Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

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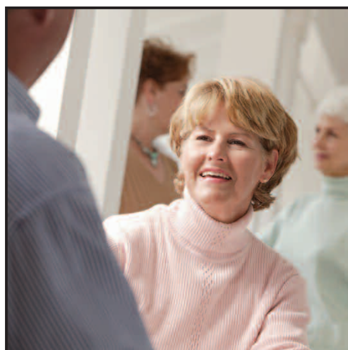

5 Phases in AN INVESTOR'S LIFE

Here are some suggested guidelines as to how to invest in mutual funds during five phases of life.

1. Establishing a Foundation During Your 20s and 30s Your priorities are paying off education-related debts, buying a car, renting or buying your first home.

Suggested Approach Invest equal amounts in small-cap, mid-cap, large-cap and foreign funds trading in stable economies. Equity funds work well for retirement because you have a long-term horizon. Use a money market fund to save three months' worth of expenses in case of an emergency. When you have children, you may want to invest in an RESP.

2. Maximizing Assets in Your 40s and 50s You may own your home, run a business, have reached your peak earning capacity. You have more disposable income because you have less housing debt, which means you have more to invest toward retirement. You are developing your financial independence.

Suggested Approach To maximize your tax savings, increase RRSP contributions. Look to develop a balanced and diversified portfolio. Equity mutual funds offer you the opportunity to beat inflation and exceed low interest rates over the next 15 to 25 years. And if you are conservative, invest in equity funds that hold companies with larger capitalization. Balance the rest of your portfolio with high-quality bond funds and place a portion in money market funds.

3. Conserving and Managing Accumulated Wealth in Your 60s In your early 60s, your time to earn an income may be dwindling. You need to preserve your saved capital, yet provide an income for retirement that could last 20 to 30 years.

Suggested Approach Establish new mid-term and short-term goals. Consider your need for potential growth and understand the relative risks of each mutual fund investment. Pick the best performing, yet conservative equity funds. Consider holding more of

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Please read the funds' prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Any indicated rate of return is for illustration purposes only and is not intended to reflect future values of returns on investment. Please seek professional advice prior to investing. Financium, the publisher does not guarantee accuracy of information, and will not be held liable in any way for any statements or statistics in this publication, though we seek to present reliable, precise and complete information. Written permission of Financium who retains all rights, must be obtained prior to any reproduction. ©Financium. email: admin@adviceon.com

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your portfolio in high-quality bond funds that invest primarily for income, and maintain a portion in money market funds.

4. Spending Investment Assets in Retirement Over the next 20 to 30 years, you want to maintain your lifestyle, retain your health, afford certain hobbies, cover your expenses, and fulfill your retirement dreams.

Suggested Approach Consider remaining invested in some conservative equity mutual funds. These can be set up on a withdrawal plan to create income and offer preferential tax treatment on capital gains. You could hold a balanced portfolio in each of these areas: 1) large-cap equity funds, 2) high-quality bond funds, and 3) cash type investments. Ask your financial advisor about segregated fund policies that can insure up to 75%, and some as high as l00%, of your original capital.

5. Planning to Transfer Assets Estate planning helps you transfer surplus mutual fund assets. You can gift a portion while you are alive and pay the applicable tax, if any, or set up a living trust, establish beneficiaries, and/or give directions in your will.

Suggested Approach Maintain a balanced portfolio with the guidance of your financial advisor to meet your specific goals. Consult with your lawyer and accountant to plan to transfer remaining assets to your heirs.

Note: Historic performance of a mutual fund is no guarantee of future performance.

Building a strong relationship...
WITH YOUR FUNDS

How do you build a portfolio to get the best returns with the least risk? Try negative correlation. Highly correlated in-vestments will move in the same direction, over the same periods, for the same reasons. Canadian and US equities have a high correlation, as the Canadian market closely tracks the US. For diversification, it is optimal to have securities that do not respond similarly to the same market dynamics at the same time in the market cycle. In the world of finance, this is referred to as negative or low correlation. This means that securities do not show the same price behaviour in response to the same market event and are affected by different factors. Less correlation creates effective diversification, helps decrease risk, and strengthens returns.

Over longer time periods, equities and bonds have typically experienced a negative correlation—meaning when one fell in value, the other typically rose. In the past, the formula for a low-risk portfolio was to combine
stocks and bonds. However, in the past 20 years, falling interest rates and lower inflation have caused those two asset classes to move more closely in step.

To enhance diversification, foreign investments can help fill the gap left by the convergence of stocks and bonds. Choosing international securities can increase diversification through negative correlation. Countries in Latin America and Asia, for example, typically move independently from North American markets. They are not reliant on the same factors to the same extent. Before you add these to your portfolio, take a good look at returns. Introducing a poor performer to your portfolio can increase diversification, but more significantly, it can diminish returns.