusions as they assessed Jones' situation: the most pressing needs are home insurance, a will and life and disability insurance. Without those basic protections, they consider her young family very much at risk.

"Purchase home insurance immediately," says Donoghue, who works for Investors Group, in Pointe-Claire, Que. "A fire or robbery would mean an utter disaster for her and her family." By shopping around, she should be able to get a reasonable premium, especially if the company already insuring her van gives her a deal.

Lapointe, a financial planner for FOCUS Financial Services, in St. Hubert, Que., says Jones should have at least $200,000 worth of insurance on her life. "A good life-insurance policy is essential to protect her children from the possible loss of their mother and only breadwinner," he explains. "She has five dependants counting on her salary."

Donoghue suggests $500,000 to $600,000 in coverage, with the estate as beneficiary. "That amount, invested, would generate an income almost equal to her salary. I recommend increasing her coverage at work first. It is always cheaper through your group plan than individually."

Disability insurance also is high on both their lists. If it isn't provided through her group plan at work, she should purchase some privately. "This is one of the most often overlooked areas of a financial plan," Donoghue says.

Both Donoghue and Lapointe think Jones should consider changing jobs. With her educational qualifications and professional background, Donoghue says, she should be able to land a position elsewhere that pays better and provides more security. Lapointe adds that a job closer to home might eliminate the need for the van, providing the family with a bit more breathing room financially. As it is, the loan on the van is a major drag on family finances, and he recommends using the $10,000 now sitting in the bank to reduce it. "Within a year, the car loan would be paid up, and a part of this amount should then be allocated to a family Registered Education Savings Plan (RESP) to fund the children's post-secondary education," Lapointe says. "She could name all five children as beneficiary of the savings."

Because her eldest child is already 14, and there are restrictions on the federal government's Canadian Education Savings Grants for children 16 and older, it's important to start the RESP soon, Lapointe says.

Like Lapointe, Donoghue isn't thrilled about the vehicle loan. If she sold the van and paid off the loan, she could lease a new van for almost the same monthly payments, he says. "Interest rates on newer models can be had for as little as 0.9%. Your payment on some new vans, with no money down, would cost about the same amount per month as the loan, but it would be brand new and you wouldn't have to worry about maintenance costs that may arise with the used van you have now. You shouldn't have a problem with kilometres on a lease, since you aren't travelling to work all summer and during Christmas and spring-break holidays." At the very least, he says, the Suzuki should go. If the father of her children can't or won't pay for it, then she should sell it and use half the proceeds to pay down part of the van debt. "If the boyfriend really needs to get around, he can carpool with his co-workers or take a bus. Jones may not be comfortable with this, but she really needs the cash right now."

Both planners agree that it's important for Jones to start an RRSP. Because she's in a high tax bracket, Donoghue advises using $7,000 of the $10,000 she's accumulated for an RRSP contribution, with the other $3,000 as a reserve fund in case of emergency. At her age, the RRSP funds should go into blue-chip equity mutual funds. She can use part of the roughly $3,500 in income-tax refunds triggered by the RRSP contribution to start an RESP for the children, he says. "By contributing to the RRSP, she will be saving for retirement. The government refunds help pay for the children's education, and money could always be withdrawn under the Home Buyers' Plan if she eventually wants a house, or the Lifelong Learning Plan if she wants to go back to school."

Lapointe says using Jones' monthly savings of $300 for RRSP contributions, coupled with her pension benefits, should be enough to provide her with a retirement lifestyle comparable to what she has now. He describes her current financial situation as "not very secure," but says she's young and has plenty of time to get things straight. For now, though, home ownership really isn't feasible, he says. "The project to purchase a house should be set aside for the moment." B

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EXECUTIVE SUITE By Mick Stevens

"Oh things are fine with me. Can you spare some change?"