Financial Planning Guide

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FOCUS ON INVESTING

Men and women can learn a lot from each other

Hillary Clinton may have lost the race for the White House, but some research suggests that men can learn from women when it comes to investing. With women now the primary breadwinners in one-third of Canadian households,[1] their investing skills may provide all investors with some important lessons in doing more with their family's savings.

Women more disciplined

Women are less likely to take on added risk in their portfolios, and they trade less than men. They are also more likely to stay the course during market swings, they make diversification a priority, and they are more willing to listen to advice.[2]

Indeed, these likely were some of the reasons why women's investments slightly outperformed men's over a six-year period in a study by Berkeley researchers.[3]

Men more confident investors

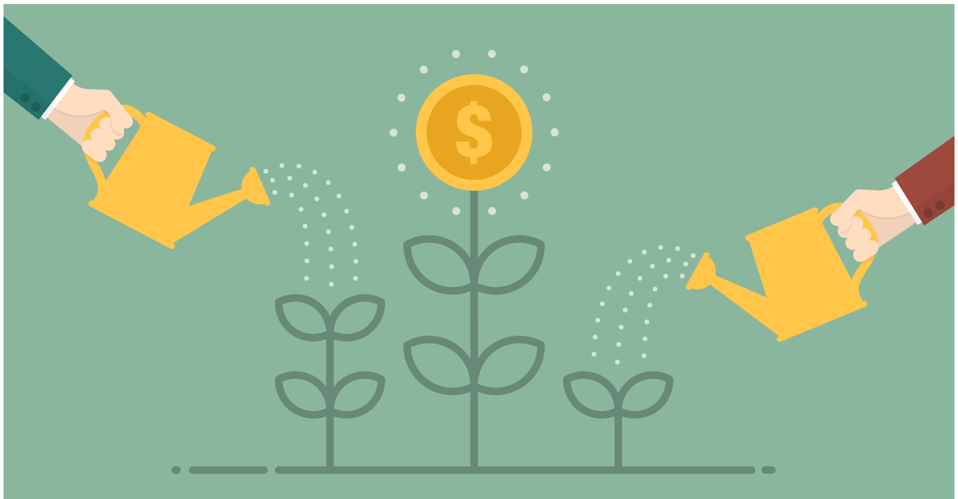
However, there's much that women can learn from men, too. Men typically are confident in their investing skills, more engaged with their portfolios, and score higher in tests measuring financial knowledge.[4]

And empirical evidence suggests a link between financial knowledge and positive financial outcomes: Those with more financial know-how tend to engage more in retirement planning and accumulate more wealth over time.

Whatever your investing disposition, we can help you review your portfolio in light of your objectives and tolerance for risk and find the approach that's right for you. ■

1 Kevin Milligan, "Canada's female breadwinners are growing in number, but not by age group," *Canadian Business*, June 2013.
2 Betterment Editors, "Data suggests women are better (behaved) investors," March 2015.
3 Brad Barber, Terrance Odean, "Boys will be boys: Gender, overconfidence, and common stock investment," *The Quarterly Journal of Economics*, February 2001.
4 Statistics Canada *Insights on Canadian Society*, "Gender differences in the financial knowledge of Canadians," March 2016.

Invest in what the world needs to give your portfolio a boost



MUTUAL FUNDS

Aging populations and slower economic growth are becoming part of the new normal, but there are a number of things the world will need in the years ahead — from infrastructure and technology, to health care and energy. For investors, this spells opportunity.

Sector-focused mutual funds are an easy and convenient way to tap into these long-term growth themes. You benefit from professional management and gain access to a diversified group of companies within the sector.

Infrastructure

Years of underinvestment in critical areas, such as highways, ports, water treatment facilities and power grids, are catching up with countries around the world.

The McKinsey Global Institute estimates that the world needs to invest an average of $3.3 trillion annually just to support expected rates of population and economic growth over the next 15 years.[1] Emerging economies will account for about 60% of that need.[1]

But opportunities closer to home are also presenting themselves. Infrastructure spending is a cornerstone of U.S. President Trump's economic stimulus policy.

Infrastructure funds and your portfolio. Infrastructure funds provide exposure to real assets like toll roads, ports, and airports, along with inflation protection. Because they typically have a low correlation to traditional stock and bond markets, these funds also offer you another way to diversify your portfolio.

Technology

Innovation will be a key theme in today's slow-growth world — and for years to come. Companies are looking to technology solutions — including mobile and cloud computing — to give them a competitive advantage and allow them to do more with less.

Today's technology mutual funds are more than just hardware and software — and they will continue to evolve. Over the next few decades, for instance, the "Internet of Things," which promises to link the physical and digital worlds, could generate up to $11 trillion in economic value.[2]

Technology funds and your portfolio. The technology sector is very diverse and presents a number of opportunities for investors. As the tech sector continues to mature, these funds can provide some stability and income, but with the potential for tremendous growth over the longer term. Actively managed technology funds can help spot the investments that are poised to deliver.

Health care

The health care sector tends to perform well in both strong and challenging climates. Because the demand for health care products is relatively inelastic, health care funds offer some downside protection when the economy is slowing. On the other hand, health care is also a growth story, as aging populations in the developed world will become larger consumers of healthcare–related products. And as emerging market consumers become wealthier, they are expected to become large consumers of health care products as well.

Health care funds and your portfolio. Well-diversified health care funds that include pharmaceuticals, biotechnology, managed care companies, and makers of medical equipment are poised to benefit over the longer term, whatever is happening in the economy.

Energy

Although the oil and gas sector has been hurt by low energy prices over the past few years, the International Energy Agency (IEA) says that long-term investment in energy is essential to meet growing demand and replace declining production.

Indeed, global energy demand is expected to rise over the next 25 years because of energy's importance in all forms of transportation and petrochemicals.[3] Natural gas, wind, and solar are expected to be the winners, according to the IEA.[3]

Energy funds and your portfolio. Energy mutual funds are prone to more short-term volatility than more defensive areas such as health care. President Trump's focus on pipelines that link Canada's oil patch with the U.S. could be a boon to the oil and gas sector in the shorter term. Longer term, Canada is positioned to be a global leader in energy production.

As part of a well-diversified portfolio, sector funds provide you with an opportunity to capitalize on new growth opportunities. We can help you decide on the funds that are right for you. ■

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1 McKinsey Global Institute, "Bridging global infrastructure gaps," June 2016.
2 McKinsey Global Institute, "Unlocking the potential of the Internet of Things," June 2015.
3 International Energy Agency World Energy Outlook 2016.

PORTFOLIO MANAGEMENT

Investors express confidence in the advice they receive

A 2016 survey[1] found that Canadian investors like you value the advice they receive from their advisors. In fact, a remarkable 97% of those surveyed said that they are completely satisfied with the advice they receive from their financial advisor, rating it 10 out of 10. Below are some other highlights from the survey.

Trust

95% trust their advisor to deliver sound advice

Performance

88% of investors believe they get better returns as a result of the advice they receive

Discipline

82% credit their advisor for improving their saving and investment habits

Retirement security

50% say retirement is the main reason they invest; 14% plan to augment their retirement income with their personal savings

1 The Investment Funds Institute of Canada, *Canadian mutual fund investors' perceptions of mutual funds and the mutual fund industry*, September 2016.

Rates up or rates down, fixed income belongs

Interest rates remain at historical lows. This was meant to be a temporary measure to stimulate the economy after the financial crisis of 2008. And the consensus has been that rates will have to rise at some point — first in the United States, where the economy is performing better than in Canada.

On the other side of the interest-rate question, some are now saying that low rates are the new normal, that they may be with us for years. This presents both challenges and opportunities for fixed-income investors.

The challenge: When interest rates rise, prices of bonds and bond funds fall.

The opportunity: Higher interest rates mean investors will be able to earn better yields on their fixed-income holdings. Savers would also benefit from earning more on their money.

Whatever is happening with interest rates, there are two important takeaways for investors:

Takeaway #1. Fixed-income holdings still have a role to play in a diversified investment strategy. They provide stability to a portfolio — especially important during volatile markets — as well as regular income.

Takeaway #2. A growth component, such as equities and equity funds, can help investors get the returns they need to achieve their goals in a low-rate environment.

You can rely on us to monitor your portfolio, in light of your investment objectives, to help ensure you have the appropriate mix of equity and fixed income to reach your goals.

Here's a smooth strategy for bumpy times

Sick and tired of hearing all the bad news related to market volatility? Well, here's some good news: When financial markets are turbulent, they present a golden opportunity to buy investments at lower prices.

An easy, effective way to do that is through dollar-cost averaging. This strategy involves investing a fixed amount at regular intervals, no matter how markets are performing. When markets dip and investment prices fall, the amount you regularly invest buys more shares or fund units. Over time, this can reduce your average cost and, in a rising market, increase your returns when you sell.

How dollar-cost averaging works

Here's an example to show how it works. Suppose you decide to invest $1,000 a month in company XYZ. Over a six-month period, the share price of XYZ fluctuates between $20 and $25, with the following results:*

- Month 1: $22. Shares purchased: 45
- Month 2: $20. Shares purchased: 50
- Month 3: $22. Shares purchased: 45
- Month 4: $21. Shares purchased: 47
- Month 5: $23. Shares purchased: 43
- Month 6: $25. Shares purchased: 40

Total shares purchased: **270**
Average price per share: **$22.22**
Return on investment: **$750.60**

It's easy!

Setting up a dollar-cost averaging program is fast and easy. Money can be transferred automatically from your bank account or other sources to regularly buy shares or mutual funds of your choice. You can invest monthly, quarterly, or semi-annually — whatever is most convenient for you.

When you purchase mutual fund units, fund distributions are automatically reinvested in additional fund units, augmenting your strategy. With dividend-paying stocks, you can reinvest automatically by participating in any dividend reinvestment plans available.

Automatic investments can be set up for any type of account, including Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs) as well as non-registered accounts.

Avoid market timing

There's one more important advantage to regular investing: It helps keep the temptation of trying to "time the market" at bay. When you invest regularly, you don't need to worry about trying to buy low and sell high.

Attempting to pick the best times to purchase and redeem investments is fraught with difficulty. Even professional investors don't do it well.

Talk to us about how dollar-cost averaging can work for you. We'll be happy to help you select appropriate investments and choose the frequency and amount that you're comfortable with. ■

* Example provided for illustration only; excludes commissions, fees, taxes.

Optimize your tax refund

Expecting a tax refund? Here are three ways to make the most of that money.

1. Pay down high-interest debt. If you were in a store and saw a $500 television marked down to $250, you'd think it was Boxing Day. Paying off your debts is like Black Friday for your finances.

In the 40% tax bracket, you have to earn $1.67 to pay off a $1 debt. Factor in the interest charges, and paying down high-interest debt (credit cards and consumer loans) can be a very valuable use of your money.

2. Put it in your RRSP. Provided you have contribution room available, ploughing your tax refund into your Registered Retirement Savings Plan (RRSP) will generate a tax deduction for your next return. Alternatively, if you withdrew money from your RRSP under the Home Buyers' Plan in 2015 or a prior year, your contribution can go towards your repayment.

3. Contribute to an RESP. Directing your refund to a Registered Education Savings Plan (RESP) not only helps provide for a child's post-secondary education but can also generate additional funds from the federal government (the Canada Education Savings Grant) as well as provincial grants if you live in Quebec (Quebec Education Savings Incentive), Saskatchewan (Saskatchewan Advantage Grant for Education Savings), or BC (BC Training and Education Savings Grant).

If you're expecting a tax refund, be sure to come in and see us. We can help you put it to the best use possible. ■

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