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INTEREST
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PERLER FINANCIAL GROUP

WORLDSOURCE FINANCIAL MANAGEMENT INC. MUTUAL FUND DEALER

In This Issue:

If you are interested in receiving our monthly eNewsletter, please contact Josephine by phoning 604-468-0888 or emailing jchai@perlerfinancial.com

MAIN FOCUS THIS QUARTER:

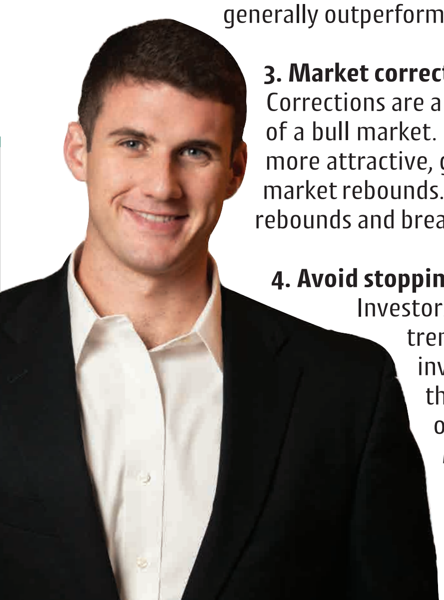
Volatility: What You Need To Know

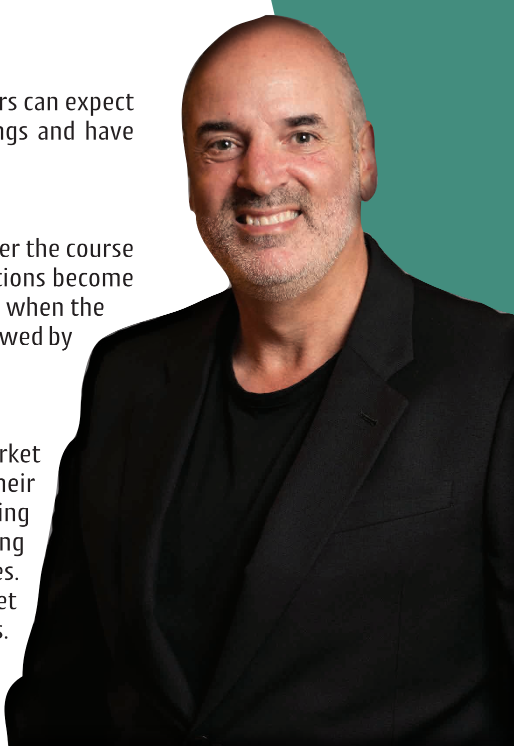
Source: Fidelity Investments

Compliments of Harry Perler & David Olejnik

1. Volatility is a normal part of long-term investing
From time to time, there will inevitably be volatility in markets as investors react to changes in economic, political and corporate environments. As an investor, your mind-set is critical. When we are prepared at the outset for episodes of volatility on the investing journey, we are less likely to be surprised when they happen, and more likely to react rationally. By having a mind-set that accepts that volatility is an integral part of investing, investors can prepare themselves to take a dispassionate view and remain focused on their long-term investment goals.

2. Over the long-term, equity risk is usually rewarded
Asset prices fluctuate more than their intrinsic value as markets over- or under-shoot, so investors can expect price movements to drive opportunity. In the long term, prices are driven by corporate earnings and have generally outperformed other types of investment after allowing for inflation.





3. Market corrections can create attractive opportunities
Corrections are a normal part of bull markets; it is normal to see more than one over the course of a bull market. A market correction can often be a good time to invest as valuations become more attractive, giving investors the potential to generate above-average returns when the market rebounds. Some of the worst historical short-term market losses were followed by rebounds and breaks to new highs.

4. Avoid stopping and starting
Investors who remain invested benefit from a long-term upward market trend. When investors try to time the market and stop-and-start their investments, they run the risk of denting future returns by missing the best recovery days in the market and the most attractive buying opportunities that typically become available during volatile times. Missing out on just five of the best performance days in the market can have a significant impact on an investor's longer term returns.

Tax Deadline!

April 30th 2016: Tax payment deadline for your balance owing for 2015 personal income tax. Payments are made to the CRA. This deadline is for all personal income tax filers including those who are self- employed.

Blog

Be sure to visit our new blog for important and informative articles. We update the blog up to three times a week, so be sure to check back often!
www.YourWealthManagementExpert.com

5. The benefits of regular investing stack up
Irrespective of an investor's time horizon, it makes sense to regularly invest a certain amount of money in a fund; for example each month or quarter. This approach is known as cost averaging. While it doesn't promise a profit or protect against a market downturn, it does help investors to avoid investing at a single point in time, lowering the average cost of their fund purchases. And although regular saving during a falling market may seem counterintuitive to investors looking to limit their losses, it is precisely at this time when some of the best investments can be made, because asset prices are lower and will benefit from a market rebound.

6. Diversification of investments helps to smooth returns
Asset allocation can be difficult to perfect as market cycles can be short and subject to bouts of volatility. During volatile markets, leadership can rotate quickly from one sector or market to another. Investors can spread the risk associated with specific markets or sectors by investing into different investment buckets to reduce the likelihood of concentrated losses. For example, holding a mix of growth assets (equities, real estate and corporate bonds) and defensive assets (government and investment-grade bonds, and cash) in your portfolio can help to smooth returns over time. Spreading investments over different countries can also help to bring down correlations within a portfolio and reduce the impact of market-specific risk.

7. Invest in quality, income-paying investments for regular income
Sustainable dividends paid by high-quality, cash-generative companies are attractive during volatile market conditions, because they can offer a regular source of income when interest rates are low and there are few income-paying alternatives available. High-quality, income-paying investments tend to be leading brands that can perform robustly throughout business cycles thanks to their established market share, strong pricing power and resilient earnings. These companies typically operate in multiple regions, smoothing out the effects of patchy regional performance. This through-cycle ability to offer attractive total returns makes them a valid cornerstone for any portfolio.

8. Reinvest income to increase total returns
Reinvested dividends can provide a considerable boost to total returns over time, thanks to the power of compound interest. To achieve an attractive total return, investors need to be disciplined and patient, with time in the market perhaps the most critical yet underestimated ingredient in the winning formula. Regular dividend payments also tend to support share price stability and dividend-paying investments can compensate for the erosive effects of inflation.

9. Don't be swayed by sweeping opinion
The popularity of investment themes ebbs and flows – for instance, technology has come full circle after a late 1990s boom and 2000s bust. Overall sentiment to emerging markets tends to wax and wane with the commodity cycle and as economic growth slows in key economies like China. As country- and sector-specific risks become more prominent, investors need to take a discriminating view, since a top-down approach to emerging markets is no longer appropriate. But there are still great opportunities for investors, as innovative emerging companies take advantage of supportive secular drivers like population growth and expanding middle class demand for healthcare, technology and consumer goods and services. The key point is not to allow the euphoria or undue pessimism of the market to cloud your judgement.

10. Active investment can be a very successful strategy
When volatility sends markets sideways, successful investment-picking can be rewarding compared with indifferent returns from passively following the index. Volatility can introduce opportunities for bottom-up money managers, especially during times of market dislocation.

TFSA or RRSP? How To Choose

Source: SunLife Financial

The math is simple. Tax timing based on your financial situation and discipline will help you decide whether to save your money in a TFSA or an RRSP.

Choosing between a tax-free savings account (TFSA) and registered retirement savings plan (RRSP) is one of those personal finance decisions that can leave you spinning your tires like a bike messenger in February.

Both vehicles offer a tax benefit. The difference is that while there is no immediate tax advantage to be gained from TFSA contributions, neither your principal nor the investment income you earn on funds in the account are taxed when you make a withdrawal. On the other hand, RRSP contributions are deductible on your annual tax return. Effectively, RRSPs provide a tax deferral, which is to say that you're taxed

when you make a withdrawal down the road.
In other words, it's up to you whether you take the tax hit now or later. Deciding which is right for you depends partly on what you earn now versus what kind of financial situation you anticipate for yourself in the future.

"For younger people, especially lower-income people, the math might favour the tax-free savings account because they're in a lower tax bracket at the time," said Robert Brown in a recent interview with me. Brown is the author of Wealthing Like Rabbits: An Original Introduction to Personal Finance.

There's another way to look at this, though. The fact that withdrawals from an RRSP are taxable is a powerful motivator for a lot of us. It's meant to make us think twice before drawing down retirement savings, and it works.

If you're in your early 30s and living with multiple financial obligations, there are real advantages to an RRSP from a behavioural finance perspective.

"You get the tax savings when you're 32 or 33," explained Brown. "You still have to pay the tax further down the road when you're 70 or 71. But hopefully at that time you won't have the mortgage. You won't be saving money for the kids' education. You'll be in a better overall position financially. So even if you pay a little more in taxes, it might be better from a timing perspective, because you can afford it at that stage of life."

Of course, TFSAs are ideal for less long-term savings goals.

"If you're saving to buy a car, make a down payment on a house or a shorter-term thing, I'm all over the tax-free savings account," said Brown.

By the way, Brown's Wealthing Like Rabbits is excellent. It's an introduction to personal finance best practices, so it's not for everyone. But if you're looking for a smart gift for one or two 20-somethings in your life, it's a terrific, plain-language read.

The TFSA Limit Will Go Back To $5,500 In 2016

Source: Advisor to Client

It's official. The $10,000 TFSA limit is rolling back to $5,500. The change is effective January 1, 2016, so you won't be affected for 2015.

That means there's no rush to contribute, says Jamie Golombek, managing director, Tax and Estate Planning with CIBC Wealth Advisory Services. "You've got an indefinite amount of time to top up to $10,000," he explains. "The legislation says the 2015 limit is staying at $10,000, so if you don't have the money this year, you can top up in 2016 or later. "Remember, the TFSA contribution room carries forward annually automatically."

If you have the money to contribute, he says, you should put it in as soon as possible. But if not, "there's no rush anymore, because we have certainty that we've locked the $10,000 limit in for 2015. Next year's limit will go to $5,500, which means if you haven't done the $10,000 this year, you can do it next year, and you'll have another $5,500 next year."

The government has also stated that annual TFSA limit indexing, which was eliminated earlier this year, will return. The TFSA limit will be rounded to the nearest multiple of $500, and if the amount is "equidistant from two such consecutive multiples," the limit will be rounded to the higher multiple of $500.

Are you mourning the lost $4,500 2016 room? In addition to maximizing RRSPs, Golombek suggests you could put more in RESPs if you have children. "Contribute beyond the $2,500 a year to maximize the Canada Education Savings Grant, since you can put up to $50,000 per child in an RESP."

Other options include paying down high-interest debt and investing in a permanent universal life or whole life insurance policy "to achieve further tax sheltering."

As of 2016, the cumulative TFSA limit for people eligible to contribute since 2009 will be $46,500.

We will always keep our clients' best interests at heart by providing quality, unbiased and trustworthy advice to assist in achieving personal financial objectives. We will continue to strive to exceed our clients' expectations in terms of service and advice, to contribute to our clients' well being, and to help our clients grow and protect wealth for themselves and future generations.

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