THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

INDEPENDENT FINANCIAL CONCEPTS GROUP LTD.™
Life. Health. Financial. Relax, we have you covered.

Independent Financial Concepts Group Ltd.

Langstaff Road - Concord Office:
1700 Langstaff Road, Suite 1001
Concord, ON L4K 3S3
Telephone: (905) 202-8430
Fax: (905) 695-0507

Holly Street - Toronto Office:
20 Holly Street, Suite 207
Toronto, ON M4S 3B1
Telephone: (416) 486-3989
Fax: (416) 486-4061

Website: www.ifcg.com

It's hard to believe that we're nearing the end of yet another year. And while we may not relish the thought of getting older, time can work wonders with your investment portfolio.

Thanks to the "magic" of compound growth — and your commitment to regular saving — every passing year can take you closer to reaching your long-term goals.

To make sure your plan is on track, why not come in for a portfolio review before the holidays? We can go over the events of the past year and chart your course for 2016.

FOCUS ON INSURANCE

Tips for a bright 2016

If you could look ahead to the New Year right now, what would you see? Hopefully, a year that's bright with promise, good health, and financial prosperity.

Here are some ideas on how insurance can help you enjoy the above in 2016 and beyond.

Be specific about your needs

"If I wasn't here, I'm pretty sure my family would be okay."

Pretty sure? Could they keep the house? What about your kids' future education goals? What might they have to cut back on? Child care? Vacations? Extra-curricular activities?

By tapping into specific concerns, we can implement targeted insurance solutions to provide the financial protection you need.

Consider the best- and worst-case scenarios

Absolutely look ahead to the brightest possible future. But give some thought to what would happen if you or a loved one became critically ill or disabled.

Critical illness and disability insurance can help provide the financial support that enables you to make the decisions that are right for you and your family.

Share it

When you talk about your goals, they are more likely to happen. This applies whether you're hoping to start or expand a business, endow a scholarship, or tap into some extra cash for home improvements, travel, or just about anything else.

Get started by sharing your goals with us. We can make sure that your insurance protection keeps up with your changing needs and supports your life goals. ■

David vs. Goliath: The battle for your segregated funds portfolio

SEGREGATED FUNDS

There's a battle going on in the markets that's likely having a run-off effect on your segregated funds portfolio. It's the age-old David and Goliath story and, like the fable, care to guess who's winning?

For the past five years, small-cap stocks have been quietly but successfully muscling their way past many of the bigger, brawnier companies that underpin the markets. And unlike some fights that have to be decided by judges, this match can be settled strictly by the numbers. So here they are. From August 2010 to August 2015, small caps have averaged an annual compound return of 17.35%, large caps have posted a respectable 13.2%, and the stalwart blue chips have brought up the rear with 10.45%.[1]

Bigger is not always better

There's a lot to be said about the momentum and growth potential of smaller-cap stocks. As the numbers demonstrate, there's a compelling case to be made that many investors might benefit with segregated funds drawn from across the market-cap spectrum.

Indeed, one of the biggest benefits of segregated funds is just how easy it is to give your portfolio a little taste of everything, from micro-caps to the so-called mega-caps. By embracing this diversity, not only are you enhancing your opportunities for long-term growth, but you're also broadening your exposure, reducing overall risk, and putting yourself in a position to benefit from a variety of economic scenarios.

Three reasons to think small

Here are three key reasons to consider including small-cap funds in your portfolio.

1. Strength on the upside and a cushion on the downside. Small, well-managed companies tend to have more upside potential than larger ones. If your portfolio includes segregated funds with holdings from both sides of the spectrum, you can benefit from the up-and-comers as well as tried-and-true dividend payers. Not only can this enhance returns, it can mitigate the impact of dramatic swings from either side.

2. Merger and acquisition opportunities. As smaller companies begin to grow, they become targets for takeovers by larger companies. This benefits the firms themselves and investors who have segregated funds with exposure to the companies on both sides of the transaction.

3. Management style diversification. Growth and value as fund management styles can be closely linked to the market cap of the securities they hold. Growth fund managers typically buy securities they believe will experience faster-than-average growth, whether from revenue, earnings, or cash flow. Value funds typically seek out "diamonds in the rough" — that is, undervalued stocks priced lower than their fundamentals would suggest is reasonable. Almost by definition, small-cap funds tend to follow a growth approach while blue-chip funds tend to fall into the value category. By adding a domestic or international mid-cap fund to the mix, we can harness a "best of all worlds" approach in your portfolio.

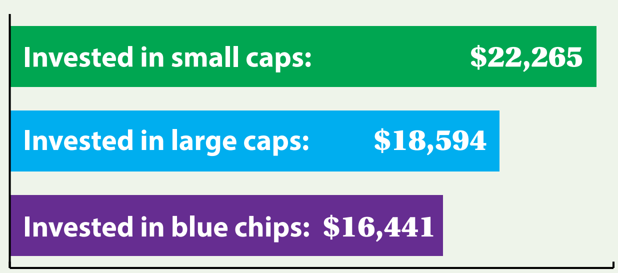
Markets in Canada, the U.S. and overseas are ripe with both exciting start-ups and market stalwarts. We'd be happy to review your portfolio's holdings of domestic and foreign equity funds to make sure it's harnessing all the potential possible from across the market-cap spectrum. ■

[1] NASDAQ, S&P 500, & DOW Total Return Indices compounded annual return over the five years ended August 4, 2015. Source: Bloomberg.

Small in stature, big in potential

Over the five-year period from August 2010 to August 2015, small caps outperformed larger caps by a substantial margin. This illustration shows how a $10,000 investment in small caps, large caps, and blue chips would have fared.[1]

Original investment:
$10,000



MONEYFILE

Why you may want to leave your RRSP to charity

At death, registered assets can pass tax-free "in kind" to a qualified, specifically designated beneficiary (typically your spouse or a dependent child). But what if you don't have a qualifying beneficiary? Or your child reaches the age of majority and no longer qualifies as a dependent? Or suppose you and your spouse die at the same time. What happens then?

In that case, your registered assets will be treated as though they had been sold. Their full market value will be counted as ordinary income on your final tax return and it will be taxed at your highest marginal rate. This can have profound implications for your estate and your beneficiaries.

But if leaving a legacy to a charity or your alma mater interests you, here's one possible solution: Consider naming a registered charity as your alternate beneficiary.

In the absence of another named beneficiary at death, the asset will be given to the charity. Your estate will get a charitable tax credit for the market value of the assets at death. As a bonus, this could allow your registered assets to bypass probate, and thus avoid probate fees in provinces where they apply.

Depending on the size of your registered plans and the value of the rest of your assets, this approach could significantly reduce your final tax bill. And it could even result in a larger residual estate than if you had left the assets directly to your child.

If you haven't yet filled out a "multiple-beneficiary designation form," or you'd like to discuss your options, please contact our office. ■

TAX PLANNING

Would you rather… pay yourself or the CRA?

If you haven't taken full advantage of your 2015 tax- and investment-planning strategies, you could be leaving money on the table for the Canada Revenue Agency (CRA). Here are a few year-end tax tips for your consideration.

- Crystallize capital gains or losses for tax advantages. Remember that trades must settle before December 31 in order for you to claim them in 2015.
- Repay any money withdrawn from your Registered Retirement Savings Plan (RRSP) under the RSP Home Buyers' Plan. Repayments must be made no later than March 1, 2016, to avoid taxation.
- Make any charitable donations you want to claim in 2015.
- If you have business-related purchases to make, consider doing so before year-end. These may include professional dues and membership fees.
- Capitalize on the new $10,000 TFSA contribution limit.

To ensure you've taken all the necessary steps to reduce your tax bill for 2015, call us for a year-end review prior to meeting with your tax advisor. ■

ESTATE PLANNING

What will happen to your online identity when you go to that #newsfeedinthesky?

The widespread adoption of social media has changed our lives in many ways. Take a moment to reflect on your own online presence. Are you on Instagram, Twitter, Tumblr, LinkedIn, Classmates? What about an online dating profile or membership in an alumni forum?

These are great ways to connect with other people. But what happens to these accounts when you pass away?

Facebook has acknowledged the significant role it plays in people's lives, rolling out its "Legacy Contact" feature in Canada earlier this year. Legacy Contact gives you the ability to designate a person you trust to manage certain aspects of your Facebook account in the event of your death. This person could pin a memorial tribute at the top of your wall, moderate friend requests, and curate pictures posted to your timeline.

Depending on how you fill out the legacy instructions, you can have your profile changed into a tribute page or opt to have your account deleted entirely.

While other social media may follow suit, in the interim you may want to consider leaving specific instructions with your power of attorney or executor. Most sites will remove your profile upon receiving proof of your demise, but you may prefer to be memorialized in the ether.

Bottom line: Do your family a favour and give some thought to the electronic footprints you'll leave behind. ■

For retirement security, harness the power of three

The number three has a long, powerful history in literature, art, and religion. For your retirement years, the number three also has significance: Harnessing the triumvirate of annuities, life insurance, and segregated funds can provide growth potential, income, and a safety net for your family.

Core strength

Life insurance is at the core of this strategy. Policies that bundle insurance with an investment component can give you the freedom to enjoy a comfortable lifestyle now and throughout retirement without having to worry about your heirs or your estate.

With a universal life policy, for example, part of each premium pays for the insurance and part goes into an investment portfolio where it can grow tax-free (subject to certain policy funding requirements). You can borrow against the investment portion of the policy, generating tax-free income. At death, the life insurance component pays back any loans that you may have taken and the remaining balance is paid out (again, tax-free) to your beneficiaries.

Guaranteed income for life

Annuities can also be considered a core holding. When you choose a life annuity, you get guaranteed cash flow, eliminating the risk that you could outlive your income. When you choose an indexing option, your income stream keeps up with inflation.

Having annuity payments coming in may give you the freedom to defer an employment-based pension stream or your Canada or Quebec Pension Plan payments in order to get larger payouts down the road.

For couples, a joint life-and-last-survivor annuity may be worth investigating. This type of annuity guarantees income for as long as both you and your spouse are living. When you choose a minimum payment guarantee period, payments will continue (or a lump sum will be paid) to your selected beneficiary or to your estate if the second death occurs before the end of the guarantee period.

Growth potential — plus guarantees

Insurance and annuities provide the security and income you need for a comfortable retirement. But what about growth? To protect against inflation, you also need the growth potential that equities provide. That's where segregated funds come in.

Seg funds cover the investment spectrum, providing access to domestic and global fixed income and equities. In addition, many seg funds come with a reset feature that enables you to lock in any increase in value on an annual basis. We can choose a diversified selection of funds to provide growth potential and complement the rest of your portfolio.

Seg funds also give us the opportunity to balance investments between your registered and non-registered portfolios. Drawing down income strategically can help preserve your access to income-tested benefits (like Old Age Security) and minimize the tax you pay.

Planning for and managing a retirement income stream is a complex task. Talk to us about how we can harness the benefits of life insurance, annuities, and segregated funds for your retirement. ■

If it can happen to them…

Bobbi Kristina Brown. Michael Schumacher. Christopher Reeve. These three celebrities share a tragic bond: They were all incapacitated for extended periods of time as a result of tragic accidents. Superman Reeve at age 43 while horseback riding, the racing legend in a minor fall while skiing, and Bobbi Kristina Brown after nearly drowning in the bath.

Thanks to their wealth, at least their loved ones didn't have to worry about how to cope with the astronomical costs of round-the-clock care, not to mention necessary rehabilitation or household/lifestyle modifications following their accidents.

How would your family cope with such a tragic injury?

Prepare and plan

Life and disability insurance are the cornerstones of your insurance portfolio, but they don't cover such things as an acquired brain injury, burns, or paralysis — the types of injuries very often sustained by misadventure. That's where an accident insurance policy or rider can help ensure you don't add crippling financial hardship to the already devastating toll of a catastrophic accident.

Depending on the policy and the type of injury sustained, you may receive a lump sum or a daily amount to defray the costs of a lengthy hospital stay or in-home recovery. Most policies also include a payout in the event the insured dies as a result of the accident.

Tailoring coverage to your needs

Even the best policy can't prevent accidents from happening, but it can help ease the financial burden. We can help you find coverage that fits your needs best. ■

This newsletter has been written (unless otherwise indicated) and produced by Ariad Communications.
 ISSN 1205-5840