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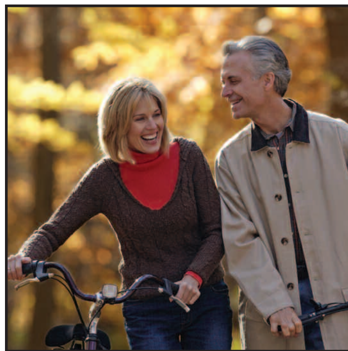
Please do not hesitate to contact your advisor for a Confidential Financial Review.



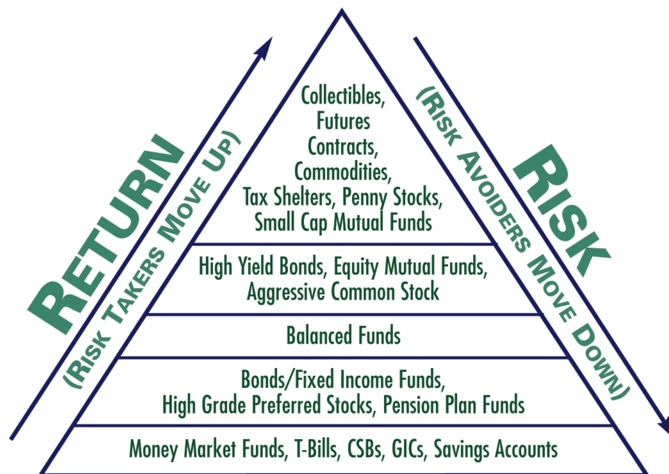
Boomers Get Ready

FOR A WEALTHY FUTURE

As you approach retirement it may be time to put your entire investment portfolio under the microscope. Once you review your income needs, and determine exactly how much capital you will need, you should make adjustments to your current savings to cover any shortfall.

While hitting that magic dollar figure is important, you must be wary of the risks you take in getting there. For example, if you have 5 years left until retirement and realize you need a 15% return on investment to meet your target, you may face taking on too much risk.

Assessing a fund's proven potential for performance is an important procedure when investing. This is especially true if it appears you will not accumulate enough capital to generate income sufficient for 15 to 25 years of retirement. At the same time safety of capital plays a role the closer you are to retirement. There is a "catch 22" if you are behind—you'll need superior performance—hence exposure to more risk precisely at the time you will desire more secure investments. Generally speaking, there is a direct correlation between performance and risk—as one increases, so does the other. Stocks and equity mutual funds offer greater gains than bonds, but at additional risk. Work closely with your advisor to establish the correct balance between risk and the need for capital safety. You can place some money in a lower risk investment and be secure. Yet with that security you should also realize that you will have a slightly diminished return. Otherwise, you could end up



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Please read the funds' prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Any indicated rate of return is for illustration purposes only and is not intended to reflect future values of returns on investment. Please seek professional advice prior to investing. Financium, the publisher does not guarantee accuracy of information, and will not be held liable in any way for any statements or statistics in this publication, though we seek to present reliable, precise and complete information. Written permission of Financium who retains all rights, must be obtained prior to any reproduction. ©Financium. email: admin@adviceon.com

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facing an even greater shortfall in your retirement income if a higher risk investment does not deliver.

The chart gives a general idea of the investment hierarchy for returns and risk.

Lowering INVESTMENT RISK

By holding an investment over the long term—-10 years or longer—any losses in equity funds or bond funds, due to stormy markets, are generally regained. As you near retirement, it may be wise to shift some of your portfolio into mutual funds designed to lessen the level of exposure to market volatility. This could result in reducing the risk of capital loss. It is reasonable to take on significant risk when we are younger for the most obvious reason—so that our investments have the opportunity to achieve enough growth to provide an income for 15 to 25 years of retirement. Investing in equity funds when we were younger helped us overcome the less obvious, yet more serious risks of inflation and lower interest rates.

Here are some ideas that can help you lower your exposure to risk:

• Adjust the mix of your investments as they relate to your retirement goals. If you carry 70% to 80% in equities and you have five years before retirement, you may want to lower your equity portion somewhat. Before drastically reducing equities, evaluate your portfolio's need for ongoing potential growth.

• Examine the style of each equity mutual fund in which you are invested. Reduce risk by simply moving a larger percentage of your portfolio into large-cap equity funds investing for value.

• Reduce exposure to other countries' economic problems. For example, you may have less portfolio risk if you move temporarily out of regions experiencing economic chaos.

• Look to conservatively invest more of your money in higher-grade bond funds or mortgage funds once you have assessed the potential rate of return.

• When safety is your main goal, move a portion of your investments into money market funds. However, it is probably unwise (unless you have amassed a small fortune) to transfer all of your money into low-interest money market funds because lower interest rates, hammered by inflation and taxes, could considerably erode your earnings.

• If you are invested in non-registered equity funds you may want to stay put as equity funds can have tax-favoured treatment on any capital gains, especially if you are in a higher tax bracket. With the current meager interest rates of T-bills or term deposits, you may lose buying power. For example, if you earn 4% on a money market fund and you are taxed at 50%, you will earn a net 2%. If inflation runs at 2%, your capital is not increasing in real after-tax, net-inflation value.

Every investor needs to understand the effect a market downturn can have on his or her invested capital. If you lose 25% in a down market, you'll need to earn 33% to get back your money. If a mutual fund has lost money, consider waiting until the market recovers before adjusting your portfolio, and seeking the help of your financial advisor.