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FOCUS ON INVESTING

Less debt means more money to invest

Statistics Canada data show that Canadians owe $1.68 for every $1 they earn.[1] And rising interest rates are increasing the cost of carrying that debt.

While debt is a useful tool in helping you reach your financial goals, the more you're paying out in interest, the less you have available to save and invest for your future. With that in mind, here are three debt-reduction strategies to consider.

1. Tackle highest-rate debt first

Chances are you're paying down multiple debts at a time — mortgage, credit cards, car loans, and so on. While you need to maintain minimum payments to avoid charges and late fees, you can be strategic by focusing extra payments on the debt that has the highest interest rate. Paying off a $5,000 balance you've been carrying on a retail store card at 19.99% will save you almost $1,000 a year.

2. Consolidate to lower rates

An alternative approach where you're carrying multiple balances is to consolidate. For example, take out a secured line of credit to pay off all your outstanding personal loans and credit card debt. You'll be left with one monthly payment at a much lower rate.

3. Make repayments automatic

Sometimes the most obvious strategies are overlooked — such as setting up regular payments to reduce debt. Automating debt payments integrates them into your budget and ensures that you make steady progress.

We can help you set up a debt-reduction plan that lets you live for today while saving for tomorrow. ■

1 Statistics Canada, *The Daily*, National balance sheet and financial flow accounts, second quarter 2017.

Fund investors take note: The tide may be turning for resources

After a challenging couple of years, natural resources and commodities are starting to attract attention again. For investors, this spells opportunity. Mutual funds are a convenient way to take part in the long-term growth in the resource sector — without having to worry about purchasing commodities directly.

Cyclical and fundamental opportunities

Natural resources and commodities tend to move in cycles. Low commodity prices over the past few years have kept investment down and supplies in check. But that is now changing. For instance, in Canada's all-important oil patch, investment is starting to pick up again thanks to rising oil prices, while in Saskatchewan, the first new potash mine in 40 years started operations in 2017.

Investments in commodity production and extraction are just some of the factors giving a lift to resource prices. From a fundamental perspective, the global economy continues to perform well, highlighting the need for raw materials throughout the production cycle.

Longer-term, ongoing demand from emerging markets — for everything from energy and forestry products to agricultural goods and basic materials — is expected to support resource and commodity prices. For instance, global energy demand is expected to rise 30% from now until 2040.[1] Emerging markets, particularly India, are expected to see large spikes in demand.

The case for resources

For investors, resource funds can play a key portfolio role — diversification. Commodities tend to have a low or even negative correlation to traditional asset classes like stocks and bonds.

In addition, resources tend to move higher in inflationary periods, and with the Bank of Canada and the U.S. Federal Reserve both raising rates in 2017, inflation seems to be on the minds of central bankers. The consensus is that more interest-rate hikes will occur in 2018.

How to take part

With expertise on the ground and knowledge of the movements of particular commodities, mutual funds are a straightforward and convenient way to take part in the resource sector without having to select individual commodities or companies. There is a broad range of resource funds to choose from — from sector-focused funds and global resource funds, to broad-based equity funds that include resource companies in their holdings.

Canadian equity funds. If you own Canadian equity funds that track the Canadian stock market, you may already have the exposure you need. That's because the energy and materials sector represent about one-third of the Canadian stock market. We can review your Canadian equity funds to determine whether they offer the resource exposure you're looking for.

Core and explore. Another effective strategy is to hold broadly diversified, low-volatility funds as the core of your portfolio and add resource-focused funds in a core-and-explore approach. There are a number of Canadian and global funds that will allow you to participate in all of the major commodity groups — from oil and gas, to basic materials, to precious metals and forestry and food products.

More targeted exposure. For investors with conviction about Canada's oil and gas sector, there are many options available to take advantage of short-term and longer-term opportunities. Mutual funds offer exposure to large-cap, small-cap, and mid-cap resource companies that participate across all aspects of the industry — including mining, production, refining, marketing, and transportation.

Renewable energy. Canadian investors also have access to alternative energy, mainly through socially responsible investment funds. These areas are expected to grow along with demand for renewable energy.

Investing in the resource sector can be risky in the shorter term, as prices are subject to greater volatility than traditional asset classes. As part of your diversified investment strategy, let's work together to find the right resource funds that align with your investment objectives and risk tolerance. ■

1 International Energy Agency World Energy Outlook 2016.

RETIREMENT PLANNING

How are Canadians faring?

With Canadians living longer, how are we doing when it comes to earnings power and retirement savings rates? The results are sobering.

The 2016 Canadian Census showed that median household income grew 10.8% between 2005 and 2015 — from $63,457 in 2005 to $70,336 in 2015.[1] On the face of it, this looks impressive, but it works out to annual growth of about 1% a year.

What's more, a recent survey[2] of more than 22,000 investors from 30 countries found that most are not saving enough for retirement. Sixty percent of Canadians surveyed regret not saving more for their retirement, and 13% say they don't expect ever to fully retire.

These figures underline the need to include equity-based investments in your portfolio, in line with your goals and risk tolerance. Equities provide investors with the potential growth to stay ahead of inflation and build a bigger retirement nest egg. ■

1 Statistics Canada, *The Daily*, "Household income in Canada: Key results from the 2016 Census," released September 13, 2017.
2 Schroders Global Investor Study 2017.

INVESTING

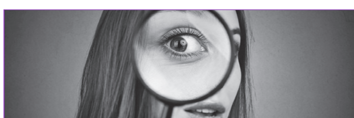
Bitcoin: Bubble bubble, toil and trouble

Wild price swings in Bitcoin late in 2017 — which saw the crypto-currency skyrocket to almost $15,000 for each currency unit before losing 20% of its value in a single day — call to mind other investing bubbles.

From tulip mania in 17th-century Holland, to the silver surge in the 1970s, to the dot-com bubble and subsequent crash at the start of this century, there is no shortage of surefire investment stories ready to grab the headlines — and investors' wallets.

Though these stories may be interesting to follow, when it comes to their portfolios, investors would be wise to tune out the noise.

As always, the most effective way to build wealth over time is also the least volatile: a diversified portfolio structured to provide the returns you need with the least possible amount of risk. ■



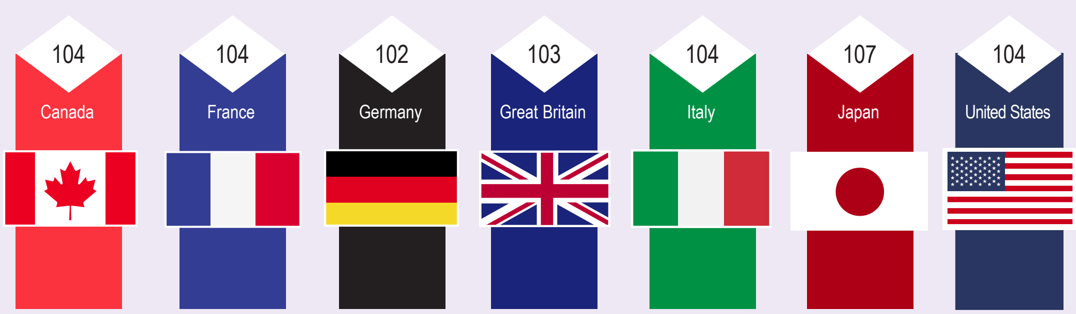
EYEOPENER

We'll live to 100 — but can we afford it?

Global life expectancy rose by five years between 2000 and 2015, according to the World Health Organization[3] — the fastest increase since the 1960s. A white paper released by the World Economic Forum[4] foresees a similar increase. The paper predicts that half of the world's population born in 1987 will live to age 97, with life expectancy rising to 100 for those born in 1997 and to 103 for children born in 2007.

With 100 becoming the new 85, retirement planning is taking on a whole new meaning. It's more important than ever to have a retirement plan designed to provide the income you'll need for as long as you'll need it.

Oldest age at which 50% of babies born in 2007 are predicted to be alive[4]



3 World Health Organization Global Health Observatory Data, Life Expectancy.
4 World Economic Forum White Paper, "We'll live to 100 — how can we afford it?" May 26, 2017.

Need cash? Here's what *not* to do

A recent survey found that 38% of Registered Retirement Savings Plan (RRSP) holders withdrew money from their plans in 2016 (up from 34% in 2015). And, almost as bad, fewer Canadians plan to contribute this year than last year.[1] That's a double whammy that could send your retirement dreams reeling — especially if you're planning to retire early.

Of course, there may be compelling reasons to tap into your RRSP — career transitions and health considerations to name just two. But withdrawals for any reason should be considered a last resort.

Short- and long-term impact

Let's look at some numbers. Suppose you're faced with a sudden cash crunch at age 50 and decide to withdraw $25,000 from your RRSP. That withdrawal will cost you in a number of ways:

- **Withholding tax.** Your financial institution is required to withhold a certain percentage of your withdrawal and remit it to the federal government on your behalf. In Quebec, a percentage is withheld for the provincial government as well. So on a $25,000 withdrawal, $7,500 will be withheld ($7,750 in Quebec).
- **Income tax.** Your withdrawal will be added to your taxable income for the year. If the amount withheld doesn't cover the income tax owing, you'll need to pay more when you file your return.
- **Lost contribution room.** Unlike funds borrowed from an RRSP to buy a first home or go to school, withdrawals cannot be re-contributed.
- **Lost earnings potential.** Assuming a modest growth rate of 6% a year, that $25,000, if left in your RRSP, would add almost $60,000 to your retirement fund.

Alternatives to explore

For many investors, there may be other, less costly, sources of cash than an RRSP. Options to consider include the following:

Take out a line of credit. Even with recent increases, interest rates remain low by historical standards. If you secure the line of credit against your home or other significant asset, you can bring it down even further. A bonus with this approach is that you pay interest only on the amount actually withdrawn.

Withdraw from your Tax-Free Savings Account (TFSA). TFSA withdrawals are tax-free. Plus, whatever you withdraw this year gets added on to your allowable contributions the following year.

Tap into the cash value of permanent life insurance. If you have a Universal or Whole Life policy, you may be able to borrow against the policy's cash value. Note, however, that the death benefit will be reduced by the amount of the loan.

Ultimately, you want to be sure you're doing right by your long-term plans, so if you're ever facing a cash crunch, let's review all your options together. ■

1 Pollara/BMO Annual RRSP Study, Feb. 1, 2017.

What to do when an investment declines in price

"One of my investments is down. Should I sell or buy more?"

As is the case with so many financial quandaries, there is no definitive right or wrong answer.

But what you can do is ask yourself this: If I had X dollars today, would I buy that same investment? Your answer to this question will help us to assess the security's current relevance within your overall portfolio.

So let's look at it methodically. *Would you buy this investment again?*

Yes. This means that at least some of the reasons you bought it in the first place remain valid and, despite the downturn, you still believe it has potential. Let's look at how we can capitalize on the price drop as a buying opportunity.

No. Let's assess if selling might be a good idea. It could be that the market outlook for the investment may no longer be favourable. Or perhaps it no longer meets your objectives. For example, it may no longer match your risk profile as an investor.

In this case, we can make a plan to sell with the goal of minimizing actual losses while taking advantage of any tax-loss selling opportunities.

I'm not sure. This is just as reasonable an answer as "yes" or "no." If you're not sure, let's review your overall portfolio to ensure all of your investments continue to meet your objectives, time frame, and circumstances. ■

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