***Compliments of:Ralph Vandervoort,* C.H.S., C.L.U., Ch.F.C.**
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FINANCIAL PLANNING IDEAS

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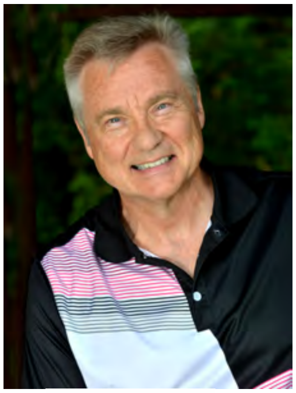

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FOCUS ON INSURANCE

Why executors need liability insurance

Most of us know that acting as executor for an estate carries a significant burden of responsibility. But what you might not realize is that the executor is personally liable for any errors or omissions that happen while the estate is under his or her watch.

The risks

Given that executors are frequently trusted family members with little or no experience in the role, this opens up the possibility that your executor could be held financially responsible for mistakes or negligence in settling your estate. Likewise, if you have been named as a loved one's executor, that onus could fall on you.

In addition to seeking financial restitution for mistakes and oversights, beneficiaries may seek compensation for anything from favouritism, diminishing the value of the estate, conflict of interest, and poor decision-making to fraud.

Easy, affordable protection

One way to protect your estate, your heirs, and your executor from the costly consequences of such errors is with executor insurance. This is an insurance policy that specifically covers the costs of negligence, errors, omissions, and legal fees should your executor need to go to court to defend his or her actions.

Executor insurance can be a small price to pay for peace of mind. Policies are remarkably affordable for the protection and security they offer and they are available for virtually any size estate.

Please call our office to discuss how this kind of policy might benefit your family. ■

How rising interest rates affect your investments

After keeping rates at historic lows for the past decade, the Bank of Canada raised interest rates in 2017 and hinted that, with the economy close to full capacity, more rate increases may be in the cards.[1] Rising rates are most obviously felt in higher mortgage rates and borrowing costs, but they can also affect an investment portfolio. Here's what you need to know.

Winners and losers in the rate game

With Canadian economic growth picking up, the consensus is that the Bank of Canada will continue to raise interest rates. Indeed, the Bank suggested that the economy could be running at full capacity by the end of 2017, making the case for additional rate increases in 2018.

There are winners and losers in a rising interest-rate environment. The financials sector may see an uptick because rising rates often point to strength in the economy, and a stronger economy may result in fewer loan defaults, along with higher spreads on what financial companies pay out on savings accounts and what they earn on their government and corporate bonds.

In addition to the financial sector, the industrial, consumer discretionary, and technology sectors of the market typically benefit from rising rates.

Areas of the market that are more sensitive to higher rates — such as telecommunications, utilities, real estate investment trusts, and fixed income — may experience higher volatility.

How mutual funds are affected

How your fund holdings are affected by rising rates depends on a number of additional variables. Here's a rundown, by fund category.

Money market funds. Funds that hold highly secure interest-earning securities are clear winners in a rising-rate environment. If you're parking cash in a money market fund, you'll enjoy higher rates on your savings.

Bond funds. When interest rates rise, the price of previously issued bonds falls. The longer the term of the bond, the more marked the price decline. At the same time, however, newly issued bonds offer higher yields.

The effect on bond funds, however, is more complex, and will vary depending on the types of bonds held and the fund manager's ability to adjust the fund's holdings. Moving to shorter maturities, for example, can help mitigate the effect of rising rates.

Regardless of the effect on the fund's unit price, it's important to remember why you have bond funds in the first place — to provide stability and generate regular income.

Dividend funds. Dividend funds that focus on utility, pipeline, and telecommunications companies may experience greater volatility as those companies will see increases in their borrowing and financing costs in a rising-rate environment. Funds with a significant weighting to financial services companies, on the other hand, may experience less volatility and could even benefit.

Growth funds. The Bank of Canada is raising rates against a backdrop of stronger economic growth, and an improving economy can boost corporate profits — which is one of the biggest factors supporting equity markets. Growth-oriented mutual funds with a higher weighting in industrials, financials, and technology companies usually stand to benefit the most.

Maintain your focus

After such a long stretch of stable or declining rates, it's common for investors to become apprehensive at the first hint of increases. Remember, however, that we chose the funds for your portfolio based on their combined ability to help you reach your long-term goals regardless of interest rate or market ups and downs.

That's why it's important to maintain your current investing regimen. If you invest automatically, for example, continue to do so. If you're concerned that rising rates may affect your personal borrowing cost, talk to us. Effective debt management is an important part of your investment plan and just one of the many components of our service to you. ■

1 Bank of Canada Monetary Policy Report, July 2017.

Canadians have more than $1 trillion in unused RRSP contribution room

The numbers are staggering. More than 24 million Canadians have unused Registered Retirement Savings Plan (RRSP) contribution room.[1] That works out to more than $40,000 for each tax filer. With a median annual RRSP contribution of just $3,000, it would seem Canadians are missing out on enormous tax-saving opportunities.

It's difficult to understand why. RRSPs provide a number of benefits, including tax-deductible contributions, long-term tax-deferred growth, and diversification opportunities. And unused contribution room represents the potential loss of many years of tax-free compound growth. Adding just $2,000 to your RRSP in January 2018, for example, earning 8% annually, would bump up your savings by almost $11,000 by 2040.

One of the easiest and most convenient ways to ensure you are always taking full advantage of your RRSP is to start — or increase — regular investment contributions. Once formed, these good habits are hard to break. With regular contributions, you're more likely to get closer to your maximum allowed contribution, and your money will begin to grow tax-deferred as soon as it's in your plan.

Automatic plans are easy to set up, and you can choose a withdrawal date and frequency (weekly, bi-weekly, monthly, etc.) that dovetails with your cash flow. If you're not already taking advantage of preauthorized contributions, we can help you get started. ■

1 Statistics Canada, CANSIM Table 111-0040, Registered Retirement Savings Plan (RRSP) room; accessed September 2017.

EYEOPENER

We're not as financially literate as we think we are

A recent survey[2] found that more than three quarters of Canadians (78%) believe they are financially literate: 64% rate their knowledge as "good," while 14% rate it as "excellent." However, tests results conducted as part of the survey tell a different story — six in 10 failed a test measuring basic financial literacy. In terms of demographic groups, 52% of Boomers passed, while only 45% of Gen Xers and 31% of Millennials got a passing grade.

How would you fare?

Test your own financial knowledge with these five questions from the test. Answers are below.

TRUE OR FALSE?	HOW RESPONDENTS FARED
1. A mortgage term refers to the length of time you need to pay off your mortgage.	51% answered incorrectly.
2. You can have multiple TFSA accounts with different banks at the same time.	20% got it wrong; 40% didn't know.
3. Applying for a credit card can negatively affect your credit score.	36% got it wrong; 17% didn't know.
4. A car that is more expensive always costs more to insure than a cheaper car.	50% got it wrong.
5. All banks charge you money to have a chequing account.	50% answered incorrectly or didn't know.

Answers: 1: False. 2: True. 3: True. 4: False. 5: False.

2 May 2017 survey conducted by Ipsos on behalf of LowestRates.ca.

How protection needs change over time

Just as you go to your dentist regularly, take your car in for maintenance, and rebalance your investment portfolio from time to time, it's important to revisit your insurance coverage on a regular basis to make sure you have the amount and type of coverage that's right for you. Your needs will change over time, as your personal circumstances and priorities evolve.

You may find it helpful to take a life-stage approach to insurance planning.

Young family

Suppose you and your spouse have been together for a year or so. You have one child and are hoping to expand your family soon.

At this stage, you're likely to have a lot of expenses: mortgage, car payments, regular bills, and so on. But protecting your family is crucial. What would happen to them if you were no longer there to provide financial support?

Term life insurance offers affordable coverage for a predetermined term of five, 10, or 20 years. The younger and healthier you are, the lower the premiums, and they stay the same over the term of your coverage.

Working years

As you get older and your children grow up, your needs for protection change. Your mortgage is probably paid down (or almost) and your kids are (hopefully!) financially independent and living on their own.

Does that mean you no longer need insurance? Not at all. At this stage, insurance plays a key role in protecting the legacy you want to leave for your children. For example, you might own a vacation property or a sizeable investment portfolio. Chances are you've saved up a fair bit in your Registered Retirement Savings Plan (RRSP). If you were to pass away, these items could be subject to tax, leaving less for your heirs. But with sufficient life insurance, the death benefit could be used to cover the taxes and keep your legacy intact.

At this stage, you may want to consider the benefits of permanent insurance over term. Permanent insurance combines protection with a tax-deferred investment component, enabling you to build up a cash value in the policy. This can increase the death benefit or you can tap into it to increase your income in retirement.

Retirement

When you're retired, there's another kind of insurance product that you may find especially useful — an annuity. It can provide you (or you and your spouse, if you choose) with a guaranteed income stream for as long as you live.

If philanthropy is important to you, you may want to explore the many uses of life insurance as part of a charitable giving strategy.

Protection that evolves with you

No matter what stage you're at, we can help you find coverage that fits your family, your lifestyle, and your budget. As your needs change over time, we'll always be here to make sure your insurance coverage keeps pace. ■

Convertible insurance offers flexibility

Term life insurance is usually purchased for specific needs — covering debts, such as a mortgage or investment loan, and protecting dependants from financial hardship should the primary breadwinner pass away. In many cases, it's the most economical protection available.

Once it's in place, it may not be top of mind again until the policy nears the end of its term. But you could be short-changing yourself with this kind of "set it and forget it" approach.

A proactive approach

As the policy approaches maturity, you typically have the option to renew the term, purchase a different term, or convert to a permanent policy. But in most cases, you don't have to wait until the policy runs out in order to convert. Many term policies allow you to renew or convert anytime before the end of the term.

The benefits of acting early

One of the key benefits to converting is that you may be able to do so without having to prove your insurability. This might be especially beneficial if you've been ill or suspect your premiums could rise.

Of course, whether or not to convert your policy depends on what you bought it to protect and what you need it to do now. We'd be happy to review your current needs, outline your choices, and help you make the best decision for your family. ■

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