THE
Guardian

... building better retirement incomes since 1974 *Winter 2019*

BECOMING A BETTER INVESTOR

You do not have to be a genius to be a "good" investor. Smart investment techniques have more to do with discipline and patience than an off the charts IQ. So if one of your 2019 New Year's resolutions was to become a better investor, we outline below six steps to help you get there.

1) Start with a plan

A financial plan will typically provide context for your investment plan. For example, a financial plan will typically include a section that outlines whether you will be able to attain your desired income at your desired retirement age. This will include assumptions concerning investment returns. This information will shape your investment plan. An individual who will attain their retirement income objective with ease has the luxury of structuring their investment plan more conservatively then does the individual who requires a higher rate of return to attain their goal.

2) Choose an asset allocation target and re-balance when necessary

Whether via self-analysis, a robust questionnaire, the assistance of a financial advisor or any combination of the above, it is important to set a target outlining what percentage of your investment capital should be allocated to different investment categories. It may be as simple as a percentage in equity and a percentage in fixed income. A more complex asset allocation will break the allocation down into sub-categories such as American small-cap stocks, high yield bonds etc. Regardless of the structure, the asset allocation must fit with your timeframe and personal risk tolerance. An investor saving to purchase a recreational property in three years would be unwise to utilize an equity heavy allocation, given the potential volatility and short time horizon. Similarly, an investor who requires growth over the long term but loses sleep every time the market dips should recognize the value of a good night sleep and choose an allocation that provides just that.

Re-balancing back to the target allocation is also necessary. In an example where 60% of the portfolio is allocated to equity and 40% to fixed income, if left un-monitored, strong equity markets potentially push the equity allocation to an inappropriate allocation. Further, the process of disciplined re-balancing ensures that when markets are performing strongly, profits are taken by transferring capital from the overweight sector to the underweight sector. Similarly, if equity markets are performing poorly and the equity allocation falls below target, re-balancing involves shifting money from fixed income to equity. In effect, you are "buying low and selling high". A good thing.

3) Don't try to outguess or time the market

As advisors, we are frequently asked by clients what we feel the market will do over the next month, year etc. The answer of course is we do not know and people a lot smarter than us do not know. When someone states what will happen to markets in the near term, they are simply guessing. What we do know is that over the long term markets trend upwards.

People that attempt to time the market have to get it right twice. When to get out and when to get back in and no one rings a bell advising of either of these events. With a myriad of unpredictable factors, including issues that have yet to be considered, market timing is generally a futile effort.

4) Understanding taxation of your investments

In non-registered accounts, the dividends paid by Canadian corporations are granted preferred tax status via the dividend tax credit. Investments providing capital gains are also granted preferred tax status with only 50% of the gain being taxable. These benefits are lost when the investments are held within a registered account or TFSA. Accordingly, the investor who holds various accounts should consider concentrating equity investments in the non-registered account and fixed income investments in the registered account.

How to invest in a TFSA is a topic that generates different opinions. One strategy is to treat the TFSA similar to a registered account; specifically, if you had a non-registered account as well, concentrating equity investments first in the non-registered account due to the tax implications noted above.

Another strategy involves acknowledging that because the TFSA is completely exempt from tax, both during accumulation and at time of withdrawal, it is logically the longest term investment Why disturb tax-free compound growth? If the TFSA is the last capital to be accessed, matching time horizon with investments dictates it should be the most aggressively invested account. If adopting this strategy, it is important to note that dividends from US stocks are taxed punitively in a TFSA. There is no US withholding tax on US dividends held in registered accounts and US withholding tax is offset by a credit on the Canadian tax return in non-registered accounts. However, the IRS does not recognize the TFSA and as such, there is withholding tax on the dividends and no credit to offset that on the Canadian tax return. Accordingly, it is generally inadvisable to hold US dividend producing stocks in a TFSA.

5) Be conscious of investment costs

While it is fallacy to state that the lowest cost investments produce the best returns, there certainly is a correlation between investment fees and investment performance. You want to be clear in regard to management fees and administrative expenses as well as any fees charged by your investment advisor. When taken in context of what services the advisor is providing (e.g. financial planning, cash flow planning, estate planning), you can determine if you are receiving appropriate value for your investment costs.

6) Understand what you are investing in

The investment arena has become more complex. It seems not that long ago that the investor allocated capital amongst stocks, bonds and real estate. Investment alternatives now include a wide variety of more complex products such as hedge funds, private equity, market linked GICs, guaranteed income products and Real Estate Investment Trusts… just to name a few. The increased complexity of these products creates a challenging investment environment. Before making an investment in any product, ensure you thoroughly understand what you are getting into. Unfortunately there are no shortage of stories concerning aggrieved investors who had placed substantial capital in a promising investment with nothing or next to nothing to show for it.

Here is to hoping 2019 is a positive investment experience.

REGISTERED RETIREMENT INCOME FUND (RRIF)
STATUTORY MINIMUM MONTHLY INCOMES BASED ON $100,000
COMMENCING ONE MONTH FROM ISSUE

Best Current Rate: 3.25% [1]

Age	1st Year	TOTAL PAYMENTS TO AGE 100
55	$239.00	$204,696.00
60	278.00	186,530.43
65	334.00	170,844.59
71	440.00	153,816.21

A R.R.I.F. can also be structured to pay a level income for a shorter period. Based on current interest rates, $100,000 will produce the following monthly income.

For 5 years: $1807.00
For 10 years: $976.00
For 15 years: $701.00

MONTHLY ANNUITY INCOMES COMMENCING ONE MONTH FROM ISSUE BASED ON $100,000 [1]

Age	LIFE (Payments cease at death)		LIFE 10 Year Guarantee		JOINT LIFE 10 Year Guarantee
	MALE	FEMALE	MALE	FEMALE	MALE & FEMALE
65	$555.37	$502.40	$539.48	$498.39	$440.41
70	651.28	580.61	614.36	565.49	495.56
75	743.82	676.83	687.07	639.59	570.92
80	934.26	838.34	782.95	732.27	675.77

SOLGUARD FINANCIAL

...building better retirement incomes since 1974

Manulife Securities Incorporated is a Member of the Canadian Investor Protection Fund.

Manulife Securities

Vancouver: 1100 – 1075 West Georgia Street
Vancouver, BC V6E 3C9 Telephone: **(604) 688-9577** ....**Toll Free in BC 1-800-663-0644**
Website: www.solguard.com
Email: info@solguard.com

North Shore: 200 - 100 Park Royal South
West Vancouver, BC *By Appointment Only*

Victoria: 520 - 645 Fort Street
Victoria, BC V8W 1G2 Telephone: **(250) 385-3636** **Toll Free in BC 1-877-500-3636**

Manulife Securities Incorporated

[1] CANNEX