Monthly Client Newsletter

July 2019

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Manulife Securities Incorporated

"Take Your Wealth to the Next Level"

Manulife Securities

Adam’s Update

Friends,

With school out for the year, I hope everyone is taking the opportunity to take a break to spend some quality time with your friends and family! At our house, we have been very active, as Victoria is signed up for Soccer, Gymnastics, Swimming and Dance. William, who is unfortunately under the age limit for many of the aforementioned activities is not a fan of sitting in the bleachers as Victoria takes part in her sporting activities. So, we make a separate trip to the park so William can burn off his energy.

Markets continued to perform well in June. Market participants seem to be moving in and out of the marketplace with each word that is spoken by US central bank authorities. “What a crazy way to invest!”

Be sure to take a look at the “Article of the Month” enclosed. It may bring to light the reality of where your money is headed when you pass away. To your surprise, it might not be to the place you intended. Thankfully, there is something you can do about it!

Have a wonderful July and thank you for your continued support!

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Key Dates to Keep in Mind!

- TFSA contribution room available = Beginning of January
- Installment payment date deadlines = Mid March, June, September and December.
- Individual tax filing deadline = End of April.
- Self-employed individual and spouse tax filing deadline = Mid June.
- Tax Loss Selling deadline = End of December.
- RESP contributions deadline = End of December
- RRSP contribution deadline = End of February

Idea Corner:

Retirement Preparedness Evaluation

Written by:

Adam McHenry, CFA at Manulife Securities Incorporated

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Adam's Comment: *The best way to be prepared for retirement is to complete a comprehensive financial strategy with your Financial Advisor. However, if you do not have the time or the energy to go about completing a comprehensive financial strategy, you can use this short evaluation. After you complete the evaluation, I would suggest that if you meet 0 to 1 out of three rules of thumb, that you are not ready for retirement and you need to work on your retirement plan. If you meet 2 or 3, then you look well setup for your retirement years.*

Rule of Thumb	Calculation	Your Score	Assessment	Adam's Comments
4 over 30 Rule	Your Current Annual Spending $ *multiplied by* 25		If your retirement savings is less than your score, then you may need to look at your financial strategy to make some adjustments.	*This rule is based on the age old assumption that if you spend 4% of your retirement savings, it will last you 30 years in retirement*
Retirement Replacement Ratio (RRR)	Expected Income after Retirement *divided by* Income before Retirement		If your score is less than 70% then you may need to look at your financial strategy to make some adjustments.	*The target ratio for this measure is approximately 70%, or the amount you will need to maintain your current standard of living in retirement.*
Age Multiple	*Multiple (x) of annual salary* Age 40 = 3x Age 50 = 6x Age 60 = 8x		If your retirement savings is less than your score, then you may need to look at your financial strategy to make some adjustments.	*If you are on track with your retirement then at each age milestone, your savings should be the same or greater than the multiple of your annual earnings.*

Market Performance Review:

June 2019

Adam's Comment: *After a difficult May, that saw equity markets pull back ~4% globally, June was a very strong month. Year to date, equity markets still continue to perform well, with returns in North America between 13% and 17%, approximately. Despite their historical negative correlation, bond markets continue to defy the odds and post positive numbers as interest rates continue to fall. The Canadian Loonie has also performed well against the US greenback, rising 3.36% in June alone.*

Market	June Return %	2019 Year To Date Return %	5 year Annualized Return %	10 year Annualized Return %
Canadian Equity (S&P/TSX Composite Index)	2.53	16.22	4.67	7.79
US Equity (S&P 500 Index)	3.57	13.72	15.33	16.06
International Equity (MSCI EAFE Index)	2.52	9.84	7.02	8.67
Canadian Fixed Income (FTSE TMX Canada Universe Bond Index)	0.91	6.52	3.88	4.53
US Fixed Income (Barclays Capital U.S. Bond Universe Treasury Index)	-2.36	0.90	6.54	4.16
Currency Exchange Rate (CAD$ in USD$)	3.36	4.24	-4.00	-1.17

**Source:*
Total Returns in CAD$, Bloomberg, Bank of Canada, pcbond.com, Barclays Capital, BMO CM, S&P

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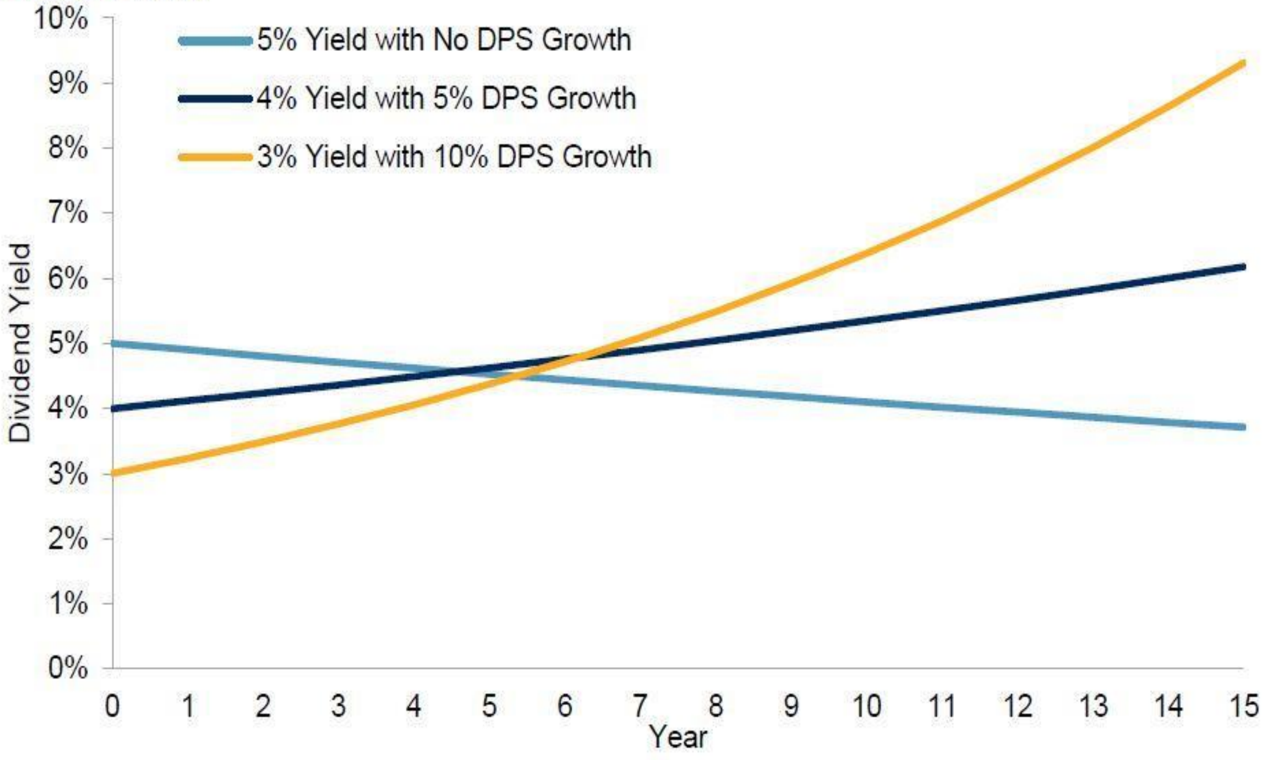
Chart of the Month:

Dividend Yield versus Growth

Adam's Comment: *One factor in investing that Canadian investors tend to flock toward is dividend yield. For reference, the dividend yield is the current dividend amount divided by the stock price of the company, and is expressed as a percentage. The problem with dividend yield is that no growth is factored into the equation, which can be a very powerful component for an income seeking investor. The example below captures this growth impact.*

Exhibit 12: Hypothetical Dividend Growth Scenarios Assuming 2% Annual Price Return



Source: S&P Dow Jones Indices LLC. Portfolios shown are based on a hypothetical index using the hypothetical dividend yields and dividend per share growth rates. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

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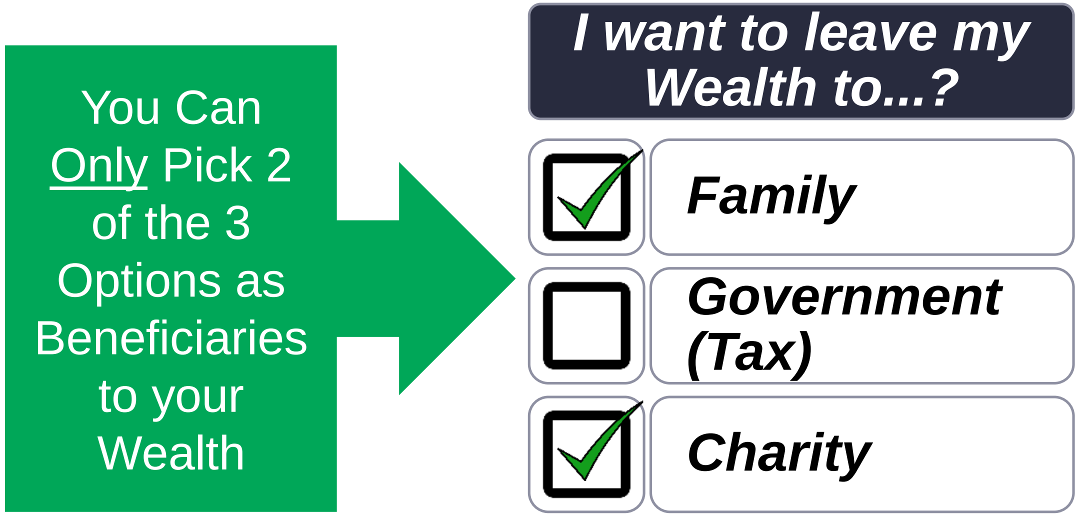
Article of the Month:

When I die, I want to leave my Wealth to..?

Written by:

Adam McHenry, CFA at Manulife Securities Incorporated



Dying is not a popular topic of discussion, but it is a reality of life. Planning for your estate ahead of time can be very rewarding for you and your loved ones, as it provides you and your family peace of mind as you age.

While living, a standard strategy that I discuss and employ in a client's financial plan is tax minimization, which focuses on reducing your annual tax bills through advanced tax planning strategies. The theme of tax reduction should remain the same for your estate when you pass away. The only difference is that the beneficiary of the tax savings will change from you, the client, to your loved ones, your family. However, the idea remains the same, to pay less tax to the government.

Many clients don't realize it, but when you die, you have a choice of three beneficiaries to your wealth: Family, Government and Charity. The catch is, you can only pick two of the three beneficiaries. You likely selected Family and Charity as your preferred beneficiaries. In order to ensure that your two selected beneficiaries receive your wealth, before you pass away, you should sit down with a financial professional. The professional should be able to steer you in the right direction in order to meet your goals. In addition, creating an estate plan has the added possibility of bypassing probate and estate administration costs. As a result, the estate plan should retain more assets in your estate and allow greater wealth to be distrusted to your loved ones and the charity of your choice, as you wish.

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