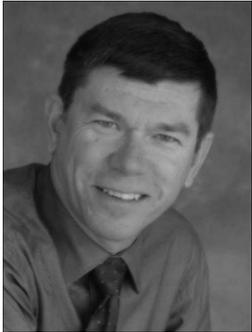


Financial Planning Guide



David K. Lord, P.Eng.
Certified Financial Planner



Frank Trolio
Certified Financial Planner

ExcelPlan Financial
FundEX Investments Inc.
440 Elizabeth Street, Suite 300
Burlington, ON L7R 2M1

Telephone: (905) 639-8008
Toll-Free: (800) 461-2862
Fax: (905) 639-2268
E-mail: dklord@excelplan.ca
E-mail: ftrolio@excelplan.ca



FOCUS ON MUTUAL FUNDS

The one time when it may be better *not* to diversify

One of the biggest attractions of mutual funds is that they provide a diversified portfolio with one investment decision. But where mutual fund accounts are concerned, having more than one can actually be detrimental, and consolidating can provide significant benefits.

It's easy to accumulate mutual fund assets in more than one account, often by accident. For example, you may have opened a mutual fund Registered Retirement Savings Plan (RRSP) because a financial institution was offering an incentive. Or perhaps you joined an investment plan through work.

The benefits of consolidating

Putting your accounts under one roof has several advantages. For example, you'll almost certainly benefit from more effective asset allocation, because it will be easier for us to identify overweight and

underweight sectors. Rebalancing your holdings in response to new opportunities and market swings can also be done in a more targeted manner, if we can access all your data at once.

Consolidating your mutual fund accounts will also enable you to cut duplicate account management fees. That adds up to reduced costs, oversight time, and paperwork.

Your tax planning will also be easier and more effective if we consolidate your accounts. For example, it will be easier to spot capital losses that can be used to offset capital gains when the assets are all in one place.

We're here to help

Interested in pursuing the benefits of consolidation? We can help you transfer your accounts so as to minimize fees and tax implications. Contact us to find out how. ■

Time to incorporate China into your fund strategy?



A recent upwards revision by the World Bank to China's gross domestic product (GDP) could see it ranked as the planet's biggest economy as early as next year. Investors seeking growth and international diversification may want to consider equity funds with exposure to this exciting emerging market.

The World Bank re-evaluated the GDP of major economies (as of 2011) in purchasing power parity (PPP) terms. Purchasing power parity values locally produced products and services (such as a Big Mac, a haircut, or a legal opinion) equally to similar purchases in other countries, even though they may be priced differently in local currency terms. This latest World Bank estimate values China's 2011 economic production at USD \$13.5 trillion¹ in PPP terms, almost twice the \$7.3 trillion market exchange rate level.

Positive trends

While size clearly matters, there are several additional trends that signal opportunity in China. China's growth rate, which the International Monetary Fund (IMF) expects to slow to 7% in 2015,² remains vastly ahead of that of the rest of the world, which is projected by the United Nations to advance by just 3.2%.³

Furthermore, the Chinese Communist Party recently announced a relaxation in its one-child policy. This is potentially great news, as the "baby bust" the policy had produced has been slowing labour force growth for the past several years. If unchecked, it could lead to stagnation and even shrinkage in coming years.

China has also announced plans to reduce currency controls, in a bid to

expand the yuan's usefulness as a reserve currency. Swap agreements have already been negotiated with Russia, Brazil, and several other Chinese trading partners. As a result, the yuan is beginning to edge out the U.S. dollar as the preferred medium of exchange in bilateral trading relationships.

How to participate

For mutual fund investors who would like to gain or increase exposure to Chinese growth potential, there are several options:

- Sector funds that focus solely on investment opportunities in China.
- Funds that invest in non-Chinese companies (particularly those based in Hong Kong, Taiwan, and Japan) that are connected to China.
- Canadian resource funds that invest in companies that export to China.

As with any investment, there are potential risks to investing in China.

Managing risk

Because of their narrow focus, sector funds as a group tend to be more volatile than more broadly diversified funds. In seeking specific funds for your portfolio, we will pay close attention to both your desire for growth and your tolerance for risk, in order to remain within your comfort zone. ■

¹ The World Bank, Purchasing Power Parities and Real Expenditures of World Economies, Summary of Results and Findings of the 2011 International Comparison Program.

² Reuters.com, "IMF cuts China's growth forecast but urges focus on reforms," June 5, 2014.

³ CIVnews.com, "UN lowers world economic growth forecasts amid cold winter, Ukraine crisis," May 21, 2014.

China poised to take the lead in economic growth

In 2011, China's gross domestic product (GDP) was only slightly less than that of the U.S., based on purchasing power parity. The International Monetary Fund expects that China could take over the top spot as early as 2015.



* 2011 purchasing power parity, in U.S. dollars.
Source: The World Bank.

Want to simplify your estate plan? Consider segregated funds

Investors typically choose segregated funds because they offer access to a range of diversified, professionally managed portfolios (similar to mutual funds) along with maturity and death benefit guarantees. But they also offer significant estate-planning benefits.

Because the death benefit goes directly to your named beneficiary(ies), it doesn't pass through your estate. As a result, it won't be subject to probate fees or taxes in provinces where they exist.

And because the segregated fund beneficiaries are never mentioned in your will (which is a public document), the bequest remains confidential. This can be an advantage in certain delicate family situations where you want to leave a legacy for

someone, but you don't want your other heirs to know about it.

If you think a segregated fund could be useful in your situation, please give us a call. ■



DEBT REDUCTION

A risk-free 35% return!

Double-digit returns are rare these days. Risk-free double-digit returns are almost unheard of. However, by paying off a revolving credit card balance, you can achieve the same effect.

Many credit cards charge interest on overdue balances at a rate of 25% or more. So paying them off can yield major savings.

That means that if you owe \$1,000 to your credit card provider, and are paying a 25% annual interest rate, eliminating that balance will save you \$250. That's a 25% after-tax return for a risk-free \$1,000 investment. Not bad — but it gets better!

Consumer credit card interest is paid in after-tax dollars. In a 33% tax bracket, you need to earn more than \$375.38 to pay \$250 in interest. Taking that into consideration, paying down \$1,000 in revolving credit card debt generates a pre-tax return of more than 35%. ■



EYEOPENER

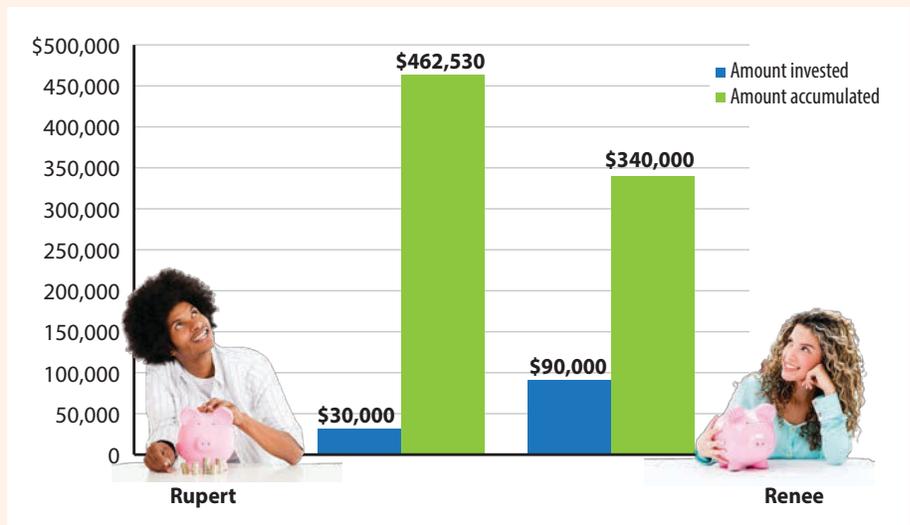
graphic evidence of how investing works

Big benefits for 'Millennials' who start saving earlier

A new study¹ suggests that Millennials, the generation born after 1978, are starting to save on average at age 22. That's almost a decade earlier than their Baby-boomer parents.

Clearly, the next generation grasps the importance of starting early when it comes to saving and investing. In this chart, for example, Rupert sets aside only one-third as much as Renee, yet has over \$120,000 more at age 65.

If you have children, try to make them aware of the benefits of starting early when it comes to saving. In fact, why not bring them along next time we meet? We can show them how easy it is to get started.



¹ Transamerica Center for Retirement Studies®, The Retirement Readiness of Three Unique Generations: Baby Boomers, Generation X, and Millennials, April 2014.

Three sectors that could add zing to your mutual fund portfolio

Mutual funds that focus on a single industry are called “sector funds.” While they can be more volatile than funds that take a broader approach, in moderation, they can potentially spice up the returns of a balanced portfolio.

In Canada, three sectors in particular represent a good portion of the S&P/TSX Composite Index — and a wealth of potential investing opportunities.

The energy sector

Canada is a global energy power and a secure and reliable source of supply to the United States.

In recent years, development of the Alberta tar sands has attracted the attention of international investors such as Warren Buffet and provided considerable spin-off work for the rail and pipeline sectors. The latter got a huge boost in June when the Harper government gave conditional approval to the Northern Gateway pipeline, which could one day transport crude oil to the west coast for shipment to Asian markets.

From exploration, to oil and gas services, operations development, and transportation, opportunities are arising for energy funds.

The materials sector

In addition to oil and natural gas, Canada is blessed with a huge pool of other raw resources. These range from precious metals, such as gold and diamonds, to base metals, potash, and wood products.

The sector has long benefited from strong growth in emerging markets, such as China and India. As these economies

expand, they need our raw materials for building and infrastructure development.

The real estate sector

Real estate companies tend to be fairly steady businesses that generate relatively secure incomes for investors. Earnings have been boosted significantly in recent years by low interest rates.

Canadian real estate sector funds also benefit from the strength of our housing market. Selling prices and housing starts have been strong, particularly in the red-hot Toronto and Vancouver markets.

A prudent approach

While sector funds are an effective way to enhance your portfolio’s potential returns, it’s important to remember that their more concentrated focus typically means they are more volatile than more broadly diversified funds. When selecting funds for your consideration, we will naturally perform our “due diligence,” including:

- Comparing the companies held in any potential sector-fund investment against the companies in the funds you already hold in order to prevent duplication and overexposure.
- Looking for funds with a diversified portfolio and a track record of success under an experienced management team.
- Keeping sector-fund exposure within your comfort zone for variability; typically, sector funds should represent no more than 10% of a diversified portfolio.

Interested in exploring the possibilities further? Give us a call. ■

Get a bond fund in the mix

With interest rates at historically low levels, some investors may be tempted to sell their fixed-income investments. However, bond funds remain an important part of a balanced investment portfolio.

Benefits of bond funds

The professional management expertise that bond funds provide can bring major benefits. These include better diversification, staggered maturities, and superior asset selection. In addition, there’s no need for you to track all your individual holdings, which means far less paperwork.

Bond funds can also provide a valuable hedge against deflation. During deflationary episodes, the price of everyday goods declines. As a result, the regular income that bond funds generate purchases more.

The importance of balance

Equity fund investors typically seek return *on* investment. Bond fund investors, on the other hand, are more concerned about return of investment. In the end, both are important.

While equity funds may generally outperform other asset classes over time, bond funds help to reduce volatility and generate income. For those reasons alone, they remain a key component in a balanced portfolio.

If you’d like to discuss the role that bond funds play in your portfolio, please give us a call. We’re always happy to review your holdings and explain how they are all working together to help you meet your investment goals. ■

Mutual funds provided through FundEX Investments Inc. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual Funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated. This newsletter has been written (unless otherwise indicated) and produced by Ariad Communications. Vol. 28, No. 4 © 2014 Ariad Communications. This newsletter is copyright; its reproduction in whole or in part by any means without the written consent of the copyright owner is forbidden. The information and opinions contained in this newsletter are obtained from various sources and believed to be reliable, but their accuracy cannot be guaranteed. Readers are urged to obtain professional advice before acting on the basis of material contained in this newsletter. Readers who no longer wish to receive this newsletter should contact their financial advisor. ISSN 1205-5840