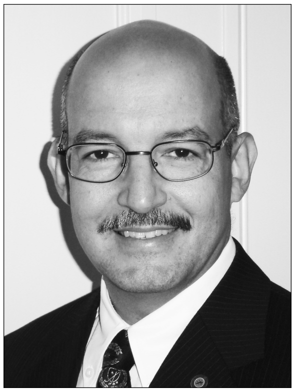
The Perspective



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

With its slower pace, summer is a great time to sit back and reflect. Are you happy with where you are in life, personally and professionally? Are there important goals that you have yet to achieve?
Or maybe you're perfectly content in your own life and would like to help others. Giving back to the community through charitable contributions of time, skills, or money can be very fulfilling.
So whether you're relaxing in your back yard, sipping a beverage at a sidewalk café, or hiking through nature, take a moment to think about what's really important to you. Then, come talk to us so we can start planning to help you reach your goals.

FOCUS ON RETIREMENT

Keep your will up-to-date

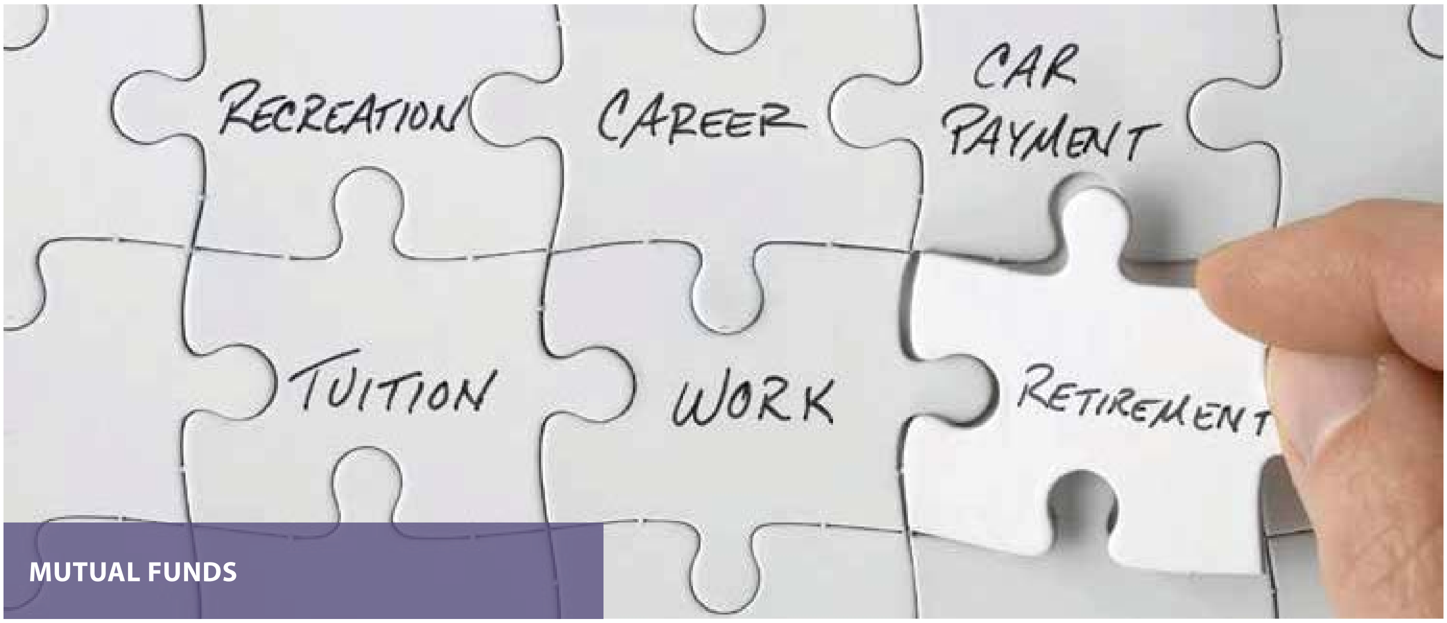
If you have a will, congratulations! Far too many Canadians have not taken this important step to ensure that their estate is distributed according to their wishes.

But keeping your will up-to-date is just as important as making it in the first place. The only way that your will can be effective is to review and revise it when major life events occur, such as:

- You (or one of your beneficiaries) get married, separated, or divorced.
- Your executor or beneficiaries move to another province or country.
- You acquire real estate in a new province or country.
- You acquire new dependants — for example, if your elderly parents move in with you, or if you have custody of your grandchildren.
- You acquire a new beneficiary, such as a grandchild.
- Your executor or one of your beneficiaries passes away.
- Your executor or trustees are no longer willing to accept their roles, or their competence has changed.

Other changes that should trigger a review include any changes to your insurance policy, changes to tax laws that affect you, or any significant change in your net worth (perhaps as a result of an inheritance or sale of a business).

Even if there have been no major changes, it's a good idea to review your will every year or two. If you have any questions about your will or any other component of your estate plan, professional advice can help you. ■



MUTUAL FUNDS

Life-stage retirement planning: It's never too early (or too late) to start

In a study last year on retirement preparedness,[1] the Conference Board of Canada found that six out of ten Canadians didn't think they had put enough away for their senior years. Notably, those aged 55 through 64 admitted they had not saved adequately, and were worried about making ends meet through retirement.

Perhaps it's something you've worried about, too. Or if you're younger, perhaps you're wondering if you should be worrying.

What's the best way to feel confident about achieving your retirement goals? Whether you're 30 years from retirement or three, a diversified, well-managed portfolio of funds can help provide the mix of security, income, and growth you need, as these examples show.

The building years

"Go for growth" is likely to be your investing mantra at this stage of life. Thanks to kids, mortgages, and a propensity for accumulation, these years tend to be typified more by spending than saving. However, time is totally on your side. With a long investment horizon, you can focus on growth-oriented equity mutual funds, knowing that you'll have plenty of time to ride out any temporary market downturns. You'll also benefit the most from compound investment growth.

Whatever else is going on at this busy stage of life, let's look at beefing up your holdings with funds that have the best potential for long-term capital appreciation. Because building your nest egg is your primary objective, we need to ensure that you have an optimal cross-section of domestic and international equity funds. We might also want to investigate country- and sector-specific funds to enhance diversification and to capitalize on specific opportunities, currencies, or economies.

Peak earning years

At this stage in your life, you may be mortgage-free (or close to it) and be earning the highest salary of your career. Your children have left home and are independent. With more income and fewer expenses, these are typically your biggest earning years and (not coincidentally) your biggest tax-paying years.

For most people at this stage, there's still lots of time for the growth potential of equity funds. That said, it's a good idea to investigate funds that can also minimize your tax bill. Corporate class mutual funds, for example, offer all the investment choices you want with the added benefits of tax-efficient distributions and easy, tax-smart asset re-allocation within the fund family.

It goes without saying that this is also the time for us to make doubly sure you're taking full advantage of tax-advantaged accounts, including Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs).

Pre-retirement years

With retirement on the horizon, this is the stage when we want to start gradually shifting your fund portfolio away from capital appreciation and towards capital preservation and income generation. In the same way that dollar-cost-averaging (buying in small increments on a regular basis over time) is a smart way to acquire mutual funds, it's an equally smart way to transition out of them.

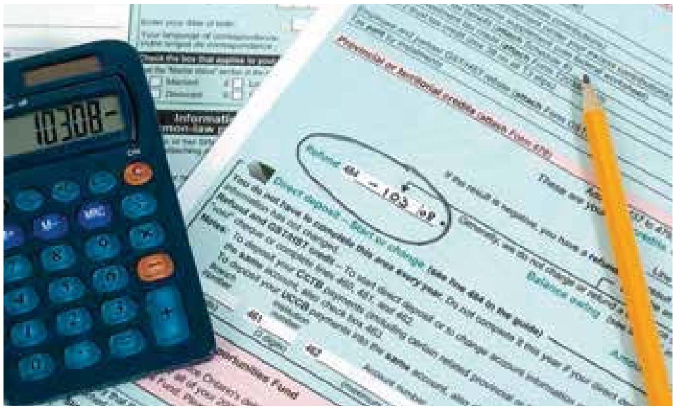
Now may be the time to use this approach to start moving into the funds that will provide your retirement income stream. This doesn't mean selling off all your growth-oriented funds. But by starting well in advance, you can enjoy the luxury of slowly rebalancing. Even if your anticipated retirement is 10 years away (or more), let's talk about what's next and set up the steps we'll need to implement your plans.

Whatever life stage you're in, remember that we're here to help. We can help you clarify your short-, medium- and long-term goals and craft a mutual fund portfolio to help you reach your financial objectives. Over time, as your life evolves, we can make sure your portfolio stays aligned to your changing needs and objectives. ■

1 Conference Board of Canada, *A Survey of Non-Retirees and Retirees in Canada: Retirement Perspectives and Plans*, October 2014.

TAX PLANNING

Max your credits



It's summertime! Chances are, nothing is further from your mind than paying taxes. But by staying on top of summertime receipts, you can make sure you take full advantage of all the tax credits available to you when you file your return next April. Here are two areas in particular where you'll want to keep those receipts.

Childcare expenses. If you have kids in formal daycare, you probably already know about childcare tax credits. But summer programs, including day camp, art classes, summer school, and sleepover camp, may also be eligible. In fact, just about any childcare expense that enables you to work, study, carry out research, or run a business may be permissible.

Child fitness tax credit. Starting in 2015, the child fitness tax credit gets a lot more generous. If your kids are under 16 (18 for a child with a disability), you may be eligible to claim up to $1,000 (double the amount you could claim last year). Best of all, the list of eligible activities is broad. So whether your son takes golf or sailing lessons or your daughter goes to soccer camp or a horseback-riding academy, save those receipts! ■

EDUCATION PLANNING

Will an RESP be enough?

A Registered Education Savings Plan (RESP) is a great way to save for a child's education. But it's not the only strategy and, depending on your child's situation, you might want to bring other effective ways to set money aside. Consider these questions…

Is it possible your RESP payments will fall short of your child's expenses? RESPs have age and contribution limits. If you missed out on contributing while your child was young, if your child ages out of eligibility, or if your contributions didn't meet your expectations, there are other investment vehicles that can help you reach your goal.

Is your child considering post-graduate studies? If your child opts for a career in medicine, law, architecture, business, or engineering, expenses will go far beyond those associated with a four-year undergraduate degree. You may want to investigate alternative investments to defray at least some of the additional costs.

Is your child keen on an Ivy League school? If you want your child to have the option of attending a prestigious U.S. university or studying abroad, an RESP will cover only a fraction of the cost. If any of these situations might be part of your future, we can show you how to enhance your RESP with other investments such as Tax-Free Savings Accounts (TFSAs), non-registered holdings, or in-trust accounts. ■

MONEY MANAGEMENT

When a saver and a spender live under one roof

A recent Nielsen survey[1] found some interesting differences between how men and women spend, and how they save. Among consumers polled, 43% of men said that now is a good time to spend, compared with just 36% of women. When a spender and a saver pair up, decision-making may become a source of stress. But it doesn't have to be that way.

Savers and spenders are simply people with different expectations. They may ultimately want the same things, but they have different timelines for those acquisitions. Believe it or not, it's entirely possible for Ms. "Live for today" to find harmony with Mr. "Save for a rainy day."

Compromise, candour, and balance are the keys. Perhaps you can agree on a savings/spending split? "If we set up a PAC that puts $350/month into our TFSA, we can earmark $150/month as mad money." Make it more tempting by agreeing that mad money not spent this month gets rolled into next month's slush fund. After all, even spenders can be encouraged to save, with the right enticements.

And rest assured, savers and spenders do agree on some things. In that same study, men and women both said that when it was necessary to cut back, it made sense to start by reducing holiday spending, phone plans, and gas/electricity costs. We have a lot of experience helping couples navigate their saving and spending goals. If this is a source of stress or conflict in your family, we would be pleased to help. ■

1 Nielsen Insights, "Money may make the world go around, but men and women have different spending priorities," March 2015.

Retirement income planning — how much will you need?

A big part of planning for your retirement years is estimating your income-replacement ratio — that is, how much of your current income you'll need each year to maintain your desired lifestyle. The rule of thumb is 60% to 80%, but that's a very general guideline, best used as a starting point only.

Depending on your current income and your desired retirement lifestyle, you may need significantly more or significantly less. In addition, your lifestyle — and the income you need to support it — is likely to change over time. Remember, your retirement may easily span 30 years or more.

Assessing your needs

To determine your personal income-replacement ratio, you need to consider the following questions. If you're already retired, answering them will help you see how your needs may change over time.

How will you spend your time? If you expect to travel the globe or swing your clubs at every major golf course, you are going to need considerably more money than someone who wants a quiet life in the country. In fact, you may need to have an income that's higher than what you make now.

Where will you live? Moving from your current principal residence may have a number of different implications, depending on whether you're downsizing or moving up. Remember, any capital gain you make on your principal residence is tax-free. If you're moving up, on the other hand, you may have mortgage payments to factor in to your retirement-income needs. If you move to a condo, you'll need to consider the monthly maintenance fees.

Are your healthcare costs likely to rise? This is a difficult question to answer with any certainty, but your current health, lifestyle, and family history may help give you an idea.

Will you have any dependants? These days, it's not unusual for retirees to be providing financial assistance to adult children who have returned home or to aging parents — or to both.

Will you or your partner continue to work? Many Canadians choose to work part- or full-time well past the traditional retirement age of 65. Additional income, of course, will have income tax implications and may affect your eligibility for government benefits such as Old Age Security (OAS).

Do you want to leave a legacy? Some couples place a high priority on leaving something behind for their children or charity. For others, this may be less of a concern.

Your income base

In determining your ratio, some of your income is likely to be supplied by the government, in the form of the Canada or Quebec Pension Plan and Old Age Security (OAS). Even if you qualify for the maximum benefits, however, government sources alone may not support you in the lifestyle you want.

We can work together to better define your retirement income needs, bridge any gaps, and guide your plans to meet your goals. ■

ESTATE PLANNING

The pitfalls of joint ownership

Putting your home or an investment portfolio into joint ownership with an adult child or other heir can be an effective way to bypass your will and avoid probate fees in provinces where they apply. The asset simply passes to the surviving joint owner on death. However, the strategy can have unintended, undesirable consequences.

For example, suppose you are widowed and put your home into joint ownership with your adult son. Without careful planning, the following could occur:

- If your son gets into financial difficulties, your home could be at stake while you're still living there.
- If your son divorces, his ex-spouse could come after your home.
- If your son already has a principal residence, half of the future appreciation in the value of your home could be subject to capital gains taxes.

Putting an investment portfolio into joint ownership has potential drawbacks, too. If the investments have increased in value since you purchased them, transferring them will trigger capital gains tax. In addition, your investment account would be exposed to claims by creditors or an estranged spouse.

Another consideration: Your assets could be distributed unfairly on death. If your will says your estate should be divided equally on death but the jointly held asset bypasses the estate, the joint owner might receive more than your other beneficiaries, unless you amend your will accordingly.

The best way to help prevent undesirable consequences of joint ownership is proper planning with guidance from qualified legal and other professional help. ■

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Manulife Securities Incorporated is a Member of the Canadian Investor Protection Fund. Manulife Securities Investment Services Inc. is a Member MFDA IPC (excluding Québec). Manulife Securities and the block design are registered service marks and trade marks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Securities Incorporated, Manulife Securities Investment Services Inc. and Manulife Securities Insurance Inc. This newsletter has been written (unless otherwise indicated) and produced by Ariad Communications. Vol. 28, No. 1 © 2014 Ariad Communications. This newsletter is copyright; its reproduction in whole or in part by any means without the written consent of the copyright owner is forbidden. The information and opinions contained in this newsletter are obtained from various sources and believed to be reliable, but their accuracy cannot be guaranteed. Readers are urged to obtain professional advice before acting on the basis of material contained in this newsletter. Readers who no longer wish to receive this newsletter should contact their financial advisor. ISSN 1205-5840