THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

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The world economic outlook is improving and the growth we're seeing in the Canadian economy is good news. It means that businesses sell more, profit margins improve, and share prices rise.

We also expect that the Bank of Canada will effect a modest interest rate increase later this year. Higher rates, even if modest, will have an impact on your financial life, from mortgage rates to inflation, to your bond holdings and investments such as GICs and money market funds.

To discuss and examine the effect that economic changes have to your portfolio and financial plan, call us for a review.

FOCUS ON INSURANCE

You share a life. Why not share your life insurance?

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

The main attraction. A joint policy is a great way to make sure your family is covered should either partner pass away 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.

Who they're for. 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. Joint policies are attractive for couples who have shared financial obligations, such as a mortgage or the expenses of child rearing.

It's all about coverage. Because 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 early.

They're not for everyone. You should also be aware of the disadvantages of joint policies. For example, in the event of divorce, a joint policy can't be split; two individual policies are easier to deal with.

We can explore whether a joint term life policy is a good choice for meeting your family's life insurance needs. ■

An unexplored avenue for yield: Emerging markets

SEGREGATED FUNDS

Many investors think of emerging markets only as stock market investing opportunities. But did you know that in recent years emerging bond markets have produced consistently strong returns?

Currently, a growing selection of Canadian segregated funds can help you benefit from these returns — and at the same time increase the diversification of your fund portfolio.

More to choose from

Contrary to what many believe, emerging market bonds aren't as risky as they once were. A large percentage of emerging market bonds are higher-quality "investment grade," unlike a decade or so ago. According to a major U.S. financial institution survey, 56% of emerging markets bonds are now investment grade, up from 17% in 1998.

Plus, the difference in yields between emerging and developed markets can be considerable — often double or more for similar government bonds (see chart). For example, according to Bloomberg data, as of January 31, 2011, 10-year U.S. treasuries yielded 3.4%; meanwhile, 10-year government of Brazil bonds yielded 13%. That can make a significant difference in your portfolio's fixed-income returns.

Certainly, part of that yield difference stems from the fact that emerging market bonds must pay higher interest to compensate investors for the risk of investing in emerging countries.

Many emerging countries have environments of chronically higher interest rates, in which bonds must compete for investors' cash. Latin American economic powerhouse Brazil, where central bank rates are among the world's highest, is an excellent example. Foreign-exchange risk must also be factored into your decision.

Yet Brazil, like several other emerging economies, has had its sovereign credit ratings upgraded in recent years. The reason? Emerging market governments and central banks have become much better at managing economies and tempering boom-and-bust cycles. In fact, some emerging economies fared better than their developed counterparts during the recent recession and have since returned to much higher growth rates.

Find opportunity in segregated funds

Emerging debt markets can be difficult to navigate. We recommend the professional money management of segregated funds that invest in emerging market bonds.

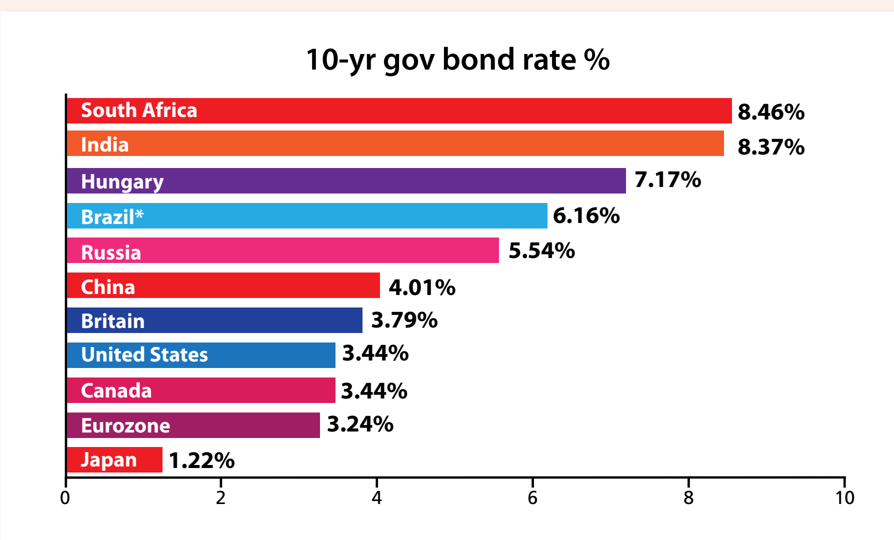
The selection of segregated funds available to Canadians is growing in recognition of the fact that emerging market securities are in demand and that they offer Canadians an alternative to traditional developed country bonds or corporate bonds.

Emerging market bond funds usually focus on bonds issued by governments, although some may hold debt issued by corporations. They typically aim for a combination of income and capital growth through potential appreciation in bond prices. We should look for funds that diversify holdings among geographic markets and bond types, to help maximize returns and manage risk. You can also get exposure through international funds that hold debt securities of both developed and emerging markets.

We'll be pleased to show you how emerging market bond funds can help boost your fixed-income returns, improve the diversification of your overall portfolio, and help you reach your financial goals. ■

Expand your horizons for yield's sake

Looking for higher yields? Consider segregated funds that hold emerging market bonds. Here are the latest rates for 10-year government bonds.



*U.S. dollar-denominated bonds

Source: *The Economist*, Economic and financial indicators, Feb. 5, 2011

RETIREMENT PLANNING

How to talk to your parents about their financial future

At some point, you'll need to have "the talk" with your parents about their finances and their financial future. Planning ahead is the only way for them to keep their financial future on a solid foundation and for you to prepare yourself to provide the help they might need as they grow older.

It's about their needs, not yours

It's not always an easy discussion to have. Parents may see your attempt to discuss their finances as an intrusion — especially in families where talking about money is taboo. They may even fear that you're trying to take control of their money.

But it's important, because one or both of your parents may become ill or incapacitated and unable to manage their finances in the future. They should be aware that without thoughtful planning, how they are cared for at that time could be entirely out of their control. It's about their needs, their comfort, and how they want to be cared for.

Don't wait for a crisis. Talking to your parents and planning ahead will help make sure their wishes are carried out and potentially eliminate squabbles among family members if your parents' wishes aren't clear.

Help them see the benefits

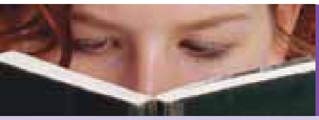
You can avoid problems and alleviate concerns by showing your parents the benefits of sharing their financial information. Let them know that it will be easier for you to help them in the future if you have the information now. Stress that it's important for them and their family, financially and emotionally.

Some discussion points to consider include:

- Do your parents have up-to-date wills? If so, where are they kept?
- Do they each have powers of attorney (both for property and health care)?
- Who are the executors in their wills, and has this decision been reviewed lately?
- Will they have enough funds to continue living comfortably?

To plan, they need to provide details of assets, liabilities, income and expenses, and details of financial accounts — or at least where accounts are held. As well, contact information for financial and legal advisors is necessary.

Don't be afraid to seek expert advice. We can prepare you for a talk with your parents about finances. And if it will help, we can be part of the discussion. ■



FINANCIAL CLASSROOM
your guide to the basics and how to benefit

Explore your risk tolerance

Everybody talks about risk and "risk tolerance." But how can they be quantified? And how can we determine your individual tolerance for risk? It's all in your Financial Classroom:

What it is

To put it simply, risk tolerance is the amount of risk you're willing to accept when investing. For many investors, risk and risk tolerance are focused on the possibility of losing money.

How it works

Periodically, we'll review with you a series of questions to help you explore your individual risk tolerance. A key factor in dealing with risk is time horizon. Long-term investing tends to be less risky because, over time, the general direction of most asset classes is up.

At times, it's simply prudent to re-evaluate risk tolerance to reach our financial goals. For example, focusing too much on the potential for loss can introduce other investment risks, such as inflation risk, or leave you sitting on the sidelines at times of superior market performance.

With long-term objectives in place, the short-term ups and downs of financial markets don't matter as much. They're often described as "speed bumps" on the road to long-term investment success. Keeping that in mind can help ease your risk concerns.

Why it matters

Your risk tolerance affects how receptive you are to decisions involving risk. That's important to your investment life, because as potential returns rise, so does risk.

We can help you explore your personal risk tolerance through a series of questions designed to help determine the risks you're comfortable with. We can also cultivate a feel for your tolerance as we develop your investment strategy and portfolio. We'll pay close attention to how you react to different types of investments and to events such as financial market volatility.

Your estate as beneficiary: When it makes sense

When buying life insurance, most people assume it's best to name an individual beneficiary — for example, a spouse or a child. However, there are times when it makes more sense to have the proceeds of your policy go to your estate.

Here are the ins and outs of leaving your life insurance to your estate.

How it's different

Naming an estate can be a good choice when you want the proceeds to meet non-traditional life insurance needs — meaning other than to provide for a spouse or children — or needs that go beyond individual beneficiaries.

When your estate is the beneficiary, the proceeds of the policy are distributed according to the terms of your will, along with your other property. Your insurance proceeds are brought together with all your other assets.

Consider whether you think you'll need to change your estate plan as you move through life. Naming your estate as your beneficiary means changes can be made more simply: through your will. You won't have to worry about changing beneficiaries on insurance policies.

How to make it work

Here are some other reasons you might want to consider naming your estate as your life insurance beneficiary. You can use this strategy to:

Leave money to charities. You can specify in your will how much of your estate goes to each charity and change your instructions at any time, without naming charities as life insurance beneficiaries.

Set up a trust. Leaving cash to an estate can sometimes make it easier, as the will can dictate the set up of trusts for children. This can be useful when you want to specify how money left to children is to be spent or to make provisions for children to receive funds when they reach a certain age.

Pay expenses. You can use life insurance proceeds to pay costs associated with your estate. These can include final expenses, debts, and tax liabilities.

A couple of caveats

You should be aware of some potential disadvantages when considering naming your estate as the beneficiary of your insurance policy. They include the fact that policy proceeds (along with the rest of your estate) may be reduced by the cost of probate — the legal process that validates the authenticity of a will. Probate can also delay distribution of assets and your estate may be subject to legal claims from creditors. However, under the right circumstances, the advantages of naming an estate can outweigh these considerations. If you name your estate as beneficiary, it's important to make sure your will is always up-to-date.

Together, we can explore when and where insurance proceeds will be needed and determine whether naming your estate as beneficiary makes sense for you. ■

Health coverage for junior

EVEN THOUGH YOU might have health care coverage through both provincial and employer insurance plans, you might be concerned that the level of coverage doesn't provide enough security for your family — especially your children.

It might make sense for you to consider supplementary private health-care insurance.

Many common health-care costs you'll face as your children grow aren't covered by provincial health-care plans. If you belong to a workplace health plan, some costs may not be adequately covered, or your plan might not include dependants.

These costs don't have to be associated with major illnesses, just the everyday common issues of growing up — such as prescription glasses, prescription drugs, and dental care. Other costs faced by some parents might include hearing aids or specialized medical equipment or services.

Generally, child health insurance is less costly than adult health insurance. Without it, unanticipated medical expenses could have an unexpected negative impact on family finances.

For peace of mind and financial security, let's explore supplemental health-care insurance. We can talk about what's covered by provincial health insurance and employer plans, and discuss which types of supplemental plans offer the most cost-effective coverage. You can purchase individual coverage for children or cover everyone with a family plan. ■