DUNHAM FINANCIAL SERVICES INC.

WEALTH WISE

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DEPENDABLE, FORWARD THINKING SOLUTIONS

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Fall can take a bite out of your wallet as you cover back-to-school expenses and any costs for necessary home maintenance and repairs to prepare for the winter.

If you don't already have a budget in place, creating one now can help avoid being squeezed when the holiday season hits. If you need help getting started, just give us a call.

FOCUS ON INVESTING

Add value to your portfolio: Think dividends

Interest rates remain near historic lows, but equities are volatile. So where can an investor find returns that are both respectable and reliable? The answer: dividends. Here are some key reasons you may want to consider holding or adding to dividend investments as we near the end of 2012.

Canadian corporations are sitting on large cash reserves. Canadian companies that have successfully weathered the economic challenges of the past few years are sitting on enormous cash reserves — some $583 billion, according to Statistics Canada. StatsCan data also shows corporate operating profits at their highest level since 2008, at $71.4 billion. As economic growth continues, cash-rich companies could begin using this cash to "reward" investors.

Dividends from strong, established companies can provide steady income. Although quarterly payments are not guaranteed, dividend-paying investments offer the potential for a steady income stream.

You'll pay less tax on your earnings. Outside of registered plans, Canadian dividends qualify for the dividend tax credit. As a result, dividend income is taxed at a lower rate than interest income.

The dividend provides downside protection. If you're concerned about volatility in the stock market, dividend stocks provide some protection. The dividend softens the effect of any decline in the price of the stock. Based on your risk comfort level and need for income, we can help you choose dividend stocks to complement the existing holdings in your portfolio and meet your needs for both income and growth. ■

MUTUAL FUNDS

Are you as diversified as you think?

Mutual funds possess a number of built-in value-added traits, one of which is immediate diversification. Every mutual fund holds a number of different stocks; a sudden downturn in any one of them should have only a minor impact on overall portfolio performance. In addition, individual investments are carefully chosen to complement one another and contribute to specific objectives of the mutual fund, whether that's growth, income, or security.

Canadian conundrum

Where you are holding Canadian funds, however, there is potential challenge to attaining true diversification. The difficulty is the relatively small size of the Canadian marketplace. The Toronto Stock Exchange (TSX) is much smaller than the New York, Tokyo, and London exchanges. In addition, it is heavily weighted in just a couple of sectors — notably financials (such as banks, insurance companies, and publicly traded investment management firms) and natural resource stocks (oil and gas and mining).

Because of the smaller Canadian market, many funds may hold a number of stocks in common, even though the funds are in different categories and managed by different companies. For example, a large Canadian bank may be one of the top 10 holdings of a Canadian large-cap dividend fund, an equity fund, and a balanced fund. Similarly, a large Canadian oil company can show up as a major holding of a Canadian resource fund, a global equity fund, and a growth and income fund.

There's nothing inherently wrong about the same stocks appearing in several of your mutual funds. It's important to be aware of it, however. Too much overlap or redundancy may mean that your exposure to a particular sector is higher than you're comfortable with.

Big-picture view

When evaluating your true level of diversification, it's essential to take a holistic approach. In other words, we need to consider your diversification across all your portfolios — registered and non-registered — including those that you might hold through an investment plan at work or with another advisor. Consolidating your accounts may make it easier for us to get an overall sense of where potential overlaps and redundancies may exist.

Your diversification picture will change over time, as the funds you hold make new investments or sell some of their holdings. In addition, it will change as you add to your holdings, as the earnings your funds generate are reinvested in additional fund units, and as you redeem fund units.

By tracking your investments regularly, we can help ensure that no one stock or sector is overrepresented in your mutual fund portfolio. ■

Different funds, same investments

These three mutual funds, which invest in different sectors of the market, hold a number of the same companies among their top 10 holdings.

TOP 10 HOLDINGS*		
Canadian Large-Cap Dividend Fund	**Resource Fund**	**Growth and Income Fund**
Toronto-Dominion Bank	Enbridge Inc.	Brookfield Asset Management Inc.
Bank of Nova Scotia	Cenovus Energy Inc.	Canada Housing Trust, 2.75% bond
Royal Bank of Canada	Suncor Energy Inc.	Bank of Nova Scotia
Enbridge Inc.	Transglobe Energy Corporation	Tim Hortons Inc.
Brookfield Asset Management Inc.	Potash Corp. of Saskatchewan Inc.	Cenovus Energy Inc.
Canadian Natural Resources Ltd.	Goldcorp Inc.	Great-West Lifeco Inc.
Potash Corp. of Saskatchewan Inc.	Agrium Inc.	Canada Housing Trust, 2.70% bond
Intact Financial Corporation	Eldorado Gold Corp. Ltd.	Government of Canada, 5.0% bond
TELUS Corporation	AuRico Gold Inc.	Province of Ontario, 4.75% bond
Cenovus Energy Inc.	Petrobank Energy and Resources Ltd.	Export Development Canada, 5.80% bond

* As of May 31, 2012. Provided for illustration only; not to be construed as an indication to buy or sell any specific mutual fund or stock.

EDUCATION SAVINGS

Opening an RESP? Make an educated choice

Most parents know that a Registered Education Savings Plan (RESP) is one of the most effective ways to save for their child's post-secondary education. The combination of tax-deferred growth and government grants makes RESPs a great choice. But not all RESPs are the same. Before you invest, it's important to be clear on exactly what it is you're getting into.

Take group RESPs, for example, or scholarship plans as they're sometimes called. While these plans can help you save for a child's education, they operate differently than the self-directed or mutual fund RESPs offered by banks, mutual fund companies, and independent brokers.

Fees, requirements, and restrictions

Group RESPs typically charge an enrollment fee as well as ongoing administration and management fees. You're required to make a regular monthly contribution. If you stop making those payments for any reason or withdraw from the plan, only your initial investment (less your enrollment fee) will be returned.

Your contributions, along with their earnings and any government grants, are pooled with the contributions, earnings, and grants of other contributors to the plan. The funds in the plan are shared by all students who become eligible to receive payments.

To ensure the funds are available to be paid out when a contributor requests, group RESPs invest in only low-risk investments such as Treasury bills, bonds, and mortgages, so growth in the plan may be modest. If you maintain your payments, the pooled approach could potentially benefit your child by providing an increased payout, thanks to those who have forfeited their enrollment fees and earnings.

Conditions on payouts

When it comes time to withdraw funds for your child's education, group RESP rules may be more restrictive than government rules regarding RESP withdrawals. Group RESPs often insist on continuous studies. If your student takes time away, changes programs, or chooses an area of study that doesn't meet the criteria, scholarship funds may cease.

To ensure that you are able to maximize your RESP savings and offer your child the greatest financial assistance possible, talk to us about your options and the most effective way to save. ■

Education by the numbers

The higher your level of education, the less likely you are to be unemployed and the more money you're likely to earn:

- **82%: The employment rate for adults with a college/university education.**
- **55%: The employment rate for adults with less than high school education.**
- **70%: The difference in earnings for university graduates over high school or trade/vocational program graduates.**

Source: Statistics Canada, Education Indicators in Canada: An International Perspective, 2011.

FINANCIAL PLANNING BASICS

What post-secondary students need to know about finances

Every September, many university and college students find themselves moving away from home and managing their money independently for the first time. It's an exciting step, but also a time when financial novices can easily get into trouble. As a parent, you can help your children develop strong financial skills.

Budgeting 101

Work together to jointly establish a school year budget that takes into account your child's earnings from any summer and part-time employment, scholarships, and government grants or loans. On the spending side, you'll need to account for tuition, textbooks, accommodation, food, transportation, and entertainment. Seeing these expenses, in black and white, against the funds available to them may encourage your children to think very carefully about discretionary expenditures.

Credit card basics

Many financial institutions offer student credit cards with low or no annual fees and low interest rates or finance charges. If this is your child's first credit card, it's important they learn how to manage it. Together, you can determine the rules for using the card, such as using it only for groceries, gas, and school supplies, and paying it off in full every month.

It's important for young adults to learn how to live within their means and take responsibility for their financial future. Part of that is helping them grasp the concept of their credit record. Just like their school grade transcript, it can have a lasting impact on their lives.

There's a lot for students to discover when they first move away. Feeling confident that they can manage their own finances gives them a head start. If you need to brush up on your own basic financial skills, like budgeting, in order to teach them to your kids, we can help. ■

The true cost of elder care

With increasing longevity, more and more Canadians every year are faced with caring for their aging parents, either at home or in retirement or nursing homes. As essential as it is, there's no overlooking the fact that elder care is fraught with emotional challenges, financial risks, and personal sacrifices.

Elder care options

If your parents want to remain in their own home but need help with daily activities, you could consider hiring in-home care for them, either part-time or full-time. Or you may decide to become the primary caregiver and have your aging parents live with you.

On the other hand, your parents may choose to move into a retirement home, especially if they want their own apartment but would enjoy common meals, housekeeping, and social activities. Many retirement communities offer independent living and assisted living options, which can make the transition easier as they need additional assistance with everyday activities like dressing and bathing.

The cost of care

Costs vary depending upon the amount of care required. The government does provide some assistance but generally only for nursing-home care. If your parents aren't ready for that, much of the cost for assisted living may have to be covered out of their financial resources or your own.

Depending on your circumstances, caring for a parent in your own home may be an option to consider, in which case you may qualify for the caregiver tax credit. An additional credit is available for Quebec residents who provide support in their home for a person age 70 or older.

Remember that your parents' own home may be a valuable source of cash flow. If they are reluctant to sell, they may still be willing to borrow against it or consider a reverse mortgage through the Canada Home Income Plan (CHIP).

How insurance can help

If elder care is a concern for you, insurance can play a valuable role in helping to alleviate some of the financial burden and worry, in a number of ways:

- If your parents have long-term care insurance, the cost of ongoing care in-home or in a facility will be covered.
- If you are the primary caregiver, it's important that you have life and disability insurance. That way, if anything happens to you, the financial resources will still be there to look after your dependent parents. If your parents are not capable of managing a large amount of money on their own, the insurance proceeds can be directed to a trust for their benefit rather than to them directly.

Communication is key

The conversation about elder care is a difficult subject to broach but it's essential. Open a family discussion with your parents about what care options they would prefer.

We can help you find the best way to finance their care along with insurance options so you can feel confident that your parents will have the care they need as they grow older. ■

Why you should buy when you're young

CANADIANS ON AVERAGE are living longer lives. But with that comes increased incidences of medical issues, dementia and disabilities and, as a result, an increased need for long-term care insurance.

Should any of these physical problems affect you, you — or your family — could face a substantial financial challenge. Long-term care insurance can be one of the smarter financial moves you can make and the sooner you buy it, the better. Here's why.

20-pay plans are fully guaranteed to be paid up in 20 years. If you purchase long-term care insurance in your 40s, the plan can be fully paid up by the time you enter retirement and begin living on a fixed income.

The younger you are, the lower the premiums. As you age the cost of the premiums escalates rapidly, especially when you're in your late 60s and early 70s. Depending on the company, you may be able to purchase coverage up to age 75 or 80. You'll want to weigh the much higher costs of coverage against the benefits.

The plan is easier to qualify for when you are younger and healthy. Coverage can usually be obtained without having to complete medical tests. However, insurance companies look for early warning signs that you might need care as you age, such as early signs of dementia and osteoporosis. Once you have symptoms of certain conditions, you may no longer qualify for coverage.

We can help you purchase long-term care insurance so you can be confident of receiving the care you may need in later years. ■

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