Vested INTEREST

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PERLER FINANCIAL GROUP INC

WORLDSOURCE FINANCIAL MANAGEMENT INC.
MUTUAL FUND DEALER

In This Issue:

MAIN FOCUS THIS QUARTER:

Estate Planning

Source: Mackenzie Investments

Estate planning is the process of planning what will happen to your assets at the time of your death. Estate planning is not always an easy topic to deal with, but having a thought-out plan in place is important for not only you but your beneficiaries.

Every adult should have an up-to-date estate plan that outlines:

- Who is responsible for distributing your assets?
- Who gets what and when will they get it?
- Who will take care of your children?
- Who will manage any trust accounts?
- Who will make financial and medical decisions if you are incapacitated?

Why is it important? Controlling your legacy

Having a plan in place for your estate is an integral part of any good financial plan. The best way to ensure your wishes are carried out after your death is having a legal up-to-date will. Without careful planning, your estate could be tied up in the courts for months or even years and the government could end up collecting more taxes than is necessary.

When dealing with something as important as your estate, you don't want to leave anything open to interpretation especially around how your estate will be divided up between family members.

To take control of your estate, we suggest the following five steps:

- Determine your estate planning goals.
- Consider which estate planning tools fit your situation best.
- Choose the people you would like to speak for you.
- Start raising estate-planning issues with your family
- Keep your estate plan up to date.

We can help. Call Harry or David to discuss your estate planning options.

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

Compliments of Harry Perler & David Olejnik

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!

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The Power of Compounding

Source: CI Investments

Compounding is often referred to as the "miracle" of the investing world. That is because investing even a small amount of money and keeping it invested over a long period of time has the potential to make it grow exponentially into a relative fortune.

Compounding, or earning interest on interest, is best described by an ancient story.

A Maharaja ruled the Indus Valley, in northern India, in the sixth century. Bored, he asked his court gamesman to develop a new game for him. The gamesman created chaturanga, the army game, the precursor of chess and played on a board of sixty-four squares. The Maharaja was delighted and asked the gamesman what he would like as a reward.

"Nothing much," answered the gamesman, "Just one single grain of wheat on the first square, two grains on the second, four on the third, eight on the fourth, and so on across the board."

In calculating the gamesman's reward, the Maharaja discovered that, even before he was half-way across the board, he owed the gamesman more grains of wheat than existed in all of India. He solved his problem by ordering the gamesman executed.

The gamesman was earning interest at the rate of 100% per square, far beyond what we can expect. However, the principle of compounding interest remains the same. Earning interest on interest can add up over the long term.

Suppose you have a mutual fund which performs at the rate of 8% per year. If you invest $1000 annually, and leave all your money in the fund, after twenty-five years you will have $73,110. If you invest $10,000 annually, after twenty-five years you will have $731,100.

Investing for the long term and reinvesting the earnings pays off. The annual performance makes a great deal of difference, too. If our mutual fund earned 10% rather than 8%, our twenty-five year nest egg would swell to $ 983,500. A gain of $252,400 with the same annual investment, but a 2% higher rate of return.

The two most important factors in compounding, therefore, are time and rate of return. The power of compounding leads to some general rules in investing:

- Don't let funds accumulate without earning interest. The money in your mattress, and in a non-interest-bearing bank account, is earning 0% per year. When you factor in inflation, you are losing money every year at the rate of inflation.
- Whatever your investment, make regular deposits. If you skip a single $100 per year investment at 12%, after twenty-five years you have lost $13,333 less.
- Look for investments that pay the highest rate of return without the risk of losing sleep at night. Small differences in return add up over the years.
- Arrange for at least several month's salary to be liquid, cashable at any time in case of emergencies such as job loss. Even a 15% return on your investment over twenty-five years may not be worthwhile if you have to pay a huge penalty for cashing in early.
- Every dollar you owe in credit card balances, personal and car loans, and mortgages is a dollar you are not investing. Pay off your after-tax loans as soon as possible to free your money up to work for you, not your creditors.

- Ask your investment advisor how to best make the power of compounding work for you, based on your financial picture and the amount of money you have to invest. There are many alternatives with differing risks and rates of return, and an investment advisor can help you make the best choice.

The more money you save and invest today, the more you'll have in the future. Real wealth, the stuff of dreams, is in fact created almost magically through the most mundane and commonplace principles: patience, time, and the power of compounding.

Planning for income to last a lifetime

Source: Fidelity Investments

If you are nearing retirement or already there, you face a critical challenge.

You have to rely on your pensions and savings to provide income. But you can't know for sure how long you will need those assets to last. If they are not wisely invested or you spend too freely, you may outlive your savings.

Know the five key risks

There are five key risks to your retirement income. Knowing how to manage them will help you achieve financial security for the rest of your life.

1. Longevity

In Canada, both men and women are living longer than ever before. Yet many people underestimate how long retirement could last.

What you can do:

When setting up your retirement income plan, allow for the fact that your savings must last for 20, 30 or even 40 years.

2. Inflation

Don't let recent low rates fool you – planning for inflation is still a necessity. Let's say you start with retirement income of about $46,000. Even an inflation rate of 2% will steadily nibble away at it. After 25 years it would be worth approximately $28,000, a decline in purchasing power of 39%.

What you can do:

Include investments with the potential to outpace inflation in your portfolio and investment plan.

3. Choosing the wrong asset mix

Many retirees rely on a "safe" portfolio that's heavy with fixed-income investments such as bonds and GICs.

But these may not grow enough to keep up with inflation and maintain your income level over the long term.

What you can do:

Build a moderate portfolio that balances equities for growth potential with bonds, GICs and money market investments for steady income.

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.

4. Excess withdrawal
During your retirement, there are several variables that can affect how much you can withdraw from your portfolio each year, while ensuring it will last as long as you need it. These include your risk tolerance, retirement horizon, pension income, economic climate, health, and employment if you choose to work in retirement. In addition, these variables can change over time. To better adapt to these possible changes, your withdrawal rates should be reviewed annually with your financial advisor to ensure you're minimizing the risk of using too much of your savings too early.

What you can do:
Annually review your portfolio performance and the market trends with your financial advisor to adjust your withdrawal rates accordingly.
Manage your withdrawal rates carefully in your early retirement years. If your portfolio does well, you can withdraw more later on, when there is less risk that you will run out of money.

5. Health care expenses
While Canada's health system provides good basic care, it does not include many items or services you may need or want in your older years. The government covers many key items only partially or not at all, including long-term care, nursing care at home, private or semi-private hospital rooms, or home renovations to deal with a disability

What you can do:
Include the possibility of future health care expenses in your retirement plan.
Put away extra savings and/or buy insurance to give yourself more choice in the future, as well as peace of mind.

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