

Simple math paints a real picture

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I'm often asked by my children about the importance of mathematics.

I tell them that everyone needs simple math to figure out your bills, taxes and the like. Math also helps your brain ignite those neurons responsible for higher order and problem solving.

I'm not sure if there is a real-life need for knowing how long it takes a train, travelling at 60 mph to get half-way to its destination. But, simple math holds the answers to almost everything in society today. In other words, you don't have to be a math whiz to understand supply side economics, credit card bills, interest rates or bank profits.

Some figures released last week really brought this message home, to me at least.

Canadian grocery and pharmacy retailer Loblaw reported a 57 per cent rise in quarterly profit. The giant, which sells everything from groceries to wireless mobile products, enjoyed a 2.4 per cent revenue increase to \$11.13 billion in the fourth quarter of 2016. Sales in the retail business, the company's biggest, rose 2.3 per cent to \$10.8 billion.

So, using simple math we can conclude that if their profits rose by 57% consumer spending rose by a substantial amount, too. If my grocery cart costs me more each week, my disposable income drops and I have less discretionary cash in my pocket.

We all gotta eat.

In our family of five we notice even the smallest increase in fruits, veggies and meat. Over the past couple of years, our grocery bill has grown by at least 15%. My pay cheque did not increase by 15%. In fact, income tax changes this year saw my take-home pay drop.

Our venerable Canadian banks are also thermometers of economic activity.

The CIBC announced a very strong first quarter of 2017. The bank reported net income was \$1.4 billion, compared with \$982 million for the first quarter a year ago, and \$931 million for the prior quarter.

Royal Bank of Canada reported a net income of \$3 billion for the first quarter, up \$580 million or 24% from a year ago.

For most us, simply sitting down at our dinner table and counting to one billion would take way too much of our time (an estimated 37 years). For a company to make \$100 million more in profit in one quarter is simply unimaginable. And the kicker is, they're playing around with our money!

If only our governments were so driven by the bottom line.

For someone like me, using simple math, this means that banks are lending out more money than ever before, through loans, mortgages, lines of credit, and likely have record credit card use by customers, which translates to interest income.

Without the use of a calculator, I can figure out that this means we are cash-strapped ? asset-rich perhaps ? but financially gagged and bound. We are forever handcuffed to our financial institutions.

It's no secret that household debt in Canada is at its highest in history. With more of our after-tax income dedicated to paying our debts, that fiver in my wallet is shrinking fast.

I'm sure there are more people than ever before who've surpassed the threshold where food, clothing and shelter surpass the recommended upper levels in relation to income. In simpler words, if meeting our obligations consumes more than 60% of our earned income, we're in proverbial doo-doo.

According to a study by BMO, Canadians contributed less to their tax free savings accounts in 2016. Eighty-five per cent of TFSA holders contributed an average of about \$1,000 less than last year ? with top cited reason being a lack of funds to invest.

Again, this is where simple math reigns supreme. I?have 4 eggs, but my family eats 5 eggs. How much does that leave in my ?nest egg?? Negative one.

So simple.

It's no surprise why Canadians are investing less ? we don't have any money to invest and we need the cash flow for other expenses. Further, the study anticipates even lower contributions in 2017.

Referring to my high school math knowledge, I do know that equations are always balanced out. If one side of the balance sheet soars, the other side has a reciprocal drop.

So, for those who are mathematically challenged, here goes: ?if retailers, banks, oil companies and the like see increased sales and profits, there has to be an offsetting increase in spending by consumers (that's us).

With every quarterly report of higher-than-expected profits comes a kick in the guts to average working stiffs. Every time my bank's CEO?gets another bonus, my knees quiver and shake. Every time the price at the pump rises, I?think twice about taking that long drive. With every increase in transportation costs of food products comes a sacrifice of ground beef for sirloin. Heck, even our dogs eat well! Price-matching is the new normal.

With income tax filing on the horizon, I cry inwardly. No money for TFSA; no money for RRSPs. The well, she is dry.

Maybe my simple math is off. I?still buy lottery tickets, which, I'm told, is a tax on those who can't do math!