



Wealth Management Team

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If you expect to receive an income tax refund this year, plan ahead to put this extra money to work for you. Investing your refund in your Registered Retirement Savings Plan can be a powerful way to jump-start your contributions for the year ahead. Another time-tested strategy is to invest small amounts regularly. To set up a regular contribution plan or increase contributions, please call us.



## Weigh your risk tolerance against need for growth

**T**he past year has tested most investors and their financial plans, as market values of equity investments dipped.

The biggest task now might be to reevaluate your tolerance for risk — especially if this was your first experience of a downturn. It's human nature to overestimate our ability to handle risk when times are good — and to be exceedingly fearful after a big loss.

### Risk can bring reward

Every type of investment carries some kind of risk. Even not investing involves risk — opportunity risk, which is the risk that you could have made more money by investing than by staying on the sidelines.

Remember your longer-term objectives when weighing risk. Lower-risk or guaranteed investments protect capital, but you may trade off any chance of significant potential for growth. Over time, this

could mean falling short of goals.

Your portfolio should take enough risk to help generate the returns needed to meet your long-term objectives — but not so much as to make you uncomfortable. A key starting point is to project how much you aim to accumulate for retirement, over what time period.

### Corrective action, if necessary

Professional advice can help you calculate your end number and estimate the likelihood of your current strategy to take you there. If your projection points to a shortfall, you can plan corrective action. This may include saving more, reducing expenses, generating more income, making more growth-oriented investments, or delaying your retirement.

Professional advice can help you match your investment strategy to your goals, timeline, and risk tolerance. ■



## WHAT YOU NEED TO KNOW ABOUT...



### Joint ownership

Joint ownership is often seen as a way to help out adult children, share in financial management, or transfer wealth. But there are potential pitfalls.

**Q:** What are you trying to achieve?

**A:** There are two kinds of joint ownership — with very different estate plan implications. If you own property as *tenants in common*, your portion of the property becomes part of your estate upon your death; you can leave it to whoever you want, under the terms of your will. If you own property as *joint tenants with right of survivorship*, however, your share of the property passes automatically to the surviving owners upon your death. The matter becomes more complex if you live in Quebec, where the concept of joint tenancy with right of survivorship doesn't exist under Quebec civil law.

**Q:** Will changing ownership have any income tax implications?

**A:** Transferring an existing capital property (other than your principal residence) into joint ownership with an adult other than your spouse is treated as a sale for tax purposes. Any increase in value of the transferred asset since you purchased it will be taxed as a capital gain in the year of transfer.

**Q:** Who will make the decisions about the property?

**A:** Joint ownership of assets such as recreational property can create nightmarish disputes over use, maintenance, and renovation costs. In addition, the assets may become subject to claims by the owners' creditors or spouse.

## FINANCIAL PLANNING

### Savings plan builds security for Canadians with disabilities

If a child or someone you are close to qualifies for the disability tax credit, a new tax-sheltered investment account called the Registered Disability Savings Plan (RDSP) may be of interest. As in a Registered Education Savings Plan, earnings compound tax-free and withdrawals are taxed in the beneficiary's hands, although contributions are not tax-deductible. Instead of annual contribution limits, there's one lifetime limit of \$200,000. Federal supplements, such as the Canada Disability Savings Grant, are available based on contribution amount and family income. Professional advice can help you develop a plan to save for someone's care. ■

## TAX PLANNING

### Consider deferring credits for maximum benefit

While preparing your 2008 tax return, remember that you can carry forward some claims to a future year to maximize your tax savings. So, your 2009 return could include some 2008 expenses. Medical expenses, for instance, can be claimed over any 12-month period that ends in the tax year. Charitable donations can be carried forward up to five years. If you had more capital losses in 2008 than you needed to completely offset your 2008 capital gains, the unused capital losses can be carried forward indefinitely or carried back up to three years. If 2008 was a lower-income year for you, you can hold off claiming a deduction for your RRSP contribution, then deduct it in a year when your tax rate is higher. ■



## SUCCESSION PLANNING

### Small business owners need to put succession plans into action

A recent survey found one-quarter of Canada's small business owners are eyeing retirement in the next five years, yet most have done no formal succession planning. Many say they lack the time. Other common reasons include difficulty delegating, a belief that they're essential to the business, fear of conflict among potential successors, concern about treating children fairly, and concern about maintaining their lifestyle. According to estimates by chartered accounting firm BDO Dunwoody, only a third of businesses survive the transition to the next generation. Since the value of your business may be an important component of your retirement income, professional advice can help define a succession plan. ■



# Target-date funds adjust in step with your timing

**T**arget-date funds have steadily attracted interest from mutual fund investors since their arrival in Canada a few years ago. Assets managed in these types of funds — also known as life-cycle funds — have topped \$3 billion, according to Morningstar Canada.

A target-date fund is designed to be held for a set number of years to suit goals with fixed dates, such as saving for a child's post-secondary education or building a retirement fund. Various funds have been launched with time horizons as short as five years and as long as 45. For example, one target-date fund might mature in 2015, while another runs to 2035.

## Asset mix changes over time

Target-date funds typically invest in a diversified mix of mutual funds. The asset mix, divided among equity, fixed-income, and money market funds, is adjusted to become more conservative as time goes by, aiming to reduce the risk of market losses right before the money is needed. Automatic rebalancing of funds within the portfolio keeps it in line with the planned asset mix.

Essentially, the idea is to set and forget,



while your portfolio is managed with your target date in mind.

A handful of target-date funds also offer guarantees to lock in gains if the fund is held to the maturity date.

## What to know about these funds

Though the concept seems simple, target-date funds are complex and can vary in design. Here are some considerations:

### They may address risk differently.

Some target-date funds are focused solely on an end date, in a one-size-fits-all approach. Some fund companies tailor to different investor risk tolerances by offering two funds — one aggressive and one con-

servative — aimed at the same target date.

They operate as an all-in-one portfolio. The creators of target-date funds generally treat this portfolio as if it will be your core holding toward an investment goal.

Special care is needed to coordinate with other funds or investments you might have.

**Funds “age” differently.** Target-date funds may vary in both their initial asset mix and in the path taken to shift this mix over time. A 25-year fund might start with anywhere between 65% and 100% in equities. A “straight line” path reduces equity exposure by a set percentage each year. A “stepped” path makes bigger but less frequent changes. An “arc” approach maintains a high weighting of equities over the fund’s life to maximize potential

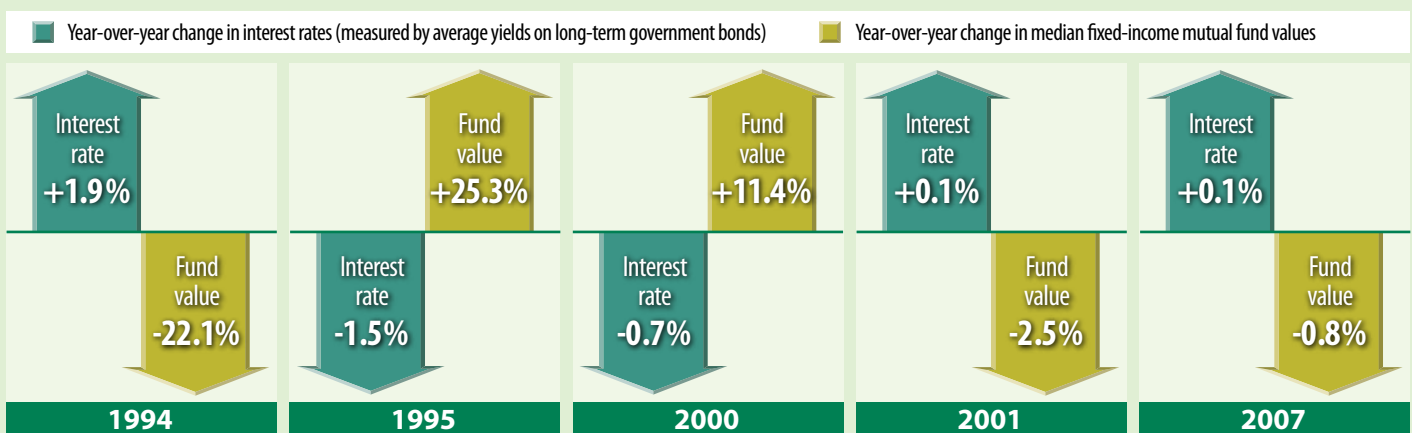
return, but at greater exposure to stock market downturns.

**The last few years are critical.** An RRSP investor may still need higher equity exposure near his or her target date, since those savings will continue to be invested and drawn over many years during retirement. Conversely, an RESP investor would be more likely to want a very conservative mix — even 100% in a money market fund — at the end because the money will be used right away.

Professional advice can help determine whether these funds may be suitable to your investment strategy. ■

## How interest rates and bond prices ‘teeter totter’

INTEREST RATE MOVES are among the most important influences on bond prices. Generally speaking, when interest rates fall, bond prices rise, and vice versa. In some years, this teeter-totter effect has been very prominent.



Sources: Bank of Canada, Morningstar Canada

# Even as a duo, a couple can take solo paths to retirement

**I**t used to be common for both members of a couple to retire at the same time. Statistics Canada says that's still the case for higher-income couples and those leaving the work world in their mid-60s. But, for others, a different trend has emerged: a multi-year retirement gap.

Using income tax return data, StatsCan analysts recently tracked retirement trends involving thousands of couples between 1986 and 2001. In each case, both spouses worked outside the home.

The most common pattern — covering 43% of the couples surveyed — was for the husband to retire first. That's not surprising, say the study's authors, because men tend to be two to three years older than their wives. What was surprising was a growing trend in which couples retired five or more years apart.

The StatsCan researchers did not ask couples why they retired when they did, but experts suggest many women are now more inclined to keep working after their mates retire because they are more likely to have good jobs than women in the past.

There are particularly high numbers of women in public sector jobs, for instance, entitled to defined benefit pension plans that are based on years of service. It could also be that many women want to make up time after starting a career later in life or taking time out to raise children.

## Retirement planning, for two

Retirement planning becomes more complicated when one spouse intends to stop work well before the other. And this

can become a source of conflict if the two don't discuss their plans well in advance — a fairly common situation. Almost 60% of the respondents in one recent poll of couples with at least one member over age 50 said they had not thought through the financial and lifestyle aspects of retirement.

Every couple should have a heart-to-heart discussion about their individual retirement visions, and it's never too soon to talk about it.

On the plus side, a timing gap means that, together, the two of you will need less retirement capital since one person will continue to bring in regular income.

On the negative side, while you wait for your spouse to join you in retirement, it may mean delaying plans for extended travel and other lifestyle pursuits.

## Plan for the unexpected

When you plan for your financial security, factor health and employment prospects into your equation. These are major reasons why one spouse may have to retire before the other.

You might have a particular career goal measured by salary or pension entitlement. How would you compromise your plans if illness or economic downturn forced you or your spouse to retire earlier than expected?

A professional review of your retirement savings and insurance plans can help provide peace of mind. ■

## Money tips before tying the knot

WEDDING SEASON WILL soon be in full swing and we wish all newlyweds the very best. Here are a few financial tips for couples to consider to avoid marital strain over money issues.

### Household finances

Consider the fundamentals of your financial relationship:

- Will you manage finances separately or together? If separately, you may need a joint fund for household expenses. Who will administer the household budget and records?
- Are you both on the same wavelength in terms of spending versus saving?

### Debts and obligations

How you handle debt together is as important as how you handle cash:

- Young couples typically start with more debts than assets. Have you told each other about all of your loans? Do you have a strategy for repaying them?
- Your mate's credit rating can affect joint purchases. Is it sound? If not, how can you fix it?

### Investing and insurance

Building financial security will help you achieve your goals:

- Are your investment personalities in synch? Will you make decisions together or appoint one spouse as manager?
  - Have you coordinated benefits from work, such as group insurance?
- Professional advice can help you reach your individual and shared goals. ■

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