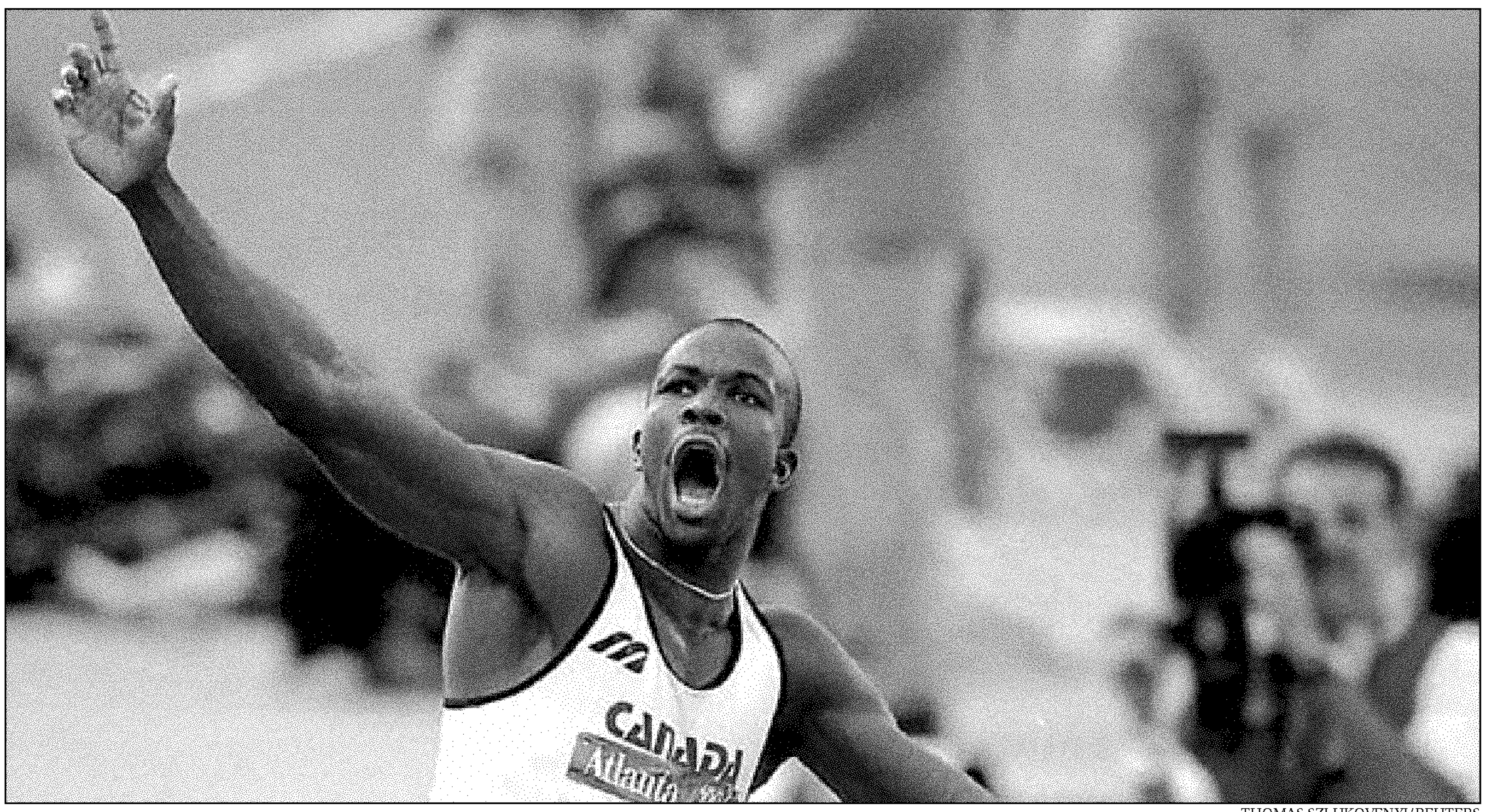

THOMAS SZLUKOVENYI/REUTERS

Olympic champion sprinter Donovan Bailey scores gold: 'Whatever preparations I made, I made them a long time ago.'

FAME AND FORTUNE

Donovan Bailey is still sprinting hard in business

The track star has his fingers in a variety of pies, building on investments started in his 20s, **SHOWWEI CHU** finds

Not too many people can retire early, let alone at 33.

But that's what sprinter Donovan Bailey did in 2001, when he walked off the track after having earned himself a spot in history for his two 1996 Olympic gold medals.

Back then, the track star estimated his net worth to be in excess of $10-million, largely from track earnings and product endorsements. He now says that's something he should never have said, and is quite adamant that he'd be where he is financially even without track and field.

"Whatever preparations I made, I made them a long time ago, " he says. "The exact same philosophy was going to be implemented."

He credits his father, once a machinist who used his savings to buy a townhouse and later a string of apartment buildings, for his own love of real estate. "That's something that's in the family," he says.

By the age of 20, Mr. Bailey had purchased his first home in Oakville, Ont., at 40 per cent of its value in a power-of-sale transaction when the builder went belly up.

Around that time, Mr. Bailey says he ran a telemarketing company and managed several apartment buildings that he and his brother purchased from their father. "I'm quite comfortable," says Mr. Bailey, who is a partner with three other people in Blue Cave Developments, which develops a handful of commercial and residential properties in Ontario and other provinces.

The private office where Mr. Bailey agreed to be interviewed takes up half the fourth floor of a converted Toronto warehouse building that he and some friends purchased in the 1990s.

His full-time staff of four was not present that day, lending the floor plan the appearance of a set built for business and pleasure, with its pool table, built-in gas fireplace and open-concept offices.

Mr. Bailey, who turned 36 in December and spent his birthday golfing with a buddy in Jamaica, where he and his relatives own beachfront property, did not want to talk about his girlfriend and daughter, who, according to past stories, share with him an Oakville home that property records show was purchased for $765,000 in 2000.

His money, he says, is now making him money. In the mid-1990s, when he was still sprinting, he opened three separate accounts with three investment firms, which he declined to name. So he has three financial advisers, he says.

Last year, the average rate of return for one portfolio was in the 18-to 22-per-cent range, mid-teens for another account and about 10 per cent for the third one, he says. The investing philosophy for each one is for the long-term.

One account is his registered retirement savings plan, to which he has been contributing an undisclosed amount every year for as long as he has been earning money, he says. Another one is more aggressive, delving into hedge funds, he says. He also taps that portfolio for his business investments.

Last month, he and physiotherapist Scott Anderson, whom he credits for keeping him healthy throughout his athletic career, launched their first rehabilitation centre called Core Fitness and Rehab in Oakville. It's the first of three they plan to open this year in the Greater Toronto area. The 8,000-square-foot facility, aimed at minor league sports players, will also house a gym called Hard Core.

He's also shopping for a location to build a training centre that will have an indoor and outdoor track field, basketball courts and soccer field for kids. He recently launched DBX Sport Management, a scouting and recruiting firm for athletes though he wouldn't name clients.

He still earns appearance fees on behalf of Bell Canada and Xerox Corp. and also gets paid for being a sports commentator for sports channels such as BBC Sports, a relationship he began in the late 1990s. Next month, he is off to Budapest to cover the track and field event, the IAAF World Indoor Championships, for the Eurosport sports channel.

As a businessman, Mr. Bailey is focused on the sports and health area, but he is also branching out. He and an unnamed Los Angeles-based actor have started a venture called Engine to market movies and television scripts.

He also plans to come out with an urban menswear line and is in talks to buy an independent record label, both of which he declined to discuss further. "Maybe I'm paranoid," he says. "I don't like to talk about things until you can see something."

He doesn't claim to be an expert in all these fields but he does surround himself with good advisers, including family friend and lawyer Bill MacLeod and a roster of business people he describes as mentors, including John Bitove Jr., former owner of the Toronto Raptors.

"There's a lot of guys in that circle that I can call on to give me their life experiences and their knowledge of business," he says.

And to put his accomplishments into perspective, a Donovan Bailey autobiography is in the works. He and sports writer Bruce Dowbiggin have an agent and are shopping the idea around to various publishing houses.

So the question of what he hopes to be doing when he's 65 doesn't really apply to Mr. Bailey in more ways than one because, as he says, "I'm doing it right now."

Higher yields with low rates

BY MICHAEL RYVAL

A low interest-rate environment may good news for borrowers but it spells disappointment for fixed-income investors.

One-year guaranteed investment certificates are paying about 1.5 per cent while those maturing in five years are yielding about 3 per cent. That is barely above the level of inflation.

How to find higher-yielding alternatives for the fixed income portion of your RRSP? Here are some pros' suggestions.

Bond funds.

In the current climate, funds are preferable to individual bonds, says financial planner Janet Freedman, head of Toronto-based Freedom Financial Planning.

"Managers with good track records do not buy and hold. They actively trade, unlike most retail brokerage accounts," says Ms. Freedman, adding that funds benefit from economies of scale. "That's how bond funds make money."

The average Canadian bond fund returned 5.4 per last year but many funds earned more than that. For example, Phillips Hager & North Bond Fund returned 6.6 per cent. And though investors have to pay management fees, funds such as PH&N's keep them relatively low, at 0.58 per cent. Its minimum initial investment is $25,000, however.

Real return bonds.

These bonds are government-backed and designed to protect investors against inflation. Their coupons and principal are adjusted semi-annually based on changes in the consumer price index. "By investing in them, you ensure that your purchasing power is maintained and always keeps pace with inflation," says Patricia Lovett-Reid, senior-vice-president at TD Waterhouse Canada Inc.

RRBs can be bought through full-service and discount brokers. However, there are some drawbacks. The minimum investment is usually $20,000 or more. They are also difficult to secure for retail investors as there are only about six individual issues, most of which are held by institutions.

Alternatively, investors can participate through funds such as TD Real Return Bond Fund, which returned 10.3 per cent last year, and Mackenzie Sentinel Real Return Bond Fund, launched last April.

Strip bonds.

Also known as strips, these bonds are derived from federal, provincial and corporate bonds. Each interest payment and the remaining principal is physically separated — hence the moniker strip — then priced at a discount to maturity value.

For instance, a 13-year strip yielding 5.5 per cent would cost about $50.50 and mature at $100. As a rule of thumb, the longer the term of the strip, the lower the price and the higher the yield.

Currently, one-year strips are yielding about 2.5 per cent; five-year strips are yielding 4 per cent.

One of the big advantages, says Ms. Lovett-Reid, is that "there is a very liquid secondary market. You can also make a smaller initial investment than with a conventional bond." Purchased through investment dealers or discount brokers, these instruments start as low as $3,000.

There is also considerable flexibility, since terms vary from one month to 30 years. By varying your maturities, you can minimize your re-investment risk, says Ms. Lovett-Reid. "If we continue to be in a low-rate environment," she adds, "you will minimize your investment risk."

High-yield bond funds.

These products invest in a variety of corporate bonds that range from investment-grade to what is often referred to as junk bonds. They also tend to be more volatile than conventional government bonds.

Last year, the average Canadian high-yield bond fund did very well, returning 14.3 per cent, almost triple the average Canadian bond fund return of 5.4 per cent. But the underlying products are complex, experts warn.

"We recommend using the services of a professional fund manager, who can evaluate the prospects of each company and identify those situations where a superior return can be achieved without accepting an exorbitant amount of risk," says Sandra Sigurdson, portfolio strategist at Winnipeg-based Investors Group Financial Services Inc.

Ms. Sigurdson notes that, last year, fund returns were especially strong because of rising bond prices that stemmed from improving economic conditions. For example, Investors Canadian High-Yield Income Fund earned 28.7 per cent, three-quarters of which was capital gains. Going forward, she says, "we still expect a relatively high yield but not a repeat of last year."

Laddering

"If you are investing in fixed income, make sure you have a laddered strategy," says Jim Rogers, chairman of Rogers Group Financial Advisors Ltd., in Vancouver. "Don't try to predict interest rates because it's fool's game. You will be better off with a laddered structure,"

Laddering means splitting your fixed income into equal portions that mature over different terms. The chief advantage is that laddering takes the guesswork out of investing in fixed-income investments and ensures more predictable returns over the years. In Mr. Rogers' view, it is more effective than owning a bond fund, especially if rates start to climb.

"If I buy a series of laddered bonds, and hold them to maturity, I know I will have a positive return. Bond funds can lose capital," says Mr. Rogers. "Bonds, if held to maturity, will not."

Special to The Globe and Mail