

# Planning Ahead

## Manulife Securities

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Spring at last! And what better time to revisit your investments?

In many ways, your portfolio is like a garden. You plant seeds that you hope will grow, but over time, some may prosper while others wither. The key to managing either is regular maintenance, including replacing non-performers with better prospects.

Contact us soon for a portfolio review where we can weed out the investments that aren't meeting your needs and replace them with those that will bloom.



## Freedom 55? 65? 75?

**A**re your savings keeping up with your hoped-for retirement date? More than half of Canadians rank their retirement savings as their top financial priority.<sup>1</sup>

And yet, a survey conducted by a major financial institution just before this year's Registered Retirement Savings Plan (RRSP) deadline showed that of 74% of RRSP holders had decided not to contribute, because they either lacked money, couldn't afford it, or had too many other debts to make it happen.<sup>2</sup>

### The impact

Missing or delaying contributions can have a potentially serious impact on your savings — and the kind of retirement lifestyle you can afford.

If you are 40 years old, an annual RRSP contribution of \$10,000 made at the beginning of each year and earning 5% compounded annually would grow to more than \$500,000 by the time you were 65. But if you

delayed your first contribution until age 50, you'd have just under \$227,000 at age 65. That's a big difference.

### How to get on track

The idea here is to make sure that your savings align with your anticipated retirement age. If they don't, you have two choices: Delay your retirement or beef up your RRSP.

One way to bolster your RRSP is to tap your Tax-Free Savings Account (TFSA). Many of us use these plans as little more than a savings account, generating interest income of only 2% or 3%. That money might be put to better use in a longer-term investment in your RRSP, where it can grow and compound tax-free for many years. And if you aren't yet investing through an automated investment plan, let's set that up ASAP. ■

<sup>1</sup> RBC, Annual RBC RRSP Poll, Jan. 9, 2014.

<sup>2</sup> Scotiabank, Annual Investment Poll, Feb. 6, 2014.

# Build your portfolio — with infrastructure funds



**T**he extreme weather experienced by much of the country over this past winter has drawn attention to Canada's aging infrastructure. From power lines to potholes, major infrastructure spending is planned or under way and shows no signs of abating.

Toronto, for example, is considering a \$15-billion project to bury its power lines to shield them from catastrophic ice and winds.<sup>1</sup> In light of ongoing issues with the Champlain Bridge (one of Canada's busiest), Montreal is fast-tracking construction of its \$5-billion replacement to 2018 from 2021.<sup>2</sup> In B.C., the \$25-billion Pacific Gateway Project is expanding the province's road, rail, and port capacity to better transport its resources.<sup>3</sup> On a national scale, the federal government recently announced the "New Building

Canada Plan" a \$70-billion, 10-year infrastructure spending spree.<sup>4</sup>

What do these projects mean for investors? In a word: opportunity.

## Extreme makeover needed

Most of Canada's core infrastructure was built in the post-war '50s and '60s. Our collective focus (and public spending) then shifted toward social services, healthcare, and education. But this past winter has drawn attention to the almost desperate condition of infrastructure across the country.

While we all benefit as Canadian residents from improvements to our communities, we can also benefit as investors. Infrastructure projects generate jobs, stimulate economic growth, and present growth opportunities

for businesses related to construction and their spinoffs.

For those with the appropriate investor profile, mutual funds that focus on infrastructure provide an efficient way to capitalize on these opportunities. As always, one of the key benefits with mutual funds is the ability to let professionals do the legwork. With infrastructure funds, skilled teams of researchers do the drilling to identify the projects and companies with the most potential and the best chance of meeting the fund's investment objectives.

## Broad range of investments

The specific investments an infrastructure fund might hold are drawn from the businesses and industries involved in building, servicing, or developing infrastructure projects. These can include everything from pipelines and wind farms to real estate to companies that administer bridge and highway tolls and long-term care homes. Some funds may focus on specific areas, while others may have a broader scope.

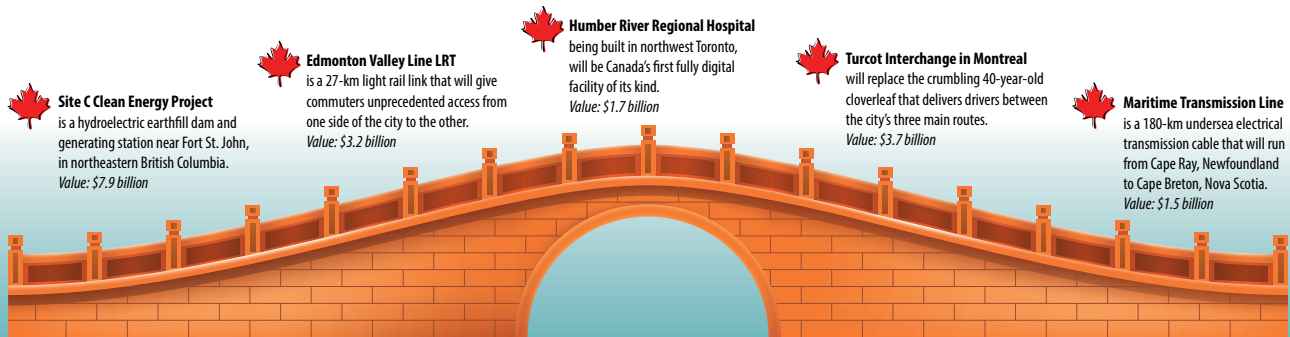
Depending on the fund's mandate and its holdings, returns can come from growth of the securities themselves, from the income the holdings generate, or a combination of the two. Some also include exposure to relevant international companies. In economies such as Brazil, where there is widespread privatization of government-controlled infrastructure, the growth potential can be significant.

We can help you decide if one of these funds would be a good addition to your asset mix, and, if so, how to best dovetail it into the rest of your portfolio. ■

1 Andrew Lupton, CBC News, "Ice storm fallout: Can't power lines go underground?" Jan. 9, 2014.  
2 Transport Canada, "New Bridge for the St. Lawrence," March 3, 2014.  
3 British Columbia Ministry of Transportation and Infrastructure, Revised 2013/14-2015/16 Service Plan.  
4 Infrastructure Canada, *The New Building Canada Plan*, Feb. 27, 2014.

## Bridging the infrastructure gap

Across the nation, governments at all levels are undertaking significant construction projects.



Source: *ReNew Canada* magazine, "Top 100 — Canada's Biggest Infrastructure Projects," 2014.

## Despite its name, your TFSA is *not* a savings account



In a recent survey<sup>1</sup> by one of Canada's Big Five banks, cash holdings made up fully 57% of its customers' Tax-Free Savings Accounts (TFSAs). Not only that, but just 11% of respondents could even identify TFSA-eligible investments. That's unfortunate, because TFSAs can hold a wide range of investments that may provide significantly higher returns than cash.

### Way more than just savings

Just because it's called a tax-free "savings account" does not mean you have to treat it like one. In fact, TFSAs are so much more flexible than a traditional savings account and the range of investments they can hold is so broad, they're suitable for just

about any investment goal. How broad? Well, virtually any investment you can hold in your Registered Retirement Savings Plan (RRSP) can also be held in your TFSA.

By all means, use your TFSA as a short-term parking spot while you save up for a car or a down payment on a house. But don't forget that it's equally valuable as a long-term strategic component in your retirement plan.

### Matching investments to goals

The specific investments in your TFSA should reflect the express goals you have for the money you're putting aside: cash and equivalents for short-term purposes and equity-based investments for longer-term objectives.

Let's look at the intentions you have for your TFSA money and the investments you're using to achieve them. Even if you are holding your TFSA at your bank or other financial institution, we would be pleased to review it.

While we're at it, let's see if we can't capitalize on this year's \$500 bump in contribution room — for 2014, you can invest up to \$5,500. If you haven't yet opened a TFSA, you could have as much as \$31,000 in contribution room — that's a significant opportunity to set up a tax-free portfolio. ■

<sup>1</sup> BMO Annual TFSA Report, Jan. 2, 2014.

## RETIREMENT PLANNING

### Considering a golden handshake?

According to Statistics Canada, workers aged 55—64 who leave their jobs do not necessarily sail off into full-time retirement. In fact, over half of them are re-employed within 10 years of leaving their job.<sup>1</sup>

The return of post-retirement seniors to the workforce is a genuine trend: One in six Canadian workers is currently over the age of 65, up from one in nine in 2001.<sup>2</sup>

Even if you're not planning to go back to work after you get your gold watch, you may change your mind. Many seniors return to the workforce voluntarily, driven by personal reasons such as boredom or the desire to take on a challenge, rather than financial necessity.

If you have been offered a severance package or suspect that one might be in the works, call us. Such a significant change affects every facet of your financial plan, including your regular investment contributions, your emergency fund, employer-sponsored health benefits, pension, and retirement savings, to name just a few.

It's especially important that we revisit your plan if your offer comes a few years before you were planning to retire. We can help you decide if you should accept it, consider how it can fit into your overall plan, and address the best way for you to transition into the retirement lifestyle you want. And should you decide to go back to work or join the ranks of the self-employed, we can help you fine-tune your plan to accommodate the additional income and support your changing goals. ■



<sup>1</sup> Statistics Canada, *The Daily*, "Study: Employment transitions among older workers leaving long-term jobs," Jan. 28, 2014.  
<sup>2</sup> Government of Canada, *Working for seniors, Age-Friendly Workplaces: Promoting older worker participation*, May 15, 2013.

# Protect your portfolio from loonie currency fluctuations

**A**fter several years of near-parity, the Canadian dollar began to decline in 2013, falling almost 7% over the course of year.<sup>1</sup> It's a trend that has continued into 2014 and one that many analysts suggest we get used to. So what does this mean for your investments and what can you do about it?

Perhaps the most obvious sign of our falling dollar is the slowing of cross-border shopping trips. But beyond that, the dollar's value affects everything from the price of your groceries to the state of our overall economy. Here's what you need to know.

## Loonie tunes

The back story on the loonie's current fortunes is not so much a reflection of any specific flaw in our domestic economy, but rather it's a byproduct of the long-awaited recovery in the U.S. from the 2008 recession. It is also a correction of sorts, bringing our dollar back in line with its intrinsic value against other world currencies and economies.

In fact, the Bank of Canada has become a vocal supporter of a lower dollar and the role it can play in helping our economy. Many Canadian industries benefit from a falling dollar, particularly companies that export their goods. These include manufacturers, natural resource producers, makers of auto parts, and domestic tourism-related businesses. In other words, some of the stalwarts of our economy.

On the other hand, import-based businesses, including apparel companies and consumer durables (appliances, sporting goods, and consumer electronics), tend to underperform when the dollar is weakening. Airlines, too, can struggle as the cost of fuel

(which is priced in U.S. dollars) goes up.

## Heads or tails?

Currency fluctuations can enhance your overall investment returns. If you hold U.S.-dollar-denominated investments, an increase in the value of the U.S. dollar against the Canadian dollar will magnify your returns. Of course, the opposite is also true.

Given Canadian-dollar weakness, this may be a good time to revisit your holdings from a currency perspective. Consider this: Just because you have U.S. equities (for example) does not mean you have actual exposure to the greenback. Some foreign securities are denominated in their home currency others are not.

Holding an investment denominated in foreign currency; allows you to capitalize when the value of the loonie falls relative to that currency. On the other hand, holding your foreign investments exclusively in Canadian dollars can help shield you from currency losses when the loonie is rising.

In many cases, diversification — holding investments denominated in a number of currencies — may help give you the "best of all worlds." Keep in mind that your options are not limited to the U.S. Japan and Europe are two other markets with the potential to provide positive growth both from the markets themselves and from currency fluctuations.

Whatever your opinion on the direction of the loonie, let's ensure your portfolio has the level of currency diversification that's appropriate for you. ■

1 Bloomberg News, "Canada Dollar Weakens the Most Since 2008 as Economy Trails U.S.," Dec. 3, 2013.

## Equity markets rebound

Despite last year's strong performance from many domestic and international equity markets, some investors remain shaken by the global market downturn of 2008/2009.

Those who allowed that fear to keep them on the sidelines missed out on one of the strongest markets in recent memory:

- The TSX gained in 2013 almost 10%<sup>1</sup>, and the S&P 500 gained more than 29%.<sup>2</sup>
- The Dow was up 26%<sup>2</sup>, and Nasdaq surged almost 40%.<sup>2</sup>

## On the rebound

Of course, past market performance is not a bellwether for future potential — whether the trend is up or down. However, when you couple strong gains with solid economic fundamentals (as we've seen in both Canada and the U.S.), it suggests that equity markets are not just enjoying a short-term spike but may be gaining genuine momentum.

Now is an ideal time to ensure you are positioned to participate in this momentum.

## The downside of cash

If you're holding an excess of cash, you may not be earning the level of returns that will help you reach your long-term financial goals. While cash plays an important role, providing liquidity and security, exposure to domestic and international equities is essential to enable you to benefit from renewed market vigour.

We can help you choose equity investments that will fit within your comfort zone and help you capitalize on growth potential. ■

1 Reuters Canada, "TSX ends year broadly higher, gains 9.6 percent in 2013," Dec. 31, 2013.

2 CNN Money, "Stocks: Stellar year ends on a high note," Dec. 31, 2013.

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