Compliments of Monteith Financial Group

Financial Planning Guide

Priscilla Monteith, CPA,CGA,CFP,EPC
Certified Financial Planner

Monteith Financial GROUP
PLAN TO SUCCEED

678 Spring Gardens Rd.
Burlington, ON L7T 1J3
Telephone: (905) 572-7526
Fax: (905) 572-6455
Internet: www.monteithfinancial.com
Email:
priscilla.monteith@manulifesecurities.ca

As the RRSP deadline approaches, it's always a busy time, but in the rush to contribute we mustn't forget the reason for all our efforts to save: our long-term financial security.

Have you taken the time lately to think about the larger financial picture, which could include your non-registered portfolio, your insurance plan, and perhaps education savings goals for your children?

Give me a call today — when we meet to discuss your RRSP contribution, we can also take stock of these other important aspects of your financial life.

Manulife Securities
INCORPORATED

FOCUS ON INVESTING

The *real* cost of missing the RRSP deadline

March 2, 2015, is the last day on which you can make a contribution to your mutual funds in a Registered Retirement Savings Plan (RRSP) that can be deducted on your 2014 tax return.

If you're thinking of skipping your contribution "just this once," you might want to think again.

Opportunity cost

If you are now 55 and skip a single $5,000 contribution, you could end up with nearly $9,000 less in your RRSP by age 65, assuming an average annual return of 6%. If you skip a $10,000 contribution, that lost opportunity may rise to more than $17,900.

The younger you are, the higher the potential cost. Using the same 6% assumption, skipping a $5,000 contribution at age 45 could cost you about $16,000 by retirement.

Skipping a contribution at age 35 has an even greater impact on retirement funding. A single $5,000 contribution missed could see you lose out on more than $28,700; skipping a $10,000 could mean missing out on nearly $57,500.

Tax cost

Opportunity cost is only part of the story. Not contributing also means not being able to claim a tax deduction that could reduce your tax bill or maybe even result in a refund. And the higher your earnings, the more valuable that deduction becomes.

Contact us if you want to contribute cash in your RRSP account to meet the deadline - we can always meet later to decide which mutual funds may best serve your investment needs. ■

MUTUAL FUNDS

Craving Indian? Let's talk.

India's economic outlook improved significantly this year after the country gave reformer Narendra Modi a stunning electoral majority. India's benchmark BSE Sensex index climbed steadily in the months after the results were announced and reached a record high on September 8, 2014.[1]

Investors are hoping that Modi, who built up an impressive track record running the north-western state of Gujarat, will have similar success in streamlining the various bureaucracies, interest groups and regulations which have long stunted the country's progress.

India has several qualities that can make it attractive for mutual fund investors looking to spice up portfolio returns.

Growth potential

At 1.24 billion and growing, India's population is about 35 times larger than Canada's.[2] That's important because population growth is one of the key drivers of business sales and profits. Almost all of India's major sectors stand to benefit from rising consumer demand, including infrastructure, housing, food distribution, transportation, and telecommunications.

A growing middle class

Average incomes in India are low by western standards and per-capita gross domestic product was just $1,770 in 2013.[2] However, an increasingly educated and affluent middle class is beginning to demand the accoutrements of a Western lifestyle, creating new opportunities in the automotive, retail, and travel sectors.

World-class businesses

One of the more tangible signs of India's rise is the emergence of a number of world-class businesses. Many, such as Infosys, Wipro, and Reliance Communications are concentrated in high-value sectors such as mobile technology, computer programming, software support, and business process outsourcing.

However, firms in traditional manufacturing, such as Tata Motors (which bought the Jaguar and Land Rover brands in 2008) and ArcelorMittal, the world's largest steel company, are also making their mark.

A large English-speaking population

Another big India attraction is that its business community, political class, and educated elite generally speak English. This makes it far easier for Western businesses to seek out new investments there and to partner with local firms. The world's largest democracy also has a long common law tradition, and solid institutions ranging from a free press to well-regarded universities.

One worry in recent years has been India's inflation rate. At more than 8% in 2013,[2] it is creeping up to unsustainable levels. However, even there, India fares well relative to Western economies, particularly Japan and Europe, which have been fighting deflation, widely regarded as a far more serious threat.

Spicing up your portfolio

As with any emerging market, fund investors need to be prepared for volatility when investing in India funds. Still, as a modest portion of a diversified portfolio, they offer significant growth potential to boost overall returns as well as valuable currency, geographic, and industry sector diversification.

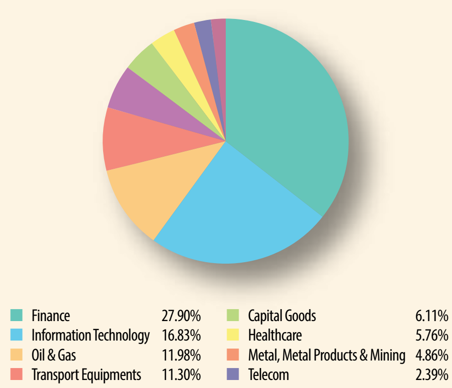
If you'd like to explore India in more detail, give us a call. We can help you select funds that are appropriate for you based on your investment objectives and risk tolerance level. ■

1 bseindia.com/indices
2 *The Economist*, The World in 2013

Boost diversification

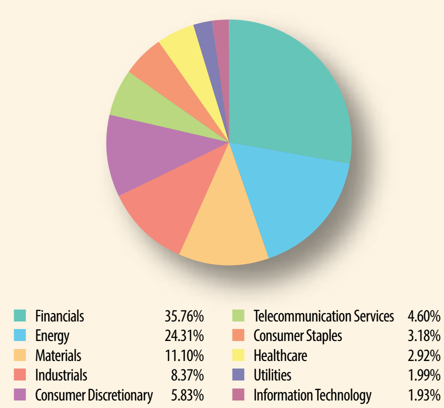
Adding India funds to your portfolio can enhance its diversification and provide you with access to more companies in sectors that are underrepresented in Canada. Information technology, for example, makes up almost 17% of India's benchmark market index, compared with less than 2% for the S&P/TSX Composite.

S&P BSE SENSEX Index constituents by sector



As at October 10, 2014. Source: bseindia.com

S&P/TSX Composite Index constituents by sector



As at October 10, 2014. Source: tmxmoney.com

The MONEY file

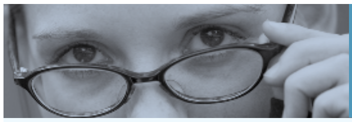
TIPS AND TACTICS TO HELP YOU GET AHEAD

ARE YOU MAKING THE MOST OF YOUR TFSA?

The turning of the calendar represents an opportunity for all Canadians 18 years or older to contribute an additional $5,500, to their Tax-Free Savings Accounts (TFSAs). That brings total cumulative contribution room since the TFSA was introduced to $36,500.

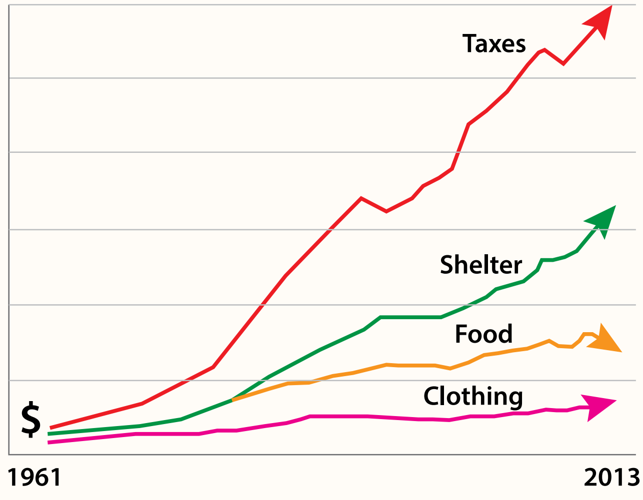
If you're using your TFSA only for cash investments, you may be missing out on valuable tax-free growth potential. With more than $35,000 in contribution room available, there is an opportunity for you to create a diversified portfolio of secure cash and cash equivalents, fixed-income holdings, and growth-oriented equities. All of your investment earnings, whether interest, dividends, or capital gains, are completely tax-free, as are all withdrawals. (The downside is that you can't use capital losses to offset capital gains.)

The next time we meet, we can review your TFSA strategy to make sure you're making the most of this powerful tax-free savings opportunity. We can also make sure that your investments are optimized for tax minimization across all your registered and unregistered accounts. ■



EYEOPENER
graphic evidence of how investing works

Canadians spend more on taxes than food and shelter



[1]Source: The Fraser Institute, August 12, 2014

% of income in 1961	
Tax	34%
Basic necessities	57%

% of income in 2013	
Tax	42%
Basic necessities	36%

Feeling overtaxed? That's not surprising. According to a recent study from Vancouver's Fraser Institute, the average Canadian family spent more on taxes in 2013 than they did on food, clothing and shelter combined.[1]

These statistics illustrate just how important it is to invest as tax-effectively as possible. That's why we make every effort to ensure that the tax implications are considered for every investment decision you make.

Weighing your options: RRSP or mortgage?

The most important financial question for many Canadians is whether to add to their Registered Retirement Savings Plan (RRSP) or pay down their mortgage. The decision is rarely straightforward. So which option is right for you? In most cases (but not all), the RRSP is likely to take priority.

Deciding factors

Here are some factors you should look at to help you decide.

• Providing for your future. If you don't contribute to your RRSP, you won't have it to provide income at retirement. And you won't profit from any of its growth potential or tax-saving benefits along the way.

Not making an extra mortgage payment, on the other hand, doesn't mean losing your home. However, if you're approaching retirement, you might not want a high monthly mortgage payment after you retire. If your RRSP is in good shape at this stage, paying down your mortgage could be a priority.

• A tax break. Contributing to an RRSP can give you one of the best tax breaks available. If you invest $5,000 in your RRSP, and your marginal tax rate is 41%, you'll receive a tax benefit of $2,050. Put another way, a $5,000 contribution costs you only $2,950.

• Long-term growth. All the money earned inside your RRSP is tax-deferred. A one-time investment of $5,000, earning 8% a year, would grow to $34,242 in 25 years. After 30 years, it would be worth $50,313. This is the "miracle" of compound growth.

However, if your mortgage is locked in at a higher interest rate than you're earning in your RRSP, paying down some of the principal might be your choice.

• Liquidity. If you ever face a desperate financial situation, like a layoff or termination (which would create a low tax year), you can withdraw money from your RRSP. Your investment in your home is not so liquid.

Go for both

Fortunately, it is possible to both contribute to your RRSP and pay down your mortgage.

One way to do both is to contribute to your RRSP, and use the tax savings to pay down your mortgage.

Another way, in a low interest-rate climate, is to reduce your mortgage and boost your RRSP with a loan.

Most mortgages allow you to make an annual lump-sum payment of 10% or 15% of your original principal. If the interest rate on your mortgage is higher than the rate you could get on a personal loan, consider taking a loan and using it to pay down your mortgage.

You may wish to use part of that loan to top up your RRSP, and even take advantage of unused deduction room carried forward from previous years.

Take advantage of the resources available to you. Professional advice can help you ensure that both your RRSP and your mortgage are properly weighted within your overall financial plan. ■

The tax-smart way to rebalance

As of October 10, 2014, the S&P/TSX Composite Index had posted a one-year gain of 10.34%.[1] For equity investors, that represents a reason to celebrate, but it also means that it may be time to rebalance your portfolio.

Suppose, for example, that your portfolio target was 50% equities and 50% fixed income. The outperformance of equities may mean that your portfolio no longer has the 50/50 split that aligns with your objectives and risk tolerance.

More than one way to rebalance

You could rebalance by taking profits in select equity holdings and reinvesting in fixed income. However, that could leave you with taxable capital gains to report on your next income tax return, unless your holdings are in a registered account.

A more tax-friendly way to rebalance is simply to direct new funds to underweight areas in your portfolio. This strategy has an added benefit in that underweight asset classes may be undervalued and thus represent a good investment opportunity.

Stay on top of changing markets

A regular investment program, where you automatically direct cash to your portfolio, is an ideal way to take advantage of current market conditions and keep your portfolio on track.

The next time we review your holdings, let's review the areas that are outperforming and consider the best places to allocate new cash. ■

1 S&P Dow Jones Indices