

Financial Planning Guide



David K. Lord, P.Eng.
Certified Financial Planner



Frank Trolio
Certified Financial Planner



Tracy Broeze
Certified Financial Planner

ExcelPlan Financial
FundEX Investments Inc.
507 Locust Street
Burlington, ON L7S 1V3

Telephone: (905) 639-8008
Toll-Free: (800) 461-2862
Fax: (905) 639-2268
E-mail: dklord@excelplan.ca
E-mail: ftrolio@excelplan.ca
E-mail: tbroeze@excelplan.ca



FOCUS ON MUTUAL FUNDS

Keep emotions where they belong

Emotions cloud our judgement. We can all recall a time when we said something out of anger or reacted out of fear with completely unexpected actions only to regret our behaviour later. Just as in life, there are triggers with our mutual fund investments that can lead us to react out of emotion and to make decisions we might regret in the aftermath. Knowing what the triggers are can help us maintain perspective.

Too much information

With information coming at us every day from multiple sources, it can be difficult to tune out the noise. Remember, however, that bad news and short-term wins that are unsustainable (and unlikely to be repeated) make better headlines than stories about solid, uneventful investments that may deliver steady returns year after year.

The herd mentality

Inevitably, some investors will react to events

that are in the news. Typically, however, they are “behind the curve.” In other words, whatever they’re reacting to has already happened and its effects have been factored into current market prices.

It’s this herd mentality and tendency to overreact that result in most investors buying their funds at market peaks and selling at market lows — the exact opposite of what they want to do.

Stick to the facts

It’s best to deal with what you know and control the factors that you can. Plenty of the market noise you hear can be dismissed as conjecture and forward projections that may — or may not — be accurate.

We can help you focus instead on your investment objectives and build a mutual fund portfolio designed to help you reach them, and help you disregard market distractions to continue investing for your future. ■

More than mutual funds investing advice

As clients you know you can count on us for timely investing advice and guidance in selecting funds that are appropriate for you. But sometimes you don't realize the importance advisors place on being aware of the significant events taking place in your lives. An important part of our job is adjusting your investing strategy in response to important life events.

Starting a family

When a couple decides to have children, they want to be the best parents possible. They hope to repeat all the wonderful things their parents did for them while promising not to make the same mistakes. Most of all, they question how ready they are for parenthood.

Of all the resources couples have available to them as they prepare to become parents — family, mentors, friends — they should also remember their advisor.

When children become a part of life's plan, financial planning is going to change as couples prepare to be responsible parents. For example, how much should they be contributing to various registered plans, such as a Tax-Free Savings Account (TFSA) and a Registered Retirement Savings Plan (RRSP)? Which mutual funds will provide competitive returns while still allowing access to capital when needed? If they haven't yet bought a home, should they use the Home Buyers' Plan to withdraw up to \$25,000 from each of their RRSPs for a down payment?

A budget will help plan a couple's spending and investing and go a long way to bolstering their confidence as parents.

Losing a job

Another life event many of us are all too familiar with these days is losing a job.



Seeing a financial advisor is one of the first things someone in this situation should do.

Having your finances in order can help you move forward, establish a sense of control and help you look to the future with hope. Some of the financial aspects we can help with include:

- Reviewing the package from the employer and its potential income tax implications.
- Considering income needs for the next few months and deciding whether the severance will be sufficient.
- Determining the most tax-effective way to draw income from a fund portfolio if the severance is insufficient.
- Revisiting asset allocation in light of the new circumstances.

Preparing for retirement

Transitioning from a full-time career to retirement has significant personal, emotional, and financial implications. Retirees and upcoming retirees need to prepare themselves psychologically and emotionally for this transition. A financial advisor plays a key role

in helping clients achieve their retirement dreams.

Some of the important financial considerations that can provide a foundation for a happy retirement include:

- Determining what your sources of income will be after retirement and how much you'll need to live the lifestyle you want.
- Deciding whether to convert your RRSPs to a Registered Retirement Income Fund (RRIF) when you retire, to wait until the end of the year you turn 71, or choose a date somewhere in between.
- Rebalancing your portfolio to ensure that the mutual funds you have can provide the income you need to live on today while providing the growth you need to protect you from inflation in the future.

These scenarios show just some of the many ways we can help you negotiate life's ups and downs and keep your portfolio on track for your goals. Anytime you experience or anticipate a change in your circumstances or objectives, be sure to give us a call. ■

Working effectively together

Our goal is to help you make the most appropriate investment decisions in light of where you are today financially and where you want to be in the future. Here are three tips that will help ensure we can provide you with the most effective advice:

• **Keep us up-to-date on any major changes in your life** — such as marriage, the birth of a child, or a new job. Changes in your responsibilities or income may have implications for your asset allocation.

• **Tell us about all of your investments.** In order to get a comprehensive view, we need to know about not just the mutual funds you have with us, but also about investments you may have elsewhere, such as a group RRSP through your employer, a joint investment account with your spouse, and so on.

• **Ask questions.** If you don't understand something or you're not sure why we're making a particular recommendation, ask. We want you to be fully aware and in agreement with any decision.

DEBT MANAGEMENT

Uneasy about your debt load? We can help

A recently released poll from the Investor Education Fund found that paying down debt was a priority for Canadians in 2012, with 57% ranking it as their number-one goal compared with just 38% last year. Most people are right to be concerned. Statistics maintained by TransUnion, one of Canada's two credit bureaus, show that Canadian consumer debt at the end of 2011 was at a record-high average of \$25,960 per person — and that doesn't include mortgage debt.

While interest rates are currently near historic lows, most of us agree they might rise. A sudden or substantial increase could put many borrowers in an uncomfortable situation.

Debt can keep you from reaching your financial goals, so talk to us. We'd be happy to share our insights on:

- Good debt versus bad debt.
- Debt consolidation and how it can lower your interest rate and reduce your payments.
- How to establish good credit card habits.
- Saving for large expenditures versus buying now and paying later. ■



RANK YOUR GOALS

What are your priorities?

Last December, Canadians were asked to identify their financial priorities for 2012. Here are their Top 10 as reported in an Investor Education Fund survey:

1. Reduce debt
2. Create an emergency fund
3. Create a budget to track spending
4. Use credit cards responsibly
5. Set up an automatic savings plan
6. Open/contribute to a TFSA
7. Start tax planning for 2012
8. Open/contribute to an RRSP
9. Pay off mortgage
10. Lower fees

If any of these priorities resonate with you, give us a call. We can help you give it the attention it needs. ■



FINANCIAL CLASSROOM



Finding more to invest

Many people want to save or invest more money than they already do. But at the end of the month, after all the bills are paid, many say there's simply nothing left. Or is there? A closer look may reveal that money is vanishing from your pockets each year.

We know because, in conversations with our clients, it's not uncommon for us to discover that many simply cannot account for what they've spent their hard-earned dollars on for one reason: they don't have a budget. As we work together to establish budgets with clients, we often find that hundreds of dollars are left unaccounted for at the end of each month. It's simply being spent blindly.

It's common to focus on rates of return and ask how they can be better, but just as important is knowing where your money is going. Taking a look at your ongoing expenses means being able to identify areas where you can find the extra money you're looking to save and invest.

We understand a budget isn't often top of mind. It can feel like a chore and we know how much more fun we can have when we can just buy what we want when we want it. But there is real power in a budget. You know that feeling you get when you find a \$20 bill in a pair of pants you haven't worn in a while? It feels like getting a gift, doesn't it? Now imagine that instead of a \$20, you found thousands of dollars in those pockets.

Work with us to create a budget. We'll make it as painless as possible and help you discover what you didn't know you had. ■

Guaranteed investments may not provide the returns you need

Market volatility has many Canadian investors beating a path from equity funds to low-risk vehicles like Guaranteed Investment Certificates and money market mutual funds. In fact, according to data compiled by the Investment Funds Institute of Canada, redemptions for equity funds totalled \$2.05 billion in the first two months of 2012 compared with net sales of \$1.39 billion for the same period last year.

The retreat to safety is understandable. Volatility has left many investors anxious as memories of 2008 and the worst financial crisis in generations have been stirred anew by the European debt crisis. Fear is only natural, but it's important to bear in mind a few things.

We work to ensure that your portfolio is diversified to mitigate risk. Our strategy is one for the long term and our eye is fixed on your future. It is important to understand how rushing for the shelter of low-risk investment vehicles in this low-interest rate environment might mean needlessly sacrificing potential for growth.

Low interest rates mean low returns. Even longer-term GICs, which typically offer more attractive rates, are generating returns of only around 2% or 3%. Once taxes and inflation are factored in, your real returns could be minimal or even negative.

What return?

For example,* suppose you're holding a \$5,000 investment that pays 2.5% annually outside a registered account like an

RRSP or a TFSA. It would generate \$125 over the course of a year. But that's before the federal and provincial governments take their cut. Assuming a combined (federal and provincial) marginal tax rate of 40%, your \$125 would shrink to just \$75 after tax, or an effective rate of just 1.5%.

At this point, you might be thinking that 1.5% is a rate you'd be happy with in exchange for security, but don't get too comfortable just yet. After all, you're still going to need to account for inflation.

As of February 2012, inflation (as measured by changes in the Consumer Price Index) is running at 2.6% annually. As a result, your "safe" investment is actually losing purchasing power once income tax and inflation are taken into consideration.

Managing volatility and inflation

Over the short term, equity funds can be volatile. However, over the longer term, they tend to outpace inflation and interest rates. Volatility is simply part of our investing reality and why we work to manage risk as much as possible.

We understand the panic and fear that comes with uncertainty but we're here to allay your fears. Talk to us about your concerns.

You can count on us to develop a portfolio that reflects your need for both security and growth and to ensure that it continues to align with your investment objectives over time. ■

* Investment return, interest rate, and income tax rate provided for illustration only. Actual rates may vary.

2 more years til your OAS? Relax — we've got you covered

THE MARCH 29, 2012, federal budget proposed some significant changes to Canada's Old Age Security (OAS) system. Under the proposals, Canadians would not be eligible to begin receiving OAS and the Guaranteed Income Supplement (GIS) until age 67 rather than the current age 65. Anyone who was 54 or older on March 31, 2012 would not be affected.

The hype

It's not surprising if Canadians are concerned about how their retirement income might change. But what's important to note is that however the new rules affect you, the impact on your financial security in retirement is likely to be negligible.

No need for concern

For most people, OAS represents a small portion of retirement income. You are likely to be using your mutual funds portfolio, both registered or non-registered. The maximum OAS payment as of June 2012 is only about \$6,500 and begins to be clawed back once total income exceeds \$69,562. Even if you stood a chance of being affected, you can rest easy knowing that we'll make any necessary adjustments to your plan.

When the time comes for you to begin drawing retirement income from your fund portfolio, we can develop a tax-efficient income strategy to help provide you with the cash flow you need while preserving your entitlement to government benefits like OAS to the extent possible. ■

Mutual funds provided through FundEX Investments Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual Funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated.

This newsletter has been written (unless otherwise indicated) and produced by Ariad Communications. Vol. 26, No. 4 © 2012 Ariad Communications. This newsletter is copyright; its reproduction in whole or in part by any means without the written consent of the copyright owner is forbidden. The information and opinions contained in this newsletter are obtained from various sources and believed to be reliable, but their accuracy cannot be guaranteed. Readers are urged to obtain professional advice before acting on the basis of material contained in this newsletter. Readers who no longer wish to receive this newsletter should contact their financial advisor. ISSN 1205-5840

