

# Well-Advised



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I hope you find the Winter 2007 edition of the newsletter of interest. Please call me if you have any questions or if I may be of service.

In expanding our office, we have once again moved - we are now in suite 916 with all other contact information remaining the same.

I wish you all the best for the season and a prosperous 2008.

Sincerely;

Jim

## Four key questions to ask about your retirement plan

**W**ith the deadline for 2007 RRSP contributions just a few weeks ahead, this is an excellent time for a broader look at your retirement plans to make sure they still reflect your expected financial needs.

The process doesn't have to be time-consuming. Here are four basic questions that can help you determine whether an adjustment to your retirement planning may be needed.

**1. Have you had a major family change in the past few years?** A family event — such as a marriage, separation or birth or adoption of a child — can signal the need for some financial changes. These could include setting up an education savings fund, putting life and disability insurance protection in place or saving for a down payment on a new home.

**2. Has your family income or lifestyle changed significantly?** Shifts in income and lifestyle may be gradual. But you may eventually realize that your rate of savings for retirement no longer reflects the lifestyle you'd like.

**3. Has your risk tolerance changed?** Recent market trends may have left you less comfortable with the level of risk in your portfolio. Conversely, you may have gained comfort with market ups and downs as your investment experience grows.

**4. Do you have unused RRSP contribution room, and is it growing each year?** Increasing unused contribution room means you may be falling behind in meeting your financial goals for the future — with some lost opportunity for tax-deferred growth. There are a number of strategies that can help you get back on track.

If you answered yes to any one of these four questions, we encourage you to meet with us. We can discuss any adjustments to your savings and investing strategies that may be needed. A few changes today can make a significant difference to your financial well-being in the future. ■



# Don't let short-term market volatility crimp your long-term prospects



Recent market volatility may have you feeling a bit more cautious about investing in equities. But it's important to put this volatility into perspective.

Equities are volatile by nature. Prices are never guaranteed, and will almost always go up and down — sometimes quite dramatically and sometimes very quickly.

But just as short-term volatility in equities is expected, there's another certainty that should allay your concerns: Equities are the asset class most likely to generate higher

returns over the long term and, therefore, are important in growing your retirement savings over time.

## Reasons for volatility

There are usually clear reasons behind major market movements. For example, higher inflation can cause central banks to raise interest rates. This increased cost of credit can result in higher financing costs to businesses, and lower spending by consumers. This combination of increased expenditures and lower sales can lead to lower profits and a slump in a company's share price.

Of course, there are other economic events that can slow business profits or create uncertainty about profits in the future — from high unemployment to political changes to the effects of war. Over time, though, good businesses adapt to change and resume their profit growth. As this occurs, equity markets rebound and the

economy as a whole continues its expansion.

So while there will be dips along the way, the historical trend of equity markets over the longer term has always been up. And that's a trend that can work to your advantage.

## Strategies for success

The best way to capitalize on the long-term upward trend of equity markets is to take a disciplined approach to your portfolio management. Here are two strategies that can help you do this.

### • Invest regularly and stay invested.

When you invest regularly, you average out the price you pay for your investments, and never have to worry about whether you're buying at the top or bottom of the market. More importantly, a regular investment program ensures that you stay committed to achieving your long-term savings goals.

And once your money is invested, make sure you stay invested. By doing so, you'll ride out the shorter-term market declines and ensure that you're rewarded as the market rises.

• **Diversify your investments.** While equity investing offers many benefits, it's still the asset class with the greatest short-term risk to your portfolio. That's where diversification can help.

Holding a mix of equities and fixed-income investments provides both long-term growth and short-term stability. That's because equities provide the growth potential and protection against inflation, while the fixed-income investments provide security during the inevitable equity market dips.

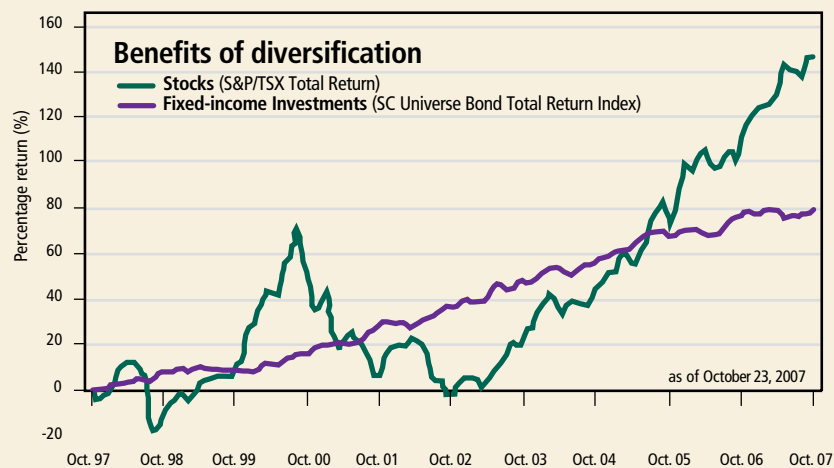
The right mix will be different for every individual, and as your investments in each asset class grow, it's important to rebalance your portfolio over time to maintain your target mix.

If you think short-term volatility could interfere with the long-term potential of your portfolio, talk with us. We can help develop a well-diversified portfolio with the growth potential to meet your longer-term financial goals, and the stability to help offset the risk of market declines. ■

## Two assets that work best together

Equities (stocks) provide superior long-term returns compared with fixed-income investments, but are more volatile over the shorter term. Fixed-income investments provide steadier, but generally lower, returns.

One strategy is to hold them both in a diversified portfolio. That way, you can offset equity-market volatility with the "lower but steadier" returns of fixed-income assets. Your overall returns may be lower with less volatility than an all-equity portfolio, but higher than a 100% fixed-income portfolio.



## Universal life insurance offers you protection with investment potential

**M**any people see their insurance and investment needs as two separate subjects. But there is a solution that can help address both areas in a tax-effective way.

Universal life insurance can provide you with permanent insurance protection, along with the opportunity to create tax-deferred investment growth over and above what you're generating through your RRSP.

### Flexibility is key

Universal life is a flexible product that you can use for both insurance and investment purposes. Here's how it works.

- You make a series of deposits into your universal life policy.
- A portion of your contribution pays the premiums for your insurance coverage, which is guaranteed for your lifetime.
- The remaining amount stays in the policy and is invested — with any investment growth tax-sheltered — allowing you

to boost the value of your long-term savings.

• You determine how much of your contribution is directed toward insurance premiums (subject to certain minimums) and how much goes toward investments. And you can choose from a wide range of equity, income and guaranteed investment options to create an investment portfolio that meets your needs.

Most universal life policies allow you to choose the frequency and level of premium payments, provided that the deposits are large enough to cover the costs of the insurance coverage. And you can shift the focus of your universal life insurance policy as your needs change.

### Protection guaranteed

The protection side of universal life insurance is guaranteed for your lifetime, provided that you keep up the premium payments.

When you die, your beneficiaries receive



the entire policy value, tax-free. So your policy proceeds can be used to cover the tax liability on your assets at the time of death, or to replace some or all of your income for a dependent beneficiary.

You can also structure universal life as a joint policy that pays a single lump-sum benefit, either upon the death of the first person or the surviving partner. This can be less expensive than purchasing two separate insurance policies.

### Universal life for long-term savings

With universal life, premium payments are not restricted by the same contribution limits as an RRSP, and the investment growth within the policy is sheltered from tax.

This makes universal life an excellent way to boost your long-term savings beyond what your RRSP savings can provide. When you reach retirement, you can access your policy's investment value to supplement the income from your RRSP and other sources.

For example, one tax-effective strategy is to use the value of your policy as collateral for a loan during your retirement. You receive the loan proceeds tax-free to use as income, and upon your death the proceeds from the policy are used to pay off the loan.

### Best suited for RRSP maximizers

RRSP contributions still provide the best one-two tax-saving punch, with tax-deductible contributions and tax-sheltered growth. So universal life insurance is ideally suited for individuals who are already maximizing their RRSP contributions and want to save additional amounts for retirement.

If you'd like more information, please call us. We can help you decide whether universal life insurance is a good choice to help you meet your financial goals. ■

## ESTATE PLANNING

## Is your family legacy protected?



**M**any people want to leave a financial gift to loved ones when they pass on, an act known as "leaving a legacy." But leaving a legacy — even based on a simple wish such as gifting the value of the family home — is being challenged by a couple of trends.

■ Longer life expectancies. The number of Canadians aged 100 or older increased nearly 50% from 1996 to 2006. And according to

Statistics Canada projections, the number of centenarians could triple again by 2031.

■ Long-term care expenses. With life spans increasing and the costs of long-term care rising, it's not surprising that many seniors have to dip into savings that were earmarked for their family's legacy.

There are a number of strategies that can help overcome this potential shortfall and ensure that you provide your intended legacy. These include the use of life insurance to provide a guaranteed legacy, adjustments to your asset mix to provide more long-term growth for your savings, and adjusting your savings rate now to account for a longer life expectancy.

If leaving a legacy is part of your estate plan, talk to us soon to ensure your plans remain on track to provide a gift to your loved ones. ■

# Plan a green makeover when you renovate your home

Considering a renovation or addition to your home? If so, there's never been a better time to go green.

With today's rising energy costs and buildings devouring close to 50% of the world's energy, this is an excellent time to lock in some long-term cost savings and increase the potential resale value of your home — while reducing your personal energy footprint.

The number of eco-friendly, energy-reduction options available today is unprecedented. Here are a few you may want to consider.

## Start with an energy audit

An energy audit is a professional assessment that identifies how your home uses energy and where unnecessary energy loss is occurring. It's a great place to start, as you may be able to integrate energy-saving features into both your home's newer and older sections.

The federal government's Office of Energy Efficiency can help you arrange an energy audit from a local energy advisor ([www.oeenrcan.gc.ca](http://www.oeenrcan.gc.ca)). The government also provides grants to property owners who complete energy-efficient retrofits based on the advisors' recommendations.

## Upgrade that insulation

Insulation is one of the most effective energy-saving renovations you can make. The goal when insulating is to achieve the highest "R factor" (resistance to heat flow) possible.

Insulating the attic's access, filling hollow walls and gaps under skirting boards with blown-in material or wrapping the exterior with rigid foam can significantly reduce your energy bill.

Green alternatives to conventional

insulation include insulation made from recycled blue jeans, mineral fibre and cellulose made from recycled paper.

## Replace energy-leaking windows

On average, one-third of a home's heat escapes through the windows. But recent technology has led to huge improvements. In fact, new "super windows" that use glazing, coatings, gas fills and air spaces can now outperform an insulated wall in terms of energy efficiency.

Replacing energy-leaking windows with low-e (low emissivity) coated and low U factor (air leakage and condensation resistance factor) windows will dramatically reduce your impact on the environment — and your energy bill.

The trick is to match a window's glazing to its exposure. East- and west-facing windows can cause overheating and should have a low solar heat rating. South-facing windows should have a high rating, as they help with passive solar heating.

If you're building an addition, you may want to get professional advice on the strategic placement of your windows to maximize the heating and cooling efficiency of your home and to take advantage of available sunlight.

## Don't forget the small stuff

While there are many major energy-saving features you can incorporate, smaller things can make a difference. These can include using newer energy-efficient lighting, upgrading appliances to more energy-efficient models and installing lower-flow toilets and showerheads.

When it comes to energy conservation, a lot of little things can go a long way to producing significant cost savings. ■

# Looking ahead at green options

Green technology is advancing rapidly, as the economic incentives to find the next marketable green solution grow. Here are a few technologies that continue to be developed and could play a larger role in meeting the energy needs of your home in years to come.

**Solar power.** Systems that use the sun's energy have been around for decades, but you can expect to see wider use as the technology improves and costs decline.

If you're looking to simply lessen your reliance on conventional energy sources, consider a solar thermal collector system, which absorbs energy and transfers it to your water or forced-air heating system.

If you'd like to move off the grid altogether, consider the use of solar electricity systems that transform solar radiation into electrical power through photovoltaic panels installed on your roof.

**Green roofs.** Roofs covered in vegetation are an ancient technology, but their use in urban settings is just emerging.

Green roofs can decrease energy demand through excellent insulation, improve air quality and help alleviate storm-water runoff. They also provide broader environmental benefits by reducing the urban "heat island" effect that occurs when heat is radiated back into the environment off of harder surfaces.

**Geothermal.** The Earth's crust contains untapped energy, and this energy — called geothermal energy — can be harnessed to heat and cool homes.

According to the Canadian Centre for Energy Information, about 30,000 Canadian homes currently use ground-source geothermal pumps and a piping system to import cooler air or water in the summer and hotter elements in the winter.

A related reservoir system can also store heat during the summer that's later used to heat your home in the winter. ■

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