Personal Investing Part B

An educational program for individuals and families anticipating or now in retirement

Investment Strategies

FIRST SOVEREIGN
INVESTMENT MANAGEMENT

Hosted by York University's Retirement Planning Centre

Personal Investing Part B

Investment Strategies

An educational program for individuals and families anticipating or now in retirement

Knowing how to plan your investment strategy is an important step towards the achievement of your financial goals. In order to build your strategy, you will need to consider the following elements:

- Your financial goals
- Your investment objectives
- Your time horizon
- Your risk tolerance

These elements play a critical role in how your personal investment portfolio is structured.

A comprehensive investment strategy involves:
1) Creating a personal **investor profile**
2) Developing a **diversified** portfolio
3) Implementing investment **strategies**
4) Understanding **income tax** implications

This workshop will focus on the following:

1) Personal Investor Profile
While focusing on the four criteria that influence our investment choices, we can come to some conclusions on the appropriate asset allocation for our investment portfolio. Find out if you are best suited to income investing, balanced investing or growth investing.

2) *Income Tax*
Understanding how our investment earnings are taxed is extremely important in the investment planning process. Earnings are not all taxed in the same manner and can have a significant impact on our investment returns.

3) Diversification
Effective diversification involves more than simply spreading your money around. Diversification should reduce overall investment risk, and the different components of investment risk, while achieving a rate of return that is consistent with your investor profile.

4) Investment Strategies
A strategy is an approach to the selection and trading of investments within a diversified portfolio. The strategy should be consistent with the four criteria or elements as determined by the investor. Both passive and active investment strategies will be discussed.

Prerequisite: Completion of the *Personal Investing – The Basics* workshop or have an understanding of different types of investments. An understanding of how your financial goals, investment objectives, time horizon and personal risk tolerance impact your investment choice is also desirable. Knowledge and understanding of the types of investment risk and their relation to the three asset classes is important.

Completion of this workshop does not eliminate the need for financial advisors in the investment planning process. It is designed to provide knowledge and understanding and serve as a guide in effective decision-making.

First Sovereign Investment Management Inc.

- Financial education and counseling
- Objective, unbiased courses
- Network of alliances with qualified professionals

Learning Objectives

- To gain an awareness of the various factors to be considered in developing an investment strategy
- To acquire a working knowledge of several active and passive investment strategies

Agenda

- **Introduction**
- **Investor Profiles**
- **Income Tax Implications**
- **Diversification**
- **Investment Strategies**
- **Closure**

What do you want to learn in today's session? List 2 or 3 main points

Personal Investing Beyond the Basics

Personal Investor Profile

Examining personal:
- **financial goals**
- **investment objectives**
- **time horizon**
- **risk tolerance**

To formulate type of investor

Financial Goal:

A financial goal is a financial state or position that you want to achieve and/or the standard of living you wish to maintain or achieve. Your willingness and ability to save and invest your money plays an important role in the achievement of your goals. Your goals need to be specific, measurable and attainable.

Investment Objectives:

An investment objective is what you want your investment(s) to achieve and has a direct link to your financial goal(s).

The four investment objectives are:

- Safety of Capital
- Liquidity
- Income
- Growth

Time Horizon:

Time horizon refers to the period of time your investment(s) has before it is to be used in whatever manner you have determined. There are important differences between short, medium, and long-term investing

Risk Tolerance:

How much risk are you prepared to accept in exchange for potentially higher returns on your investment(s)? This, essentially, is what risk tolerance is about; and a very important component in the structure of your investment portfolio. Assessing these four criteria and coming up with a clear answer for each, will help you understand what type of investor you are.

Types of Investors

- **Income**
- **Balanced**
- **Growth**

Personal Investor Profile

Complete a personal investor profile (next page) and answer the following questions:

- **What type of investor are you?**
- **What investments may be appropriate?**

Investor Profile

Select your primary financial goal:

❒ Retirement

❒ Children’s education

❒ Buy a car

❒ Buy a house

❒ Inheritance preservation

❒ Have my own business

❒ Buy a cottage

❒ Enjoy travel/recreation

❒ Other_______________

1. What is the main goal for your savings or investments?

❒ **A** I want to make sure my money is secure because I receive income from my investments or I need to use the money in less than five years.

❒ **B** I am investing to make a major purchase in the next five to seven years.

❒ **C** I want my money to grow for the next seven years to ten years, or more. At present, I’m not too concerned about receiving income from my investments.

2. When do you expect to withdraw all or most of your investment?

❒ **A** I expect that I will need my money in two to five years.

❒ **B** I do not expect to need this money for the next five to ten years.

❒ **C** I am planning to keep this money invested for fifteen years or more.

3. When do you plan to retire?

❒ **A** I am retired or will be within five years.

❒ **B** I will retire between five and fifteen years from now.

❒ **C** I will retire more than fifteen years from now .

4. Suppose that your investments decline in value. How easily could you replace that reduction in value with other income?

❒ **A** It would be very difficult to replace that income.

❒ **B** With a few adjustments, I could replace the income.

❒ **C** I could easily replace, or don’t need, the income.

5. Which statement best describes your financial situation? Consider your expenses, ability to repay loans, and saving for retirement and emergencies.

❒ **A** My financial situation is somewhat unstable.

❒ **B** I don’t expect to use my investments to meet current needs. However, should an unexpected situation arise, I may need to access these funds.

❒ **C** My financial situation is secure and I can meet emergency requirements without drawing on my investments.

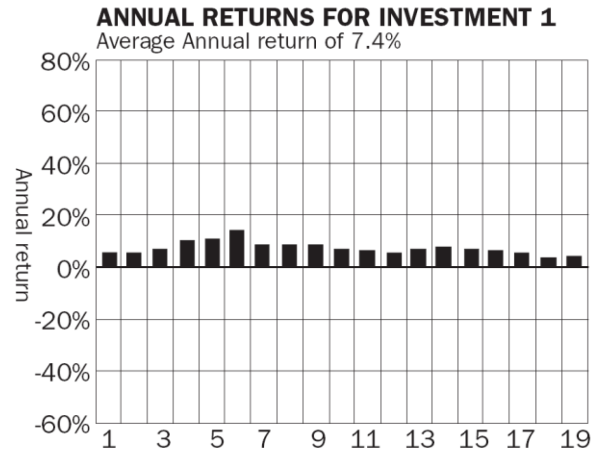
6. The following graphs show the historical returns of three hypothetical investments. Given the fluctuations in the returns of each investment, which investment would you choose?

❒ A Investment 1

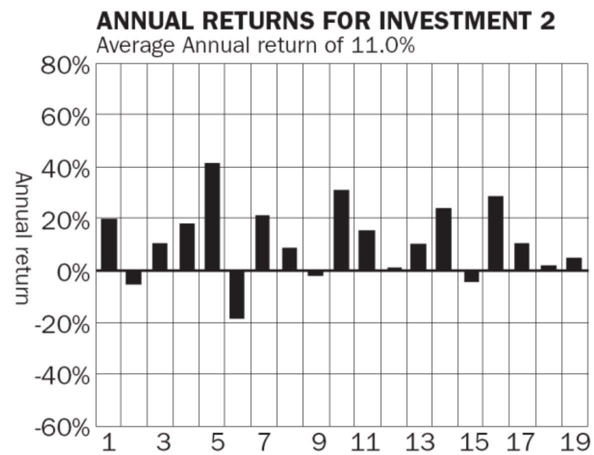
❒ B Investment 2

❒ C Investment 3

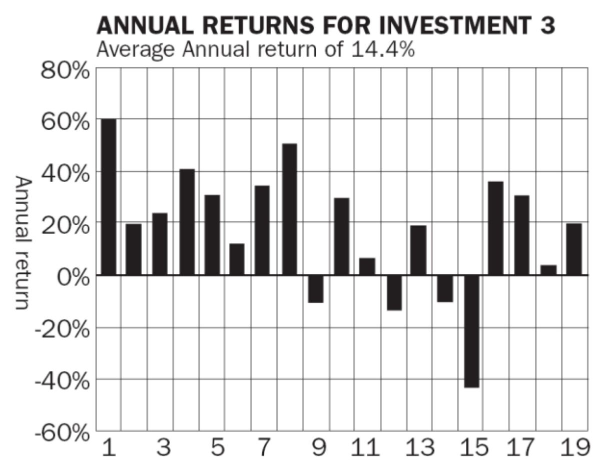
1



2



3



7. How often do you change an investment once you have made one?

❒ **A** Every year I review my investments and replace any that have declined in value.

❒ **B** I review my investments periodically and change some of them if they are earning less than I expected.

❒ **C** I monitor and review my portfolio regularly. I am primarily concerned with long term growth so I don't tend to make major changes, unless my reasons for investing have changed.

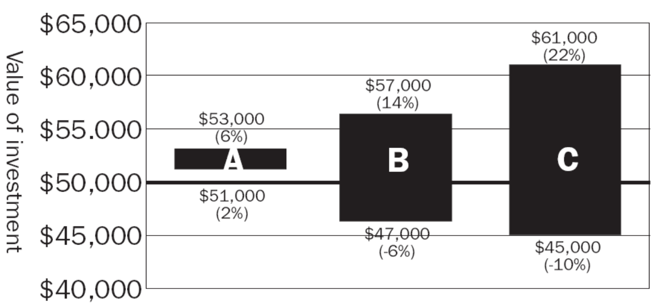
8. Suppose you have $50,000 to invest in one of three different investments.

The chart below shows the range of possible values of the investments after one year (the number in brackets represents the one-year return associated with that investment value). Which investment would you be most comfortable with?

❒ A

❒ B

❒ C



9. Indicate the statement that most closely describes your approach to inflation.

❒ **A** To attempt to keep pace with inflation, I am willing to take on a low level of fluctuation in the value of my investments.

❒ **B** So that my investment returns may be somewhat higher than the level of inflation over the long run, I am willing to take on a moderate level of fluctuation in the value of my investments.

❒ **C** So that my investment returns may be significantly higher than the level of inflation over the long run, I am willing to take on a high level of fluctuation in the value of my investments.

10. Which statement best describes your approach to saving and investing?

❒ **A** I cannot afford to lose any of my money. I am not interested in higher returns if I could possibly lose some of the money.

❒ **B** I believe that to keep ahead of inflation and have the opportunity to get higher returns I'll need to invest some of my money in the stock market or stock mutual funds.

❒ **C** To get a superior return on my money, I need to invest a significant portion of my money in the stock market or stock mutual funds. I expect that my returns will go up and down, but over the long term I will achieve significant growth.

INVESTOR PROFILE

Add up your responses.

1. I answered **A**) ____ times.
2. I answered **B**) ____ times.
3. I answered **C**) ____ times.

Calculate:

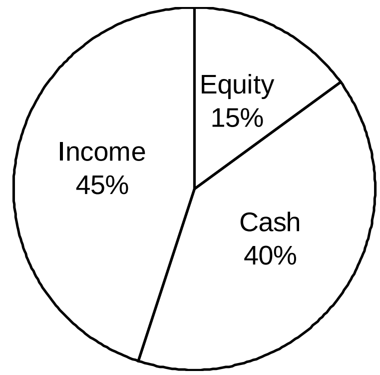
Answer from 1 above multiplied by 10=______(i)
Answer from 2 above multiplied by 20=______(ii)
Answer form 3 above multiplied by 30=______(iii)

Add together lines (i), (ii) and (iii)
=______YOUR SCORE

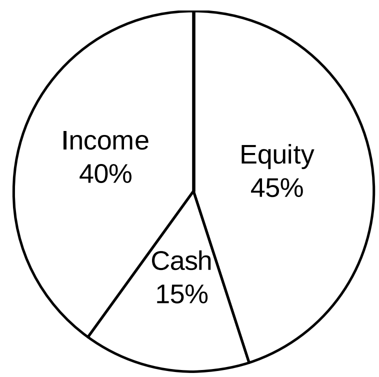
A score of 170 or less • Income Investor
A score of 171-250 • Balanced Investor
A score of 251 or more • Growth Investor

Sample Portfolios

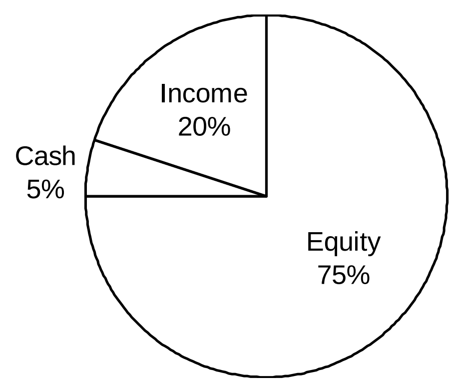
Conservative

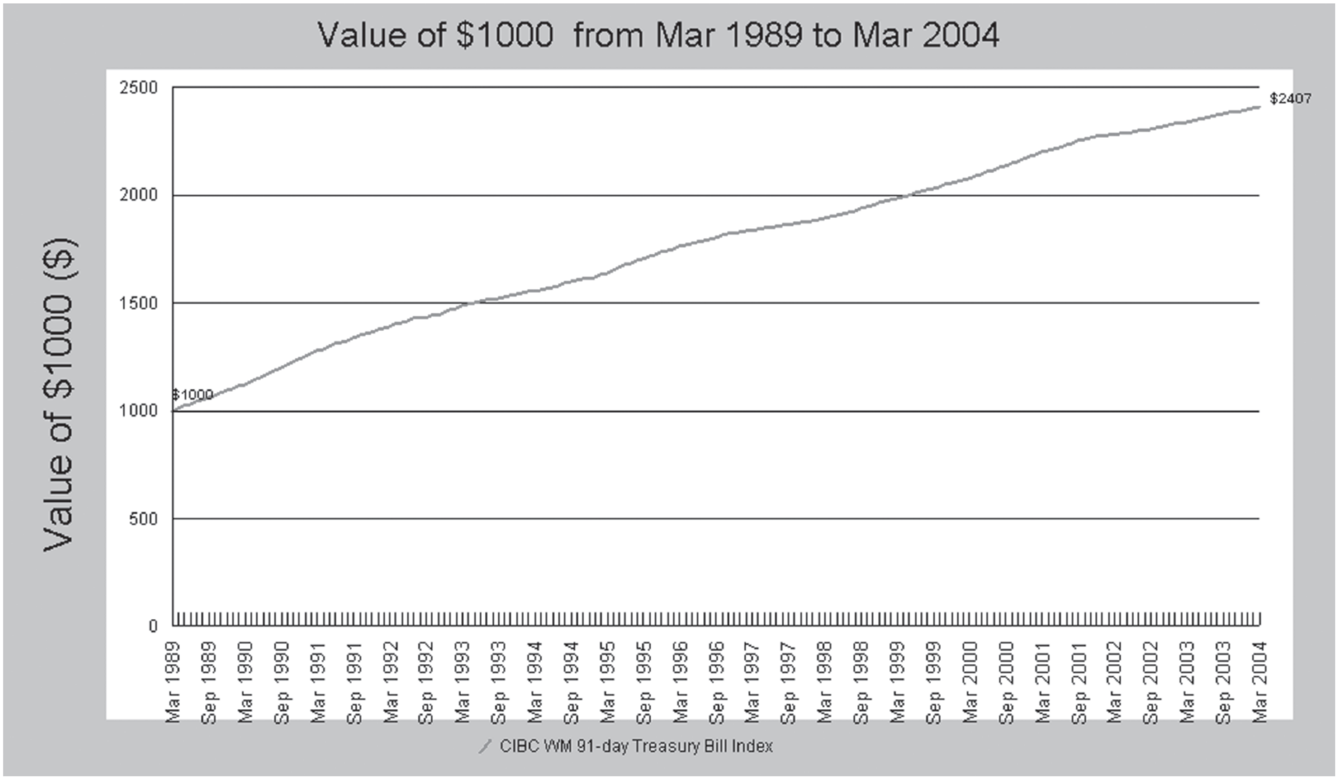


Balanced

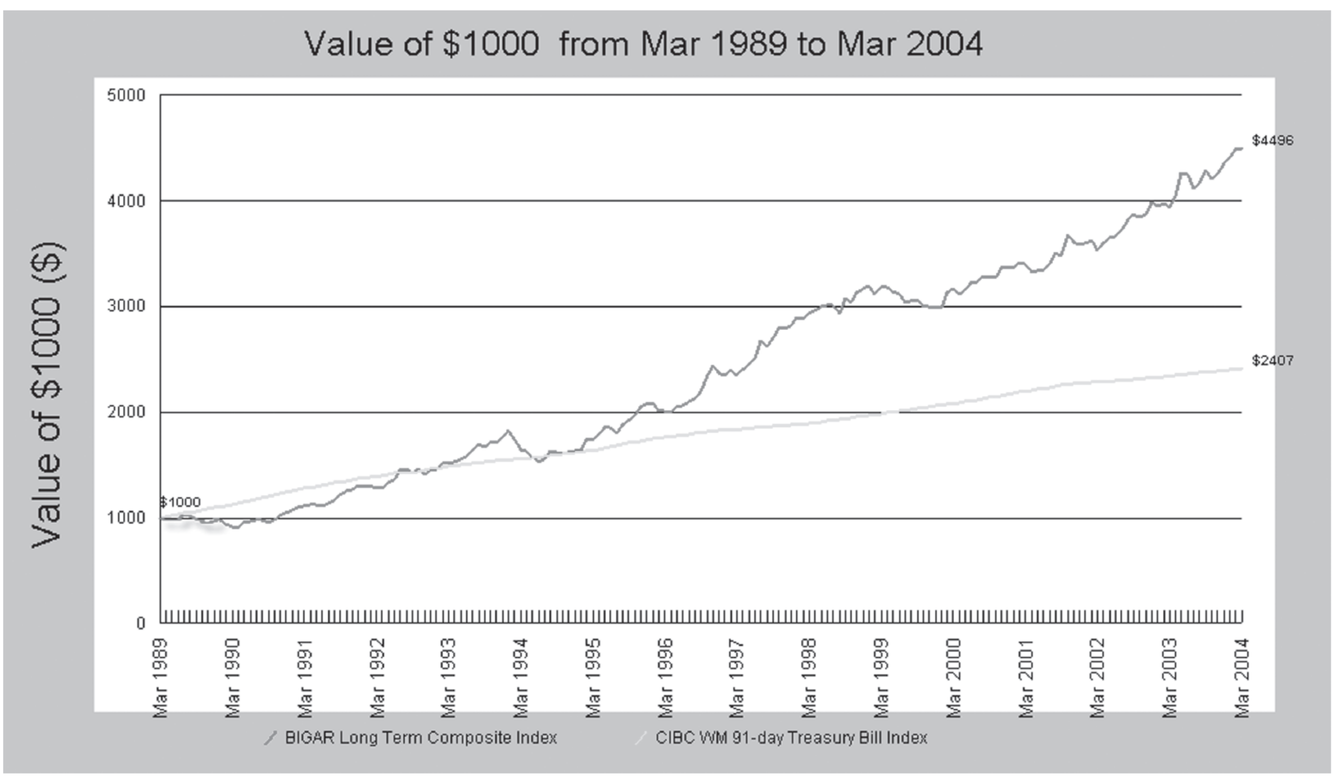


Growth





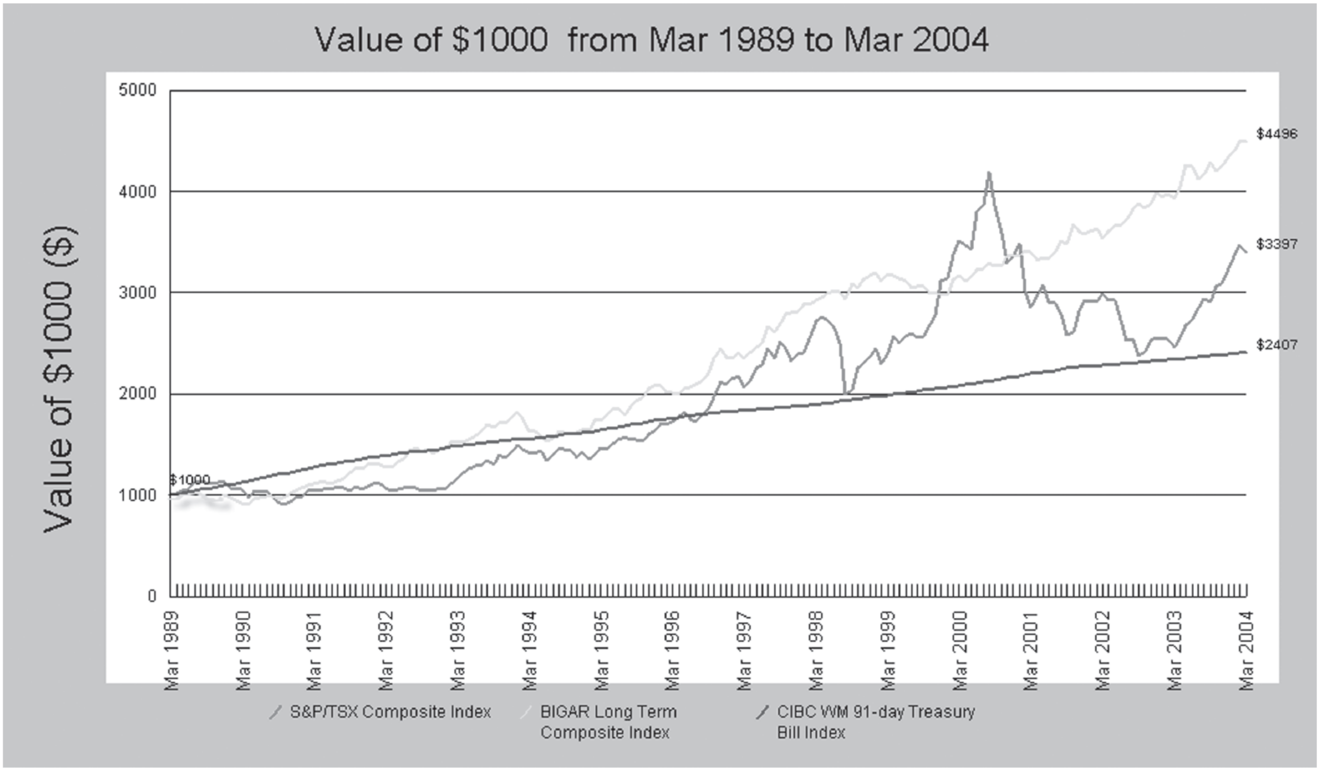
T-Bill
6%



Bond
10.5%

T-Bill
6%

Source: Paltrak



Bond
10.5%

TSX
8.5%

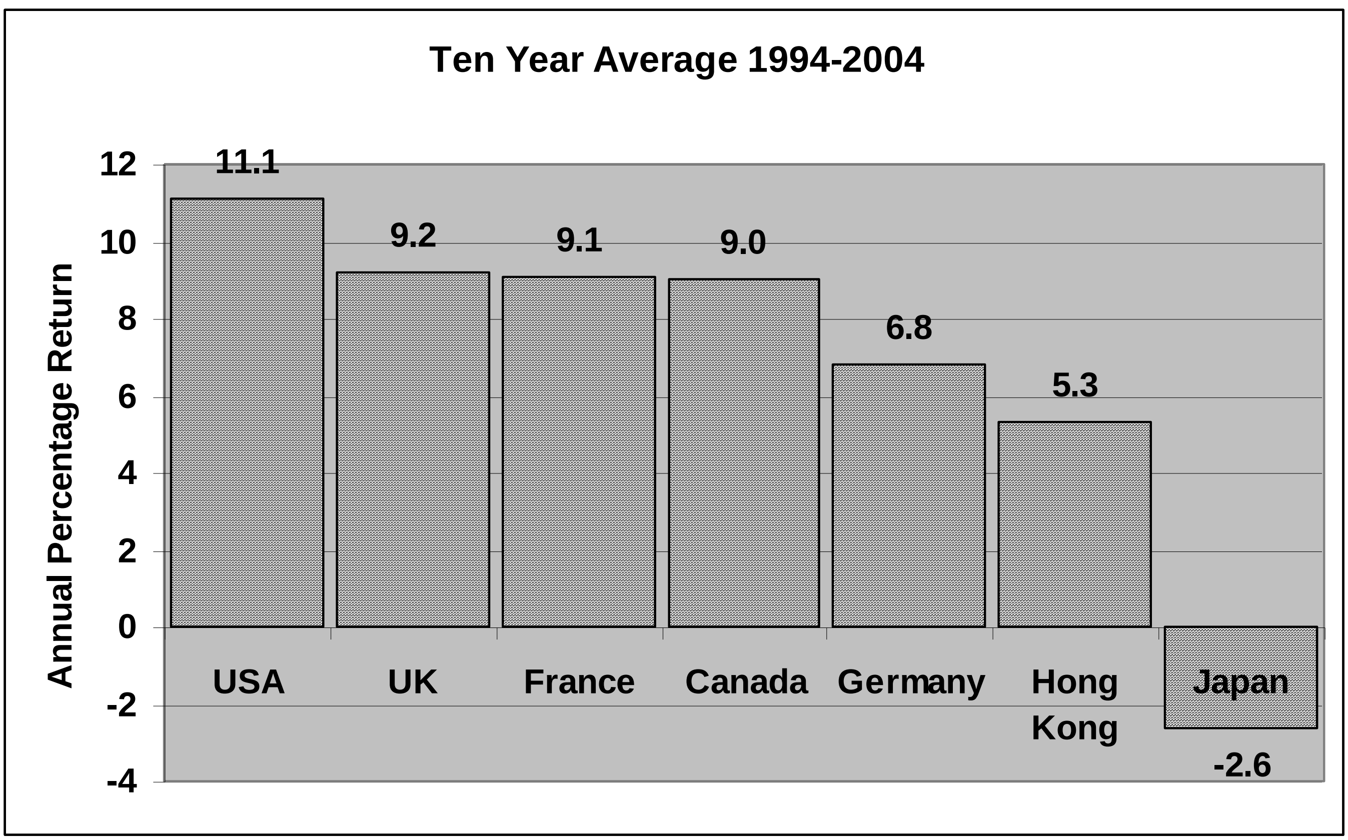
T-Bill
6%

Source: Paltrak

Best Performing Equity Markets

Year	CAN TSX	US SP500	UK	JAPAN	HONG KONG	GERMANY	FRANCE
Mar 2004	37.7	20.5	35.3	54.5	45.3	59.5	43.6
Mar 2003	-17.6	-30.6	-27.8	-22.6	-26.0	-43.8	-33.4
Mar 2002	4.9	1.3	-0.8	-19.6	-5.9	-4.7	-5.5
Mar 2001	-18.6	-15.0	-11.1	-30.1	-17.5	-20.4	-10.7
Mar 2000	45.5	13.6	2.3	44.6	49.5	30.8	29.1
Mar 1999	-11.3	26.2	10.6	21.8	0.1	3.0	16.1
Mar 1998	31.3	51.5	47.0	-12.2	-9.0	33.6	37.5
Mar 1997	20.1	21.7	29.1	-26.5	21.5	23.3	22.2
Mar 1996	17.9	28.7	13.5	-1.2	26.2	14.9	7.5
Mar 1995	2.0	16.8	15.3	1.7	-3.7	10.9	9.4
Mar 1994	23.4	11.3	23.2	35.4	59.3	34.2	18.7

Paltrak



Investment Earnings

- **Interest**
- **Dividend**
- **Capital Gain**

Interest:
A cost of borrowing money. The borrower pays it and the lender receives it.

Dividend:
The profits of a corporation being passed on to it's shareholders. The company is not legally bound to pay out dividends.

Capital Gain:
The profit resulting from the sale of a capital asset.

Investment Earnings Exercise

Match the following investments with type of earnings (more than one may apply):

	Cap Gains	Dividends	Interest
Common Share	❒	❒	❒
Canada Savings Bond	❒	❒	❒
Savings Account	❒	❒	❒
Bond	❒	❒	❒
Preferred Share	❒	❒	❒
Term Deposit	❒	❒	❒
Mutual Fund	❒	❒	❒

Income Tax Implications

- **Interest** Fully taxable
- **Dividend** Gross up 44%, tax credit 24%
- **Capital Gain** 50% taxable

- Interest is fully taxable, in the same manner as employment income. Interest is taxable as earned, whether or not it is received.
- Dividend income from Canadian companies is subject to a gross-up of 44% in calculating taxable income. A tax credit of 24% of the grossed-up amount is available to reduce income tax payable.
- Only 50% of a realized capital gain is taxable, and can be offset against available capital losses.

These marginal tax rates apply to most sources of income including employment, business and pension income.

Impact of taxes and inflation on Investment growth

Future value of $1,000 lump for 10 years
- **Tax rate of 31%**
- **Inflation rate of 3%**

	Future Value Using		
Nominal Rate of Return	**Nominal Rate Only**	**After Tax Rate**	**After Tax After Inflation Rate**
4%	$ 1,480	$ 1,313	$ 968
5%	$ 1,629	$ 1,404	$ 1,035
6%	$ 1,791	$ 1,500	$ 1,106
7%	$ 1,967	$ 1,603	$ 1,182
8%	$ 2,159	$ 1,711	$ 1,262
9%	$ 2,367	$ 1,827	$ 1,347
10%	$ 2,594	$ 1,949	$ 1,437
11%	$ 2,839	$ 2,078	$ 1,533
12%	$ 3,106	$ 2,216	$ 1,634
13%	$ 3,395	$ 2,361	$ 1,741
14%	$ 3,707	$ 2,515	$ 1,854
15%	$ 4,046	$ 2,677	$ 1,974

	INTEREST INCOME	DIVIDEND INCOME	CAPITAL GAIN INCOME
Above $127,000	46%	27%	23.0%
$77,000- $127,000	43%	22%	21.5%
$41,000 - $77,000	31%	10%	16.5%
Up to 41,000	20%	-6%	10%

Diversification

- **What is diversification?**
- **Why is diversification important?**

Diversification

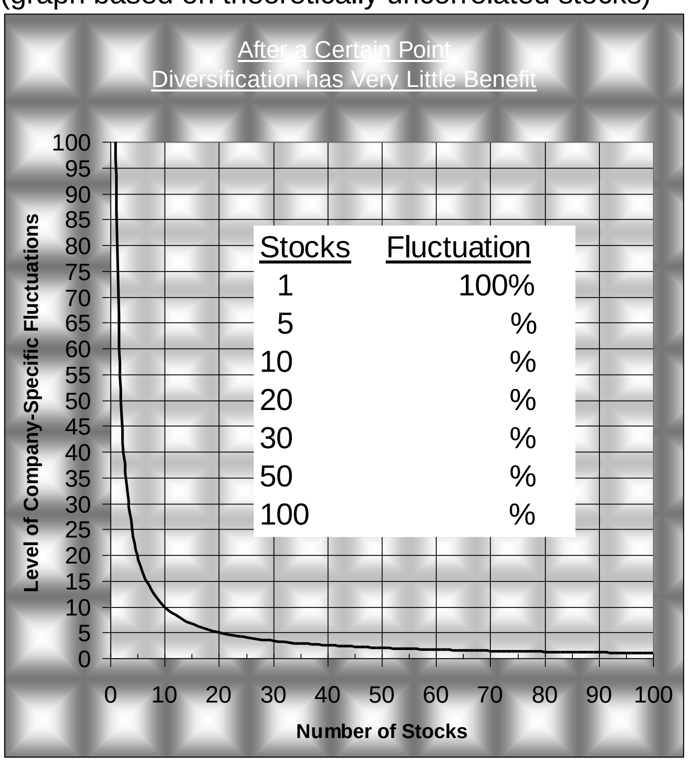
The single most important element of investment planning is diversification. There are three ways to diversify your investments:

Among asset classes
Within asset classes
Over time

Among asset classes

____
____
____
____

Within asset classes – different companies, industries and locations (e.g. international)
(graph based on theoretically uncorrelated stocks)



Over time

____
____
____
____

Illustration of diversifying *among* and *within* asset categories:

Portfolio 1 - $10,000 in short-term bonds @ 7% over 25 years.

Portfolio 2 - $10,000 split between 5 asset classes over 25 years.

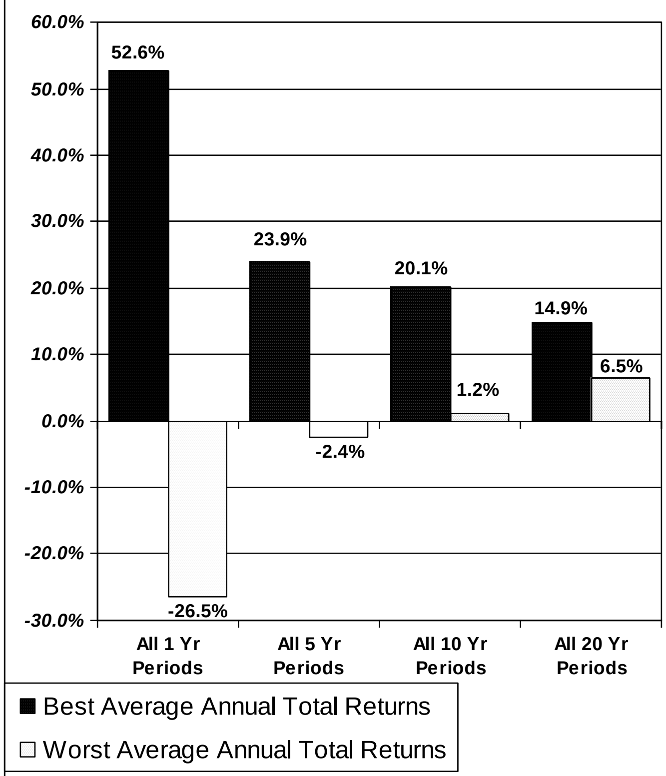
Portfolio 1		*Portfolio 2*		
$10,000	*@ 7%*	*$2,000*	*Lost*	*$0*
		$2,000	*@ 0%*	*$2,000*
		$2,000	*@ 7%*	*$10,855*
		$2,000	*@ 10%*	*$21,669*
		$2,000	*@ 15%*	*$65,838*
$10,000	*$54,275*	*$10,000*		*$100,362*

Diversifying over time

Best and Worst Average Annual Total Returns

Standard & Poor's S&P 500

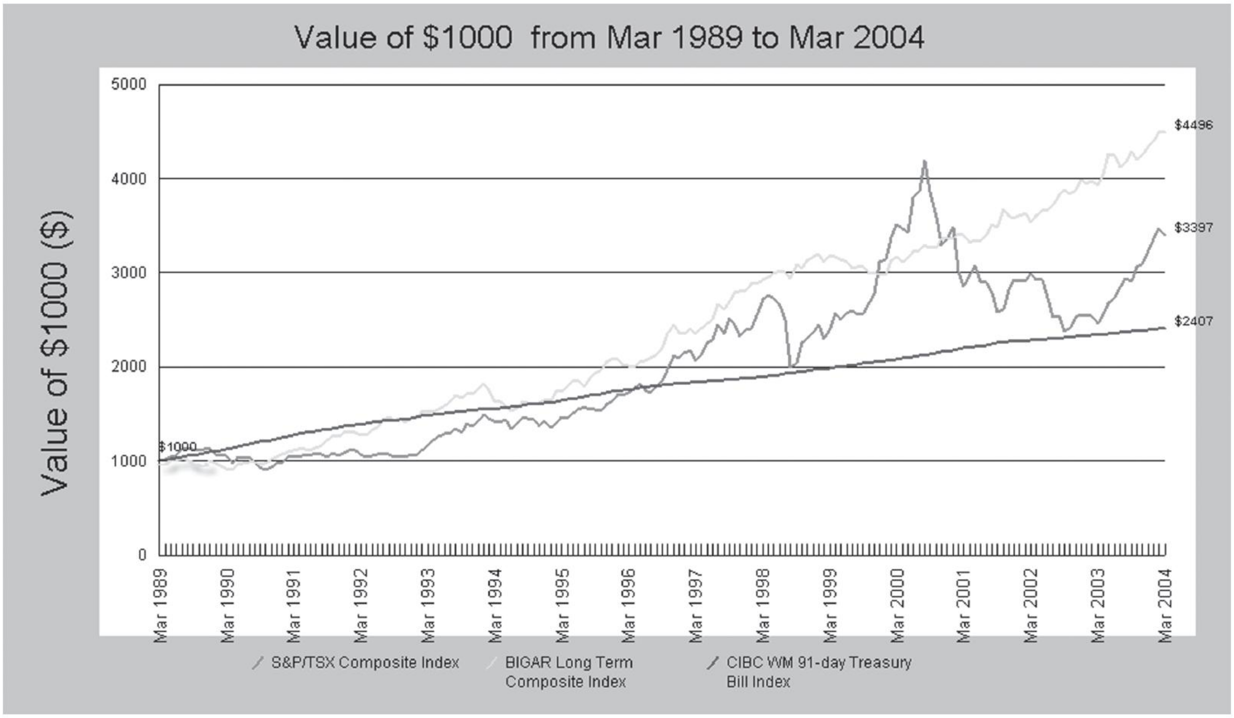
Evaluations based on rolling periods
(source: Ibbotson)



Diversification Exercise

Diversification of a two-stock portfolio,
Initial Holding is National Bank

	Diversifies by				
Second Holding	Company	Industry	Geog	Time	Asset Class
Bank of Montreal	❐	❐	❐	❐	❐
Cdn Western Bank	❐	❐	❐	❐	❐
Loblaws	❐	❐	❐	❐	❐
Sanofi Aventis	❐	❐	❐	❐	❐
Channel the dividends into Fedex	❐	❐	❐	❐	❐
Dividend Reinvestment Plan (DRIP)	❐	❐	❐	❐	❐
Channel the dividends into a corp. bond ETF	❐	❐	❐	❐	❐



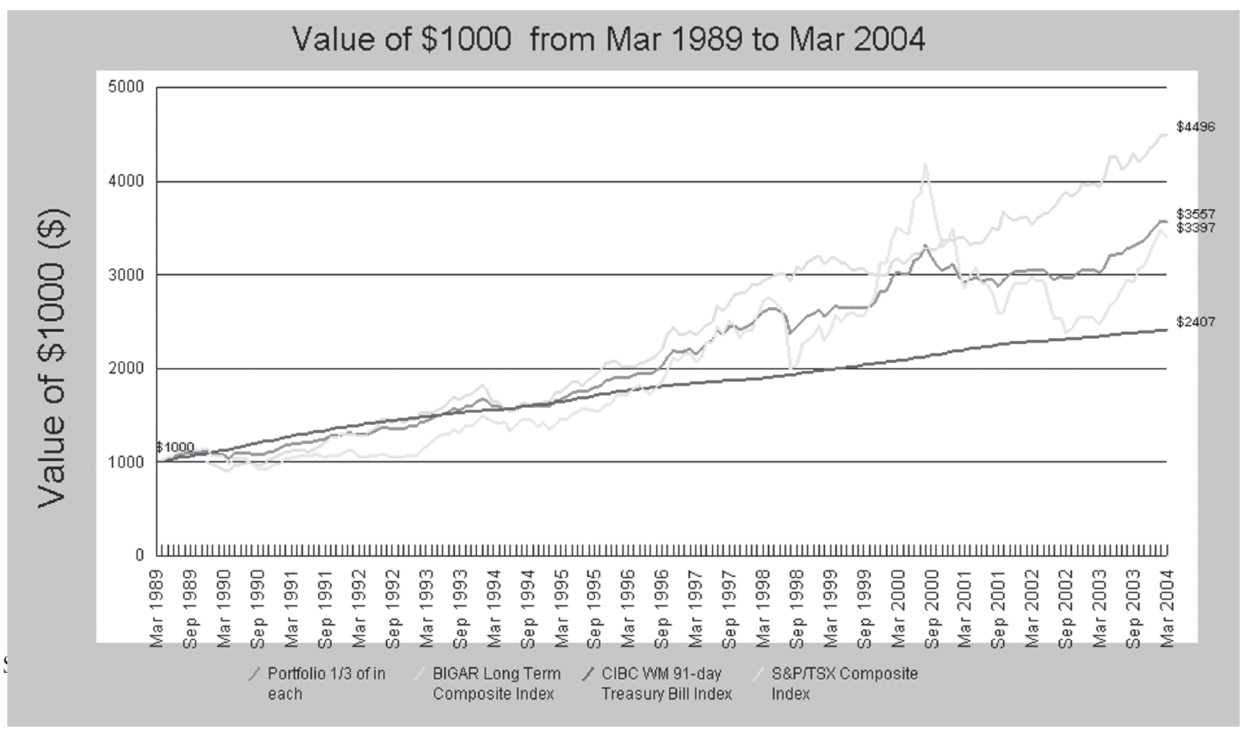
Bond

TSX

T-Bill

Diversification by Asset Class

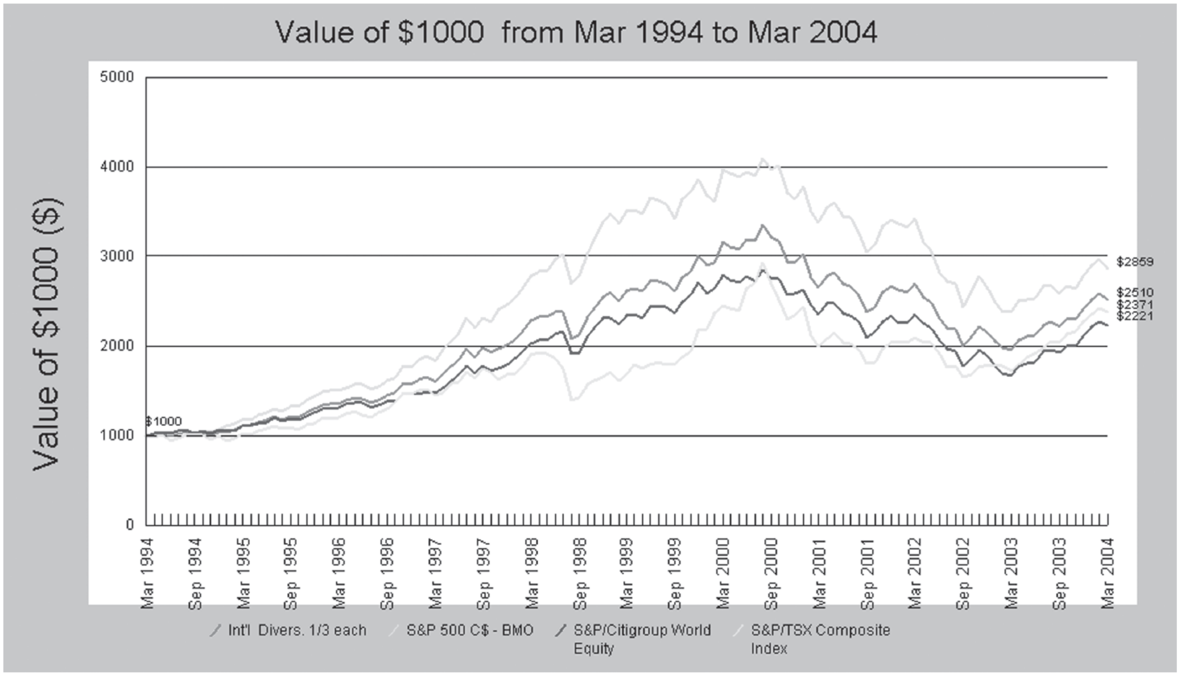
Average annual compound rate of return is 8.8%



Bond

1/3 Each
TSX

T-Bill



U.S.
1/3 Each
TSX
World

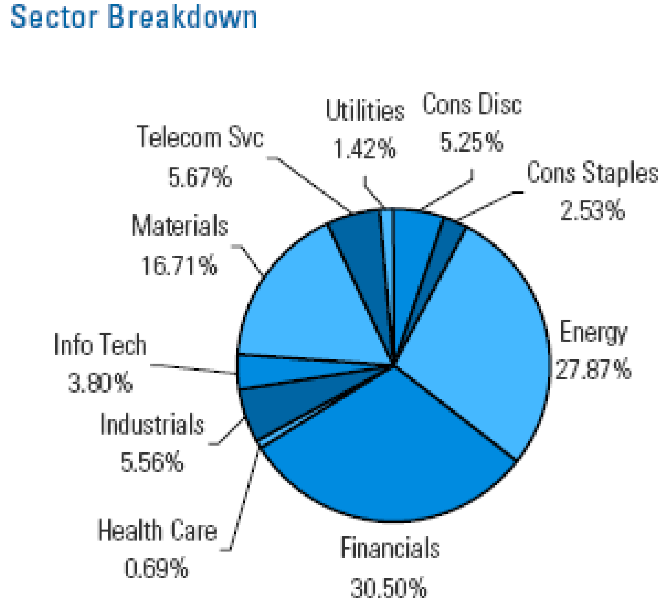
Source: Paltrak

International diversification

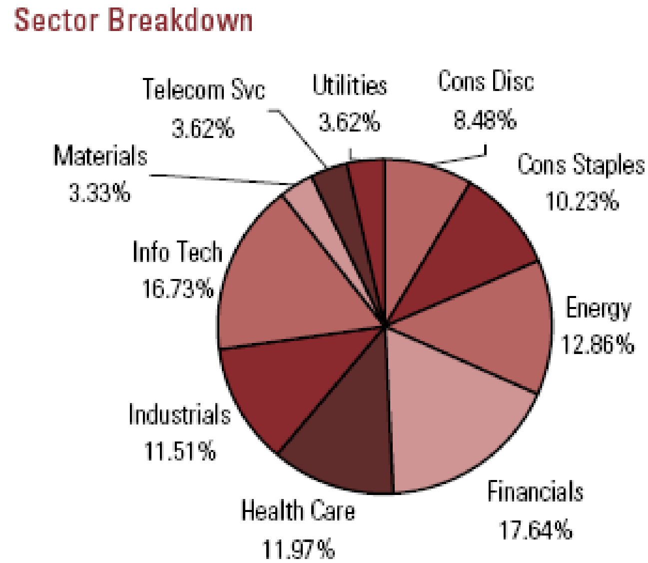
Average compound annual rate of return is 9.6%

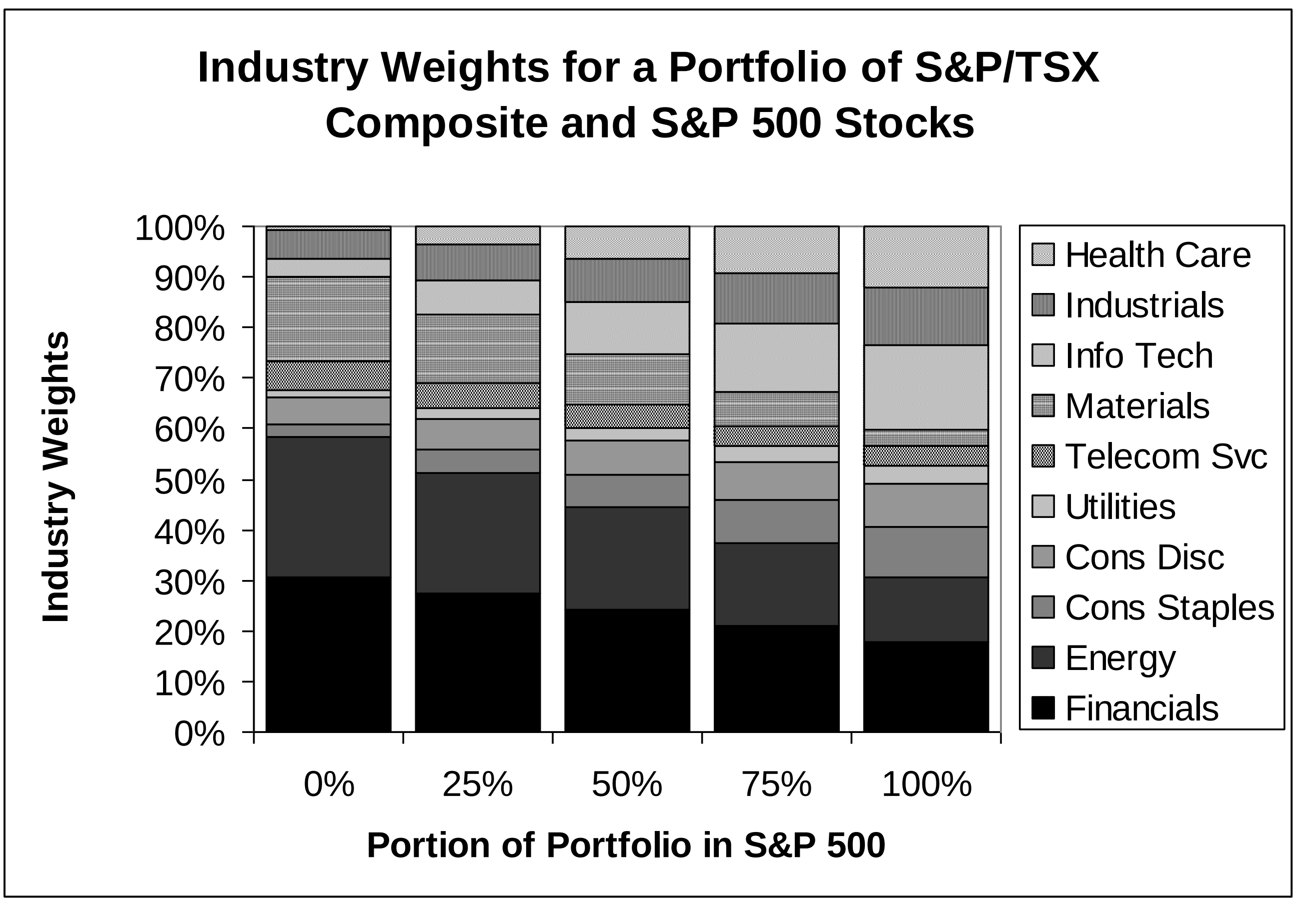
Unique Canadian Diversification Issues

S&P/TSX Composite Index Weightings
Source: S&P



S&P 500 Index Weightings
Source: S&P





Investment Strategies

Before a more detailed discussion on investment strategies, it would be helpful to consider some basic points that will assist you in understanding the suitability of the investments and/or strategies that you have selected or will select.

It's important to understand that while you may implement a generally acceptable investment strategy - one that "others" think is right - you may not be suitable for that particular strategy. It's not that the strategy itself is necessarily bad or wrong; it's just that it may be wrong for you. Investing really is about you and, to get back to the basics for a moment, about the particular circumstances of your situation.

Before setting up your own investment strategy, you should be aware of who you are as an investor. You should understand the importance of diversification and asset allocation. You should have clearly defined objectives and an understanding of your time horizon.

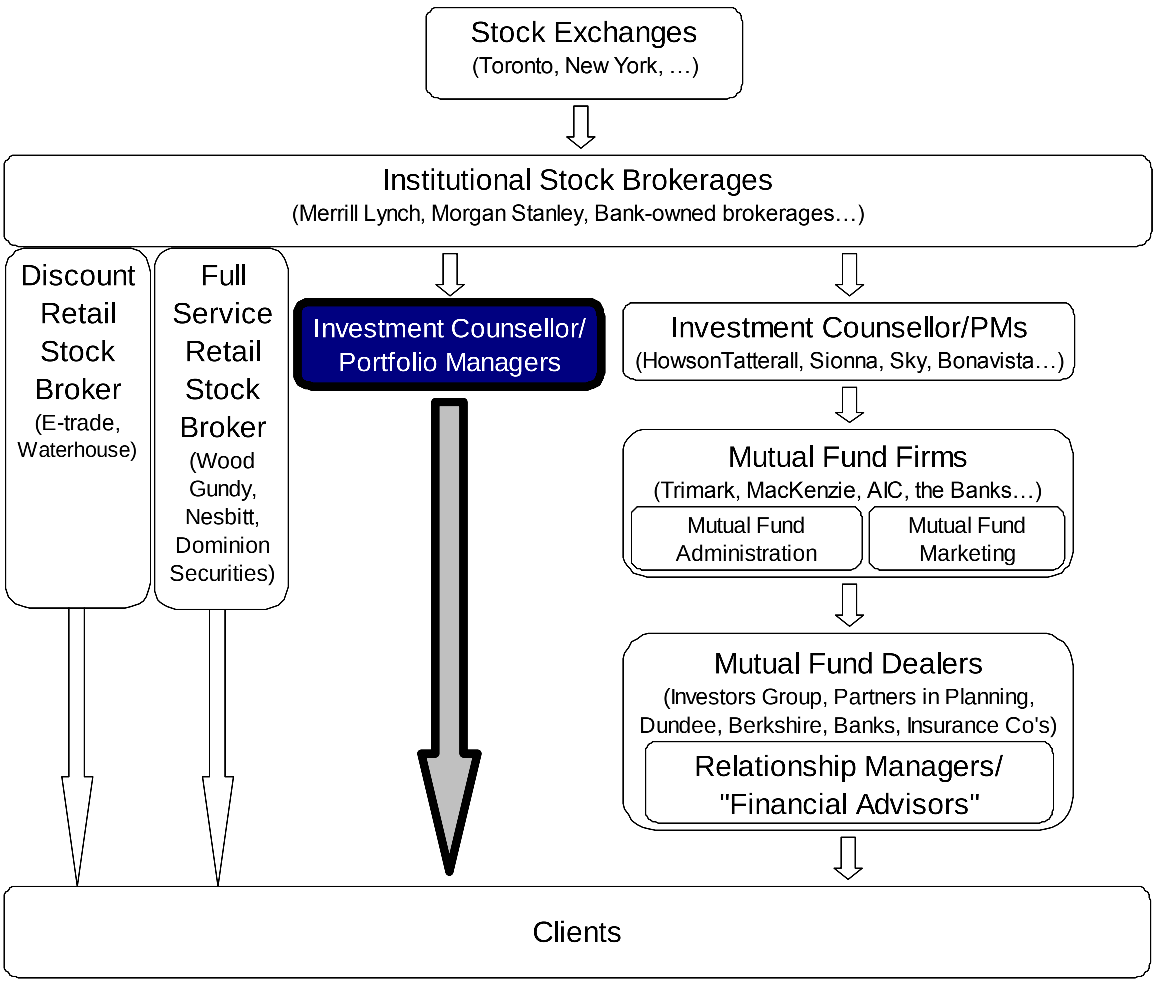
Should you be involved in active investment strategies? Active strategies require time, knowledge and emotional/financial resilience. Would a passive investment strategy be better suited to your emotional and material circumstances?

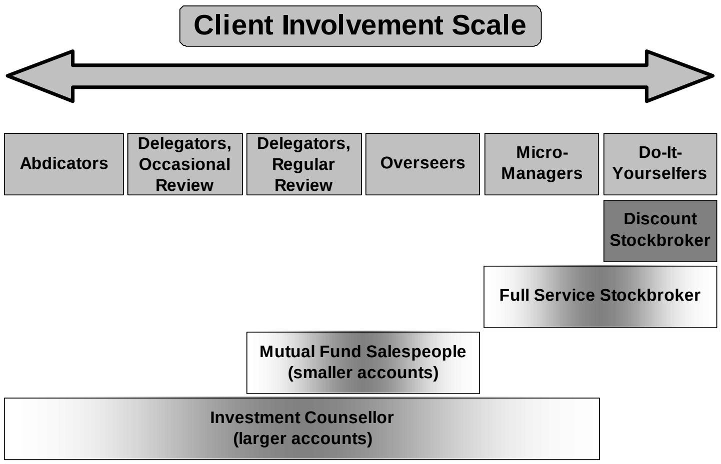
Understand the different options you have and then implement the overall strategy or approach that is "right" for one person - you.

Investment Strategies

- **Investor Personality and Managers**
- **Active strategies**
- **Passive strategies**

Anatomy of the Investment Industry





Active Investment Strategies

- **Bottom Up**
- **Top Down**
- **Market Timing**
- **Bond Swapping**

Bottom Up Portfolio Construction
Investor analyzes individual stocks using available information on a company to determine whether or not a "buy" opportunity exists. A "buy" signal could be based on a number of different factors, including unique features of the business or perceived trends in the business or sector. Investor selects those stocks that he/she expects will provide higher returns than the market average.

Types of stocks
Common stock- The most common type of stock issued by companies. Has greater growth potential than any other type and usually carries voting rights. Holders may also receive dividends.

Preferred stock- These stocks normally pay a fixed dividend. Preferred stock is often bought by individuals seeking a steady stream of income. This type of stock may also provide some growth potential. Rising interest rates may reduce the market value of preferred stocks.

Convertible security- Some bonds and preferred stock can be exchanged for common stock. This provides an investor with a fixed rate of income and lower risk than a common stock investment. It also provides the flexibility to switch to common stock.

Stock selection
It is generally recommended that anyone interested in building a portfolio of individual stocks to include in their portfolio, consider investing in at least several different stocks. It is also advisable to limit the holdings of any one stock to a reasonably low percentage of the overall stock portfolio. One example of this would be to hold at east ten different stocks with no more than 10% of the stock portfolio in any one stock or industry. Key considerations in selecting a stock include:

2. Selecting the right industry
3. Selecting the right company
4. Reviewing the annual report
5. Reviewing the technical data
6. Determining the "sell" point if the stock drops in value (stop-loss)
7. Determining the "sell" point/price if the stock increases in value.

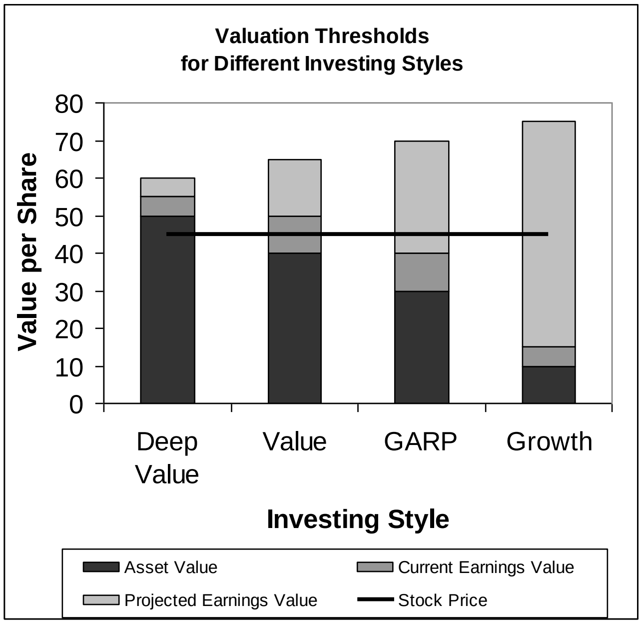
Types of Bottom Up Strategies

- Value/Growth Continuum
- Momentum Investing

Value and Growth
Value and growth investing are based on determining an estimated value for the business and investing if the value is substantially higher than the current stock market price. Growth stocks should not be confused with creating a growth portfolio. A portfolio can grow through successful investing using any style.

Valuing a Stock

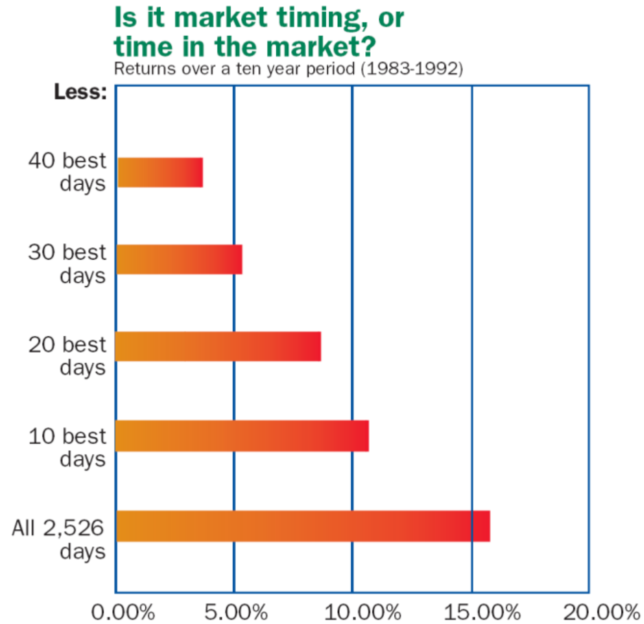
1. The most solid way of valuing a business is what the assets are worth if the business went bankrupt and the assets had to be sold. This is typically called *deep value investing.*
2. If the stock price is not justified by hard asset value, then investors see if the stock price is justified by a continuation of current profit levels. This is typically called *value investing*.
3. If the stock price is not justified by a continuation of current profit levels, then investors see if the stock price is justified by profits that grow at a modest rate based on a certain growth forecast. This gets a little more difficult. This is typically called *growth-at-a-reasonable-price or GARP investing.*
4. Some stocks are already at high prices but have very high growth prospects. Investing in these businesses can only be justified based on pure *growth investing.*



Momentum and Technical Investing
The investor watches for trends to arise in the price of a stock and attempts to invest in those stocks before other investors do. Those trends in stock price may have nothing to do with what is happening to the company itself or may be driven by company or industry issues. This is sometimes called technical investing because momentum investors often look at technical or mathematical price trends such as 200-day moving averages, etc. to determine when a stock is building momentum.

Top-Down Portfolio Construction
Investor sees broad economic trends taking place, either affecting an industry, region, or other large scale investment segment. Investor may then gain exposure to these trends by buying stocks, ETFs, derivatives, bonds, or other securities. Investor is counting on seeing those trends before other investors do and making the investments quickly before others invest to catch the trend and bid up prices to the point where the opportunity vanishes.

Market Timing
Investor expects to achieve superior returns by buying and selling stocks and bonds at the most profitable points in the business or market cycle. With respect to "timing" the stock market, this is one of the most difficult games to win consistently. Predicting the movement and direction of the market on a continuous basis requires investors to be right twice: when they *buy* and when they *sell.*



Investment Style Exercise

Situation	Style
Loblaws stumbles on tough times. Its stock trades so cheaply that the stock is cheaper than the appraised value of the company's land	
Due to recession concerns and increasing fuels costs, Fedex stock trades at a good price even if its business doesn't grow at all	
Challenged to grow, Canon's stock has been pushed down to almost the zero growth value. It only needs to grow a little bit through the growth of colour printing to justify the stock price.	
Luxottica runs LensCrafters shops throughout North America and plans to grow drastically by opening throughout China. Profit growth of 20% for several years would justify the price.	
Anticipating the cheap US dollar and cheap US interest rates will stimulate that economy, an investor sells some European ETFs to buy some US ETFs.	
With the US housing market having bottomed out, an investor notices that the stock of homebuilder KB Homes has been on a roll for 6 weeks and decides to buy into the rebound.	
With oil prices so high, an investor decides there will likely be a decline in oil stocks ahead and sells his oil stocks.	

Bond Swapping
Investor anticipates changes in interest rates and trades/swaps bonds prior to the change in rates.

Bond investment considerations
Bond prices move inversely with changes in interest rates. As interest rates rise, the price of bonds drop. As interest rates fall, the price of bonds increase. Selling a bond prior to maturity will trigger a capital gain or loss.

Bonds may carry a “call” provision. This provision allows the issuing company to buy back the bonds prior to maturity. Companies will normally call a bond when the interest the bond is paying is greater than current interest rates.

Investors who have had their bonds called may receive more money for their bonds than the amount they paid. However, the investor’s current income may decrease because of lower interest rates available in the market.

Bond investing is subject to “default” risk. If the bond issuer cannot make interest payments or repay the principal, the issuer defaults and the investor loses both interest and principal.

An understanding of bond ratings can help the investor. Bonds rated at A++ or AAA (depending on the Bond Rating Service), are considered “investment grade”. Bonds rated in the B range are more speculative. C grade bonds are commonly referred to as “junk” bonds.

Generally speaking, the higher the coupon rate, the riskier the bond.

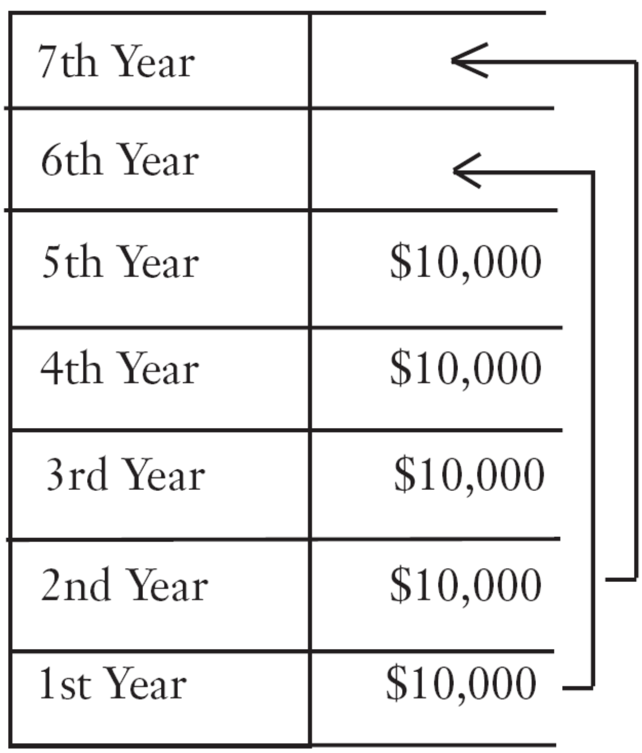
Key Issues
1. Are interest rates rising, falling, or flat?
2. Is corporate default risk rising, falling, or flat (i.e. is corporate strength falling, rising, or flat)
3. Is inflation rising, falling, peaking, or troughing?

Passive Investment Strategies

- **Laddered Approach**
- **Balanced Mutual Fund**
- **Fixed Mix**
- **Indexed Portfolios**
- **Buy and Hold**
- **Dollar Cost Averaging**
- **Dividend Reinvestment**

Laddered Approach to Fixed Income Securities

$50,000 Investment



Each renewing investment is re-invested for a 5-year term.

Exchange Traded Funds for Fixed Income

- Funds for various types of fixed income
- Reduces hidden bond-trading costs
- Rotation during various stages in the cycle can have a huge impact on rates of return and whether it appears as capital gains or income

Example of Fixed Income ETFs

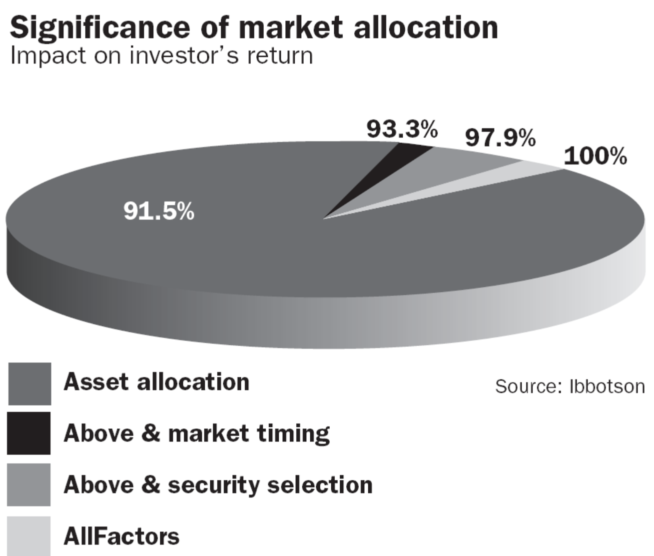
ETF	Costs	Holdings
Barclays Short Term Bond ETF	Your trading costs + fund's trading costs + RRSP custody fees if applicable + 0.25%	Bonds with a short duration
Barclays Long Bond ETF	Your trading costs + fund's trading costs + RRSP custody fees if applicable + 0.35%	Bonds with a long duration
Barclays Real Return Bond ETF	Your trading costs + fund's trading costs + RRSP custody fees if applicable + 0.35%	Bonds that adjust to compensate for inflation
Barclays Corporate Bond ETF	Your trading costs + fund's trading costs + RRSP custody fees if applicable + 0.40%	Corporate bonds

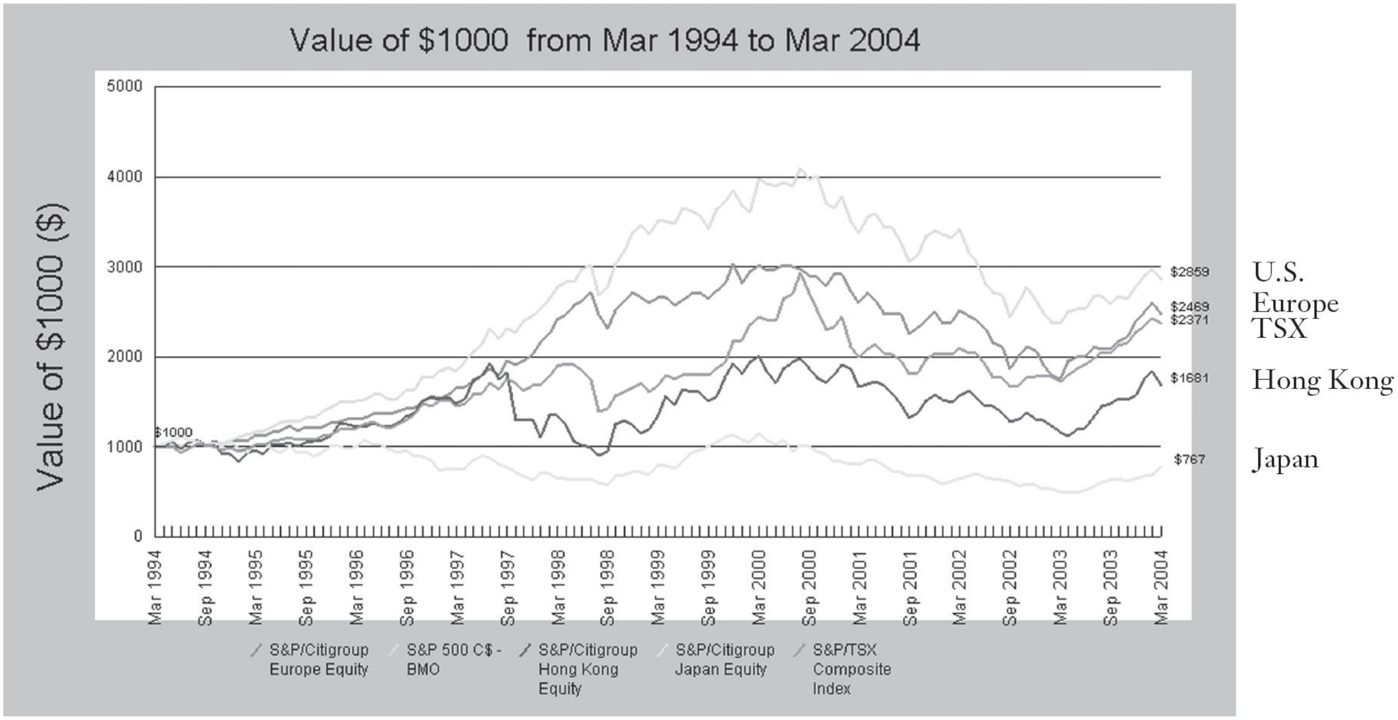
Balanced Mutual Fund

- **Balance between asset classes**
- **Balance between risk levels**
- **Diversification with limited funds**

Fixed Mix

- Asset mix representing the most appropriate portfolio for the investor remains fixed
- Only changed when investor moves to another point in their investor life cycle





Source: Paltrak

Indexed Portfolios

- Design a portfolio so that the percentage of each asset category is the same as in the market index

- Seek to match the market, not outperform it

Buy and Hold

- **Once the asset mix is determined, the assets are bought and held either to maturity, or until the investor's time horizon has been attained.**

Dividend Reinvestment

- **Using dividends to purchase additional shares.**
- **Used to reduce sales commissions, and advantages of DCA.**

Dollar Cost Averaging

- **Buying a certain dollar amount of securities at regular time intervals.**

Dollar Cost Averaging

Purchase Date	Deposit	Price Per Unit	Units Acquired
Month 1	$100	$10.00	10
Month 2	$100	$5.00	20
Month 3	$100	$2.50	40
Month 4	$100	$5.00	20
Month 5	$100	$10.00	10
Month 6	$100	$7.50	13.3
Month 7	$100	$10.00	10
Month 8	$100	$7.50	13.3
Month 9	$100	$7.50	13.3
Month 10	$100	$7.50	13.3
Month 11	$100	$10.00	10
Month 12	$100	$12.50	8

Average ***price*** per unit $7.92
Average ***cost*** per unit $6.62

More Information

Mutual Fund Issues

- MER
- Year end distribution
- Cost
- Segregated Funds

Real Estate

- Liquidity issue
- Capital
- CCA/Recapture

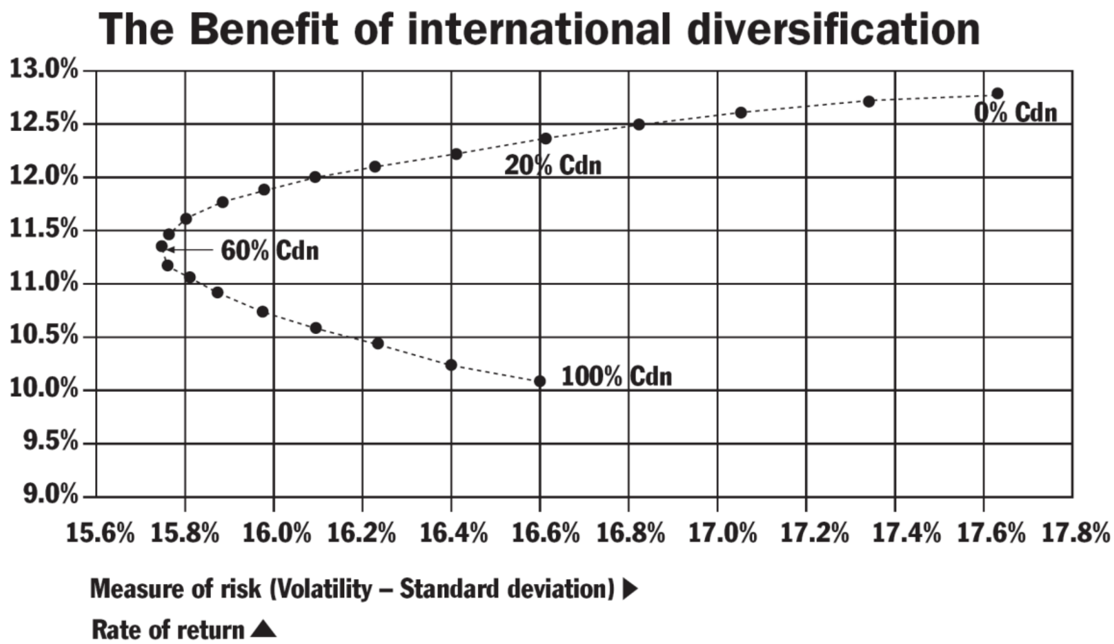
Self-Directed RRSP

- Choice of investments
- Foreign content management
- Cost

RRSP Foreign Content

- For many years in the past was 30% of book value limit

- No foreign content limit since February 23, 2005



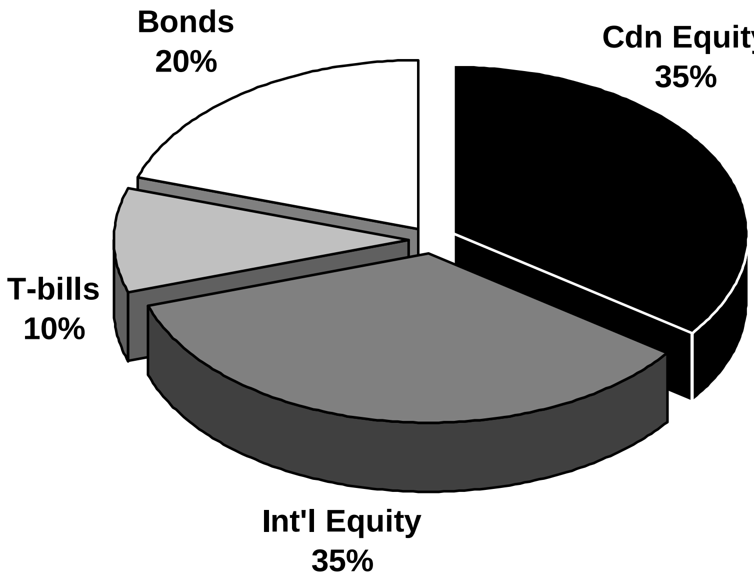
Source: Morgan Stanley World Index, TSE 300

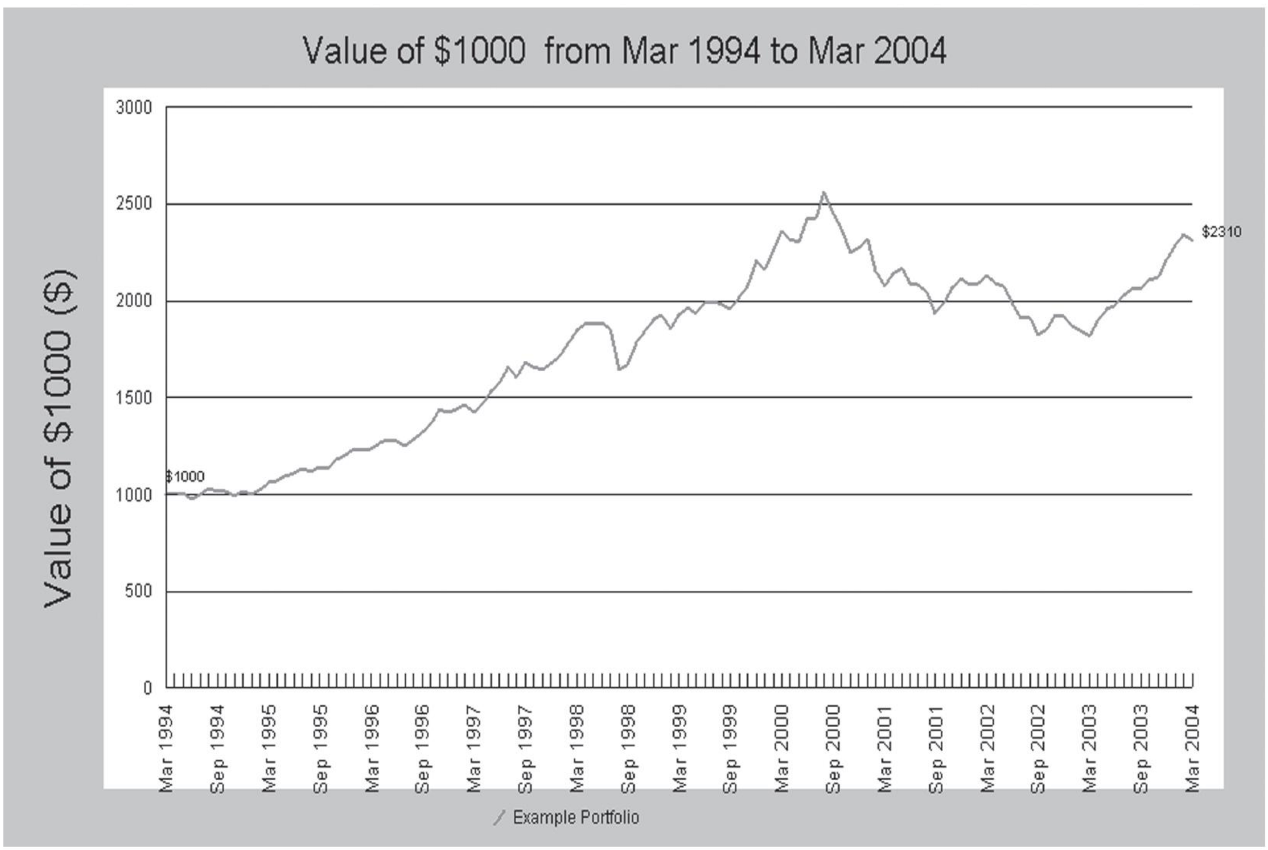
Efficient Frontier

As the graph shows, you may achieve greater security from volatility as you increase your international content.

The plotted line, the "efficient frontier", shows that from 1970 to 1995, risk was minimized when 60% of a portfolio was invested in Canadian equities and 40% in international equities.

Asset Allocation Model





Portfolio Example

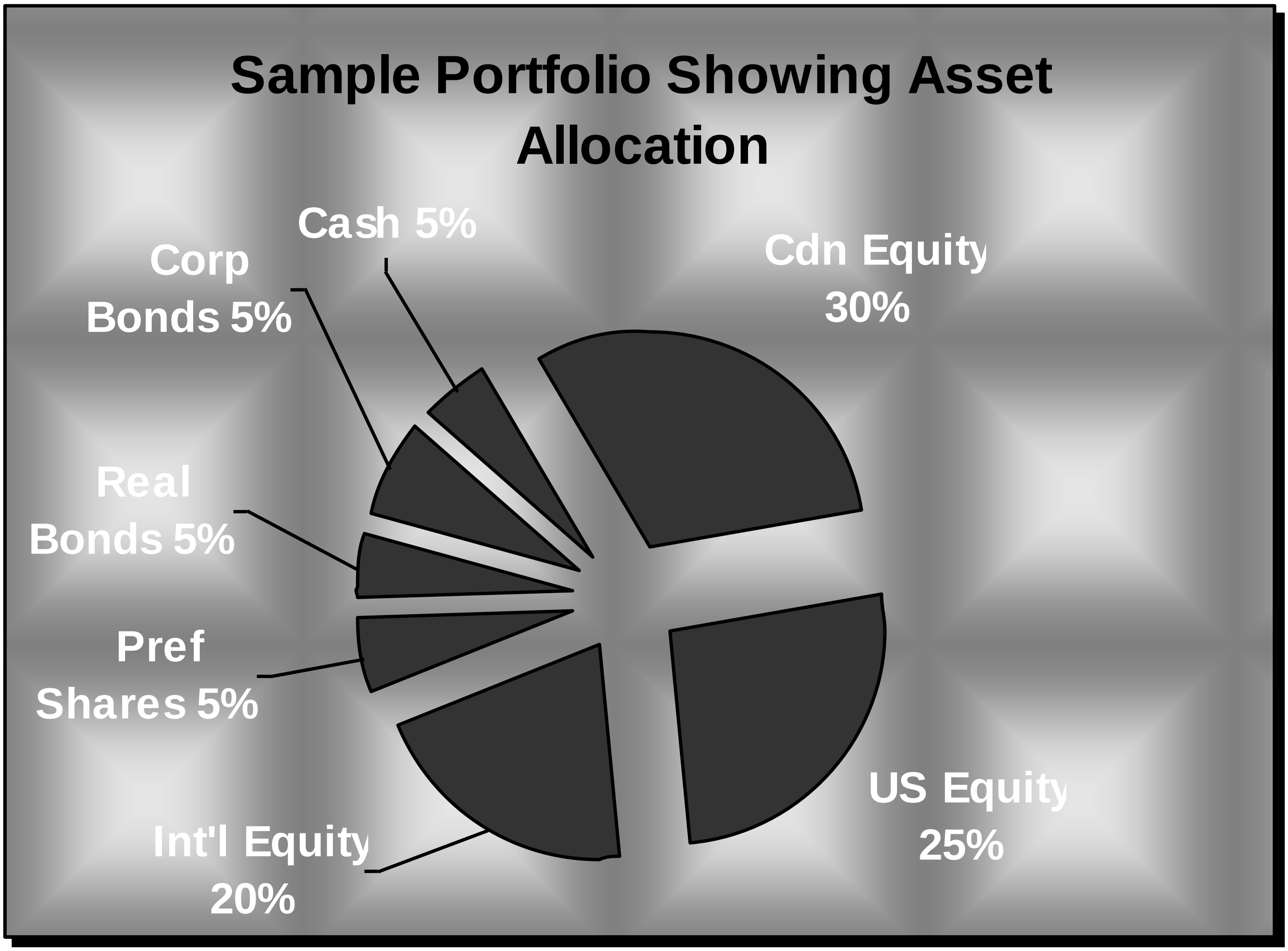
Source: Paltrak

Average annual compound rate of return is 8.7%

Investment Selection

First Sovereign Investment Plan Portfolio

EXAMPLE



Portfolio Construction Exercise

Couple, aged 64, both working, have a portfolio of $1,000,000, half is in RRSPs. Need a car in 5 years.

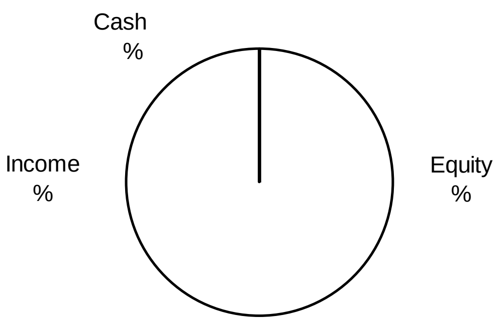
Financial Goals	Investment Objectives	Time Horizon
1		
2		
3		

Investor Profile: ________________________________

Importance of Other Factors

	High	Med	Low	N/A
1. Diversification	❒	❒	❒	❒
2. Tax Minimization	❒	❒	❒	❒
3. RRSP Investments	❒	❒	❒	❒
4. Active Investment Strategies	❒	❒	❒	❒
5. Passive Investment Strategies	❒	❒	❒	❒
6. International Diversification	❒	❒	❒	❒

Asset Allocation Model



Investment Types Used

	%	Value
Cash /Money Market Account		
GIC / Term Deposits		
Bonds		
Canadian Preferred Stocks		
Canadian Stocks		
US Stocks		
European Stocks		
Japanese Stocks		
Other Stocks		

Closure

Elements of strategic investment management
- **Your Investor Profile**
- **Income Tax Considerations**
- **Diversification**
- **Investment Styles**

Appendix

Investment Type	Invested In	Earning Mechanism	Short Term Risk	Income Potential	Long Term Growth Potential
Fixed Income Investments					
Savings Account		Interest	Very low	Low	None
Savings Bonds		Interest	Very low	Low	None
GICs		Interest	Very low	Low	None
Bonds		Interest & Capital Gains	Low to high	Moderate	Low to moderate
Equities					
Common Stocks		Dividends & capital gains	High	Low to moderate	High
Preferred Stocks		Dividends	Moderate to high	Moderate to high	Low
Active Mutual Funds / Index Mutual Funds / Closed End Funds / Exchange Traded Funds (ETFs)					
Money Market Funds	Commercial Paper, Treasury bills, short term bonds	Interest	Low	Low	None
Fixed Income Funds	Mortgage-backed securities, corporate & government bonds	Interest & capital gains	Low to moderate	Moderate	Low to Moderate
Balanced Funds	Stocks & bonds	Interest, dividends, & capital gains	Moderate	Moderate to high	Moderate to High
Broad Equity Funds	Stocks	Dividends & capital gains	High	Low	High
Niche Funds	One segment of the stock market	Dividends & capital gains	High to Extremely High	Low	High

Action Plan

ACTION	DETAILS	TARGET DATE

Charting Your Course

Getting Started: Securing the foundation of your financial plan

"If you don't know where you're going, any road will take you there."-George Harrison. Are you on path to achieve your goals? In this workshop we focus on putting a process in place to achieve your goals. We focus on cash management strategies and the wealth management process.

Personal Investing – A: Core investing components applied

"Fads are the kiss of death. When the fad goes away, you go with it."-Conway Twitty. Understanding core concepts will help you identify and protect yourself against investment fads and build a solid investment strategy. In this workshop we talk about investment components, types of risk and how to avoid them, and the factors that contribute to your successful investment strategy.

Personal Taxation – A: Introductory concepts in tax minimization

"Income tax has made more liars out of the American people than golf has." –Will Rogers. Give yourself credit! Credits, that is… and deductions. This workshop looks at how our progressive tax system works and explores some of the core tax reduction strategies we should consider for LEGALLY minimizing our taxes.

Life Insurance & Estate Planning: Understanding the importance of security & structure

"Certainty? In this world nothing is certain but death and taxes." –Benjamin Franklin. Dying. The material impact of death is not something we really want to think about, much less talk about. But, it's something we need to know about. This workshop will look at the various components of a well-structured estate plan, including wills and will preparation, insurance (needs, amounts, types), Powers of Attorney and a brief introduction to trusts.

Personal Investing – B: Investment planning concepts & strategies

"More important than the will to win is the will to prepare." -Charlie Munger. Take the next step in your investment education by participating in this workshop. The session will focus on strategic investment issues such as risk reduction through diversification, asset allocation and the tax implications of various investment choices. Look at the various investment styles and objectives of the funds available to you.
Questions and discussions are encouraged and are an integral part of this workshop.

Personal Taxation – B: Comprehensive strategies: A longer-term perspective

"Never make anything simple and efficient when a way can be found to make it complex and wonderful." –Unknown. Now that you understand basic tax planning, you will appreciate the more advanced concepts and strategies discussed in this workshop. In this session, we will look at tax planning as a family unit, tax shelters, income splitting/ attribution, and developing an effective tax minimization plan. We aim to make simple what the government has made complex!

Preparing for Retirement: Focus on financial planning

"Retirement kills more people than hard work ever did." –Malcolm S. Forbes. To enjoy your golden years, you should take as many stressors as possible off the table. Financial worry is a big category. You have retirement dreams ahead. It is time now to focus your financial planning activity. This workshop will take a detailed walk through the 6 steps of building a solid retirement financial plan. The session will cover financial objectives and needs in retirement, income sources, identification of problem areas and corrective measures, tax & investment issues. This workshop ties together all the concepts we have learned so far. Finally, you will create an action plan.

"Plans are only good intentions, unless they degenerate into hard work." –Peter Drucker
Take action on what you've learned from these workshops

Resources

First Sovereign Investment Management Inc.
Phone: 416-489-4843
Toll-free: 877-389-4843
info2@firstsovereign.com
www.firstsovereign.com

Central Volunteer Agencies (Local) Publications
Toronto: (416) 961-6880
Calgary: (403) 265-5633
Ottawa: (613) 789-4876
Peel: (905) 568-2660

Elderhostel (Belleville, Ontario)
(613) 530-2222

Canadian Association of Retired Persons
27 Queen Street East, Ste. 1304
Toronto, ON M5C 2M6
1-800-363-9376

One Voice
1005 - 350 Sparks Street
Ottawa, ON K1R 7S8
(613) 238-7624
(613) 235-4397

Expression
National Advisory Council on Aging
Ottawa, ON K1A 0K9
(613) 957-1968
(613) 957-9938

Canadian Executives Services Overseas
(CESCO)
175 Bloor Street East
Toronto, Ontario, M4W 3R8
1-800-268-9052

Publications

Good Times
777 Bay Street, Ste 2700, Box 148
Toronto, ON M5G 2N1
1-800-465-8443

Sears Mature Outlook Newsletter
Contact local Sears store for information

United States

Modern Maturity
American Association of Retired Persons
3200 E Carson Street
Lakewood, CA 90712 U.S.A.

New Choices
Retirement Living Publishing Co. Inc.
28 W 23 Street
New York, NY 10010 U.S.A.

Web Sites - Specific
Focused subjects/issues

http://www.investmentcounsel.org
Information on different types of investment professionals and how to choose one for yourself

www.cfp-ca.org
Information on financial planning professionals and services

www.ccra-adrc.gc.ca
Canada Customs and Revenue Agency - Information and forms

www.sec.gov
Securities and Exchange Commission (U.S.) - Mutual Funds cost calculator

www.retireweb.com
Overview of financial and other issues dealing with retirement

Web Sites - General
News, Education, Calculators, Etc.
www.finpipe.com
www.imoney.com
www.quicken.ca/eng/index.html