Mutual Funds

What is a mutual fund?

A mutual fund is a collection of stocks and/or bonds. The fund unites the contributions of many individuals and invests their money in a diversified portfolio of stocks, bonds and/or other securities

Why invest in a mutual fund?

By investing in mutual funds, you get the benefit of professional management of your money. That means you get the benefits that come with professional management including:

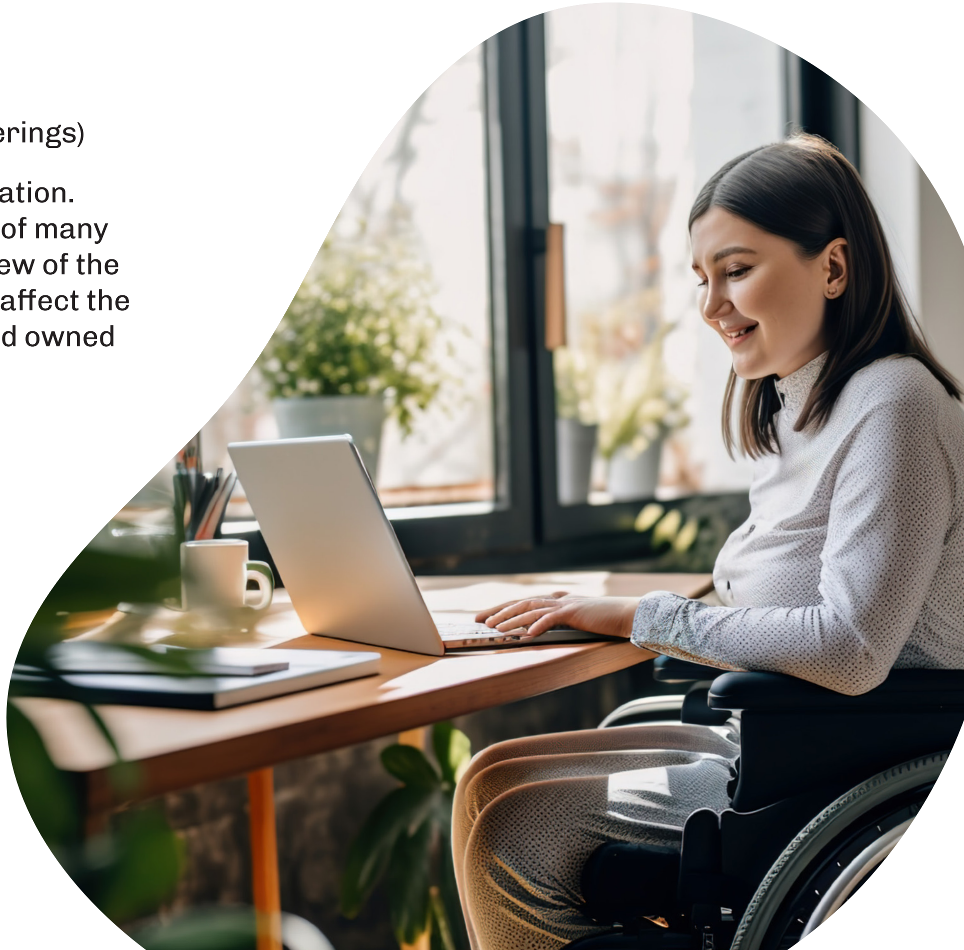
- Access to research teams and experts on various sectors and companies
- Access to institutional pricing
- Access to IPOs (initial public offerings)

You also benefit through diversification. You are investing in units of a pool of many assets and, in theory, losses on a few of the assets in the pool are less likely to affect the value of your shares than if you had owned stocks directly in a falling asset.

Tax-efficient investing

Asset Location: The concept of what investment products you should in various account types to reduce taxes. Based on your objectives and time horizon we create a custom portfolio of various investment products and locate to your accounts types to reduce the taxes you will have to pay,

Corporate Class mutual funds: Investments in non-registered accounts are subject to tax. Non-registered distributions can be comprised of capital gains (taxed at half your marginal tax rate), interest income and foreign equity income (taxed at your full marginal tax rate), and eligible Canadian dividends (taxed favourably through the dividend tax credit). Corporate class mutual funds aim to reduce taxable distributions and can provide tax favourable distributions if income from your investments is required.



Asset Allocation

What is asset allocation? Asset allocation refers to how much, proportionately, you hold in different asset classes. For example, the typical pension fund asset allocation is 50% equities and 40% fixed income. This asset allocation should be unique to you depending your objectives, risk tolerance and investment time horizon.

Why is it important? Studies show that the bulk of your long-term investment returns (as much as 90%!) are determined by your asset allocation.

Plan Types

RRSP, TFSA, RESP, non-registered, and more! All of these account types have their unique features and must be considered in the context of your whole portfolio.

RRSP: Introduced in 1957 to promote savings for retirement. The RRSP has three primary benefits:

- Tax-deductible contributions – immediate tax relief using pre-tax dollars
- Tax-sheltered earnings – growth or earnings on investments not taxed as long as they stay in the plan
- Tax deferral – taxes paid on RRSP contributions and earnings when withdrawn; likely lower tax rate in retirement

TFSA: Registered savings account that allows taxpayers to earn investment income tax-free inside the account. Contributions are not deductible for tax purposes, and withdrawals of contributions and earnings from the account are not taxable.

RESP: The best way to save for a child's education with government grants paid on contributions you make.

Non-registered/investment account: A taxable investment account most frequently used when your registered plans are maximized. Non-registered investments are subject to tax therefore careful planning considerations must be made to reduce tax.

Market Timing and Diversification

Market timing refers to investors attempting to sell their investment when markets are at a high and buy when markets are at a low. However, market timing is quite difficult with most professional money managers not being able to time the market correctly. That is because markets are unpredictable in the short-term and influenced primarily by investor sentiment. Trying to time the market can be detrimental to investor's long-term returns.

To mitigate the short-term impacts of market uncertainty we recommend investors diversify across a range of asset classes and investment styles.

Active vs. Passive Investing

Actively managed funds allow fund managers to find great investment opportunities and does not unnecessarily constrain managers to their benchmark.

Passive/Index funds allow investors to benefit when markets are going up, but they also lock in all the market's losses. Index funds provide no buffer against down markets.

Investors who adopt an active strategy outperform those who adopt a passive one over the long term. The difference is a result of investors' behavioural patterns, especially the timing of purchases and redemptions.