Solutions

for financial planning Manulife Investments

Spring/Summer Edition 2010

LEARN TO THINK GLOBALLY

Financial Planning 101

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Solut!ons

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Distributed Spring 2010

A little knowledge can go a long way

Whether you are just starting out in the world of investing, or are looking to fine-tune your current financial plan, you've come to the right place. When it comes to your financial future, a little knowledge can go a long way.

This edition of *Solut!ons* provides a number of ideas that can help you achieve your goals. For investors with long-term time horizons, today's markets provide some great opportunities.

In *Learn to think globally*, you can gain insight into why it's a great time to consider the merits of global investing. When the value of the Canadian dollar is relatively strong, it makes it possible to purchase high-quality foreign assets at a significant discount.

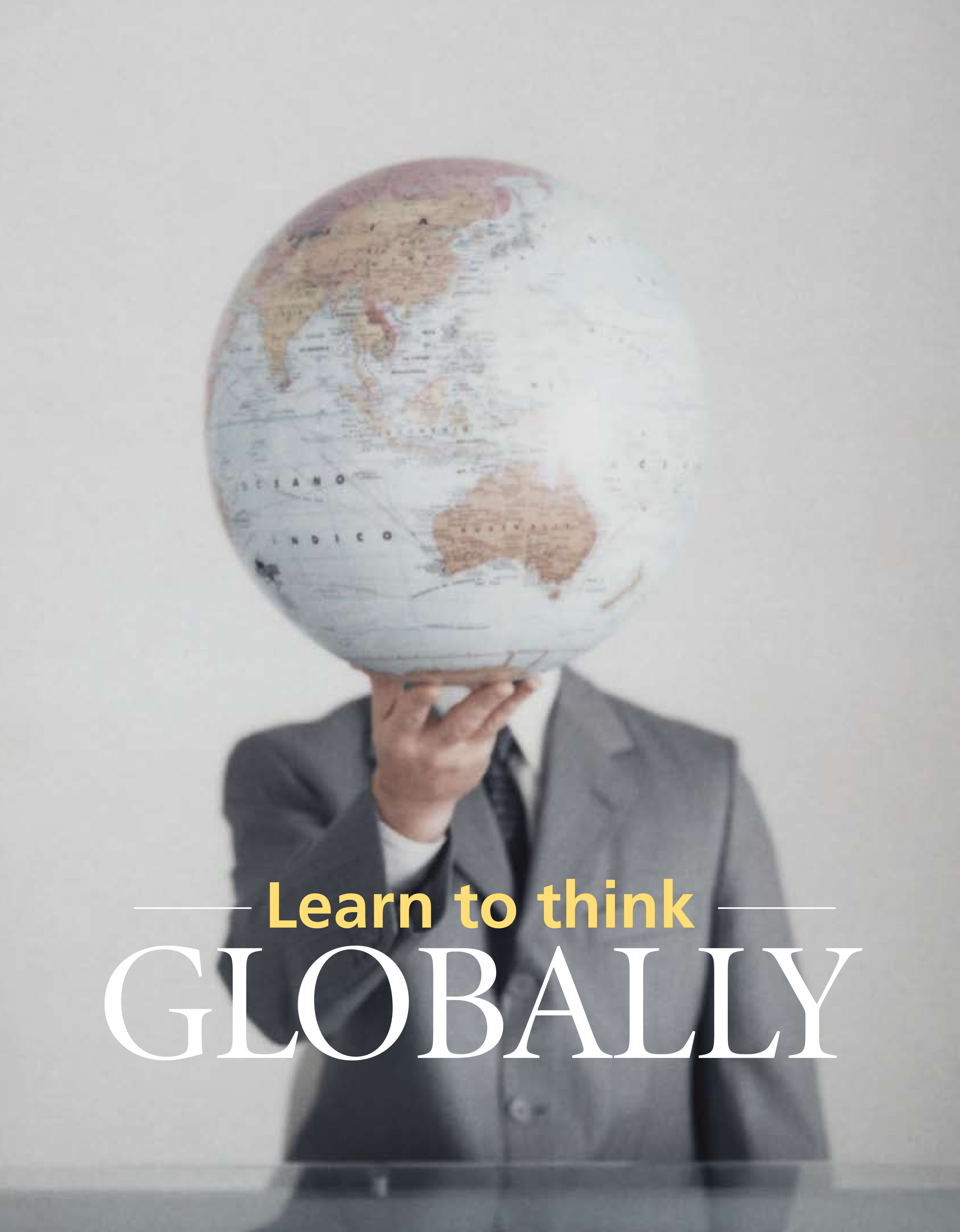
If you're saving for a larger home, *Financial planning 101: paying down debt gives a young couple greater flexibility* provides some easy-to-follow tips that can help you get out of debt sooner. Discover how a combination of all-in-one accounts, insurance and the new Tax-Free Savings Account (TFSA) can help you reach specific financial objectives.

After reading the articles in *Solut!ons*, we invite you to speak with your advisor. He or she can introduce you to savings options you may not be aware of and help you create a financial plan that works for you. Achieving your goals may be easier than you think.

Sincerely,
J. Roy Firth, Executive Vice President
Individual Wealth Management, Manulife Financial

What's Inside

Manulife Investments
With you every step of the way®


Learn to think
GLOBALLY

SUCCESSFUL INVESTING MAY INCLUDE INVESTING ABROAD

Canada's economy is faring quite well. We enjoy an abundance of natural resources, our banking sector is the envy of the world, our national debt is perhaps the least onerous of any G7 country and our housing market did not experience the dramatic correction that occurred south of our border. When you consider Canada's profile from an economic perspective, many investors may ask themselves, why in the world would anybody want to invest anywhere else?

While Canada appears well positioned for the decade ahead, there are good reasons why investors should consider diversifying beyond our borders. Many Canadians fail to realize that the vast majority of their assets and incomes are tied to the fortunes of the Canadian dollar and our financial markets. For example, our homes, mortgages, company stock purchase plans and incomes are all vulnerable to the ups and downs of Canadian markets and a single currency. And while this may seem perfectly fine since the vast majority of our day-to-day activities are carried out in Canadian dollars, there are advantages to consider when investing a portion of your assets in foreign currencies.

One easy and cost-effective way to mitigate the risk that comes with overexposure to our markets is to invest in companies with global operations whose long-term growth prospects are not unduly influenced by the performance of the Canadian economy. When our currency shows considerable strength versus the U.S. dollar, Canadians have a unique opportunity to diversify their assets by investing in global companies at a significant discount.

MANY CANADIANS FAIL TO REALIZE THAT THE VAST MAJORITY OF THEIR ASSETS AND INCOMES ARE TIED TO THE FORTUNES OF THE CANADIAN DOLLAR AND OUR FINANCIAL MARKETS.

ON A MARKET CAPITALIZATION BASIS, THE CANADIAN EQUITY MARKETS REPRESENT APPROXIMATELY THREE PER CENT OF THE WORLD'S TOTAL. THIS SUGGESTS THAT 97 PER CENT OF THE WORLD'S INVESTMENT OPPORTUNITIES RESIDE OUTSIDE OUR BORDERS.

DIVERSIFICATION IS A CORNERSTONE OF INVESTMENT SUCCESS

It's no secret that proper diversification can be an effective long-term investment strategy to achieve potentially higher returns with potentially lower risk. While many investors already diversify by asset class and investment style, the same logic applies to investing across geographic regions. Focusing on Canada's relatively small market restricts Canadians from taking advantage of the many attractive opportunities that exist in other countries.

On a market capitalization basis, the Canadian equity markets represent approximately three per cent of the world's total. This suggests that 97 per cent of the world's investment opportunities reside outside our borders[1].

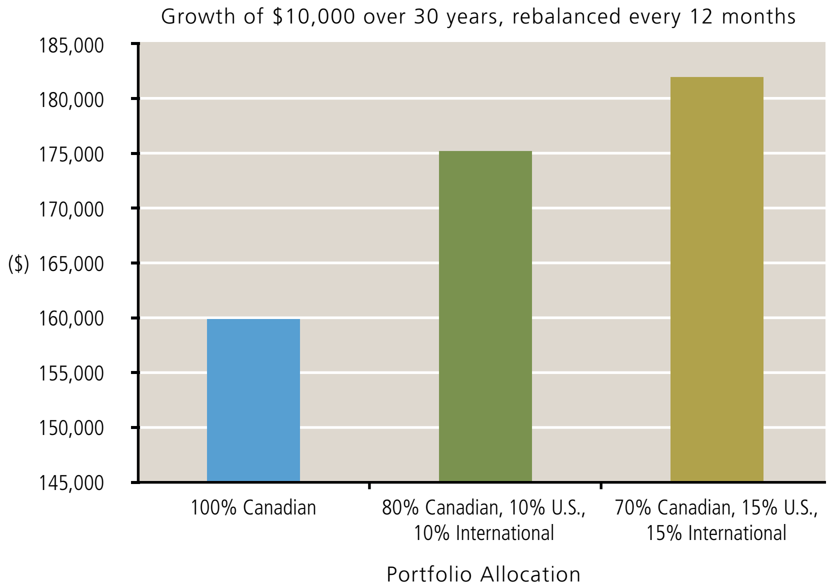
In terms of economic sectors, companies in financial services, materials and energy are well represented within our country. In fact, these three sectors alone currently account for approximately two-thirds of the S&P/TSX Composite Index.[1] On the other hand, sectors such as healthcare, consumer staples, technology and manufacturing are under-represented within our stock market. If the allocation of your portfolio is heavily weighted in Canadian investments, you may not attain the full benefits of diversifying across all business sectors and therefore may be missing out on investment opportunities.

BOOST PERFORMANCE WITH JUST A PORTION OF YOUR PORTFOLIO

A key benefit of diversifying globally is that investors spread their investment dollars across different sectors and countries. That way, if one or more of the sectors or countries you've invested in underperforms, you have money invested in others to help compensate for the weak performers. Over time, this can help to improve investment returns.

Chart 1 illustrates the increased return potential that incremental exposure to global equities can provide over a 30-year period. As you can see, $10,000 invested in a 70 per cent Canadian, 15 per cent U.S. and 15 per cent international equity portfolio was worth considerably more than $10,000 invested entirely in Canadian investments.

Chart 1: Increased global exposure can lead to higher returns



Canadian = S&P/TSX, US = S&P 500 ($CDN), International = MSCI EAFE ($CDN)
For illustration purposes only. Source: Globe HySales, November 30, 2009.

[1] MFC Global Investment Management.

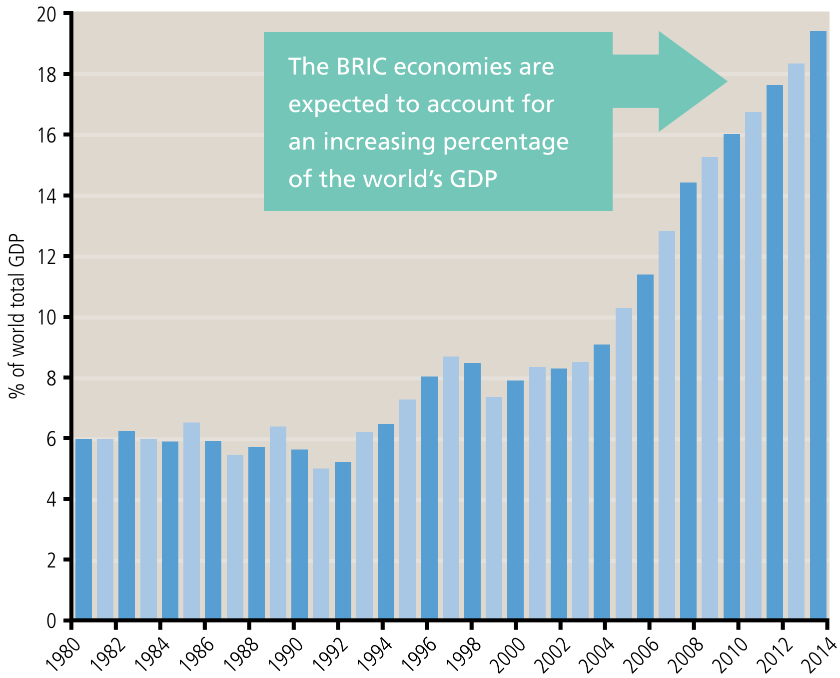
BUT ISN'T IT SAFER TO STAY AT HOME?

Considering how markets responded to the financial crisis during 2009, many investors may believe that when it comes to investing, it's safer to stay at home. But it is important to remember that for long-term investors, volatility can be an integral part of achieving higher returns. Global markets may remain volatile for some time, and this volatility can provide investors with the opportunity to gain exposure to high-quality companies at significant discounts.

Most industrialized countries can offer similar investment security to that of Canada's, while a number of emerging markets can offer tremendous growth potential that may warrant taking on the additional risk from investing in these regions. For example, Brazil, Russia, India and China – collectively referred to as the BRIC economies – are expected to grow at 2.5 per cent, 1.5 per cent, 6.5 per cent and 8.5 per cent respectively during 2010. This compares favourably with the projected growth rates of mature economies such as Canada and the United States, at 1.0 per cent and 0.8 per cent, respectively.[2] And, as Chart 2 demonstrates, economists believe this is a trend that will continue well into the future as demographic trends and economic reforms position emerging markets to outperform.

While there is additional risk in investing in the BRIC economies, or emerging markets in general, the potential for higher rewards is considered strong over the long term. By investing a portion of your portfolio in a mutual fund that offers exposure to emerging market securities, you can help to mitigate risks through diversification while capturing the potential for higher long-term returns.

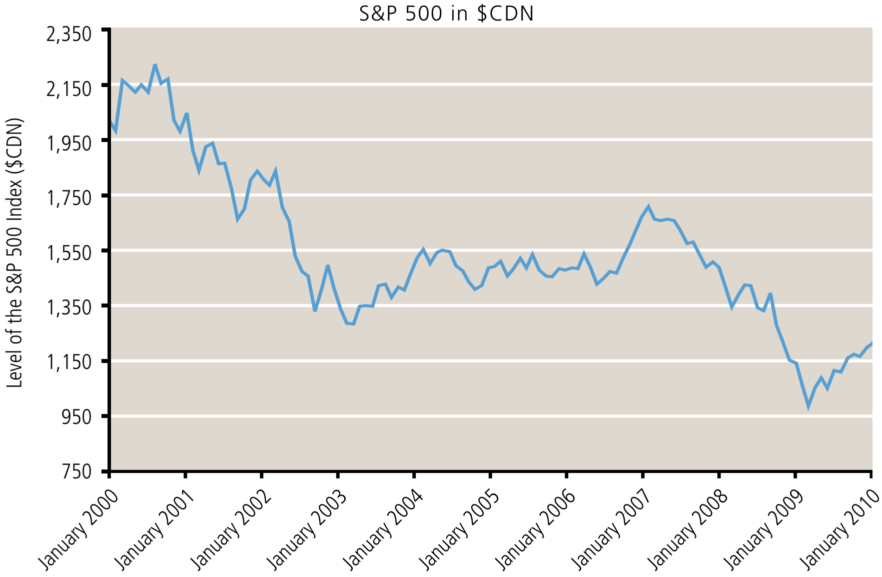
Chart 2: BRIC (Brazil, Russia, India, China) GDP as a percentage of total world GDP



Source: International Monetary Fund, World Economic Outlook Database, October 2009.

[2] International Monetary Fund, World Economic Outlook Update, July 8, 2009.

Chart 3: Now may be the time to consider buying U.S.-denominated investments



Source: Global Financial Data, January 6, 2010.

THE LOONIE IN FLIGHT

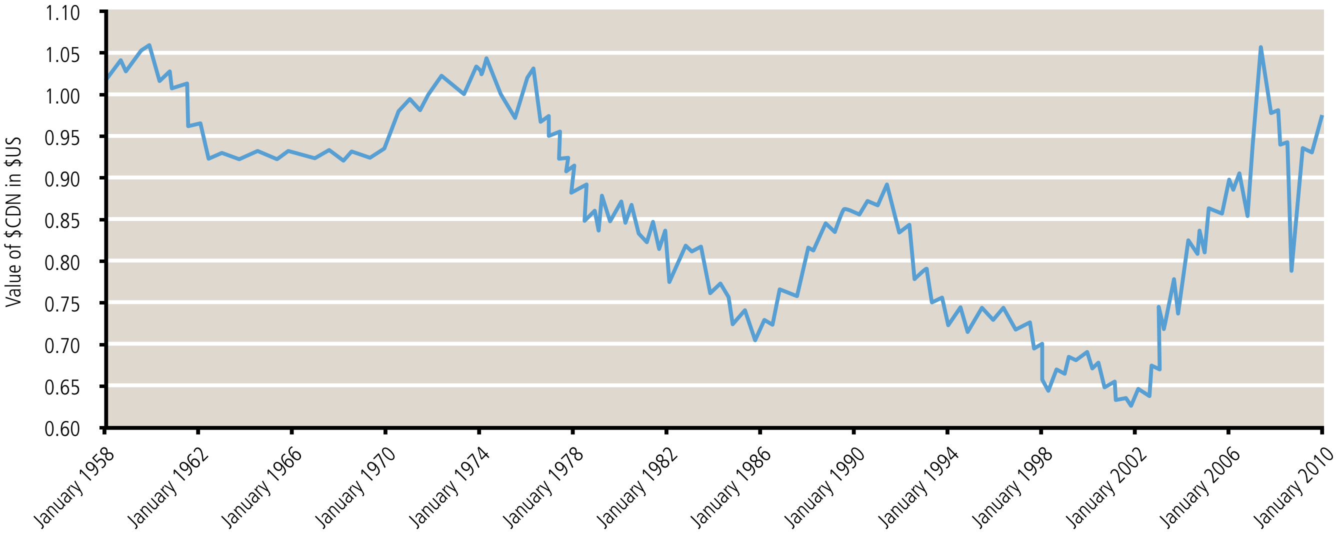
The Canadian dollar has been on a roll when compared to the U.S. dollar, having climbed 15.9 per cent against the greenback during 2009.[3] The rise of our currency versus the U.S. dollar is largely attributed to higher commodity prices supporting our dollar and the current weakness of the U.S. economy. While many economists expect the loonie to either approach or surpass parity during 2010, it is considered unlikely that the Canadian dollar will maintain this strength over an extended period of time.

For Canadian investors who currently own investments denominated in U.S. dollars, the rise of the loonie has been a drag on their performance. Yet for investors looking to diversify globally in today's markets, this could be seen as an opportunity since today's strong dollar has greater buying power than it has had in quite some time. If you consider the buy low, sell high argument from a currency perspective, this may be an ideal time to acquire previously expensive securities of top foreign companies at bargain-basement prices. Chart 3 shows that today's investor could purchase an investment that tracks the value of the S&P 500 Index at a significant discount to the price a decade ago.

While over short- and medium-term time horizons, a strong currency can make foreign investments cheaper to buy, over the long term history suggests that currency fluctuations often balance each other out. Chart 4 illustrates the price relationship between the U.S. dollar and the loonie. If this cycle repeats itself in the future, global securities that are priced in U.S. dollars could provide superior returns if the U.S. dollar appreciates in value against the Canadian dollar.

[3] Jennifer Kwan, "Canadian dollar rises more than a penny," *The Globe and Mail*, January 4, 2010.

Chart 4: Value of Canadian dollar vs. U.S. dollar over time



Source: Global Financial Data, January 6, 2010.

DON'T LET EMOTIONS GET IN YOUR WAY

The reluctance of some investors to invest globally is certainly understandable. After all, why wouldn't anyone want to avoid future losses when so many newspaper headlines and market pundits continue to forecast a shaky recovery in global markets? When we boil this lack of enthusiasm down, however, we need to realize that our investing behaviour is likely influenced by two dominant emotions: fear and greed. And, when you think about it, neither of these emotions forms a sound basis for making rational decisions.

When markets rise, investors tend to pour cash into investments such as mutual funds. And, sure enough, a selling frenzy begins shortly after a market decline.[4] But when you look at this finding objectively, you quickly realize that the average investor is buying when prices are high and selling when prices are low – which is exactly the opposite of the buy low, sell high strategy that successful investing requires. What's more, many investors remain out of the markets when they eventually rebound, as they did through the second half of 2009.[5]

IF YOU CONSIDER THE BUY LOW, SELL HIGH ARGUMENT FROM A CURRENCY PERSPECTIVE, THIS MAY BE AN IDEAL TIME TO ACQUIRE PREVIOUSLY EXPENSIVE SECURITIES OF TOP FOREIGN COMPANIES AT BARGAIN-BASEMENT PRICES.

[4] Quantitative Analysis of Investor Behaviour 2007, page 5.
[5] Quantitative Analysis of Investor Behaviour 2007, page 9.

THIS MAY BE THE OPPORTUNITY OF A LIFETIME

If you consider yourself to be an investor with a longer-term time horizon, the current global equity markets could represent the buying opportunity of a lifetime. The combination of a strong Canadian dollar and depressed security prices due to residual pessimism in the markets underscores the current potential of global investing. •

SPEAK WITH YOUR ADVISOR

If you are looking to make changes to your portfolio in the hope of capturing the opportunities available in today's markets, begin by speaking with your advisor. He or she can point out the various mutual fund investment options available to you and can further discuss the advantages of diversifying globally. It is important to remember that diversification is a key component of any well-thought-out financial plan, and that includes investing beyond Canada's borders.

Financial PLANNING 101

PAYING DOWN DEBT GIVES A YOUNG COUPLE GREATER FLEXIBILITY

If you are young and looking to achieve specific financial goals, seeking professional advice is a great place to start. In the following story, we learn how financial planning can make a difference for a couple who is expecting a child and saving for a larger home.

With a child in their future and a tight budget, Bob and Judy are looking for advice on how to reduce their debt so they can afford a larger home.

Bob, age 36, works as a machinist at a local manufacturing plant and earns $50,000 annually. Judy, age 34, is currently an administrator at the university and earns $36,000 per year.

They paid $250,000 for their first home five years ago and it has recently been appraised at $290,000. They've managed to reduce their mortgage debt to $185,000, but also have $5,000 in credit card debt and a $15,000 car loan, for a total debt load of $205,000.

"We are having trouble determining how we can afford a larger house," Bob told John, his new advisor who was recommended to him through a close family friend. "Our house has appreciated nicely since we purchased it, but then again so has every other house in the area," Judy added. "Also, we don't have much in terms of retirement savings. With a baby on the way and our desire to buy a new home, we could really use some help."

Client Overview

THE COUPLE: Bob and Judy, age 36 and 34

THE GOAL: Finance a larger home

THE PLAN: Reduce debt load on current home, protect current assets and implement a savings strategy to help achieve their goal

MONTHLY NET INCOME: $5,950

ASSETS: House $290,000; RRSPs $15,000; savings account $8,000

LIABILITIES: Mortgage $185,000; car loan $15,000; credit card $5,000

MONTHLY EXPENSES: Food $500; car loan $400; mortgage $1,200; car and property insurance $200; household bills $700; property tax $270; credit card payments $200; personal care $600; miscellaneous $500

TOTAL MONTHLY EXPENSES: $4,570

MONTHLY FREE CASH FLOW: $1,380

For illustrative purposes only. This is a fictional scenario.

IF THEY'RE SERIOUS ABOUT REDUCING THEIR DEBT MORE AGGRESSIVELY, JOHN SUGGESTS THEY MAY WANT TO LOOK AT A MORE CREATIVE OPTION.

GETTING DEBT UNDER CONTROL

Bob and Judy's mortgage is up for renewal. If they simply renew for another five-year term, they'll realize some savings since fixed rates are lower than they were five years ago. However, if they're serious about reducing their debt more aggressively, John suggests they may want to look at a more creative option.

Bob and Judy have multiple debts at different rates; the money left over at the end of the month sits in a chequing account earning next to nothing, and the money they've set aside in a rainy-day account is earning much less interest than they're paying on their debt.

John recommends that Bob and Judy consider an all-in-one account. An all-in-one account is a relatively new type of mortgage that allows Canadians to bring their loans, deposits and even income together into a much more efficient structure.

One benefit of an all-in-one account is that it will allow Bob and Judy to consolidate their debt. At 20 per cent and six per cent, respectively, both their credit card debt and car loan have higher interest rates than their mortgage. Consolidating all of their debt in an all-in-one account will offer immediate monthly interest savings, which can be used to reduce the principal. They can achieve additional savings by automatically depositing their income into the all-in-one account. That way, they will reduce their debt each time they get paid. Any money that's left over at the end of the month can stay in the account, keeping their debt at a lower level.

Because all-in-one accounts typically allow accountholders to re-borrow money up to a pre-set borrowing limit, John suggests that Bob and Judy use their $8,000 in rainy-day savings to lower their debt even more. This allows them to immediately reduce their principal and interest costs, and they can still access cash if a rainy-day crisis comes along.

PLANNING FOR THE FUTURE

Knowing that Bob and Judy have a child arriving in the near future, John asks if they have enough insurance in case something happens to them. Bob and Judy both have coverage equal to one year's income from their employers, but that isn't enough to pay off their mortgage if one of them dies. John suggests that now is the perfect time for them to re-evaluate their personal insurance.

He recommends that Bob and Judy consider term insurance. It's very affordable and, since they're both non-smokers and healthy, it's even more affordable. For approximately $45 each month, Bob and Judy could purchase $500,000 and $300,000 of 10-year term insurance, respectively. This would cover their mortgage debt if either of them died unexpectedly. It also gives each of them the flexibility to take additional time off work without worrying about money. John mentions that after 10 years they can convert some or all of their term insurance to permanent insurance which provides additional benefits (see page 22 for more information on life insurance).

John suggests they should also consider critical illness insurance. This insurance provides a one-time payment if either Bob or Judy is diagnosed with (and survives the waiting period for) one of the covered conditions. For just under $75 each month, they could own $100,000 of 10-year, renewable critical illness insurance, which would provide them with enough money to make mortgage payments and cover other expenses. The $75 premium also includes a Return of Premium on Death rider, which gives back all the money they've paid in premiums if they don't make a claim before they die.

THEIR ADVISOR SUGGESTS THEY CONSIDER BOTH TERM INSURANCE AND CRITICAL ILLNESS INSURANCE.

RRSP OR TFSA?

Although Bob and Judy don't have a lot of money left over at the end of each month, they would like to contribute something towards a Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA) – they just aren't sure which is the best way to go. The right choice depends on their savings needs as well as their current and expected future financial situation and income levels.

The general rule of thumb is that RRSP savings will generate a net rate of return higher than TFSA savings when the investor's tax rate at the time of withdrawal is lower than the tax rate at the time of contribution. TFSA savings will provide a higher return if the opposite is true.

However, there are other factors to take into account. Generally, an RRSP is used for saving for retirement, while a TFSA can be used for saving for retirement and for other shorter-term purchases. Because TFSA withdrawals are not taxed and Bob and Judy can replace any funds withdrawn from the account at a later date without penalty, there is very little downside to using TFSA savings for short-term purchases.

Since Bob and Judy are saving to buy a larger house, John recommends that they consider the flexibility of a TFSA. They can invest their TFSA savings in a variety of products, just as they could with an RRSP.

As already mentioned, TFSA withdrawals (unlike RRSP withdrawals) are not taxed and Bob and Judy will get their contribution room back in the year following a withdrawal. Another consideration is the fact that Bob and Judy already own a home and therefore won't qualify for the Home Buyers' Plan. Consequently, any withdrawals from their RRSPs would be taxable and the RRSP contribution room would be lost forever.

Furthermore, Bob and Judy expect to be in a higher tax bracket in the future, at which time they can contribute to their RRSPs and maximize the tax benefit of the deductions. They can even withdraw funds from their TFSAs to contribute to their RRSPs if they don't have the cash on hand.

Bob and Judy have each accumulated $5,000 of TFSA contribution room for 2009 and 2010, so they have a total combined contribution room of $20,000. Contributing to their TFSAs would be a good start towards their goal of buying a larger home. •

SPEAK WITH YOUR ADVISOR

Bob and Judy are now aware of several steps they can take towards achieving their financial goals. They decide to take John's advice and open an all-in-one account to lower their borrowing costs. They also accept his insurance recommendations. Not only have they found a simple way to pay down their debt sooner, but they've also discovered that term and critical illness insurance are an affordable way to protect what they've built together. Finally, they are pleased to have learned how the flexibility of the new TFSA can help them save for a larger home.

If you have specific financial goals in mind and would like to discover ways to achieve them sooner, why not consult an advisor? He or she can suggest a number of options that will help you make your current level of income work harder for you.


ONE SIZE FITS ALL
The same solution doesn't work for everyone.
We can show you a TFSA that's right for you.
Your advisor can tailor a Tax-Free Savings Account (TFSA) to fit your family's financial needs, helping your money work even harder for you. We offer a number of different TFSA investing options including mutual funds, segregated fund contracts, Manulife Investments Guaranteed Interest Contracts (GICs), and Manulife Bank Advantage Accounts and Guaranteed Investment Certificates (GICs). To learn more about TFSAs from Manulife, contact your advisor.
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WHERE THERE'S A WILL...

DO YOU HAVE A COMPREHENSIVE ESTATE PLAN?

If you're like most people, getting your personal financial plan started can be a challenge. And what about planning your estate? It's probably not the first thing on your list of priorities. But why? Too intimidating? The truth is, estate planning should be a financial priority at almost any stage of life.

Why is it important to have a plan? To ensure a simple, tax-efficient and organized transfer of your assets to loved ones when you're gone. In fact, an estate plan can be essential for organizing your financial affairs and providing for the well-being of your family members. Furthermore, an estate plan should be updated on an ongoing basis – particularly as your circumstances change throughout your life.

When you start developing your estate plan, there's a lot to think about. You want to live your life to the fullest and, at the same time, ensure your heirs will get the most out of the assets you're setting aside for them. As a starting point, here are some of the basics you'll need to consider.

NAMING A BENEFICIARY OTHER THAN YOUR ESTATE ON AN INSURANCE CONTRACT (SUCH AS A SEGREGATED FUND CONTRACT) ALLOWS DEATH BENEFIT PROCEEDS TO BYPASS YOUR ESTATE.

YOUR WILL

A will is a legally enforceable declaration of how a person wishes his or her property to be distributed after death. A will can be quick and easy to produce and will generally cover the following:

- Naming the executor – the individual(s) or organization chosen to administer the estate; if you die without a will (referred to as "dying intestate"), the province where you reside will step in to administer your estate and, in this case, you've essentially forfeited your say on how things are divided and who will be in charge of the process
- Naming beneficiaries of the estate (e.g., immediate or extended family, institutions, etc.)
- The distribution of assets within the estate (e.g., investments, real estate, possessions)

NAMING A BENEFICIARY OUTSIDE THE WILL

Naming a beneficiary other than your estate on an insurance contract (such as a segregated fund contract) allows death benefit proceeds to bypass your estate. This means that your beneficiary will receive the proceeds privately[1] and directly while avoiding probate[2] and estate administration fees, which can be significant.

By avoiding your estate, the death benefit proceeds may also avoid claims by creditors of the estate and challenges to the validity of the will, which can delay the distribution of your estate by weeks, months or even years, and can be very costly.

In addition, insurance contracts offer the potential for creditor protection while you are alive if a beneficiary of the family class[3] is named or a beneficiary is named irrevocably.

REDUCING TAXES

We all know the old cliché that the only two certainties in life are death and taxes, but how much do we really know about taxes after death?

If you have a will, upon your death it is your executor's responsibility to file a tax return for you. The government will consider you to have sold all your assets immediately before your death and any capital gains/losses will be crystallized. That may lead to a big tax bill.

Depending on your individual needs, there are strategies you can employ within your estate plan to minimize the amount of taxes due and have assets bypass your estate.

Here are some examples:

- Maximize asset "roll-overs" – transfers to your spouse that defer capital gains
- Get advice on setting up a trust to ensure your beneficiaries are well looked after
- Give gifts of cash or possessions while you are still alive
- Consider charitable donations to create valuable tax benefits
- Buy life insurance that is paid out to a named beneficiary on a tax-free basis
- Restructure investments with insurance companies so assets can bypass your estate

The reassurance of having a strategy in place to preserve the value of your estate for loved ones is something to value. After all, why pay if you don't have to? Work with your advisor to determine what exactly is in your estate, and then devise your plan. •

[1] In Saskatchewan, jointly held property and insurance policies with a named beneficiary are included on the application for probate despite the fact that these assets do not flow through the estate and are not subject to probate fees.

[2] Probate is not applicable in Quebec. Probate fees vary by province.

[3] In provinces other than Quebec, a family class beneficiary is any of the spouse, child, grandchild or parent of the annuitant. In Quebec, it is any of the spouse, ascendants and descendants of the owner.

cake

cake

Protect Yourself

INSURANCE FOR EVERY LIFE STAGE

Remember when you were nine and 18 was really old and anyone over the age of say, 25, was ancient? If you're now looking from the other end of the telescope, you've already lived through at least some of life's stages.

When we talk about age, we usually talk about a specific number. But if we talk about life's stages, the numbers don't really seem to matter. Instead, it becomes the "in-school stage," the "not yet married stage," the "young kids, new house stage" and so on. Each stage defines a chunk of time – time that differs for everyone. In other words, people reach different life stages at different ages.

That's why life stages are a good way to look at your insurance needs – and there are a number of insurance products that can meet the needs of every life stage.

TERM INSURANCE is the perfect choice for many life stages. It's known as temporary insurance because you pay your premiums for a limited period of time and then the insurance expires.

At younger ages, term insurance is less expensive than other kinds of insurance, so it is often used by people with young families.

Term insurance is also a good choice for mortgage or debt insurance. With some term insurance policies, until approximately age 75, you can convert your policy to permanent insurance without needing to provide more evidence of good health.

PERMANENT INSURANCE is, just as the name suggests, permanent coverage that you own until death. There are two kinds of permanent insurance: whole life and universal life. Both are good for many life stages, but are typically for people with more disposable income.

With whole life insurance, you pay premiums for a certain period of time or for life. With some policies, you also have the ability to build up cash value.

Universal life insurance offers a combination of insurance coverage and tax-advantaged investing. The policy includes a variety of investment accounts and the earnings are not taxed as long as the money stays in the policy.

You can buy a universal life policy that meets your protection needs today and, as your needs change in the future, you can add features, benefits and investment accounts of another product.

LIVING BENEFITS insurance includes three types: critical illness, long term care and disability.

Critical illness insurance pays you money if you become critically ill. This type of insurance is a valuable investment at any life stage – after all, the cost of recovering from an illness can affect everyone.

Long term care insurance provides you with the services and support you need to maintain your day-to-day activities if a chronic illness or cognitive impairment keeps you from being able to take care of yourself. While this insurance is most likely used by people in later life stages, the planning for it should begin early.

Disability insurance is important for anyone who relies on working income. Supplementing your group coverage with an individually owned disability insurance policy can provide you with benefits that address your unique needs.

GET THE COVERAGE YOU NEED

Whether you're single or married, you just started a family or you're sending your first child off to university, you will want to ensure you're properly protected.

Along with your advisor, Manulife's Insure Right program can help you determine the right life insurance and living benefits insurance coverage for your specific needs in five easy steps. Anything can happen. That's why it's important to get all the coverage you need to protect your lifestyle, your family and everything you've worked hard to achieve. •

Five steps to the right insurance

All insurance companies may seem the same, but there are many things to consider. Your policy is a contract that could last many years. So, make sure you choose a well-established, financially secure company. If there's a claim, you want to be certain your insurer will be there to honour their contract.

The **Right** Insurer

STEP 5

The price you pay for your insurance coverage must fit comfortably within your budget. Your advisor can work with you to ensure your premiums are affordable for you. There are always options to help lower the cost of your coverage.

The **Right** Price

STEP 4

How much insurance is enough? Determining the right amount is an important step. This is where your advisor can help. By discussing the details of your present financial situation and your plans for the future, your advisor can help you complete a needs analysis worksheet to figure out how much coverage is right for you.

The **Right** Amount

STEP 3

There are many life insurance plans to choose from, in addition to various living benefits insurance plans, such as critical illness, disability and long term care insurance. Your advisor can explain each type to you and what they cover. You may need several different types of coverage to ensure proper financial protection.

The **Right** Type

STEP 2

Your advisor plays a key role in providing the information you need to make an informed decision. Find an advisor you feel comfortable with. Someone you trust. Your advisor should be knowledgeable, understand the Insure Right process and be committed to reviewing your insurance needs on a regular basis in the years ahead.

The **Right** Advisor

STEP 1

FOR MORE INFORMATION ON INSURE RIGHT
VISIT WWW.INSURERIGHT.CA

SHOW *me the* MONEY!

A BUDGET CAN HELP YOU FIND MONEY YOU DIDN'T EVEN KNOW YOU HAD

You make plans for the weekend. You make plans for your vacations. But do you make plans for your money? A budget is a good place to start. It helps you see exactly how you spend your cash. Then you can make informed decisions about what you can afford right now, start saving for future purchases and build in room for longer-term investments that can help you achieve objectives such as retirement income.

WHERE DOES THE MONEY GO?

The first step towards a budget is to record all your income and all your expenses for one month. Writing this information down makes it possible to analyze your spending habits and find potential areas for improvement.

Under income, include your after-tax salary as well as any other sources of money such as investments. Under expenses, consider everything from your rent or mortgage payments to the coffee and muffin you buy on your way to work. Common categories of expenses include housing, utilities, communications, food, clothing, transportation, entertainment and insurance. To make sure your list is as complete as possible, carry around a notepad with you for one complete month and jot down every purchase.

Next, look at the difference between your income and expenses. If your expenses are higher than your income, this is a warning signal that you need to cut back to live within your means. But if your income is higher than your expenses, this is the amount of money you have left over at the end of each month. It can be earmarked for saving and investing to help you start building funds for the future.

MAXIMIZE YOUR SURPLUS

Whatever your goals are, maximizing your budget surplus can help you reach them sooner. There are several ways you can find "hidden" cash once you have a budget.

First, a budget lets you see where you're spending your money so you can prioritize and find ways to reduce your expenses. Cash may be evaporating in tiny increments that are almost imperceptible until you record them – a bottled water here, a magazine there. When you see the whole, long list, you can develop strategies to recapture that cash.

Maybe you can pack a lunch and save $10 a day, five days a week – or approximately $200 a month. Perhaps you can consolidate your home phone, cell phone and Internet services with one provider to get bundled discounts that add up to hundreds of dollars a year. It's always a good idea to call competing suppliers of the goods and services you use to see if you can negotiate a better deal.

What you'll discover is that small amounts add up quickly over time, so making minor changes that don't have a big impact on your lifestyle can help you set aside significantly more money. Need some incentive to save? Write down your short-term and long-term goals and post the list in a place where you'll see them all the time – for example, your fridge door. A daily reminder that you're working towards a trip to Europe and a down payment on a new home will go a long way towards curbing the urge to splurge.

There's another way you can create more from less in your budget. Instead of leaving your monthly surplus in a chequing account earning next to no interest, you can put it in one of three types of products that can help it grow more quickly.

EACH OF THESE STRATEGIES – REDUCING YOUR EXPENSES AND MAKING YOUR SAVINGS WORK HARDER IN A HIGH-INTEREST SAVINGS ACCOUNT, TFSA OR ALL-IN-ONE ACCOUNT – HELPS YOU MAXIMIZE THE BENEFITS OF BUDGETING AND REACH YOUR SAVING GOALS MORE QUICKLY.

One of the simplest options is to open a high-interest savings account. This gives your money the boost of extra interest and you can still quickly access your cash if you need it. You shouldn't settle for a bank account that pays no or little interest.

Go one step better by investing the first $5,000 you save each year in a Tax-Free Savings Account (TFSA). Money inside a TFSA grows tax-free, and you can withdraw it tax-free as well. This makes it an ideal solution for either short-term or long-term goals. The year after you make a withdrawal, you can even re-contribute the same amount – so you never lose your contribution room.

A more sophisticated solution is an all-in-one account that combines your chequing, deposit and borrowing activities to reduce the interest you pay on your debt. An all-in-one account is designed for people who have a mortgage and perhaps other debts such as car loans and credit card balances. By consolidating this debt, you can lower the total amount of interest you're paying each month, immediately increasing your budget surplus. Then add in your savings. An all-in-one account puts your money to work right away to reduce your debt – but you can still access it (up to your borrowing limit) whenever you want. Finally, you can deposit your income directly into your all-in-one account so it reduces your debt until you need the money to cover your monthly expenses.

Each of these strategies – reducing your expenses and making your savings work harder in a high-interest savings account, TFSA or all-in-one account – helps you maximize the benefits of budgeting and reach your saving goals more quickly.

SUCCEED WITH GOOD ADVICE

Remember that you don't have to do it all on your own. When you're starting an exercise regime, it can be tremendously valuable to get a personalized program designed by a professional trainer who can share strategies that have helped other people succeed. In just the same way, when you're starting a budgeting plan, it's an excellent idea to fine-tune it with the assistance of a professional advisor who understands all of the products available to you and can steer you in the right direction.

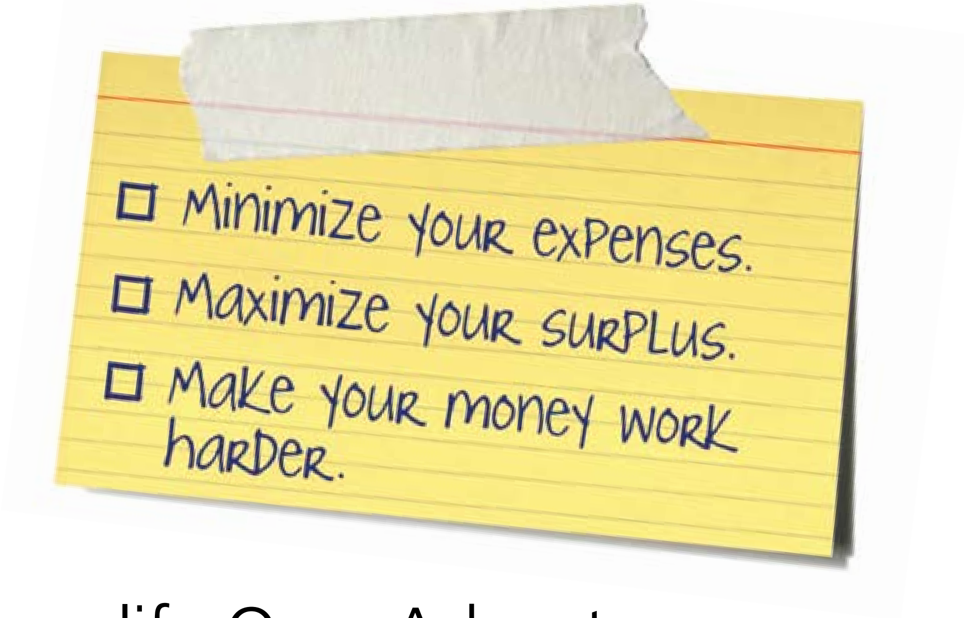
Your advisor can help you design a plan with a streamlined package of solutions that make your budget work more efficiently, boost your savings in the short term and long term and improve your overall financial plan. •

ON THE WEB

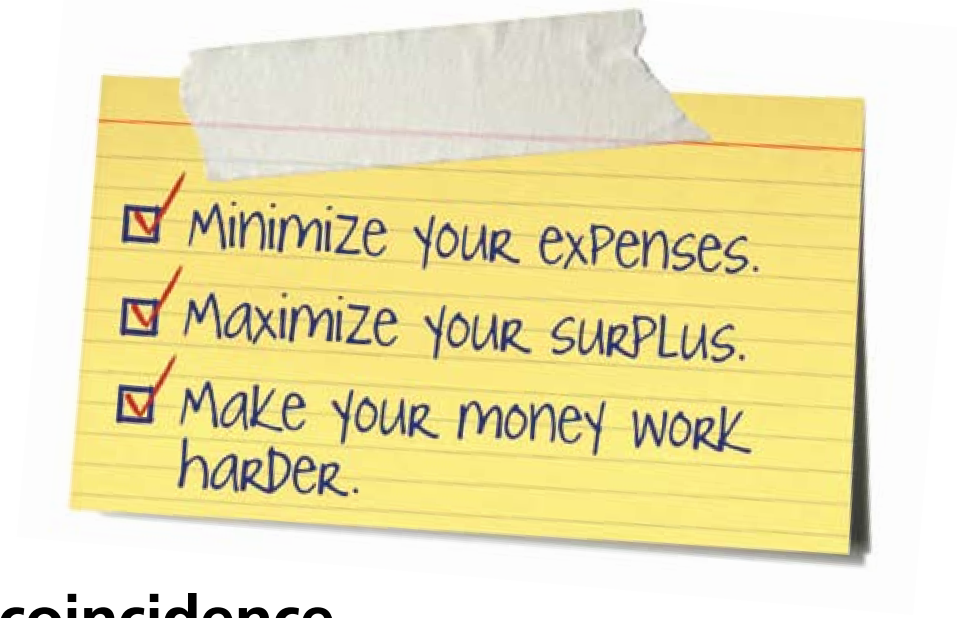
Find helpful information about budgeting at these websites:

- How to create a working budget: www.wikihow.com/Create-a-Working-Budget
- Budget worksheet: financialplan.about.com/cs/budgeting/l/blbudget.htm

You created a household budget so you can:



We created Manulife One, Advantage Account and Tax-Free Savings Accounts so you can:



What a great coincidence.

Talk to your financial advisor today about how you can reach your financial goals more quickly with Manulife Bank.

Banking, the way it *should* be.®

Manulife Bank

Manulife One, Advantage Account and Tax-Free Savings Accounts are offered through Manulife Bank of Canada.

TAX CORNER

Serve Yourself a Bigger Slice of the Pie

REDUCE TAXES AND MAXIMIZE SAVINGS FLEXIBILITY WITH A TAX-FREE SAVINGS ACCOUNT (TFSA)

Like everyone who works hard for a living, you want to keep more of what you earn. But saving more sometimes means paying more income tax. Thanks to the TFSA, there is a better way to save – tax-free.

- Tax-free growth – all the income you earn from your investments in a TFSA is exempt from tax
- No tax on withdrawals – withdrawals are not considered income, so there is no tax to pay
- Choose your savings goal – whether for short-term needs such as home renovations and unexpected repairs or long-term needs such as a home down payment and retirement assets, a TFSA is a flexible savings tool that can help get you to your goal faster
- Easy access to your cash – withdraw funds for any reason without affecting your eligibility for federal income-tested benefits and credits such as the Canada Child Tax Benefit and Employment Insurance benefits
- Recover your contribution room – whenever you withdraw funds, you can re-contribute the same amount at a later date; you don't lose your contribution room
- Pick from a wide range of investments – a TFSA may hold a wide variety of investments such as stocks, bonds, mutual funds, segregated fund contracts and GICs[1]
- Tax-free transfer at death – generally, the value of the TFSA at the date of death can be paid out tax-free
- Spousal rollover at death – a TFSA can continue on a tax-free basis if your spouse becomes the successor holder or the value of the assets at the time of death is transferred to your spouse's TFSA[2]

[1] GIC refers to Guaranteed Interest Contracts issued by insurance companies, as well as bank-issued Guaranteed Investment Certificates.

[2] The transfer must occur prior to the end of the year following the year of death, and the surviving spouse can designate the transferred amount as an exempt contribution so it does not impact his or her TFSA contribution room.

ELIGIBLE INVESTMENTS

- Mutual funds
- Segregated fund contracts
- Stocks in publicly traded companies
- Government and corporate bonds
- GICs[1]
- Cash

HOW CAN A TFSA WORK FOR YOU?

FOR YOUNG SINGLES AND COUPLES:

- Save for property down payments, a vehicle, etc.
- Grow your retirement assets
- Supplement your income during periods of parental leave
- Generate wealth more quickly through tax-free compounding
- Reduce your taxes – if you are in a lower tax bracket, put your savings in a TFSA and let your RRSP contribution room grow. When you're older and in a higher tax bracket, you can direct your savings to your RRSP and take advantage of the bigger tax deduction on your contributions. This way, you don't have to miss out on tax-deferred growth in your early years by not putting money in the RRSP, nor be restricted later in life by RRSP contribution limits

FOR YOUNG FAMILIES:

- Save for major purchases (e.g., a second car) and home repairs/renovations
- Begin planning for your children's education
- Create an emergency fund in case of job loss or disability
- Grow your retirement assets

FOR SINGLE-INCOME FAMILIES:

- Split your income and reduce your taxes

If you are interested in learning more about TFSAs and how they can benefit you, contact your advisor. •

EXERCISE YOUR BRAIN! SOLUTIONS

(from page 35)

Puzzle by websudoku.com

1	6	4	7	5	3	2	9	8
7	3	8	2	1	9	4	6	5
9	2	5	4	6	8	3	7	1
5	1	2	6	9	4	8	3	7
8	7	6	3	2	5	1	4	9
4	9	3	8	7	1	6	5	2
6	5	9	1	3	2	7	8	4
3	8	1	9	4	7	5	2	6
2	4	7	5	8	6	9	1	3

Medium

Puzzle by websudoku.com

5	7	8	9	2	4	3	1	6
9	2	3	6	5	1	7	8	4
4	6	1	3	7	8	2	5	9
1	3	6	8	9	5	4	7	2
8	5	2	7	4	6	9	3	1
7	4	9	2	1	3	5	6	8
3	1	7	4	8	9	6	2	5
6	9	5	1	3	2	8	4	7
2	8	4	5	6	7	1	9	3

Easy

House Proud

The day you sign the papers and buy a new home is likely to be both exciting and stressful – exciting because you get a new space to call your own, and stressful because you're making a huge financial commitment.

Whether you're jumping into the housing market for the first time or are upsizing or downsizing from your current home, the decisions you make can affect your finances for many years. That's why it's so important to take the time to make the right choices for you and your family.

WHAT'S IN YOUR CRYSTAL BALL?

First off, you need to consider if you're planning to move cities in the next few years for work or lifestyle reasons. If you are, it's probably a good idea to wait to buy a home in your new location. Beyond the obvious – that hefty mortgage – there are numerous additional costs associated with buying a home, so it's usually not worth making the investment unless you plan to stay put for a while.

In addition, a short-term purchase makes you more vulnerable to short-term price fluctuations – just as it would in the stock market. You don't want to have jobs lined up and plane tickets booked and then be forced into selling when prices are rock bottom.

If you already own a home and are considering relocating across the country or around the world, start researching sale prices in your neighbourhood. In some situations, when markets are strong, it may even be worth selling a couple of years early to lock in high prices. Of course, renting until you move only makes financial sense if you are confident prices in your area are dropping and you have taken into account the costs associated with discharging your mortgage and moving from your home into an apartment.

As a general rule, if you aren't planning a big move and can comfortably afford it, owning is better than renting because with every mortgage payment you own more of an asset that will likely appreciate over the long term. In contrast, when you rent, your monthly payment goes to your landlord and you don't get any long-term benefit in exchange.

HOW MUCH DO YOU NEED TO SAVE?

One of the reasons for the recent real estate meltdown in the United States was the large number of people buying homes with low or no down payments. A larger down payment immediately increases your equity in your new home and means a smaller mortgage with lower payments. But how much is enough?

The minimum down payment in Canada is five per cent. However, when you make a down payment of 20 per cent or more of your home's purchase price, you get a "conventional mortgage." This generally means lower interest rates because lenders see you as a lower-risk borrower. If you put down between five per cent and 20 per cent, you'll have a "high-ratio mortgage" and have to pay for mortgage insurance on top of your regular mortgage payments. Mortgage insurance typically works out to between one per cent and 2.9 per cent of the principal amount of your mortgage.[1]

[1] www.cmhc-schl.gc.ca/en/co/moloin/moloin_005.cfm

AS WITH ALL OTHER FINANCIAL DECISIONS, IT’S IMPORTANT TO EXPLORE THE PROS AND CONS OF OWNING A HOME IN SOME DEPTH.

If your home savings need a boost, don’t forget that first-time home buyers can withdraw up to $25,000 from their Registered Retirement Savings Plan (RRSP) to put towards their down payment. Also keep in mind that, if your mortgage allows it, topping up your payments early in the life of your mortgage makes a big difference to the amount of interest you’ll pay – and you’ll be mortgage-free much sooner.

HOW DO YOU FEEL ABOUT RAKING LEAVES?

You’ve made the decision to buy and you have your down payment ready. Now, make home ownership work for you by choosing the type of home that suits your lifestyle.

If you’re not keen on yard work, a condominium may be the right solution. You own the inside of your unit and are responsible for its upkeep. Outside your front door are “common elements” that are maintained through your monthly condo fees. Those fees are the price condo owners pay so they don’t have to worry about mowing the lawn or repairing external elements of their home.

On the other hand, with a freehold home – where you own the inside and outside of your building and the property that surrounds it – you can skip the condo fees. In addition, you have much more flexibility to renovate and landscape if you choose. On the downside, you’ll be out there shovelling the snow on blustery January days.

Another way to approach home ownership is to buy a property that includes a self-contained unit you can rent out to someone else. This is a strategy some empty nesters are taking to generate additional income in retirement. You’ll certainly benefit from a regular stream of rental income – but you will also be responsible for maintenance. So, if the toilet overflows over a holiday weekend, you’ll need to arrange and pay for the repairs.

WHEN IS THE BEST TIME TO BUY?

Housing markets rise and fall and the price you pay really does depend on “location, location, location.” Across Canada, the Canadian Real Estate Association reports that residential housing prices were up 19 per cent year-over-year in December 2009.[2] But the national average doesn’t mean much if you’re trying to judge the market in a region that saw housing prices stay flat or fall.

The fact is, it’s no easier to “time the market” when buying a home than it is when you’re buying an investment. Usually, the best time to buy is a very personal decision based on whether you’ve saved a significant down payment and can negotiate reasonable interest rates for your mortgage.

As with all other financial decisions, it’s important to explore the pros and cons of owning a home in some depth. Remember that your advisor is in a perfect position to discuss the options you have and help you integrate home ownership with your other short-term and long-term goals in the context of a comprehensive financial plan. •

[2] creastats.crea.ca/natl

FUN & FOOD

Exercise your brain!

Sudoku puzzles are a great daily workout for your brain. They're fun, challenging and addictive – and good for you too! Here are two Sudoku puzzles – one easy and one at a medium level of difficulty.

To solve: Enter digits from 1 to 9 in the blank spaces. Every row, every column and every 3 x 3 square must contain one of each digit. Try to do it without peeking, but if you need help the solutions are on page 31.

Easy

5					4	3		
9	2						8	
4	6		3	7			5	9
	3	6	8					2
8				4				1
7					3	5	6	
3	1			8	9		2	5
	9						4	7
		4	5					3

Puzzle by websudoku.com

Medium

1	6	4	7	5				
		8	2		9		6	5
	2	5					7	
5					4			
8								9
			8					2
	5					7	8	
3	8		9		7	5		
				8	6	9	1	3

Puzzle by websudoku.com

Strawberry season is a great time to try this spinach salad with some fresh strawberries. Feel free to substitute fresh raspberries if you prefer.

Spring Spinach Salad

6 cups of baby spinach
½ cup goat cheese
½ cup pecans
1 cup strawberries cut

Dressing:
2 tbsp. thawed orange juice concentrate
2 tbsp. olive oil
1 tsp. balsamic vinegar
1 tsp. minced garlic
1/2 tsp. honey

Combine spinach, goat cheese, and strawberries in a salad bowl. Shake dressing ingredients together. Just before serving, add the pecans and dressing. Toss together.