

# Planning Ahead

THE NEWSLETTER OF  
MONEY MANAGEMENT AND  
FINANCIAL PLANNING IDEAS



James H. Dehoney  
President  
Dehoney Financial Group  
2nd Floor  
1777 W. 8th Avenue  
Vancouver, BC V6J 1V8  
**Telephone:** (604) 684-2300  
**Toll-Free:** 1-888-684-2300  
**Fax:** (604) 688-3515  
**Internet:** [www.dehoney.com](http://www.dehoney.com)

It's time to take advantage of one of the best investment and tax-saving opportunities available to Canadians: the Registered Retirement Savings Plan (RRSP).

You have until February 29, 2012, to make your RRSP contribution for the 2011 tax year. But the first thing you should do is discuss your contribution strategy with us as well. We can review your investment options with you to help you take full advantage of this great way to build tax-deferred retirement savings.

Let's talk soon. It's the best way to ensure that your retirement savings will get you where you want to go.



## How are you? We really need to know

**T**he state of your health plays a major role in your insurance strategy. It influences the coverage you're eligible for and how much it will cost.

If you have health issues, you might think you won't qualify for certain types of insurance. However, in many cases we can find companies and products that will work for you — whether it's life, travel, disability, or other types of insurance. Our goal is to get you the coverage you need, regardless of any health limitations you might have.

Pre-existing conditions — medical issues present before obtaining insurance coverage — are of particular concern. They don't necessarily rule out coverage, although they may make it more expensive or restrictive. Some insurers are more generous with pre-existing conditions than others.

When we know your medical history, we can also ensure a transparent relationship with insurers. Many people or their beneficiaries have been shocked to discover that lack of full medical disclosure negates or reduces insurance payouts. You wouldn't want to jeopardize your family's financial security for lack of disclosure.

Talk to us about your health and be sure to let us know if there have been any changes, whether good or bad. When we have the facts, we can make sure you and your family are protected. And if you simply don't qualify for certain types of insurance because of a pre-existing condition, we can adjust your financial strategy to help compensate for any insurance shortcomings. ■



MUTUAL FUNDS

## Build up core strength

**A**nyone with a penchant for fitness has probably heard about how important a strong “core” is to overall body strength. What’s true for your body is true for investments. Just as you pay attention to your body’s core, you need to take care of your core mutual fund investments. They need to be strong enough to support your investment goals.

Every mutual fund portfolio should have a nucleus of broadly diversified funds. This core is crucial to the strength of your portfolio because it provides stability. It can help your long-term investment returns grow and ease the anxiety caused by financial market volatility.

Core holdings are long-term “buy and hold” investments of low to moderate risk that we can consider leaving in your portfolio for as long as you invest. They are generally less volatile than other types of investments, at the same time offering the potential for attractive long-term investment returns within your risk tolerance.

### **Diversify across asset classes**

Just as your overall mutual fund holdings should be well diversified, so should your core holdings.

**Equities.** Equity core holdings often consist of “large-cap” equity funds that invest in blue-chip stocks. These funds may not always win the performance race, but they have good long-term track records and may fare better in difficult times.

**Fixed income.** The fixed-income core of your fund portfolio should consist of moderate-risk, solid investments such as funds that invest in government bonds. We should consider funds that focus on intermediate bond maturities, since these are typically less volatile than longer-term bonds.

**Global funds.** The changing shape of world markets may also call for non-Canadian investments to form part of your core. With Canada representing only a small percentage of global equity and bond markets, foreign equity or fixed-income funds may be good candidates for a portion of your core holdings.

### **How much is enough?**

How much of your total portfolio your core should represent varies with factors such as individual financial objectives and risk tolerance. For many investors, 70% to 80% is not unrealistic.

The types of funds that constitute your core will depend on your personal investment characteristics. Funds that can be considered core holdings for one investor may not be suitable as a core for another investor.

Even if you already have a series of core investments, it’s a good idea for us to review your holdings from time to time to ensure they’re meeting your needs and expectations, and that the positioning continues to make sense for your goals.

### **Let’s talk**

Now is an excellent time for a core assessment. Financial market volatility in recent months may have thrown your mutual fund asset allocation percentages out of balance, including your core investments. For example, the 2011 stock market events may now mean you have a lower percentage of core equity fund holdings and a higher percentage of fixed-income funds than your original target.

Just as a strong core for your body helps you to run further, hit harder, and play longer, a strong mutual fund core can help you tackle bigger challenges. For example, with the support of a strong core, we can focus part of your portfolio on more aggressive, less mainstream investments that are generally riskier and more volatile but have the potential to add higher returns.

These might include small-capitalization and mid-cap equity funds, funds that invest in riskier securities or geographical markets, and fixed-income funds that invest in high-yield corporate bonds or higher-potential securities.

Let’s get together to talk about the structure of your mutual fund portfolio. We’ll ensure you have the right balance of core and non-core funds to meet your financial objectives. ■

## FRAUD PREVENTION

### Protect yourself from identity theft

Identity theft is a growing problem. If you have a good credit rating, you're at risk of identity theft that can cause big problems in your financial and personal life. You could suffer financial losses, emotional stress, and a huge drain on your time as you try to set things right.

A study by Hamilton's McMaster University found that almost 70% of Canadians are concerned about identity theft. In the year prior to the poll, 6.5% of those surveyed were victims of identity theft. These findings suggest that some 1.7 million Canadians may be victims every year.

Protecting yourself from identity theft can save more than money. It can save you from the stress and effort required to put your life back in order. On average, identity theft victims spend more than four working weeks undoing damage to their credit.

While many people think of identity theft as credit card and debit card fraud, many cases go well beyond that, involving social insurance fraud, mail theft, hacked bank accounts, embezzlement, mortgage fraud, and a host of other life-rattling crimes.



The best way to avoid becoming a victim is to be defensive. Your first step should be to obtain your credit report at least once a year. Often identity theft isn't discovered until a credit check reveals something is amiss.

To keep your personal information safe, follow these simple steps:

- Be cautious about sharing personal or financial information online or over the phone.
- Remove any unnecessary identification from your wallet or purse and keep it in a secure location instead.
- Be careful with passwords and PINs. Don't give them out and make sure they are as strong as possible.
- During transactions, swipe or insert your card yourself. If this isn't possible, watch your card closely and always shield your PIN.
- Review your credit card statements and other financial records regularly and report any discrepancies immediately to the appropriate institution.
- Use a paper shredder when disposing of personal information or documents. ■

## TAX PLANNING

### Family caregiver tax credit

As more Canadians find themselves looking after disabled family members, it's good to know that new, increased tax relief is available to help offset the often considerable expenses caregivers face.

Effective January 2012, a new family caregiver tax credit provides a 15% non-refundable income tax credit on expenditures of up to \$2,000. This provides up to \$300 in annual tax relief for caregivers of infirm dependent relatives, including spouses, common-law partners, and minor children.

In its last budget, the federal government also lifted a previous \$10,000 cap on the medical-expense tax credit, which allows taxpayers to claim medical and disability-related expenses incurred by financially dependent relatives. Caregivers who incur extraordinary medical and disability-related expenses will benefit beginning in the 2011 tax year, so be aware of this change when filing your 2011 tax return. ■



## WHAT'S NEW

### New CPP rules



Here's some good news about Canada Pension Plan benefits. As of this year,

you no longer have to stop working to draw CPP. You can simultaneously receive and accrue CPP benefits between the ages of 60 and 70, which means you have increased potential to improve your retirement finances.

Beginning January 1 of this year, you can continue to work while collecting CPP benefits. The old rules stipulating that you had to stop working to collect early CPP benefits no longer apply.

If you're between 60 and 65, employee and employer contributions to CPP will still be required. However, if you work between the ages of 65 and 70, contributions will be optional. If you want to continue to contribute to CPP as an employee, your employer must also continue to contribute.

For residents of Quebec, similar rules apply under the Quebec Pension Plan (QPP). QPP allows for "phased" retirement between the ages of 60 and 65. To collect QPP before age 65, your estimated employment earnings for the first 12 months during which a pension is paid must not exceed \$12,075 in 2011 (other conditions apply). You will continue to contribute to the plan, which will provide you with a retirement pension supplement the following year.

Talk to us before making any decisions about early retirement and collecting CPP/QPP benefits. We can help you make the choices that will work best for your financial future. ■

# We need to talk... about life insurance

**A** recent poll from a major Canadian insurer reveals that many Canadian couples are leaving an important topic out of their conversations: life insurance. In fact, the poll found that almost a third (31%) of couples — many of them with children — had never discussed life insurance. And those under 35 were the least likely to have talked about it.

This oversight has potentially serious implications. Not discussing insurance could mean not having any coverage, having insufficient coverage, or even having the wrong type of insurance.

## Don't delay

Why don't couples talk about insurance? Of those who were reluctant, 59% said they had never thought about it while 35% attributed it to a lack of seriousness in their relationship.

If you've never thought about it, now's the time. Life insurance is essential to your family's financial well-being. It ensures that your surviving partner — and children if you have them — will be financially secure. If you should both pass away, it ensures that your children's guardians will have the financial resources needed to provide your children with the lifestyle you want them to have.

And the sooner you have the conversation, the better. Life insurance premiums are based on age and life expectancy, so the younger and healthier you are, the less you'll pay. In addition, if you purchase permanent insurance or term insurance that's guaranteed renewable, you can ensure you'll have cover-

age even if you later develop health issues that would otherwise make you uninsurable.

## As your needs evolve

Even if you already have insurance, it's important to revisit it at least every few years. Your needs will change over time as your life changes.

For example, we should definitely review your coverage if you undergo a significant life event, such as the birth or adoption of a child, a change in marital status, or the purchase of a home or vacation property. We may need to increase your coverage, decrease it, or select new beneficiaries based on your new circumstances.

## Facilitating the conversation

We understand how difficult it is to talk about life insurance. After all, it means considering the consequences if you or your partner were to pass away. But the death of a family member is difficult enough to manage without having to face the prospect of financial hardship or a major change in lifestyle.

Sitting down with an objective, knowledgeable third party can often make the discussion easier. We'd be happy to meet with you and your partner to talk about insurance. That will give us a chance to discuss some of your other common goals, and help ensure that your overall financial strategy is a joint effort that suits both your needs, as well as those of your children.

Then you'll have the peace of mind of knowing that, in the case of a negative life event, there's better financial security in your family's future. ■

# Stay-at-home spouses need life insurance too

IT'S NOT UNCOMMON for people to assume stay-at-home parents or those who work part-time don't need life insurance or require only minimal coverage because they earn little or no income. However, the reality is that the services they provide are of high value and are costly to replace.

Consider that on any given day the stay-at-home parent may provide child care, housekeeping, home maintenance, cooking, transportation to school or appointments, and a host of other services. To pay someone to supply those services could cost tens of thousands of dollars annually.

Without life insurance, the surviving parent might have to dip into family savings, take time off work (which might mean lower earnings), or forego regular contributions to his or her Registered Retirement Savings Plan (RRSP) or Registered Education Savings Plans (RESPs). In a worst-case scenario, the family might even have to relocate to a smaller home or make other dramatic lifestyle changes.

Insurance coverage can help offset loss of income and help cover costs that may arise upon the death of a stay-at-home mother or father.

We can help make sure that the potential emotional repercussions of losing a spouse aren't compounded by financial consequences. We'll suggest an appropriate level of insurance coverage for a stay-at-home partner. ■

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