DUNHAM FINANCIAL

WEALTH WISE

Cheryl S. Dunham CLU, EPC

DEPENDABLE, FORWARD THINKING SOLUTIONS

Dunham Financial
Excel Private Wealth
93 Colonel Wayling Blvd
Sharon, On
L0G 1V0
Toll free: 1-888-217-2001
Fax: 905-478-8781
Email: cdunham@dunhamfinancial.ca
Internet: www.dunhamfinancial.ca

Connect with me on Facebook:
www.facebook.com/cheryl.dunhamclu

Connect with me on LinkedIn:
ca.linkedin.com/Cheryl-dunham-clu-epc

Why is it that Canadian summers always feel so short? From May through to September, we try to fit in as much as possible, from travel, to sports, to home renovations.

If the past few months have been especially frenetic for you, this might be a good time for us to get together and look at the progress you've made towards your financial goals. We can also catch up on any changes in your family circumstances, workplace, or investment goals and answer any questions you might have about your portfolio, the economy, or the markets. We'd love to see you!

FOCUS ON RETIREMENT

Update your retirement plan to keep up with the times

Few roads to retirement follow a straight line. Every journey takes an occasional detour, sudden turn, or bumpy trail, and may call for a change of gears.

To ensure that your retirement goals remain on track and realistic, it's important to review your plan through changing circumstances and make adjustments as needed. Here are five strategies to consider.

Boost your savings. Increasing the amount or frequency of regular contributions to your Tax-Free Savings Account (TFSA), Registered Retirement Savings Plan (RRSP), or non-registered account can help make up for any temporary decline in investment value.

Adjust your investment asset mix. Increasing the proportion of growth-oriented investments in your portfolio provides you with the potential to earn higher returns. Of course, it's essential to respect your tolerance for risk.

Reduce your expenses. Tightening your spending on impulse or luxury items, either now or in retirement, can help ensure you'll have more funds available down the road.

Delay your retirement date. Moving your projected retirement date out by a year or two could make a material difference to having a more comfortable retirement income.

Supplement your retirement income. Working part-time after retirement can give you an extra financial cushion or allow you to enjoy a few special luxuries.

Regular reviews with us are one of the most effective ways to stay on top of your retirement plan and make any minor adjustments that can help you stay on track. ■

Emerging markets offer growth potential and opportunities for diversification

Emerging markets were one of the best performers in the early part of this year, led by a rebound in commodity prices. But that's just one of the factors behind a positive outlook for emerging markets. Strong growth prospects, economic reforms, and favourable demographics are also good reasons for investors to consider having some exposure to these fast-growing regions of the world.

With professional management and expertise, along with built-in diversification, mutual funds are an ideal way to take part in the growth of emerging markets.

Encouraging trends

The International Monetary Fund (IMF) expects emerging markets to grow by 4.5% in 2017 and 4.8% in 2018, helped by a recovery in manufacturing and trade and robust demand from the U.S. economy. In contrast, Canada's economy is expected to grow by 1.9% in 2017 and 2.0% in 2018.[1]

But it's not just the growth story that has investors eyeing emerging markets. The two biggest emerging nations, China and India, are embarking on much-needed reforms to their economies. In China, that includes rebalancing the economy away from trade and investment and towards domestic consumption, while India has introduced a national goods and services tax to replace the complex system of local and state taxes.

Favourable demographics also bolster the case for emerging market exposure. With about 80% of the world's population[2] and a younger demographic than developed nations, emerging market consumers are expected to experience rising standards of living and an expanding middle class. This could lead to growing consumption over the longer term and more robust economies.

Diversification opportunities

With the Canadian stock market heavily weighted in the resource sectors, emerging markets offer diversification opportunities not available at home.

At the end of April 2017, the information technology sector represented one-quarter of the MSCI Emerging Markets Index, while the consumer sectors represented 17%.[3]

This lack of correlation to Canada is important in two respects: It provides an effective way to diversify outside of Canada, and it can help investors tap in to the growing consumer culture in emerging markets.

Know the risks

As with any potential investment, it's important to understand what the risks are. For emerging market funds, these include the threat of growing U.S. protectionism and its effects on global trade. A potential conflict with North Korea is another risk to markets in Southeast Asia, as is a fluctuating U.S. dollar.

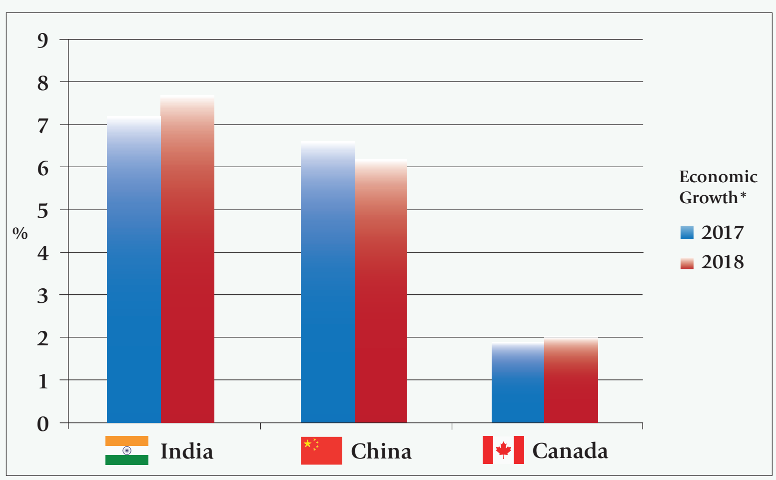
Currency risk is another factor when investing outside of Canada, although over time currency fluctuations tend to even out. Currency-neutral mutual funds are one option to consider.

Let's work together to find the right amount of exposure to emerging market funds that align with your investment objectives and risk tolerance. ■

1 International Monetary Fund, *World Economic Outlook*, April 2017.
2 Christine Lagarde, Managing Director, International Monetary Fund, "The Role of Emerging Markets in a New Global Partnership for Growth" (speech), February 2016.
3 MSCI Emerging Markets Index, April 2017.

India and China — emerging powerhouses

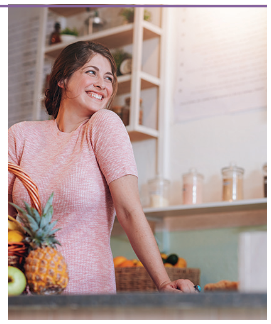
Economic growth in India and China is expected to outstrip growth in Canada by a wide margin.



*International Monetary Fund, *World Economic Outlook*, April 2017.

BUSINESS OWNERS

Why entrepreneurs need to diversify away from their business



A record number of Canadians were self-employed in 2016 — almost 2.8 million.[1] This number has been rising steadily for the past 20 years. And for good reason: Working for yourself can bring many rewards — freedom, flexibility, and the chance to follow your dreams. But it can also create challenges, especially when it comes to saving for retirement and investing.

Many entrepreneurs reinvest their earnings in their business year after year to maximize growth, relying on the proceeds of its eventual sale to fund their retirement. Assuming the sale will go as hoped is dangerous, however. What if you have trouble finding a buyer or getting the price you want? Or what if the sector you're in suffers a downturn just when you're planning to retire?

A more reliable approach is to contribute as much as you can every year to your Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA). Setting up regular monthly or quarterly contributions is an easy and convenient way to make sure that these tax-advantaged accounts get the priority they deserve.

It's also important to diversify away from your business when you invest. For example, if your business is in technology services, it makes sense to invest in companies or investment funds outside of technology — so you're not putting everything you have in one sector.

We can help you allocate your savings and choose investments as part of a plan designed for the long-term benefit of you, your family and your business. ■

1 Statistics Canada, Self-employment, historical summary, January 2017.

EDUCATION PLANNING

RESPs linked to higher postsecondary enrolment

With their combination of tax-free growth and government grants, Registered Education Savings Plans (RESPs) are an important savings vehicle for many Canadian families. And a recent study[2] shows that children from families that had invested in an RESP by the time they were 15 years old were more likely to pursue a postsecondary education by age 19 than youth from families that had not:

Attending postsecondary

With RESP 75.4%

Without RESP 59.7%

Other factors come into play as well, including students' academic performance and their parents' level of education. Even after accounting for these variables, however, the likelihood of attending postsecondary school was six percentage points higher for those with an RESP. ■

2 Statistics Canada, "Which families invest in registered education savings plans and does it matter for postsecondary enrolment?" April 2017.

EYEOPENER
graphic evidence of how investing works

The education premium

There's no question that postsecondary education is expensive, but is it really worth it? In terms of higher lifetime wages, the answer is a resounding yes. The figures at the right[3] indicate the earnings premium of a professional undergrad degree over a high-school diploma.

Undergrad degree	Earnings premium
Engineering	117%
Computer science	86%
Commerce	74%
Nursing	71%
Architecture	65%
Occupational or physical therapist	60%
Pharmacist	58%
Education/Teacher	53%

3 Monster.ca, "Highest Paying University Degrees in Canada."

Planning for retirement involves more than money

Planning for retirement is not just about getting your finances in shape. It encompasses health, family, and psychological factors as roles and relationships change. And if you have a significant other, it's essential to discuss your vision of your future together, so you can create a holistic approach that supports both your individual and shared goals.

How will you spend your time?

The following are some of the key life areas you may want to explore with your partner.

Work. For many, the excitement about being free of the daily grind will be tinged with a sense of loss. Work, after all, provides security and often anchors self-esteem.

Community. Instead of paid work, perhaps you or your spouse plans to direct energy to volunteering at a local charity, hospital, school, or religious institution.

Family. Be realistic about your abilities to assist your adult children or other family members; you still need to take care of yourself.

Travel. With unlimited free time, many retirees look forward to travelling in retirement. But where and for how long? The possibilities are infinite, but if you and your spouse have different preferences, you may need to make some compromises. If you are going to spend significant time away from home, you may even want to reconsider your living arrangements — for example, a maintenance-free condo might meet your needs better than the family home you've lived in for the past 30 years or so.

Hobbies. Whether your passion is gardening or golfing, you'll want to set aside some time every week to enjoy it. If your spouse doesn't share your passion, you may need to work out a schedule that allows for sufficient "together" time.

Exercise. If you've led a largely sedentary lifestyle, retirement is not the time to suddenly start running marathons. However, regular physical fitness will help you maintain a healthy weight and can reduce your risk factors for heart attack, high blood pressure, and diabetes.

Communication is key

A shared retirement vision will reduce the likelihood of friction in your relationship, especially if each partner recognizes the importance of giving the other some elbow room and maintaining connections to the outside world.

You don't need to have identical retirement dreams — just a willingness to try to accommodate each other's needs. Your chances of a fulfilling retirement will be greatly enhanced if you are open with one another and open-minded. For example, you may want to swap or share roles in the home or try new activities that may offer social interaction, physical exercise, and outlets for creative expression and intellectual stimulation.

Now, more than ever, this is your time to enjoy your life together. Make an appointment with us to explore the possibilities. ■

What you need to know about joint ownership

Joint ownership is sometimes seen as an easy way to pass assets to adult children. But it can have some unwelcome side effects.

How does it work?

There are two kinds of joint ownership:

- 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 whomever you want, under the terms of your will.
- If you own property as joint tenants with right of survivorship, your share of the property passes automatically to the surviving owners upon your death. (Note that joint tenancy with right of survivorship doesn't exist in Quebec.)

Are there any income tax implications?

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 and may trigger capital gains tax.

What are the pros and cons?

Assets that pass directly to a surviving owner are not subject to probate fees or estate-settlement delays. On the downside, there may be disputes over how the asset should be managed and it may become subject to claims by either owner's creditors or ex-spouse.

If joint ownership is something you're considering, please come speak to us and consult a legal or tax professional. ■

 ISSN 1205-5840