Balance
WEALTH MANAGEMENT GROUP

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INVESTOR UPDATE WINTER 2017

Happy New Year!

2016 marked an eventful 12 months with more than a few news headlines that will likely shape the Canadian markets for years to come. While predictions had markets shaking prior to November, the election of Donald J. Trump as the 45th President of the US did not create the wide-spread sell-off that many had feared. In fact - the post-election markets have been some of the strongest we have seen in a while - which is good news for investors. Many of the Analysts that we have had the privilege of hearing from predict that this trend is likely to continue well into 2017.

The Client Relationship Model phase two (CRM2) is a financial industry-wide initiative. Its goal is to help Canadians get the information they need to make informed investment decisions. CRM2 applies to all securities dealers in Canada. So, this Canadian Securities Administration initiative applies to mutual funds, not segregated funds.

Starting in January 2017 – with your annual statement for 2016 – you will now see additional information that will help you better understand your investments and their associated costs. A new section in the statement, called 'Report on Charges and other Compensation' outlines the compensation received by the mutual fund dealer your advisor is affiliated with. Your investment representative will receive a portion of the amount received by their mutual fund dealer. If you have any questions regarding CRM2 or your annual statement, don't hesitate to contact our office.

At Balance Wealth Management Group we will be busy kicking off the year continuing our quest to ensure that our team has access to the most up-to-date strategies available to help our clients. To support this effort, Darren will be attending a London Life sponsored education and development event which promises to do just that. He looks forward to bringing his learnings back to his clients.

From our homes to yours - we wish you the very best that this new year will have to offer!

Darren, Eric and Brenda

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5 financial worries and what to do about them

There's nothing like worrying about money to keep you up at night. We know that having a plan can make you sleep a whole lot better.

1. You're afraid fluctuating markets will wipe out your retirement savings: One day the TSX is up, the next day, it's down. But giving into your emotions is the worst thing to do, notes Jim Yih, an Edmonton-based financial educator who writes a blog called Retire Happy. "Just pause, take a step back and think before you react," he says. "If you look at any downturn in the market, it always comes back." Still, review your asset allocation mix regularly (what portion of your portfolio is in equities versus fixed income and cash). "A balanced asset mix will help temper the volatility," Yih says, noting that someone who is close to retirement should have less equity exposure.

2. You're worried you're spending more than you're earning: We all know the solution: Spend less than we earn. "We can blame our debt on stores, financial institutions and corporations, but at some point in time, we have to be accountable," says Yih. He recommends writing down all of your expenses, no matter how mundane, and keeping all of your receipts. Only then will you know where the money is going and what you're spending too much money on. Besides reducing expenses, you could try some creative ways to come up with additional cash. For instance, Yih once bought a $1,500 barbecue, but instead of simply laying down the credit card, he sold some stuff in his garage to come up with the money.

3. You're concerned you aren't saving enough for your child's education: Open a Registered Education Savings Plan at your local financial institution pronto. Along with what you save, you'll get an annual grant from the federal government of 20% of your contributions, to a maximum of $500 a year. Why leave free money on the table? "Start saving early, even if it's only $50 a month," says Mike Holman, who writes the Money Smarts Blog, focused on personal finance. Short on cash? Ask grandparents or other relatives to contribute to the RESP in lieu of giving you gifts, Holman suggests. Older children can also help contribute by working part-time during the school year and during the summer months. And have them apply for scholarships and bursaries — many are community-based and are not necessarily based on having straight A's, says Holman. Finally, Holman says there's always the "pay-as-they-go" method. If you concentrate on paying down your mortgage when your kids are young, you'll have extra money to help pay for their education by the time they're ready to go off to college.

4. You're unsure you have enough insurance to protect your family: We've all heard the stories. A woman breaks both legs while cliff-diving near a tropical resort and has to fork over thousands of dollars to pay for the cost of surgery. A man suffers a spinal cord injury, leaving him unable to work and support his family. You may have travel, life and disability insurance through your employer, but be sure to check the fine print. Is your income protected for the long term? You may need to supplement those policies with your own individual coverage. Use our life insurance calculator to get an idea of how much protection you need.

5. You're worried you may lose your job: Want to be valuable to your employer? Think of the bottom line. "You have to find ways to tie your responsibility to the profit margin and finds ways to streamline processes and procedures," says Melanie Benwell, managing director at PathWorks Personnel. If you score a major achievement, tell your manager. "You want to show that you're adding value. If you don't sell yourself, nobody else will," she explains. While these tips won't guarantee job security, "you can at least take those achievements and accomplishments to help you land your next job."

There's nothing like taking action to dispel fear. Sleep soundly by assessing your needs by talking to us and making sure you've taken the necessary steps to protect yourself and your family.

What you need to know about annuities

An annuity's promise of guaranteed income is attractive in volatile markets. Product features matter though — here's a primer.

Let's start by addressing a common misunderstanding about annuities. The debate about whether or not they make sense in a low-interest rate environment has nothing to do with short-term interest rates (like the overnight rate, for example). Short-term rates don't drive annuity prices, long-term rates do. This is because it is long-term rates that determine the return on investment annuities providers — like my employer — can earn to pay the holders of their annuities. Even when rates are low, annuities are attractive to a lot of investors because they offer a commitment on the part of the financial institution to make regular income payments to the annuitant.

How does an annuity work?
It's useful to think of annuities as a bet on the part of the financial institution. The bet is that among all of the consumers who buy annuities from them, the payments the company receives plus the interest it can earn investing those funds will more than make up for the cost of providing each of their customers the promised income payments.

This is one of the things actuaries do. Annuity prices are based on life expectancy rates (i.e., how long the clients will require payment) and long-term interest rates (i.e., how much the financial institution can earn investing those funds). By selling annuities to a large population, the financial institution pools its risk, and a business is created. That business offers consumers more than a few options.

There are term certain annuities, which pay the annuitant a regular income for a period of time. That period can stretch 10 or 20 years, or it can run until the client reaches a certain age. If the annuitant dies before this term ends, the leftover income payments are made to his or her beneficiary.

There are also life annuities, which provide income for the annuitant's lifetime. Here are 4 common types:

- Straight life annuity. The financial institution commits to regular payments to the client until he or she dies. Payments stop at that time, regardless of when that happens. This annuity calculator will give you an estimate of your guaranteed retirement income with an annuity.

- Life annuity with a guarantee. In addition to regular payments during the client's life, the institution commits to a guarantee period. If the client dies before that period is over, the remaining income payments are made to the client's beneficiary.
- Increasing life annuity. Income payments rise over time at a fixed rate, compounded each year. These increases are calculated for as long as the annuitant lives. Guarantee periods are available for these annuities, too.
- Joint and last survivor annuity. This covers the income needs of 2 annuitants. After the first dies, payments continue to the second until he or she dies. These come in four forms: 1) with no guarantee period; 2) with a guarantee period; 3) with income reducing (which reduces the income payments after the first annuitant dies); and 4) with income increasing (which increases income payments each year as long as 1 or both annuitants is alive).

There are other types. Ask us about installment refund, integrated, cash refund, impaired, commutable and variable annuities. It's also worth asking about deferred annuity options, which allow you to pay in advance of your retirement date. Your funds could earn a return on investment in the meantime, thus increasing your eventual income payments.

One last note: While annuities can play an important part in a retirement plan, clients are rarely advised to annuitize 100% of their retirement savings. Typically, it's only consumers with very little retirement savings and few resources at their disposal who should consider annuitizing all or a large portion of their savings.

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Quick Facts About RRSPs

Deadline: March 1, 2017 at 11:59 PM (local time). If you don't yet have an RRSP account, you'll want to get one set up at least a few days in advance to allow for processing before you can transfer funds into the account

Contribution limit: $25,370 or 18% of last year's income (minus any pension adjustments*), whichever is less, plus any unused contribution room from previous years

Carry forward: RRSP contribution room accumulated after 1990 can be carried forward indefinitely to subsequent years

Eligibility: You can contribute to an individual RRSP if you have employment or business income or unused contribution room up until December 31 of the year you turn 71

Minimum Age: There's no minimum age for contributing to an RRSP, but you must be at least 18 to contribute more than $2000

Maximum Age: Anyone who has earned income in the previous year and filed a Canadian tax return can contribute to an RRSP up until December 31 of the year they turn 71 After 71, if you continue to have earned income, you can contribute to a spousal RRSP up until December 31 of the year your spouse or common-law partner turns 71

TFSA Contribution Limits
Are you maximizing the opportunity?

YEAR	ANNUAL LIMIT	CUMULATIVE LIMIT
2009	$5000	$5000
2010	$5000	$10,000
2011	$5000	$15,000
2012	$5000	$20,000
2013	$5500	$25,500
2014	$5500	$31,000
2015	$10,000	$41,000
2016	$5500	$46,500
2017*	$5500	$52,000

*Projected