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While the end of the calendar year is in sight, autumn still leaves plenty of time to review your finances and investments with an eye for the long term.

Take this time to ensure the important components of your financial strategy are in order. We can help you reassess your savings to support your long-term objectives, like retirement. Please call – we'd be delighted to schedule a time to talk.



Rebalance regularly to keep your portfolio fit

One good lesson any investor can learn from professional money managers is that the pros regularly rebalance their portfolios.

Rebalancing restores a portfolio to its original allocation of assets, the one that we've determined is appropriate for your investment objectives, risk tolerance, and time horizon.

Benefits of balance

The way your money is divided among equities, fixed income, cash, and specialty categories can shift over time as different types of assets perform differently. Rebalancing helps to restore your target weightings, so you're not overly concentrated in any one asset class, sector, or security.

Here's how it works. Suppose your portfolio started with 20% in Canadian equities, 40% in foreign equities, and 40% in fixed-income investments. Imagine that,

after some time, shifts in market performance have altered the ratio to 35/20/45. To get back on track, you have two choices: sell some Canadian equities and fixed-income investments and invest that money in more foreign equities, or add new money to foreign stocks to restore the balance.

Managing tax implications

Rebalancing is easy within registered plans like RRSPs because selling assets won't trigger a tax hit. In non-registered portfolios, however, selling assets may have tax implications.

How often?

Rebalancing can be undertaken when your mix falls out of balance by a certain percentage or when you have new money to invest. Professional advice can help determine the right time for you. ■

Five ways mutual funds help you manage risk

In order to earn higher potential returns, an investor needs to be willing to take on some degree of risk. But there are effective ways to manage that risk. Mutual funds can help, because they provide five key levels of risk management.

1 Professional management
Mutual funds are run by full-time portfolio managers and research analysts who typically bring years of training and experience to the task. These professionals have access to more timely and sophisticated data and analytical systems than anything available to individual investors. They monitor their respective markets and specific investments all day, every business day. This enables them to distinguish between noise and news, to identify trends early on, and to make decisions based on facts and strategies, instead of emotions.

2 Consistent mandate
Every mutual fund has a stated objective, which sets the framework for how the managers invest. Fund objectives typically call for both capital growth and capital preservation, but individual funds vary in how much one or the other is emphasized. A fund with a high-growth mandate will be more risk-oriented than a low-growth fund.

Some funds are also designed to pay

income on a regular basis. These tend to have a lower risk level. They need to hold stable investments that can provide the income needed to fulfil the fund's mandate of generating cash flow.

3 Diversification
Mutual funds make it easy to reduce risk by spreading money across asset classes (for broadly based funds) or across securities (for funds that focus on one asset class).

For example, an equity fund reduces risk by spreading money across a range of industries and companies. A fixed-income fund may include a broad range of bonds, preferred shares, or other securities from various issuers with different maturity dates.

Research suggests that an equities portfolio needs a minimum of 10 to 30 stocks to be diversified. That can be hard to achieve as an individual investor, but is easy to do when you invest in a mutual fund that pools money from many investors.

4 Foreign exposure
Funds that invest in markets outside Canada are an easy way to get foreign exposure. These funds allow you to take advantage of opportunities not available in Canada and diversify your portfolio.

Because of the size of these funds, fund managers have preferred access to local



MUTUAL FUNDS

expertise around the world, trade more efficiently, and trade currencies at much better rates than individuals can get when trading on their own.

5 Averaging
Mutual funds are ideally suited for regular investing because you can buy partial units for as little as \$25 or \$50 a month. When you invest steadily, you benefit by naturally buying more units when prices are low and fewer when prices are high — without even thinking about it. This regular investing protects you from the almost always negative effects of trying to time the market.

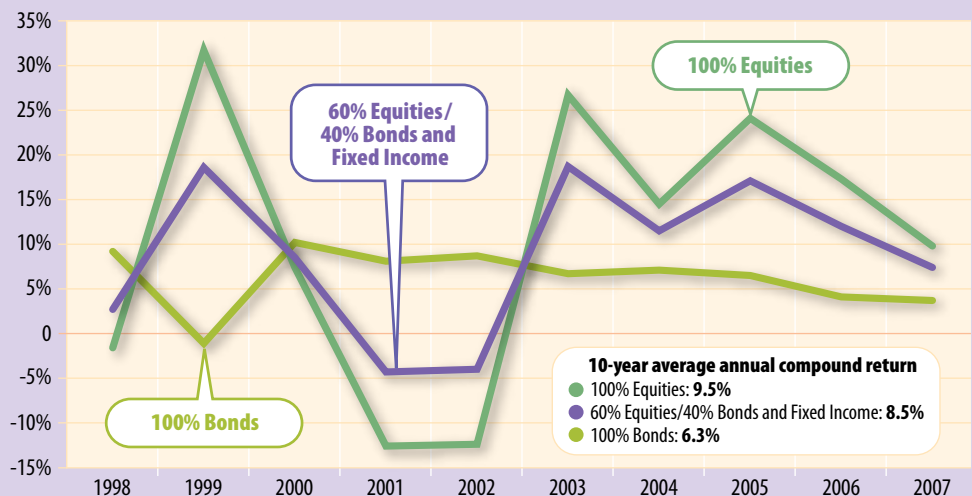
Professional advice can help you determine the most appropriate funds for your portfolio based on your goals, risk tolerance, and time horizon. ■

Equities and bonds — the best of both worlds

HOLDING A MIX of stocks and bonds may bring you the best combination of growth and stability.

Historically, equities have produced superior returns, but with lots of sharp ups and downs, while bonds and other fixed-income investments have been much less volatile, but produced much lower returns.

In this example, a 60/40 balanced portfolio delivered almost as much return as the all-equities portfolio, but with less volatility.



Source: Morningstar Canada. 100% equities: S&P/TSX Composite Index; 100% bonds: DEX Universe Index.

This graph is for illustrative purposes only. Mutual fund performance may vary and past performance may not be repeated in the future.

INVESTING

Know your options when savings bonds, GICs mature

Secure deposits like Canada Savings Bonds (CSBs), provincial savings bonds, and Guaranteed Investment Certificates (GICs) are a mainstay in many Canadians' portfolios. If your holdings include CSBs or GICs, they may be approaching their maturity date. Rather than automatically renewing or rolling over these deposits, assess all your options. With professional advice, you may be able to get a better return with a different investment that still meets your goals and appetite for risk. ■



TAXES

Apply now for 2009 payroll tax adjustment



Over the next year, do you expect to be making RRSP contributions and charitable donations or paying for childcare, alimony, investment loan interest, rental losses, or other expenses that are eligible for tax deductions or credits? If yes, there's an easy way to save up front on your 2009 tax bill. You can ask the Canada Revenue Agency to let your employer reduce the amount withheld from your paycheque to reflect these tax breaks. To do this, file CRA form T1213, available at cra-arc.gc.ca. (Quebec residents also file Revenu Québec form TP-1016.) You must make a new request each year, and this is an ideal time to do it: the CRA typically takes up to eight weeks to process your request, so filing now means your payroll adjustment should take effect in time for the start of the new year. ■

CREDIT

Think twice before accepting that credit card offer

Don't apply for credit cards you don't intend to use, advises the federal Financial Consumer Agency of Canada. The number of credit cards you hold affects your credit score used by lenders when considering a loan request. Check out the FCAC website at moneytools.ca for interactive tools aimed at helping consumers use credit cards wisely, along with helpful information about credit reports and scoring. ■



WHAT YOU NEED TO KNOW ABOUT...

Self-employment

When an organization enlists people as contractors for a set period, rather than as permanent staff, would-be contractors often automatically assume they're self-employed. But tax authorities don't necessarily see it that way.

Q: How do tax officials determine my employment status?

A: The Canada Revenue Agency considers factors such as the individual's degree of control over the job, responsibility, financial risk, where and when the work is done, and who owns any equipment that's needed.

Q: Why does my employment status matter?

A: If the CRA considers you to be self-employed, you'll enjoy more tax breaks, but face more obligations than employees. On the plus side, you can deduct a wide range of expenses from income, including business-related home and auto expenses. Self-employed individuals don't pay Employment Insurance (EI) premiums. Entrepreneurs who are incorporated can choose to take money out of the company as lightly taxed dividends as well as fully taxed salary.

On the downside, self-employed workers aren't eligible for EI benefits, typically pay twice as much Canada/Quebec Pension Plan contributions as salaried employees, and usually have to collect and remit GST. They also need to keep track of their own income, expenses, and income tax owing.

Q: How can I learn my employment status?

A: Search the CRA website at cra-arc.gc.ca for brochure RC4110. For Revenu Québec's criteria, search at revenu.gouv.qc.ca for "employment status."

Use this financial checklist to prepare for rough spots

Financial planning isn't just about achieving long-term goals like retirement. It can also help you ride through personal rough spots in the short term, like a job loss or a recession. Here's a basic guide to help you establish a solid financial safety net that can weather any unexpected downturn.

Assess the likelihood of reduced income

- How much of your pay is variable, such as bonuses or commissions?
- If you are self-employed, can you tighten up on money owed to you and collect it more quickly?

Assess the risk of job loss

- Will your emergency fund cover your expenses for up to six months?
- Can you expect a good severance?
- Be ready to take advantage of opportunities. Tune up your résumé and network of contacts.
- Can you replace group life and disability insurance at an affordable cost? Consider getting a bare-bones policy now that can be increased later.

Is early retirement an option?

- Will your employer subsidize early retirement?
- Can you live comfortably on your savings and pension?
- Do you have a plan for using free time?

Prepare your net worth statement

- Are any loans due soon? Will that help or hurt cash flow?

- Should your investment mix focus more on security and less on growth?

Assess your credit status

- Set up or increase a line of credit.
- Clear credit card balances or obtain a personal loan at a lower interest rate.
- Lock up all but one credit card — the temptation to use them rises as income declines.

List major expenses for the next year

- Which can be delayed? Which will be bargain-priced?
- Set priorities in case income declines gradually.

Consider tax-loss selling

- Can investment losses in the current year recoup capital gains tax paid in the previous three years?

Bargain hunt for your portfolio

- What investments would you like to own? Make a list with target prices.

Profit from lower prices

- Entrepreneurial? Watch for distress-priced businesses or assets.
- Economic downturns often bring lower housing prices and renovation estimates.

The above are general strategies worth exploring. With professional advice, you may be able to find other effective ways to protect yourself or improve your financial position. ■

Check your wealth health

THERE'S AN OLD saying that "you can't manage what you can't measure." That's why doctors track our weight, blood pressure, cholesterol, and other indicators of good or bad health. And it's why you should assess the health of your wealth by preparing a net worth statement every year.

Net worth is your true wealth — the difference between what you own and what you owe.

A net worth statement is a list of your assets and debts at a specific point in time. Many people use December 31 as their cutoff and calculate their current net worth in January when year end account statements arrive. A net worth statement can offer lots of useful information in time for making RRSP contributions and other financial decisions.

Annual updates help you track the percentage change in your net worth, and see how well you're keeping ahead of inflation and accumulating wealth to meet your goals. An update can also help uncover gaps or duplication in your portfolio. For example:

- Can you consolidate any bank or investment accounts and loans to reduce costs and make them easier to manage?
- Is there too much debt? Can it be restructured to reduce interest costs?

Reviewing your net worth at least once a year provides a valuable opportunity to benchmark your progress to date. With professional advice, you may find ways to make next year's review even more productive. ■

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