Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

Practical Wealth Creation Ideas

...for Simplified Financial Success™

Financium®.com

5 Phases in AN INVESTOR'S LIFE

Here are some suggested guidelines as to how to invest in mutual funds during five phases of life.

1. Establishing a Foundation During Your 20s and 30s Your priorities are paying off education-related debts, buying a car, renting or buying your first home.

Suggested Approach Invest equal amounts in small-cap, mid-cap, large-cap and foreign funds trading in stable economies. Equity funds work well for retirement because you have a long-term horizon. Use a money market fund to save three months' worth of expenses in case of an emergency. When you have children, you may want to invest in an RESP.

2. Maximizing Assets in Your 40s and 50s You may own your home, run a business, have reached your peak earning capacity. You have more disposable income because you have less housing debt, which means you have more to invest toward retirement. You are developing your financial independence.

Suggested Approach To maximize your tax savings, increase RRSP contributions. Look to develop a balanced and diversified portfolio. Equity mutual funds offer you the opportunity to beat inflation and exceed low interest rates over the next 15 to 25 years. And if you are conservative, invest in equity funds that hold companies with larger capitalization. Balance the rest of your portfolio with high-quality bond funds and place a portion in money market funds.

3. Conserving and Managing Accumulated Wealth in Your 60s In your early 60s, your time to earn an income may be dwindling. You need to preserve your saved capital, yet provide an income for retirement that could last 20 to 30 years.

Suggested Approach Establish new mid-term and short-term goals. Consider your need for potential growth and understand the relative risks of each mutual fund investment. Pick the best performing, yet conservative equity funds. Consider holding more of your portfolio in high-quality bond funds that invest primarily for income, and maintain a portion in money market funds.

4. Spending Investment Assets in Retirement Over the next 20 to 30 years, you want to maintain your lifestyle, retain your health, afford certain hobbies, cover your expenses, and fulfill your retirement dreams.

Suggested Approach Consider remaining invested in some conservative equity mutual funds. These can be set up on a withdrawal plan to create income and offer preferential tax treatment on capital gains. You could hold a balanced portfolio in each of these areas: 1) large-cap equity funds, 2) high-quality bond funds, and 3) cash type investments. Ask your financial advisor about segregated fund policies that can insure up to 75%, and some as high as l00%, of your original capital.

5. Planning to Transfer Assets Estate planning helps you transfer surplus mutual fund assets. You can gift a portion while you are alive and pay the applicable tax, if any, or set up a living trust, establish beneficiaries, and/or give directions in your will.

Suggested Approach Maintain a balanced portfolio with the guidance of your financial advisor to meet your specific goals. Consult with your lawyer and accountant to plan to transfer remaining assets to your heirs.

Note: Historic performance of a mutual fund is no guarantee of future performance.