Assante® WEALTH MANAGEMENT

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Well-Advised

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With the return of fall, families are settling back into their regular routines. An important part of your routine should be the care and maintenance of your financial plan. Regular check-ins are essential to help ensure that your plan is keeping pace with your evolving needs. They also provide a valuable opportunity for us to answer any questions you might have about recent economic events or the investment outlook. Remember, we are here for you whenever you need us.

It's never a good time to time the market

When the market is on an upswing, are you ever tempted to invest more than usual? And when it's dropping, do you ever wonder about selling some holdings and depositing the cash in the bank?

Buy and sell manoeuvres like these can be tempting because they seem to be based on logic. After all, we know from past market cycles that markets rise, plateau, fall, bottom out, and then rebound over and over again.

The trouble is, nobody knows precisely when the market will rise or fall. And it's impossible to know if the turn will be a short-lived blip or a longer-term trend.

If you think you can time the market successfully, buying and selling at opportune moments, there's one thing you need — luck. In fact, you need to be lucky three times:

1. When you exit. If the market's on an upswing and you want to take profits, you must guess the correct time to sell. But you could easily sell when you think prices have peaked, only to watch those holdings climb to new record highs.

2. While you're "parked." You need to choose a suitable place for the profits you just cashed in. These days, that may involve taking on higher risk or settling for meagre interest.

3. When you re-enter the market. You need to guess just when the market has bottomed for real and it's time to buy again. Guess incorrectly and you could miss a sudden rebound. They happen.

To come out ahead, you need to get all three right, time after time — unlikely, to say the least.

If you're ever tempted to base investment decisions on predicting the market, talk to us. We'll help you focus on your long-term plan by illustrating how time in the market beats timing the market. ■

Education savings goal: Create opportunities

Turns out the older child isn't in her final year of university after all — she just decided to enter law school. Meanwhile, your child in Grade 11, whose heart was set on music, now declares he wants to be a doctor. Better check that Registered Education Savings Plan (RESP). You want to make your child's career dream a reality, but what if it comes with a price tag you hadn't expected?

Education costs can escalate in several ways. Tuition alone can be extraordinarily expensive, if it's a program such as medicine or dentistry. Or perhaps your child wants to study in the United States, like almost 30,000 other Canadians currently studying stateside.[1] Maybe you assumed your child would attend a local university and live at home, but he chooses to study out of town. Or perhaps your daughter decides to pursue a graduate degree.

To cover situations like these, you may want to consider complementing your RESP with one or more investment vehicles dedicated to education savings. If the additional savings aren't required after all, you can use them for other life goals.

Start with an RESP

The foundation of an education savings program, an RESP allows you to contribute up to $50,000 for each child. You benefit from tax-sheltered investment growth, and withdrawals that are used for post-secondary funding are taxed in your child's hands, typically attracting little or no tax.

The unique advantage of an RESP, of course, is "free money" in the form of the Canada Education Savings Grant (CESG). Each year, $500 is deposited into your plan for the first $2,500 you contribute. It's like getting a 20% return on that contribution right away. You can receive up to $7,200 in grant money for each child.

Tax-free savings

Using a Tax-Free Savings Account (TFSA) — your own, your spouse's, or both — you can accumulate significant tax-free savings for a child's education, especially now that the annual contribution limit is $10,000. You can withdraw funds for your child as needed, and replenish your TFSA the year after each withdrawal.

Investing on behalf of your child

For an investment vehicle that has limitless contribution room, consider opening an in-trust account. This is an investment account that you open in trust for your minor child.

You can contribute as much as you like and invest in whatever you think will help you reach your education savings target. One of the benefits is that any capital gains generated by the investments in the account are taxable to your child. Interest and dividend income, on the other hand, are taxable to you until your child turns 18.

There's one very important factor to consider, however, before setting up an in-trust account: The money in the account belongs to your child. When he or she reaches the age of majority, you have no control over how the funds are used.

Setting up a formal trust

If you're at all concerned about how your child might spend the funds in an in-trust account, you may prefer a formal trust. This way, you can establish any terms and conditions you wish and control how the funds are used. The money does not automatically go to your child at the age of majority. On the down side, a formal trust entails both set-up and ongoing administration fees, which may be significant.

What's right for your family?

Talk to us to see if your education savings are on target to fulfill your child's career aspirations. We'll help you choose any supplementary investment vehicles you may need and create an integrated strategy that maximizes the benefits of each vehicle. ■

[1] Institute of International Education, Open Doors Report, 2014.

Education by the numbers

Post-secondary education costs can vary significantly, depending on where your child goes to school and what he or she studies. The figures below are averages per year.

Accommodations and food[1]	Tuition, undergrad[2]	Tuition, grad school[2]
Dalhousie University: **$10,200**	Engineering: **$7,151**	Architecture: **$5,620**
University of Toronto: **$12,600**	Pharmacy: **$11,173**	Math/computer science: **$6,145**
University of British Columbia: **$12,700**	Medicine: **$12,959**	Law: **$13,796**
	Dentistry: **$18,187**	Regular MBA: **$27,173**
Attending a U.S. university: US $36,000+[3]		

[1] getsmarteraboutmoney.ca, University cost and debt calculator.
[2] Statistics Canada, "Undergrad tuition fees for full time students, by discipline, by province," 2014-2015.
[3] HSBC, *The Value of Education: Springboard for success*, 2014.

Life happens and plans evolve, but rarely the same way twice

Life events, whether expected or unexpected, can give you plenty to deal with on a personal level. But more often than not, there are financial consequences, too.

Dealing with life events would be a lot easier if everyone responded the same way. However, as the following examples illustrate, every situation is unique and has its own formula for success…

Same events, different results

Picture two individuals, Angela and Colin, who have a lot in common. They're the same age, married, and have two kids each. Angela and Colin earn the same income and each is the primary income earner. They'll face the same life events but their financial plans will evolve in different ways.

More income. While their kids were very young, Angela's husband and Colin's wife were stay-at-home parents. Now the children are in school, their spouses re-enter the work force, and each couple has extra income.

Colin and his spouse plan to apply the extra income to two objectives — paying down the mortgage faster and bumping up their retirement savings so they can retire earlier.

Angela and her spouse have a different idea. For some time they've dreamed of purchasing a vacation property to begin a new family tradition. They'll now invest toward this goal through their Tax-Free Savings Accounts (TFSAs) and a joint non-registered account.

Job loss. A corporate reorganization hits both Angela and Colin, and both lose their jobs.

When his severance runs out, Colin and his wife begin to get anxious. Colin compromises on his salary requirements to speed up the job hunt and finds a lower-paying position. To compensate, his wife switches from working part-time to full-time.

Angela, on the other hand, is determined to continue searching for her desired position. She meets with her advisor and they develop a plan to buy time, combining Employment Insurance benefits, household budgeting and drawing from her emergency fund. Her search is ultimately successful.

An inheritance. While in their early 50s, Angela and Colin each receive an inheritance. Angela uses this windfall to anchor her portfolio with conservative investments, enabling her to take on more risk in order to seek out greater potential returns with the rest of her investments.

The way Colin sees it, the inheritance means he no longer needs to pursue as high a return to meet his financial objectives. He's quite content to reduce his level of risk.

A parent's health suffers. When Angela's father suffers a stroke, she fulfills his wish to remain at home and arranges for 24-hour private nursing care, paid out of her own pocket. This unexpected event affects her own financial plan, as Angela and her husband decide to purchase long-term care insurance for themselves.

When Colin's mother has a stroke, he and his wife consider several options and the financial consequences of each. They decide that Colin's wife will leave her job to help care for her mother-in-law. They plan to monitor the situation over time and adjust their plan as needed.

Supporting you when life happens

Life events and changes may involve many different aspects of financial planning — investments, education savings, insurance, and tax and estate planning. Whatever your situation and whatever the need, remember that we're here to provide guidance, advice and support in determining the best path for you. ■

Clashing investment personalities? We can help resolve the conflict

One spouse wants a sports car, the other a minivan. Perhaps an SUV may be a suitable compromise. Or get two cars and keep everyone happy. For some couples, the same kind of dilemma arises when investing.

Say that one spouse, by nature, is a conservative investor, suffering restless nights when investments drop in value. The other spouse is a more aggressive investor who's perfectly comfortable sitting through the market's ups and downs, confident that the investment trend is upward over time.

Does this sound at all familiar to you? If investment personality clashes are posing a challenge to your relationship, here are three approaches that may help.

Keep your eye on the prize

Investment objective and time horizon, along with risk tolerance, are the key factors that drive the composition of your portfolio. Sometimes, a specific objective and corresponding time horizon point toward investments aligned with one spouse's tolerance to risk. If the other spouse agrees, then you have a fortunate case of practicality trumping personal differences.

Say a couple starting out is saving for a down payment on a house. This goal has a limited time horizon and their potential home is at stake, so the spouse who normally wishes to invest aggressively may be content to stay away from higher-risk investments. Or, take the savings goal of a couple building their retirement nest egg. A look at investment projections may persuade the conservative investor to include higher-risk investments to achieve the potential returns they need.

Meet in the middle

With this strategy, the couple meets halfway, creating a diversified portfolio that adjusts the risk level by about the same degree for each spouse. It means finding a weighting between equities and fixed income that strikes an agreeable compromise, eliminating or minimizing the most aggressive and conservative holdings.

It's a strategy that may benefit both spouses. The aggressive investor won't take on any undue risk, and the conservative investor might take better advantage of market opportunities.

Agree to disagree

Compromise doesn't work for every couple. Sometimes the solution is for each spouse to keep his or her own portfolio. At first glance, this might look like two people agreeing to disagree, not a strategy involving partnership, but the net effect is actually a well-rounded approach.

For example, say the couple has independent, non-registered accounts dedicated to retirement savings. Both spouses stay true to their investment philosophies and make their own investment decisions. In combination, the two portfolios nicely balance long-term growth potential and capital preservation.

If you and your spouse have conflicting ideas about investing, talk to us. We'll see if one of these approaches may work or develop a customized solution. ■

Why you should name a power of attorney

Paying bills. Renewing insurance policies. Buying or selling investments. You probably complete actions like these all the time. But what would happen if you were unable to? If, for example, you suffered a brain aneurysm like Canadian music icon Joni Mitchell and were unable to communicate for days or even weeks? Who would manage your financial affairs, and who would make decisions regarding your personal care?

Financial decisions

With a continuing power of attorney (known as a mandate in Quebec) you can appoint the person you want to act on your behalf. "Power of attorney" is the legal document and "attorney" refers to the person you appoint. You require separate documents for finances and health care unless you live in British Columbia or Quebec.

Without a power of attorney, a child or other individual would need to apply to the courts to act for you. That process takes time, and the choice of a representative may lead to family disputes.

Health care decisions

With a power of attorney for health care, you can decide who will make important medical choices for you. Housing decisions may be involved, too.

You can draft the document to explicitly outline your preferences regarding resuscitation and life support, leave the decision to one person, or establish restrictions on your attorney's powers.

Please feel free to speak to us, or your lawyer, for more information about power of attorney for finances or health. ■