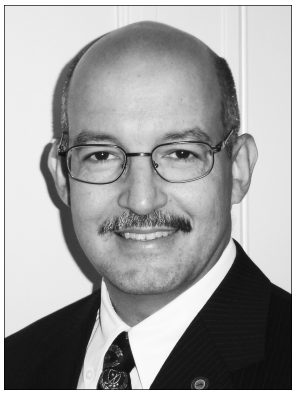
The Perspective



Francis Martin
B. Comm., B.A. Economics
Financial Advisor
Life Insurance Advisor
Manulife Securities Incorporated
Manulife Securities Insurance Inc.
503-3027 Harvester Rd
Burlington, ON L7N 3G7
Telephone: (289) 337-8900
Ext. 319
Toll-Free: 1-888-719-6168
Fax: (289) 337-8909
Email:
Francis.Martin@manulifesecurities.ca
Website: www.manulifesecurities.ca

The start of a new year is always exciting - it's a time to reflect on your accomplishments to date and plot a path for what you want to achieve next.

From meeting short-term needs to saving for long-term goals, we're here to help you. We understand how hard it can be to balance your many priorities - paying bills, supporting your kids (or your parents), saving for your own future - and can help you make the most of the strategies and tools available to you.

FOCUS ON RETIREMENT

Your retirement plan and your home

Over the past decade, residential real estate prices have more than doubled in some areas. Homes in the greater Vancouver and Toronto areas, in particular, have skyrocketed.

For retirees and pre-retirees, this presents both opportunities and challenges. While your home is an important part of your retirement plan, it can never take the place of a diversified portfolio.

Lack of liquidity

One of the biggest drawbacks to real estate is lack of liquidity. In other words, if you want to sell your home, it could take weeks or even months to find a buyer.

With mutual funds or stocks, on the other hand, you can often sell the same day.

Fluctuating values

Real estate values are not consistent across the nation and are subject to a wide range of external, localized factors. The Calgary market, for instance, was red hot when oil prices were high, but when the price of oil dropped, home values declined as well.

Unforeseen events like these could have an impact on your home's value right when you need it most.

A diversified plan is the answer

A well-thought-out plan helps provide the flexibility you need to make the decisions that are right for you. We can help you make the most of your home equity and maintain an investment portfolio that reflects your need for security, income, and growth. ■

Mutual funds + professional advice: A winning combination for managing risk

MUTUAL FUNDS

When we think of risk, we tend to focus on the possibility of losing money in the markets. But every investment has its risks. Even investments that seem completely safe like Guaranteed Investment Certificates (GICs) come with some risk — notably, will they keep pace with the cost of living?

Here's a look at the main kinds of risk — and how mutual funds help protect against them.

Market risk

Also called market volatility, this type of risk is associated with investing in the stock market. It includes any event that can depress the markets, such as war or political turmoil, as well as events that can depress specific industries — such as the airline industry after 9/11.

Managing market risk. Diversification is the best way to protect against market risk. By holding a number of investments, we reduce the effect of a decline in any one. In fact, that's a main reason why so many investors choose mutual funds in the first place. A mutual fund provides much greater diversification than any individual investor could achieve.

In addition, we can diversify your portfolio with equity funds providing growth potential, bond funds adding stability, and cash equivalents giving you security and liquidity. If the equity portion of your portfolio is declining, cash and bonds may take up the slack.

Company-specific risk

Also called "business risk," this type of risk refers to any event or trend that affects a specific company in any industry. Examples include the failure of a major project or product, or changes in leadership.

Managing company risk. Mutual funds are one of the best ways to manage company-specific risk. Rather than buying the stock of one or two companies, a broad equity fund will invest in numerous companies.

In addition, fund managers typically conduct rigorous company analysis before they invest and on an ongoing basis afterward.

Inflation risk

Inflation risk is the risk that rising prices for goods and services will erode the value of your savings. In Canada, inflation has been low for the past few years. However, over the long term, the effects of even moderate inflation become evident.

For example, the average annual rate of inflation over the past 35 years is 3.04%. That means a basket of goods and services — including food, housing, transportation, furniture, and clothing — that cost us $100 in 1980 would set us back $294 today.[1]

Managing inflation risk. Historically, equity mutual funds have outpaced inflation better than fixed-income or money market funds. While they are subject to short-term volatility, they offer us the potential for greater growth over the long term.

Currency risk

Fluctuating currencies can affect the value of your investments when they are converted back into Canadian dollars. We have seen this in the past few years, as the Canadian dollar has fallen against the U.S. dollar.

Managing currency risk. Diversifying internationally can help reduce currency risk. A global mutual fund, for instance, will invest in a number of countries and gain exposure to a basket of currencies. This can help reduce the impact of currency fluctuations on your portfolio.

You can also take advantage of currency-neutral funds, which invest in U.S. or international markets but eliminate currency risk by hedging returns back into Canadian dollars.

Putting theory into practice

Working together, we can find the right amount of risk you're comfortable with so you can take advantage of the growth of the markets over time. ■

1 Bank of Canada Inflation Calculator.

PORTFOLIO MANAGEMENT

Canadians embracing entrepreneurship

Whether it's the ongoing popularity of shows like *Dragon's Den* and *Shark Tank* or a desire to pursue a passion, Canadians are setting out on their own in record numbers — some 2.8 million of us were self-employed in 2015, according to Statistics Canada.[1]

This figure has been rising steadily over the past decade. That's because Canadians between the ages of 55 and 64 are almost twice as likely as their 25- to 44-year-old counterparts to be unincorporated, self-employed workers.[2]

If you're considering self-employment, let's get together soon to talk about:

- Revising your budget to reflect your new situation.
- The best way to access cash if you need capital to get started.
- The potential tax benefits of being self-employed.
- How to stay on track to your retirement goals.
- Whether you need to replace any employer group benefits you'll be giving up.
- Whether we need to adjust the asset allocation in your portfolio in light of your new circumstances.

Whatever path you decide to take, we're here to support you. ■

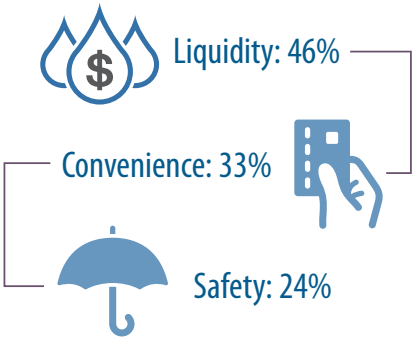
1 Statistics Canada Table 282-0012 Labour Force Survey Estimates.
2 Statistics Canada: Unincorporated self-employment in Canada, 1989 to 2010.

EYEOPENER

What's under your mattress?

A recent BlackRock Global Investor Pulse survey[1] found that Canadians are holding a whopping 60% of their portfolios in cash-type investments. Here are the top three reasons why:

Top 3 reasons investors hold cash

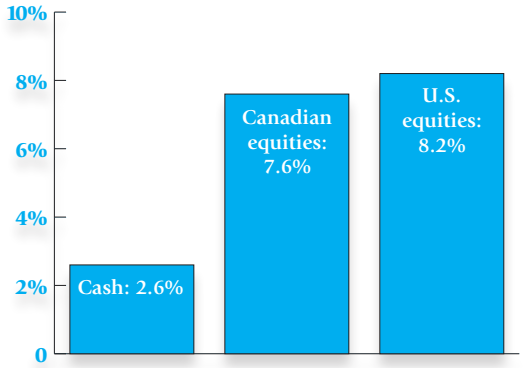


We can help you decide on the best way to put your cash to work so that you are getting the returns you need to meet your goals without taking on more risk than you're comfortable with.

What's wrong with this picture?

Just like keeping money under your mattress, focusing too much on cash-type investments can limit your opportunity for investment growth and seriously impair your ability to reach long-term savings goals, such as retirement. Just look at the comparative returns over the past 20 years:

20-year annual returns to Dec. 31, 2015[2]



1 BlackRock Global Investor Pulse: Stuck in Cash.
2 Taxtips.ca, "Historical Returns on Stocks, Bonds, T-Bills." Pre-tax returns as of Dec. 31, 2015 in Canadian dollars.

5 reasons to keep working after age 65

Society's opinions regarding aging have changed considerably since the Canada Pension Plan came into being in the mid-sixties. People are living longer and healthier lifestyles than ever before. So it's hardly surprising that their attitudes towards work are changing too.

According to Statistics Canada, more than one in four Canadians age 65 to 69 were still working in 2014.[1] Why are so many would-be retirees choosing to stay at work? Here are five reasons that may leave you reconsidering your own retirement options.

1. More money

Continuing to work means continuing to earn employment income so you can accumulate extra funds to enjoy a more active or longer retirement. And working doesn't necessarily mean working full-time. You may be able to work on a part-time basis or provide valuable consulting — on your own terms, at a per-hour rate.

2. Higher government benefits

Working longer may mean you can choose to take your Canada/Quebec Pension Plan (CPP/QPP) and Old Age Security (OAS) benefits later rather than sooner, in exchange for higher payments. The traditional age for starting benefits is age 65, but you can elect to defer them and have payments start as late as age 70.

3. Access to group benefits

Many employers provide their workers with group benefits plans that provide life and disability coverage as well as healthcare benefits that help to defray the cost of prescriptions, dental care, and vision care. Staying on the payroll means that you can continue to have access to this coverage.

4. Tax-deferred savings and growth

Working generates contribution room for your Registered Retirement Savings Plan (RRSP). You can contribute to your RRSP until the end of the year you turn 71. Contributions to a spousal RRSP can be made up until the end of the year your spouse turns 71.

With employment income coming in, you may be able to defer converting your RRSP to a Registered Retirement Income Fund (RRIF) or take only the required minimum withdrawal from your RRIF. The longer your funds stay in an RRSP or RRIF, the longer they benefit from tax-deferred compound growth. If you have maximized your RRSP, you can contribute to your Tax-Free Savings Account (TFSA), with no age restrictions whatsoever.

5. Personal satisfaction

Many of us truly love our jobs and have built some of our closest relationships there. For some, work is also a source of considerable intellectual stimulation and a way to meet new people and stay active socially. Ultimately, whether you choose to remain employed or not in your later years is a personal decision. Whatever your preference, we can help make sure you have a financial plan that supports your choice. ■

1 Statistics Canada *The Daily*, "National Seniors Day…by the numbers," 2014.

No need to fear flying solo in retirement

According to Statistics Canada, about one-quarter of Canadians over the age of 65 live alone.[1] There's no reason living alone should prevent you from enjoying your retirement years, but it does present a unique set of circumstances with regard to your lifestyle, income and wealth management, and long-term planning.

Contingency planning

Without the dual income stream or tax savings that couples enjoy, we would need to take steps to ensure your income stream will be adequate. This will include reviewing your retirement timeline, lifestyle aspirations, current and projected debts, and investments.

Is your nest egg sufficient to fund retiring at 55 or 60? How much can you expect to receive from government programs, such as the Canada or Quebec Pension Plan and Old Age Security? If there's a savings shortfall, we can look at ways to bridge the gap.

Let's look at implementing a healthcare strategy so a period of ill health doesn't wipe out your savings. And let's also discuss options in case you need to move out of your home.

Reality check

Even if you are not currently single, the older you get, the more likely it is you'll find yourself alone: 37% of women and 22% of men over age 85 are on their own.[1]

For your peace of mind, let's set up a meeting today to map out a contingency plan for tomorrow. ■

1 Statistics Canada, 2011 Census of Population, "Living arrangements of seniors."