Freedom 55 Financial
A division of London Life Insurance Company

your financial security

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New online tool lets you investigate recovering market opportunities

Emotions can play a big role in how people manage money, and short-term events can alter long-term financial security plans. With signs the economy is starting to improve, it's a great time to look back at recent volatility and plan to take advantage of a potential recovery.

Some investors have reacted by stepping away from market-based investments and into fixed income holdings or even cash. While most diversified portfolios contain these types of investments, having too large a portion of your money in them may mean you are falling behind. You may have sold at a loss and are on the sidelines at the very time you need to be in the game.

Invest to win: reduce risk, not returns

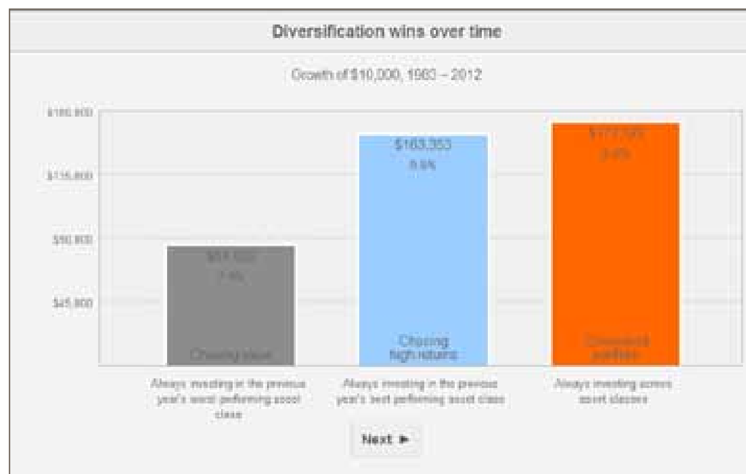
Invest to win, a new online tool, is a fun way to discover the benefits of diversification and a long-term, buy-and-hold investment strategy. You start with a hypothetical investment, and you're challenged to grow it over five years.

After a series of your own investment decisions, the tool will compare your results to those from a diversified portfolio held over the entire period. The returns in the tool are based on historical market conditions.

Go ahead and try your luck (or skill). Or better yet, sit down with your financial security advisor and go through the exercise. You may be surprised at just how well diversifying and staying the course can work.

Invest to win is available on your computer, iPad or smart phone by visiting:

http://investtowin.ll-toolkit.com



Help to increase your confidence to invest

Hesitant to get back into the market? You're not alone. Some investors still feel uncertainty about the recent economic downturn.

Markets are recovering; investor confidence is growing, however many Canadians still have money in cash or cashable short-term investments like money market funds, guaranteed investment certificates (GICs), and low-interest rate bank accounts.

Unfortunately, these investors may be limiting growth potential. Even during the best of times, these types of holdings have often struggled to keep up with inflation.

Diversify your exposure to any one asset class

A common response to volatility is a retreat from the market. This can reduce portfolio returns over the long term. Diversification, a risk-management strategy that mixes a wide variety of investments within a portfolio, can help reduce fluctuations and allow you to stay the course. A diversified portfolio can help you achieve more consistent returns within your risk tolerance and can reduce volatility associated with the investment market.

Fund-of-funds solutions that combine several types of investments and asset classes into a single fund, give you diversification and exposure to different asset classes, management styles and geographic regions. Choosing the right mix of investments is key to helping manage risk, and allows you to remain invested regardless of market conditions.

Managing your portfolio using asset allocation helps ensure you have an appropriate mix of investments. Asset allocation is an investment technique designed to manage risk and reward by aligning a portfolio's assets with an individual's goals, risk tolerance and investment horizon.

But how do you get a handle on what markets might do, and finally get matched up with the right investment? Contact your financial security advisor for a risk assessment questionnaire and a software tool to help you do just that.

More strategies to help you pay less tax

There's still time left in the 2013 tax year to consider ways to reduce the tax you pay next year and put extra money in your pocket. You can put every dollar you save toward a financial cushion, a legacy, your retirement, debt repayment, someone's education or the vacation of a lifetime.

1. Donate to charity

When planning your charitable giving, consider donating appreciated securities directly to the charity of your choice and eliminating all tax on any accrued capital gains. You may also donate a life insurance policy while living or name a charity as beneficiary of all or part of the death benefit proceeds.

2. Think about tax savings on estate assets

Upon the death of an individual, the transfer of capital property to the surviving spouse, common-law partner or testamentary spousal trust is generally done at the adjusted cost base to defer potential capital gains tax until the property is disposed of or the survivor dies. In some cases, there may be a tax advantage for you to trigger all or part of the capital gains to be reported on the final return and have the capital gains taxed to the deceased to make use of his/her capital gains exemption or capital losses.

3. Consider a registered disability savings plan (RDSP)

If you have a disability, consider opening an RDSP. Contributions to RDSPs are limited to $200,000 over the disabled beneficiary's lifetime and may be augmented by up to $90,000 in Canada disability savings grants and bonds.

4. Invest for a child's post-secondary education

There are two ways to do this with children under the age of 18: An informal in-trust account or a registered education savings plan (RESP). In an in-trust account, capital gains may be taxed in the hands of the minor child while any income may be attributed to the contributor, depending on the source of funds. RESPs defer taxes on income until the funds are withdrawn during the post-secondary education period. Contributing to an RESP lets you take advantage of the Canada Education Savings Grant – free money from the government. You may also be able to catch up on missed grants from prior years. Low-income families may also be eligible for the Canada Learning Bond.

Consult with your financial security advisor or your tax professional to develop a tax reduction strategy that's right for your needs and your financial security plan.

The need for financial security planning in retirement

Financial security planning doesn't end once retirement starts; it shifts from accumulating capital to preserving capital and how to make the most of that accumulated capital.

The largest generation ever in Canada's history is on the cusp of retirement, and those aged 55 or older hold the vast majority of investible assets. The number of Canadians who turn 60 will increase annually for the next 20 years, and the average investible assets of each new retiree are quite large compared with younger clients.

According to the Life Insurance Marketing and Research Association (LIMRA) study in 2012 titled *Ready, set, retire? Not so fast!*, pre-retirees within one to four years of retirement need a formal written plan for managing their retirement finances – only 11 per cent have one.

If you don't already have a financial security plan or trusted financial security advisor to help, here are some reasons why you should.

One contact, one plan makes things simpler

Planning retirement income is a complex process, and there is no one-size-fits-all solution. Consolidating your accumulated assets with one financial security advisor who can help you transition into retirement with a balanced portfolio, that will generate both income and growth, makes so much sense and can greatly simplify your financial situation. To achieve this, a financial security advisor will need to assess all the elements of your retirement nest egg, including Canada Pension Plan/Quebec Pension Plan, Old Age Security, company pension (if applicable), registered and non-registered assets.

A strong relationship is based on trust

In retirement, more than ever, you need someone with specialized training and experience, who is skilled in the retirement planning process, who takes the time to understand your retirement needs, who identifies potential pitfalls and how to avoid them and who can suggest ways to help ensure you won't outlive your money.

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to tax legislation and interpretations may affect this information. This information is general in nature, and is not intended to be legal or tax advice. For specific situations, you should consult the appropriate legal, accounting or tax advisor.

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