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*My practice is still growing.  
Referrals are very much  
appreciated.*

*Thank you!*



## FOCUS ON MUTUAL FUNDS

### QUASH THE KNEE-JERK REACTION FOREVER

**It's an unfortunate and all-too-frequent scenario. "Ted" holds a number of broad-based Canadian equity funds in his portfolio. He wakes up one morning, checks the business news, and sees that the S&P/TS X Composite Index has dropped precipitously. In a panic, he sells his equity fund holdings and moves the proceeds into money market funds.**

The following day, the market has gained back most of its losses. By the end of the week, it's on an uptrend once again. Ted decides it's safe to get back into the market and repurchases his equity funds.

So what's wrong with this picture? Several things. In fact, Ted has made three classic mutual fund investing mistakes:

- He's based his sell decision on a temporary market event.
- In redeeming his funds, he may have realized a capital gain, which is taxable.
- When he buys back in, his funds may have increased in price; he may have to pay more to get them back than he realized by selling them.

This all goes to show why moving in and out of mutual funds is not an effective strategy for building wealth over the long term. When you invest in a fund, you benefit from the expertise of fund managers who know best when to invest and when to sell.

Our job is to help you choose mutual funds appropriate for your long-term investment objectives that can carry you successfully through temporary market volatility.



## MUTUAL FUNDS

# AN EFFECTIVE STRATEGY FOR UNCERTAIN TIMES

**Sick and tired of hearing all the bad news related to market volatility? Well, here's the good news. Forget about turbulence and focus instead on a strategy that will allow you to get on with the business of investing for the future.**

The best way to do that is through dollar-cost averaging. This strategy involves investing a fixed amount at regular intervals, no matter how markets are performing. When markets dip and mutual fund prices fall, the amount you regularly invest buys more fund units. Over time, this can reduce your average cost per unit and, in a rising market, increase your returns when you sell.

### It's easy!

We can easily and quickly set up a dollar-cost averaging program by taking advantage of the regular investment plans offered by most mutual funds. Money can be transferred automatically from your bank account or other sources to regularly buy units in the fund or funds of your choice.

Most regular investment plans offer a wide choice of investment frequencies – monthly, quarterly, or semi-annually. You can also augment your strategy by reinvesting regular mutual fund distributions in additional fund units.

### Reduce the temptation

Regular investing also helps keep the temptation of trying to "time the market" at bay. When you invest regularly, you don't need to worry about trying to buy low and sell high.

Trying to pick the best times to purchase and redeem mutual funds is fraught with difficulty. Even professional investors don't do it well.

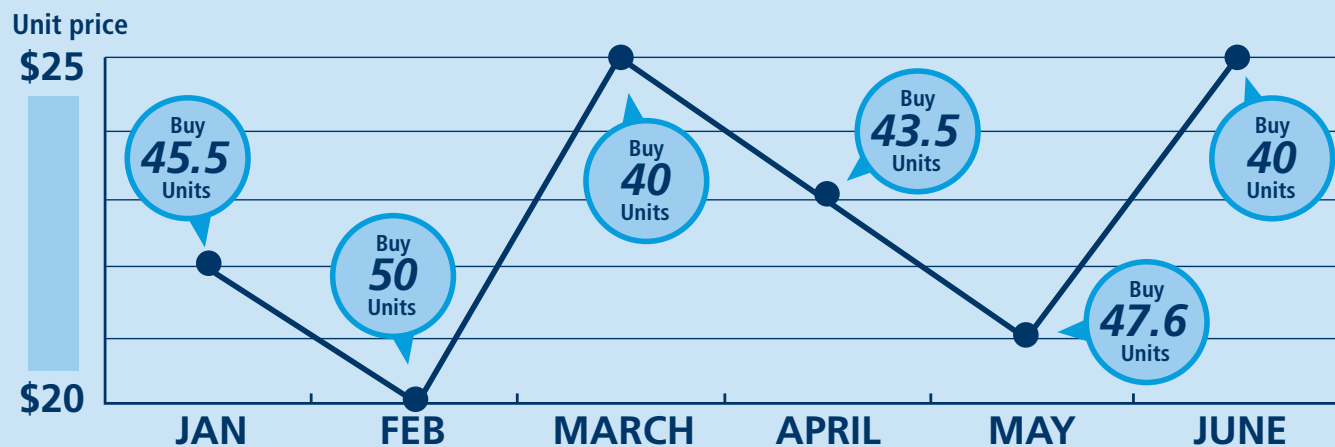
### Effective in all types of accounts

Dollar-cost averaging can be put to work with any of your mutual fund investments, including those in a Registered Retirement Savings Plan (RRSP), Tax-Free Savings Account (TFSA), or other registered accounts. When you invest regularly in tax-advantaged plans, you put money to work sooner and give yourself the potential to build more wealth while sheltered from tax.

Talk to us about how dollar-cost averaging can work for you. We'll be happy to help you select appropriate mutual fund investments and set up a mechanism for regular investing.

## HOW DOLLAR-COST AVERAGING WORKS

Invest \$1,000/month in Equity Fund XYZ | AVERAGE COST PER UNIT: \$22.51



Hypothetical example; values are for illustration only.

## INVESTING

## A PRESCRIPTION FOR FINANCIAL HEALTH

We all age. And as we do, our minds may become a little less sharp, particularly when it comes to finances. In fact, according to Harvard economics professor David Laibson, our peak ability to make good choices comes in the mid-50s. After that we experience a decline.

Age is a greater obstacle to economic rationality than low income or lack of education. When Laibson examined memory and analytics tasks for all ages, 80-year-olds performed at the lowest percentile.

Indeed, risk-adjusted returns for people in their 80s are about 300 basis points below the baseline; older adults also tend to pay interest rates about 100 basis points higher than middle-aged adults when they borrow. All of this indicates that older individuals, despite their best intentions, may not be making the best investment choices.

So what can you do to protect yourself, financially, as you grow older? Continuing to work with a trusted financial advisor can help. Just as you might need more support from your doctor as you grow older, you might require additional help from us.

A doctor takes care of your physical health, and we are committed to maintaining your financial health so you can enjoy the long and happy retirement that you've earned.

## RETIREMENT PLANNING

## MORE CANADIANS ARE DITCHING THE ROCKING CHAIR

Older workers have been increasingly delaying retirement since the mid-1990s, according to a recent Statistics Canada report. If you're planning to join that group, we need to discuss the financial implications. Your choice of when to retire and the reasons for your decision affect how we plan your future.

StatsCan says that in 2008, an employed 50-year-old could expect to work an additional 16 years, about 3.5 years longer than workers of the same age in the mid-1990s. But working longer doesn't necessarily mean a shorter retirement, because of longer life expectancies.

In 1977, men could expect to spend 11.2 years in retirement. In 2008, the expected length of retirement was 15 years.

What's critical to our discussion is why you are considering delaying retirement. Are you looking for additional earning years to save and invest for a more comfortable retirement or a larger legacy? Or do you simply love your job and not want to leave it just yet?

No matter what your motivation, we can help you adapt your retirement plan accordingly. Let's talk about your needs and goals for today and for your future.

## FAMILY

## IS THERE A 'BOOMERANG KID' IN YOUR FUTURE?

Are you a candidate to become the parent of "boomerang kids" – children who move back home after living on their own?

Or maybe your adult kids are showing no signs of leaving the nest anytime soon? If so, you and your adult child should prepare yourselves for the financial and emotional consequences.

According to a recent CBC Television documentary, 60% of children aged 20 to 24 still live with their parents. Many children leave home, only to come back when they have difficulty finding a job.

Unless you're prepared, the return of an adult child may have negative consequences. You may find yourself sacrificing your own financial goals and security in order to support your child. One U.S. study showed parents spend \$200,000 to raise a child to 18, but a child who stays at home into his or her 20s can increase that amount by a third.

It may also delay your plans to downsize your home or affect other important decisions – including your expected retirement date.

When a child returns home or leaves later than expected, families can experience emotional tension and stress, as the independence of adult children may conflict with parental expectations. For example, parents may become resentful when children treat a home like a "hotel," while adult children may chafe if parents impose restrictions such as a curfew.

The best way to make sure this kind of arrangement works is for you and your child to have a frank discussion about the impact on your lives. You need to talk about potential financial and behavioural issues and clarify the expectations, guidelines, and rules for everyone in the household.

## FOCUS ON MUTUAL FUNDS

# THE FOUR SEASON APPROACH TO TAX-SMART FUND INVESTING

**With some easy-to-implement strategies, you could be generating tax savings throughout all four seasons of the year instead of scrambling for deductions and credits at the end of April.**

Here are four areas for your consideration.

### Consider asset location as well as allocation

If you have both registered and non-registered accounts, it's important to make sure your overall portfolio is set up in the most tax-effective way.

For example, 100% of interest income is taxable outside a tax-advantaged plan; earned inside a registered plan, you'll pay no tax on interest. For this reason, you could focus on money market funds and fixed-income funds in your registered portfolio. The interest income they generate will be fully sheltered from taxation.

On the other hand, capital gains are taxed on only half their value when held outside a registered plan. Canadian-source dividends also qualify for advantageous tax treatment when held in a nonregistered account. As a result, you may want to use your non-registered accounts primarily for equity funds, which generate capital gains and dividends (they may also generate some interest income).

### Trigger capital gains strategically

You can earn capital gains in two ways with mutual funds: from fund distributions or by

redeeming your fund units. Distributions are determined by the fund managers and usually occur near the end of the year. But when it comes to redeeming your units, you can decide when to do it.

That means you have the flexibility to time your redemptions to your advantage. For example, if you're carrying forward a capital loss from previous years, you may want to trigger a capital gain to use it up (capital losses are deducted from capital gains).

Of course, the tax implications should never drive your investment decisions, but it is important to keep them in mind.

### Expand your TFSA horizons

Many Canadians hold only cash or Guaranteed Investment Certificates in their Tax-Free Savings Account (TFSA). But TFSAs can hold a wide range of investments, including fixed-income and equity mutual funds. By including investments like these, with higher potential returns, you may be able to increase your TFSA's potential long-term returns.

### Consider tax-efficient funds

Some equity mutual funds are designed specifically to generate minimal taxable distributions. They do this by distributing a return of capital, which defers the taxation on capital gains generated by the fund.

Corporate-class funds are another option we may want to explore. These hold a number of mutual funds under a single corporate umbrella, enabling you to switch among funds in the corporate class without triggering a taxable capital gain.

Let's talk regularly through the year about your tax situation. With income taxes top of mind right now, this is a great time to start. If necessary, we can arrange for a consultation with a tax professional.

## MUTUAL FUNDS

# NOT BEING INVESTED IS A RISK, TOO

MANY INVESTORS BELIEVE that selling is the solution to avoiding risk during unsettled financial markets. Or they may put a halt to their regular investing program, preferring to sit on the sidelines until the markets "settle down."

Market volatility is a fact of investing life, however. And by redeeming fund units or parking your cash in money market funds, you may simply be trading one type of risk for another.

### The tradeoff

Investors who sell mutual fund holdings and sit on the sidelines often expose themselves to the considerable risk of not being invested when markets rebound. By not being invested in funds when financial markets come back from their declines, you risk not participating in the stellar returns that may result. And the pendulum can swing quickly.

For example, in 2008, Canada's main stock market index fell by 33%. In 2009, it gained 35% and a further 14% in 2010. Many equity mutual funds benefitted from these strong advances.

### It's time in the market that counts

All of this is a good argument for not trying to "time the market" or not abandoning an established mutual fund investment strategy. We should work together to formulate a long-term fund portfolio designed to deliver the results you want at a level of volatility you're comfortable with.