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"Helping people achieve and maintain financial security by …"

THE NEWSLETTER OF MONEY MANAGEMENT AND FINANCIAL PLANNING IDEAS

Planning Ahead

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FOCUS ON INSURANCE

Deploy this sentry to safeguard income for life

We don't hesitate to insure our most important assets — our lives, our homes, our ability to earn a living. But what have you done to protect your retirement lifestyle from the possibility that you will run out of money before you run out of living?

Consider the statistics: If you're a 60-year-old woman, you can expect to live to almost 90. If you're a man that same age, you should plan on celebrating your 87th birthday.[1]

Safeguard your income

A longer life means more years in retirement. If you are expecting to fund those years with payments from a pension plan, your Registered Retirement Savings Plan (RRSP), and other investments, you can take steps now to safeguard that income. One option to consider is an annuity.

An annuity can help protect the lifestyle you envision: It guarantees you will not outlive your income.

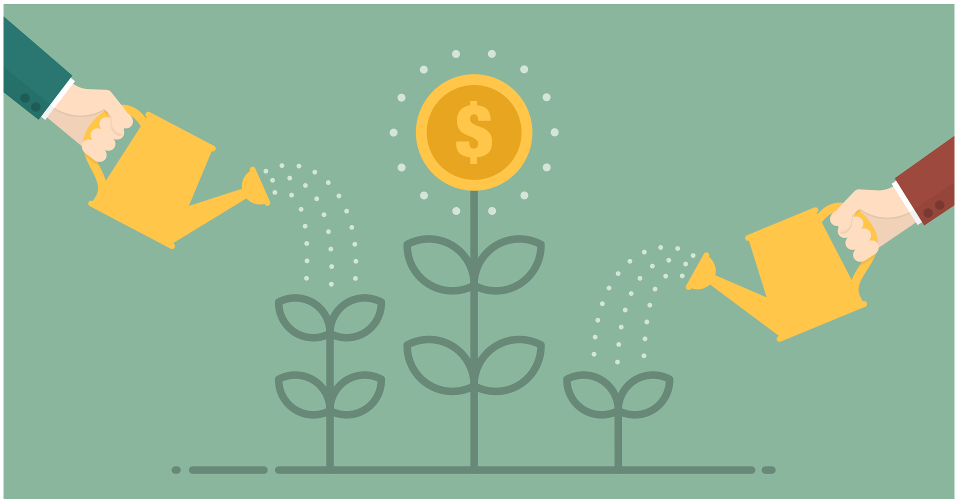
Flexible options

You can set up an annuity to guarantee your income for as long as you (or you and your spouse) are living. You can purchase it with either registered or non-registered money. And, for even more peace of mind, your payments can be set to increase each year, to counter the effects of inflation.

As you're contemplating the best way to safeguard your retirement lifestyle, know this: We can't help you live long, but we can definitely help you prosper. ■

1 Canadian Institute of Actuaries, Canadian Pensioners, Mortality, February 2014.

Invest in what the world needs to give your portfolio a boost



MUTUAL FUNDS

Aging populations and slower economic growth are becoming part of the new normal, but there are a number of things the world will need in the years ahead — from infrastructure and technology, to health care and energy. For investors, this spells opportunity.

Sector-focused mutual funds are an easy and convenient way to tap into these long-term growth themes. You benefit from professional management and gain access to a diversified group of companies within the sector.

Infrastructure

Years of underinvestment in critical areas, such as highways, ports, water treatment facilities and power grids, are catching up with countries around the world.

The McKinsey Global Institute estimates that the world needs to invest an average of $3.3 trillion annually just to support expected rates of population and economic growth over the next 15 years.[1] Emerging economies will account for about 60% of that need.[1]

But opportunities closer to home are also presenting themselves. Infrastructure spending is a cornerstone of U.S. President Trump's economic stimulus policy.

Infrastructure funds and your portfolio. Infrastructure funds provide exposure to real assets like toll roads, ports, and airports, along with inflation protection. Because they typically have a low correlation to traditional stock and bond markets, these funds also offer you another way to diversify your portfolio.

Technology

Innovation will be a key theme in today's slow-growth world — and for years to come. Companies are looking to technology solutions — including mobile and cloud computing — to give them a competitive advantage and allow them to do more with less.

Today's technology mutual funds are more than just hardware and software — and they will continue to evolve. Over the next few decades, for instance, the "Internet of Things," which promises to link the physical and digital worlds, could generate up to $11 trillion in economic value.[2]

Technology funds and your portfolio. The technology sector is very diverse and presents a number of opportunities for investors. As the tech sector continues to mature, these funds can provide some stability and income, but with the potential for tremendous growth over the longer term. Actively managed technology funds can help spot the investments that are poised to deliver.

Health care

The health care sector tends to perform well in both strong and challenging climates. Because the demand for health care products is relatively inelastic, health care funds offer some downside protection when the economy is slowing. On the other hand, health care is also a growth story, as aging populations in the developed world will become larger consumers of healthcare–related products. And as emerging market consumers become wealthier, they are expected to become large consumers of health care products as well.

Health care funds and your portfolio. Well-diversified health care funds that include pharmaceuticals, biotechnology, managed care companies, and makers of medical equipment are poised to benefit over the longer term, whatever is happening in the economy.

Energy

Although the oil and gas sector has been hurt by low energy prices over the past few years, the International Energy Agency (IEA) says that long-term investment in energy is essential to meet growing demand and replace declining production.

Indeed, global energy demand is expected to rise over the next 25 years because of energy's importance in all forms of transportation and petrochemicals.[3] Natural gas, wind, and solar are expected to be the winners, according to the IEA.[3]

Energy funds and your portfolio. Energy mutual funds are prone to more short-term volatility than more defensive areas such as health care. President Trump's focus on pipelines that link Canada's oil patch with the U.S. could be a boon to the oil and gas sector in the shorter term. Longer term, Canada is positioned to be a global leader in energy production.

As part of a well-diversified portfolio, sector funds provide you with an opportunity to capitalize on new growth opportunities. We can help you decide on the funds that are right for you. ■

1 McKinsey Global Institute, "Bridging global infrastructure gaps," June 2016.
2 McKinsey Global Institute, "Unlocking the potential of the Internet of Things," June 2015.
3 International Energy Agency World Energy Outlook 2016.

PORTFOLIO MANAGEMENT

Investors express confidence in the advice they receive

A 2016 survey[1] found that Canadian investors like you value the advice they receive from their advisors. In fact, a remarkable 97% of those surveyed said that they are completely satisfied with the advice they receive from their financial advisor, rating it 10 out of 10. Below are some other highlights from the survey.

Trust

95% trust their advisor to deliver sound advice

Performance

88% of investors believe they get better returns as a result of the advice they receive

Discipline

82% credit their advisor for improving their saving and investment habits

Retirement security

50% say retirement is the main reason they invest; 14% plan to augment their retirement income with their personal savings

1 The Investment Funds Institute of Canada, *Canadian mutual fund investors' perceptions of mutual funds and the mutual fund industry*, September 2016.

Rates up or rates down, fixed income belongs

Interest rates remain at historical lows. This was meant to be a temporary measure to stimulate the economy after the financial crisis of 2008. And the consensus has been that rates will have to rise at some point — first in the United States, where the economy is performing better than in Canada.

On the other side of the interest-rate question, some are now saying that low rates are the new normal, that they may be with us for years. This presents both challenges and opportunities for fixed-income investors.

The challenge: When interest rates rise, prices of bonds and bond funds fall.

The opportunity: Higher interest rates mean investors will be able to earn better yields on their fixed-income holdings. Savers would also benefit from earning more on their money.

Whatever is happening with interest rates, there are two important takeaways for investors:

Takeaway #1. Fixed-income holdings still have a role to play in a diversified investment strategy. They provide stability to a portfolio — especially important during volatile markets — as well as regular income.

Takeaway #2. A growth component, such as equities and equity funds, can help investors get the returns they need to achieve their goals in a low-rate environment.

You can rely on us to monitor your portfolio, in light of your investment objectives, to help ensure you have the appropriate mix of equity and fixed income to reach your goals.

What does life insurance have to do with cottage succession?

As another cottage season gets under way, it's an ideal time to think about what will happen to this potentially valuable asset when the time comes for the ultimate wind-up: Who will take over the family vacation spot? Business owners face a similar dilemma, especially when more than one child is involved and they have varied interests.

In both scenarios, life insurance can provide an effective way to compensate all beneficiaries and ensure the continuity of the property or business.

How it works

Suppose that the bulk of your estate consists of a cottage that you purchased many years ago. Along with real estate values in general, it has appreciated significantly since you purchased it. You have two children, but only one of them is interested in owning the cottage.

You can take out a life insurance policy with a projected payout value equal to what the cottage is likely to be worth in, say, 20 or 30 years, plus enough to cover any taxes or debts that you will leave behind. Upon your death, the policy proceeds can be used to pay the estate debts, the cottage can go to the child who wants it, and a similar cash value (the remainder of the policy proceeds) can go to your other child. This strategy is equally effective when the indivisible asset is a business.

Benefits beyond the financial

Using insurance to equalize an estate can provide significant benefits. A family business, for example, is often worth more to someone in the family than it would be if it were sold on the open market. For one thing, if no child has sufficient funds to buy out his siblings' shares, the business may have to be sold off quickly to pay off other estate expenses, possibly at "fire sale" prices.

On the other hand, a business that remains in the family will better benefit from the goodwill that the founders (generally one or both parents) have built up over the years. A business that stays in the family may also generate future employment for other family members for years to come.

A cottage, too, may be worth more if it remains in the family than if it were disposed of and the proceeds divided among successors. As part of an estate sale, the property may need to be sold quickly, possibly at a time when the market is down. In addition, a property that stays in the family can continue to benefit other members and serve as a focal point for family gatherings for years to come. Last but not least, preparing the disposal of an indivisible asset can drastically reduce your stress in later years.

If you own a vacation property, business, or other indivisible assets, we can show you how insurance can help you keep it in the family and keep family peace as well. ■

Share insurance and pay less

Couples looking to reduce life insurance costs may want to explore the possibilities of a joint term-life policy.

A joint policy is a great way to make sure your family is covered should either partner die prematurely and will cost less in premiums than two individual policies. A joint first-to-die policy, for example, might be 10% to 20% lower in premiums than two individual term-life insurance policies.

Because the insurance benefits are paid when the first spouse dies, joint first-to-die policies are best for those who will be financially comfortable after the death of the first spouse, without needing continued life insurance coverage.

Since the surviving spouse will be left uninsured, it's essential that your joint life policy provide a sufficient payout to meet that spouse's financial needs well into the future and protect any dependent children in case that spouse also dies prematurely.

Divorce is a disadvantage of joint policies because they can't be split; two individual policies are easier to deal with.

Joint policies are attractive for couples who have shared financial obligations, such as a mortgage or the expenses of child-rearing. Let's explore whether a joint term-life policy is a good choice for meeting your family's life insurance needs. ■

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