LIFE CYCLE FINANCIAL

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MUTUAL FUND DEALER

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Well we hope everyone is enjoying the hot summer weather, it seems to have been exceptionally warm and dry in the last couple of months.

Market Focus

IMF cuts Canada's growth forecast

CTVNews.ca Staff

The International Monetary Fund has cut its projection for economic growth in Canada, noting the drop in oil prices has hit both Canada and the United States hard, leading to "unexpectedly weak performance" across North America.

In its July World Economic Outlook, the IMF said it now expects to see only 1.5 per cent growth in Canada this year. That's down from its April prediction of 2.2 per cent. The group expects growth to rebound in 2016 to 2.1 per cent for the year.

The U.S. economy, meanwhile, will grow 2.5 per cent this year, the IMF predicts, though that's down from its previous estimate of 3.1 per cent. Growth will then reach 3.0 per cent in 2016, it says.

The banking group noted that world economic growth was only 2.2 per cent in the year's first quarter—which is 0.8 percentage points short of its April forecasts. It blamed the shortfall on "an unexpected output contraction in the United States" which caused spillovers to Canada and Mexico.

As well, harsh winter weather and port closures contributed to weakening U.S. activity, as did a reduction in capital expenditure in the oil sector.

For those reasons, it's expected growth in advanced economies will increase from 1.8 per cent in 2014 to only 2.1 per cent in 2015

"The unexpected weakness in North America, which accounts for the lion’s share of the growth forecast revision in advanced economies, is likely to prove a temporary setback," the group said in a statement.

It added that "the underlying drivers" for economic growth in advanced economies such as Canada still remain intact. They include: easy financial conditions, lower fuel prices for consumers, and improving confidence and labour market conditions.

The IMF report noted the debt crisis in Greece, but said that development had not changed its outlook for the global economy.

"Developments in Greece have, so far, not resulted in any significant contagion," it said. "Timely policy action should help to manage such risks if they were to materialize."

Glen Hodgson, chief economist at Conference Board of Canada, notes that all the major Canadian banks’ economists have lowered their economic growth forecasts in recent days, citing the impact of the drop in oil prices.

"So there's a consensus forming that this is going to be another weak growth year for Canada," he told BNN Thursday.

Hodgson says because the first four months of the year saw a "mild contraction" in the economy, previous growth forecasts of 2 per cent no longer make sense.

Like other economists, Hodgson expects the second quarter numbers will reveal Canada slipped into a technical recession – defined as two quarters of negative growth – in the first half of this year. But he says he is still encouraged by signs of positive job growth.

On Monday, the Bank of Canada said its most recent business outlook survey suggested businesses in the West expect sales to slow over the next 12 months as the oil price shock spreads. But, it also noted that demand is strengthening in regions less exposed to the energy sector.

Finance Minister Joe Oliver responded to the IMF report by stating -- as he did earlier in the week -- that the "global economy is fragile" and that Canada "must stay the course" with the Conservatives' plan for jobs and growth.

“As the IMF said today, the Canadian economy will grow this year. But with greater global economic instability at our shores, Canada must continue with our plan to grow the economy through lower taxes," Oliver said in a prepared statement.

Rebuffing recession talk, Joe Oliver says 'the numbers are not out yet'

CTVNews.ca Staff

With a drop in commodity prices and ongoing market volatility in Europe, Canada's economy is vulnerable to "external factors," Finance Minister Joe Oliver says.

"We are in a fragile economic environment… and we are getting repeated evidence of that," Oliver told reporters at the Australia-Canada Economic Leadership Forum in Vancouver.

He noted that the drop in the price of crude oil has hurt Canada's economy, while the crisis enveloping Greece is causing volatility in the markets. Growth in both the U.S. and Europe are sluggish, while China and Japan's economies are also slow, he said

But once again, the minister would not say that Canada is already in a recession, saying only that "the numbers (for the second quarter) are not out yet."

He added that this is "a critical time" for the Canadian economy to "stay the course to remain fiscally responsible."

Oliver's address came as the latest numbers from Statistics Canada reveal that Canada's trade deficit grew in May and that our trade balance is now on pace for a record deficit in the second quarter.

BMO senior economist Benjamin Reitzes says the latest numbers increase the chances that the Bank of Canada will cut its key interest rate when it meets next week.

Reitzes also joins the chorus of economists who are predicting the economy will slow again this quarter, sending Canada into a technical recession

On Monday, TD Bank cuts its economic outlook for Canada, with senior TD Economics economist Randall Bartlett saying forecasters have underestimated the impact of the drop in oil prices. Like many other economists, Bartlett said he expects the Bank of Canada will cut its key lending rate next week.

Meanwhile, the Bank of Canada said Monday there is a divide in business confidence across the country, because low oil prices are weighing on some regions more than others.

The central bank's latest business outlook survey suggests businesses on the Prairies expect sales to slow over the next 12 months as the oil price shock spreads across other sectors. However, "domestic demand is strengthening in regions that are less exposed to the energy sector," the report said.

Ian Lee with Carleton University's Sprott School of Business says, while Canada's economy might technically slip into a recession – which is defined as two quarters of negative growth – he's seen enough recessions in his time to say this doesn't feel like a real one.

"I do not believe we are in a recession. It doesn't feel like a recession, it doesn't look like a recession," he told CTV News Channel Tuesday.

He agrees with the Bank of Canada's business outlook that while the oil and gas economy is in a recession, the rest of Canada -- where the majority of Canadians work – is not being affected.

"The oil and gas sector is not the totality of Canada. It's three to five per cent of our GDP and it's about one-third of our exports," Lee said.

In the service sector, which makes up the majority of the Canadian economy, there are no mass job cuts underway.

"If we really were in a recession, you'd be witnessing systematic layoffs across the country in all

CTVNews.ca Staff

Canada Post proposes hike in postage rates in 2016

Canada Post is proposing an increase to postage rates in 2016 as mail volumes continue to decline across the country.

The federal agency wants to increase the postage rate for domestic letter mail weighing 30 grams or less from the current rate of $0.85 to $0.90 cents when purchased in batches. The price of a single stamp would remain at $1.

The rate change would take effect on Jan. 11, 2016, replacing current rates that have been in effect for more than a year.

In a statement announcing the rate hike proposal, Canada Post said a continued decline in letter mail volume over the past decade has had a “significant impact” on the agency’s financial situation.

Last year, postal workers delivered 1.4 billion fewer pieces of mail across the country than in 2006.

“Some of the biggest declines have occurred in 2015, accelerating the erosion of Canada Post’s core business,” the statement said. “As mail volumes fall, the number of addresses served also rises every year, affecting Canada Post’s cost of doing business.”

Those aren’t the only changes Canada Post is pursuing. The agency seeks to increase rates for:

- Other domestic letter mail
- U.S. and international letter items
- Domestic registered mail

Canada Post said the new rates, if approved, would “help achieve its long-standing mandate of remaining financially self-sufficient.”

In late 2013, Canada Post announced a five-point action plan to “preserve” postal service in Canada. It included a new tiered pricing structure for letter mail

Minimum RRIF withdrawal rates reduced

Probably the most welcome of changes in Budget 2015 is lower minimum withdrawal rates for Registered Retirement Income Funds (RRIFs). A long time coming, it was something that had to be done to bring the RRIF program rules up to modern realities.

Not only were the previous withdrawal rates based on overly optimistic assumptions for portfolio returns in today’s low interest -rate world. Seniors are now living longer, so high minimum withdrawal rates increase the risk of outliving their nest eggs—particularly when they are forced to make large withdrawals from portfolios after a market crash such as occurred in 2008.

There is an argument to be made that the rules were not eased enough. Reports by the C.D. Howe Institute, for example, have argued that the age at which withdrawals start should be raised and withdrawal rates should be substantially lowered, even abolished. This would increase financial flexibility for retirees even more and improve the ability to deal with the problems of low returns and outliving retirement funds.

Admittedly, further relaxation of the rules could lower tax revenues. But the government will collect a great deal of tax when the final RRIF holder passes away. Considering the amount of assets at this stage often pushes the plan into the highest tax bracket, there may even be a potential to collect more taxes than if restrictions are kept tight.

Nevertheless, Budget 2015 does take a step in the right direction and enhance financial flexibility somewhat. Yet, as noted above, lower minimums for withdrawal rates come “with the danger that more capital is left in RRIFs so that when the holder passes away, their estate will have a big tax bill,” notes Doug Carroll, vice president of tax and estate planning at Invesco Canada. “If it is important for a retiree to pass on more wealth to heirs, it might make sense for them to withdraw more than the minimum rate.”

New contribution limit reopens the RRSP vs. TFSA debate

On April 21, the federal government announced that it was increasing the annual contribution room for the tax-free savings account (TFSA) by $4,500.

While that’s good news for savers and investors – Canadians can now contribute up to $10,000 a year to their TFSA – it also means that there are many more ways this after-tax savings account can be used.

It reignites the RRSP versus TFSA debate, too. While high-earning investors can still save more in their RRSP (the RRSP contribution limit for 2015, not counting unused contribution room from previous years, is $24,390), people will have to think harder about where to save their money.

One thing to consider is whether your tax rate will be higher or lower in retirement, or roughly the same as during your earning years, says Peter Bowen, vice-president of tax research and solutions at Fidelity Investments Canada.

If it will be higher or the same then the tax benefits to using an RRSP aren’t as attractive.

“If you’re not expecting your tax rate to come down in retirement, then you may want to use a TFSA,” he says. “This is especially applicable to younger and mid-income Canadians.”

The increased contribution room should offer greater incentive for those who haven’t considered contributing to the TFSA, says Susan Stefura, a certified financial planner with Bespoke Financial Consulting Inc., in Toronto.

She points out that Canadians who have never used a TFSA before can now make a contribution of $41,000. Those who have only made partial contributions and don’t have the cash to make an additional contribution can carry that extra $4,500 forward indefinitely.

Other than the contribution limit, there has been no change to the list of qualified investments that you can hold within a TFSA. Canadians can still invest in GICs, stocks, bonds, mutual funds, ETFs and cash, and they can withdraw from their tax-free savings account at any time and for any reason, with no tax consequences.

With that in mind, the TFSA is still an attractive vehicle for those saving for a wedding, a home or a new car, as they can use the room to build up cash for a down payment.

And now, in certain cases, it might even make sense to pull some money out of an RRSP and put it into a TFSA, says Mr. Bowen.

“It’s a viable strategy, say, for someone who has retired early, doesn’t have a lot of taxable income during the first year or more of retirement, isn’t getting CPP or OAS yet and hasn’t converted the RRSP to a RRIF,” he says.

“Take the money out of the RRSP now while it’s subject to low taxes, and put the after-tax amount into a TFSA. Then, when the individual’s tax rate has moved back up, the RRIF doesn’t generate as much taxable income.”

This is especially advantageous for individuals who will be subject to the OAS claw back, adds Mr. Bowen.

There have been some complaints that the new TFSA annual limit only benefits wealthy Canadians, but Ms. Stefura says that the increase is good for clients of all ages and incomes.

“About 60 per cent of individuals contributing the maximum amount to their TFSAs in 2013 had annual incomes of less than $60,000,” she notes. “Clearly, the TFSA is a popular savings vehicle for all Canadians.”

Afraid of outliving your money? Annuities might be for you

Craig Wong, The Associated Press

OTTAWA -- If you're worried that you're going to run out of money in retirement, then an annuity may be something you want to consider as part of your financial plan, experts say.

"What it allows you to do is purchase a guaranteed source of cash flow for retirement," says Jamie Golombek, managing director for tax and estate planning at CIBC Wealth Advisory Services.

With an annuity, you pay an insurance company up front in exchange for a promise that they pay you a set amount for the rest of your life or for however long the contract specifies.

The downside is that they can be expensive.

What has been good for homebuyers has created challenges for retirees looking for a secure source of income. Low long-term interest rates in recent years have driven the cost of annuities up.

Crystal Wong, senior regional manager at TD Wealth Financial Planning, said the high cost has put off some investors.

"The premium cost is expensive in a low interest rate environment," she said. "They are not as attractive as some of the other alternative investments that we offer individuals that are looking for income."

But she said for some conservative investors looking for peace of mind, an annuity might be part of the answer.

Steve Krupicz, assistant vice-president Regional Actuarial and Underwriting Consultants at Manulife, says investors may want to look at annuities for the conservative portion of a diversified portfolio.

"If you're looking for a secure, stable income to cover your base living expenses and you're concerned about longevity, that's what annuities are for," he said.

An alternative to an annuity is a systematic withdrawal plan that would see you slowly cash in your investments and spend the proceeds. However, a withdrawal plan can still carry some risk.

If the market crashes and you sustain heavy losses, you will likely have to make changes to your plan and you could also live longer that you planned and eventually deplete your resources.

There are downsides to buying an annuity.

You won't have the money in your nest egg to pay for an emergency or other large purchase down the road and you may also die sooner than you thought, in which case you may have had more money left over for your heirs if you had not bought an annuity.

Golombek said for those reasons, an annuity should only be a portion of your portfolio.

"You want to make sure you've got money if the roof breaks on your house or you need to move into a higher level of medical care or a kid needs help," he said.

"You don't want to tie up your entire life savings in an annuity. But I think for a portion of your savings, for the right client, it can be a good solution."

Fund Focus

Highly diversified A-Grade Fidelity North Star Fund delivers returns, mitigates risk

The go-anywhere, all-cap global equity **Fidelity NorthStar Fund** struggled out of the gate when it debuted in 2002, but it has been on a tear ever since, outpacing both the index and its peer group. Under the Fidelity management team of Daniel Dupont and Joel Tillinghast, who have helmed the fund since early 2012, volatility has been lower than the index and peer group, and the downside protection has been very strong, with the fund participating in less than half of the market declines over the past three years. Here's a look at how they do it.

Every fund company uses a different approach to security selection and portfolio management. At Fidelity NorthStar, the managers have informal and formal meetings where they discuss the relative attractiveness of investment opportunities in various regions around the world. Apart from that, they work largely independent of each other, with each using their unique, bottom-up, value-focused approaches to security selection.

Daniel Dupont uses a more concentrated approach that focuses the portfolio in 20 to 50 companies with sustainable business models that can deliver high return on capital over the long term. To be considered, a stock must be trading at a significant discount to its true value. In comparison, Fidelity veteran Joel Tillinghast uses a value-focused approach that zeros in on companies that are growing faster than their peers, with little or no debt, excellent management teams, and the ability to deliver consistent earnings and stable revenue. One interesting quirk to his approach is that he will only buy stocks that are trading under $35 a share and that appear undervalued relative to their peers.

The result is an end portfolio that is well diversified, holding more than 400 names. The top 10 holdings make up around 20% of the fund. It also results in an eclectic mix, with top names that include health-benefits company **Anthem Inc. (NYSE: ANTM)**, Korean food business **Ottogi Corp. (KRX: 007310)**, Japanese retailer **Seria Co. Ltd. (TYO: 2782)**, **International Business Machines Corp. (NYSE: IBM)**, and **TRW Automotive Holdings Corp. (NYSE: TRW)**.

Neither manager is afraid to hold cash when no opportunities are available. At the end of May, the fund was allocated 29.1% to cash with 69.1% in foreign equities, and 1.8% in Canadian equities. Within the equity allocation, weighting tilts to U.S. equities at 58% of overall equity holdings, Canada at 2.2%, Asia 12.6%, and Europe 8.3% (France, U.K., Netherlands, and Italy).

This is not a fund that will shoot the lights out when markets are rallying. But it should hold its own when markets get rocky. Volatility is contained, with 3-year standard deviation at 8.55% as of May 31, slightly below the median for its peer group, for a Fundata volatility ranking of 7/10. The result is that over the long term, you can be expected to earn an above-average rate of return, at a below-average level of risk. If you have an above-average risk tolerance, you could use this as a core global equity holding, but if not, it can be a good complement to an otherwise well-diversified portfolio.

Fund company: Fidelity Investments
Fund type: Global Small/Mid Cap Equity
Fundata FundGrade® Rating: A
Style: Mid Cap Value
Risk level: Medium
Load status: Optional
RRSP/RRIF suitability: Excellent
Managers: Daniel Dupont since Oct. 2011; Joel Tillinghast since Jan. 2012
MER: 2.40%
Fund code: FID253 (front end)
Minimum investment: $500

Dave Paterson, CFA, is the Director of Research, Investment Funds for D.A. Paterson & Associates Inc., a consulting firm specializing in providing research and due diligence on a variety of investment products. He is also the publisher of Dave Paterson's Top Funds Report and Mutual Fund and ETF Update, offering regular commentary and in-depth analysis of Canada's top investment funds. He uses a unique analytical approach to identify funds with strong, risk-adjusted returns, and regularly publishes his insights and analyses in Fund Library.

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Insurance rates

For those of you who are looking for life insurance here are some recent quotes. Monthly premiums, non smoker, 10 year term. Rates effective July 7, 2015.

Subject to change.

	Male			Female		
Age	30	40	50	30	40	50
100K	$ 9.36	11.70	21.24	7.38	9.81	15.84
250K	$ 15.53	19.35	41.40	11.93	16.20	30.38

Office News

It has been 15 years this past June since Judy opened the business, and 10 years in our current location. We would like to thank all of our clients for helping to make our business a success.

If you have any family or friends that would like a second opinion of their portfolio, or need advice or have questions on retirement planning, insurance products, or other financial products, please let us know and we would be happy to meet with them.

What Products Do We Offer?

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Banking Products: GICs, Savings Accounts, Mortgage Referrals

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Non-Registered Investments

Guaranteed Income Products*

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Term Life Insurance*

Universal Life Insurance *

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Retirement & Estate Planning

Pension Plan Analysis

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"Write It Down"

A couple in their nineties are both having some short term memory loss.

While in for a checkup, the physician says that physically they’re okay, but since they’re having trouble remembering things, they might want to start writing things down.

Later that evening they’re sitting and reading, when the husband gets up.

“Would you like anything from the kitchen?” he asks.

“Some vanilla ice cream,” his wife replies.

“Okay.”

“Shouldn’t you write it down so you don’t forget it?” she asks.

“Don’t worry, I won’t forget.”

“Well,” she says. “A few raspberries on top would be great. You want to write that down?”

“I’ve got it, honey. A bowl of vanilla ice cream with raspberries on top.”

“And chocolate sauce, too. Maybe you’ll forget that. Want me to write it down for you?”

A little miffed, he replies, “I’ve got it! Ice cream, raspberries and chocolate sauce. I don’t need it written down, for gosh sakes!”

He waddles out to the kitchen. A half hour later, he comes back with a plate of ham and scrambled eggs, and gives it to his wife.

She stares at the plate a few seconds, then says, “You forgot my toast.”