PLANNING MATTERS

Quarterly Financial Planning Newsletter from Coleman Wealth

Fall 2015 - 3rd Edition

Notable News

1. **Webex Video Conferencing**
You may have noticed that we have introduced "Webex" (video conferencing) for some of our client meetings. Often, we find travel is difficult (especially with some of our clients being out of town) and this is a big help to combat that dragon. It allows us to share our screens with you, and our webcams allow you to see our lovely faces (and vice versa if you let us!) All you need is a computer.

1. **NEW Coleman Wealth Webinar series – Darren's Quarterly Commentary.**
Darren will be giving an update on the health of the economy and state of the markets on a quarterly basis starting in October 2015. Be sure to tune in as this will be much more impactful than listening to a bunch of journalists. We will be adding these to our video library if you can't make the webinar.

2. **Coleman Wealth Client Webinars** –
We are posting all past webinars on our website in our video library. Thus far, we have done webinars on TFSA changes, RRIF minimum changes and will planning. Be sure to check these out at your leisure.

Coleman Wealth
Raymond James Ltd.

40 King St West, Suite 5300, Scotia Plaza, Toronto, ON M5H3Y2

www.colemanwealth.com

Planning Tips through Market Volatility

Stomaching the ups and downs (the 'yoyo' effect) of the stock market is often one of the hardest challenges that investors will face. When planning, it's important to look at some of the fundamental factors in planning that will help you to overcome some of the 'short term' bumps.

1. **Have a long-term view of planning.**

• Having a retirement plan and knowing your target average return over time can help you to stomach some of the interim volatility. Is your portfolio down 2% this year? Maybe. But was it up 12% last year? What has it averaged over time? If your retirement plan dictates that you need an average 4.2% over time to meet your retirement capital goal, then that should be the more important long-term metric to focus on. There will be years that you don't make money. As we are not from the future, we cannot remove all systemic factors (read: external factors that impact the entirety of the stock market), so we cannot remove volatility. However, we can ensure that we review and update your long-term plan every year to ensure you're still on track.

2. Consider a dollar cost averaging strategy.

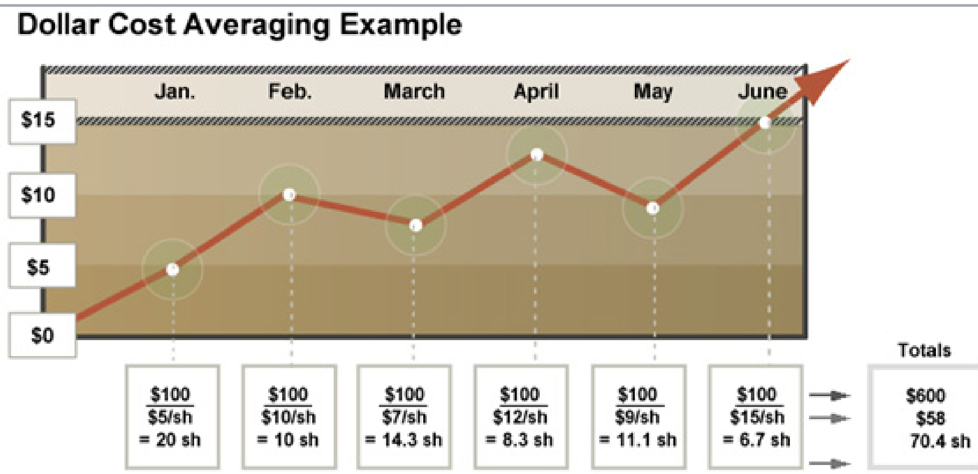
• If you're making savings towards a goal, consider how and when you're making them. Do they happen ad hoc, when you receive a big bonus, or when you accrue a certain cash balance in your bank account? Consider a different strategy. By making investments of the same amount of money at more regular intervals (monthly or quarterly), you will:

i. Buy more shares when prices are lower;

ii. Buy fewer shares when prices are higher;

iii. Your average cost per share should be lower than the average market price per share over the long term;

iv. You reduce the risks of market timing – being in the market when prices are falling and being out of the market when they are rising.



3. Diversify.

• One way to reduce risk is to take as many unique and different risks as possible. Different risks to diversify amongst include:

i. Market risk: Diversify among the major asset classes: cash, bonds and great companies.

ii. Inflation risk: Choosing investments that will produce a rising income over time so that your purchasing power is not eroded.

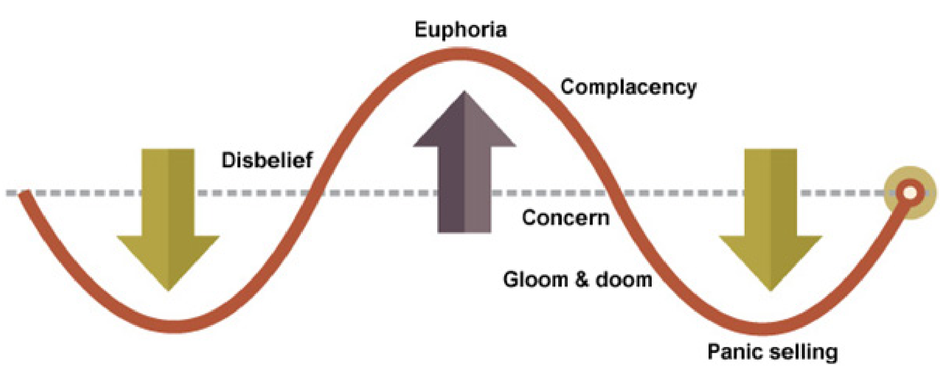
iii. Volatility risk: Hold your investments for the long term to ride out the short term ups and downs of the market.

iv. Business-specific risk: Often, clients may have a large position in their company shares. Over time, this builds up a large amount of risk in the successes or failures of that one company.

v. Currency risk and home country bias: Diversify your investments globally, and avoid putting the bulk of your assets in Canadian investment vehicles.

4. Check your emotions.

• The primary driving emotion for many investors is the fear of losing money followed closely by the prospect of making a quick buck. Either one can cloud judgement and prevent you from thinking clearly about how buying or selling an investment affects your overall portfolio and long term financial plan. Sticking to your financial plan, dollar cost averaging strategy and diversified approach to investing are several steps you can take to limit the influence of emotions on your success as an investor.



Saving for Post-Secondary Education

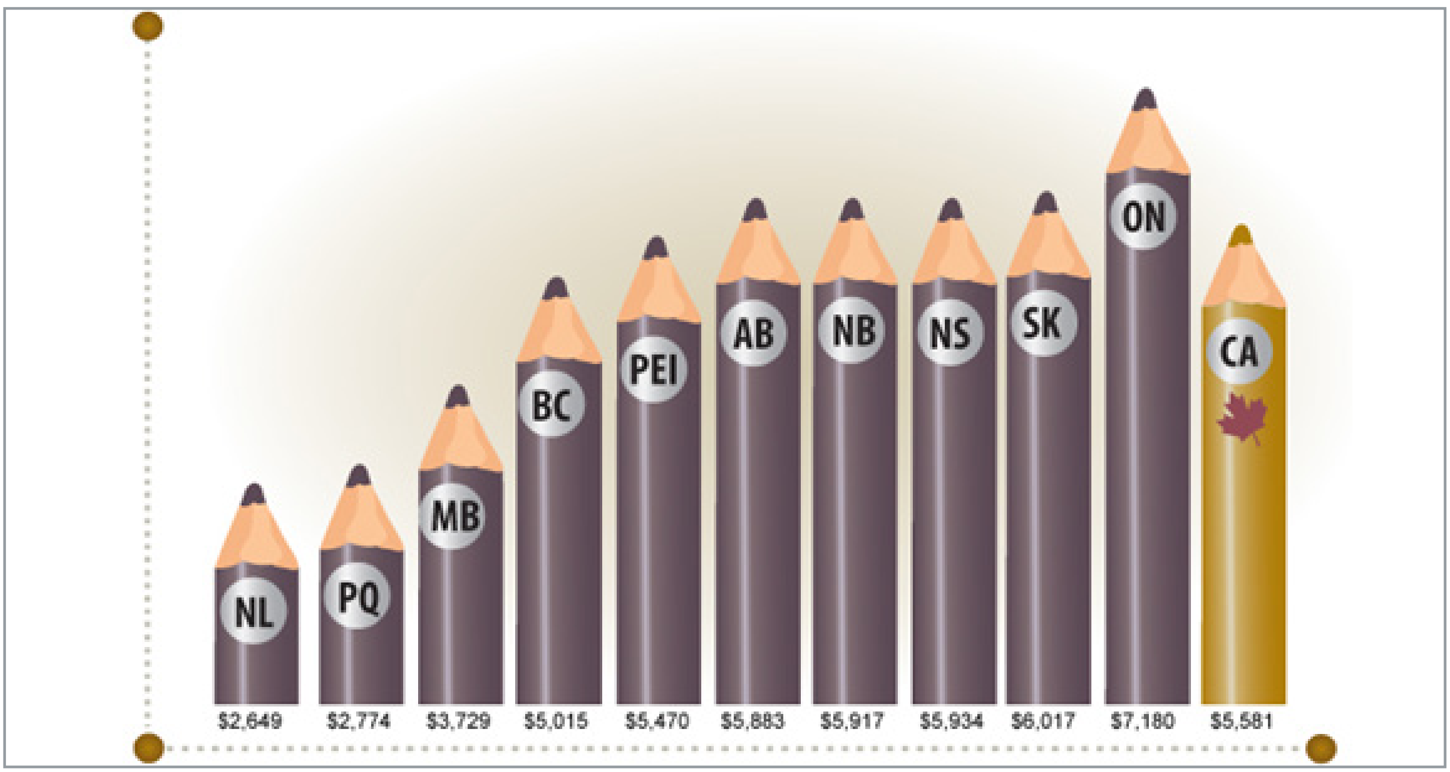
Post-secondary education in Canada has quickly become the norm rather than the exception. Most parents would like their children to pursue some sort of post-secondary schooling, and would like to do all they can do help them through it. What some parents are finding is that the rising cost of education is impacting their own ability to save for retirement, or to retire while children are still going through school. Provincial loans are available to help bridge the gap; however, some children may not qualify because their parents make too much money.

Registered Education Savings Plans (RESPs) are the government's solution to encourage further savings by parents to help fund their children's post-secondary education. RESPs are not a specific investment, but a vehicle used to hold a variety of investments and shelter them from taxes. Contributions to an RESP grow tax-free, but unlike RRSPs, they are not tax deductible. As an added incentive, the government will provide a grant (Canada Education Savings Grant) matching 20% of annual RESP contributions up to $2,500 per child. A lifetime maximum of $7,200 of grant money per child applies.

The challenge that we see is that parents are not able to save enough! The current cost of four years of post-secondary education is about $53,000 in Canada*. In 18 years, this will rise to $107,500 if education costs increase by 4%/year, and to $225,081 if costs increase by 8%/year. According to CBC News, over the next four years, annual fees at Canadian universities are projected to rise by 13%, on average. This is an enormous financial stress for students and their families. If provincial funding is not available, what does that mean for parents?

FACT: Between 2000 and 2010, the Consumer Price Index rose 22%. Over the same period, tuition fees increased on average by 51%. *(Source: Canadian Federation of Students.)*

Tuition Fees by Province 2012/2013*



*Source: Ativa Concept Toolkit 2015.

Here are some ways to combat the costs of post-secondary education:

1. **Live at home.** Although not ideal in all situations, living at home can help reduce the burden on the additional cost of living.

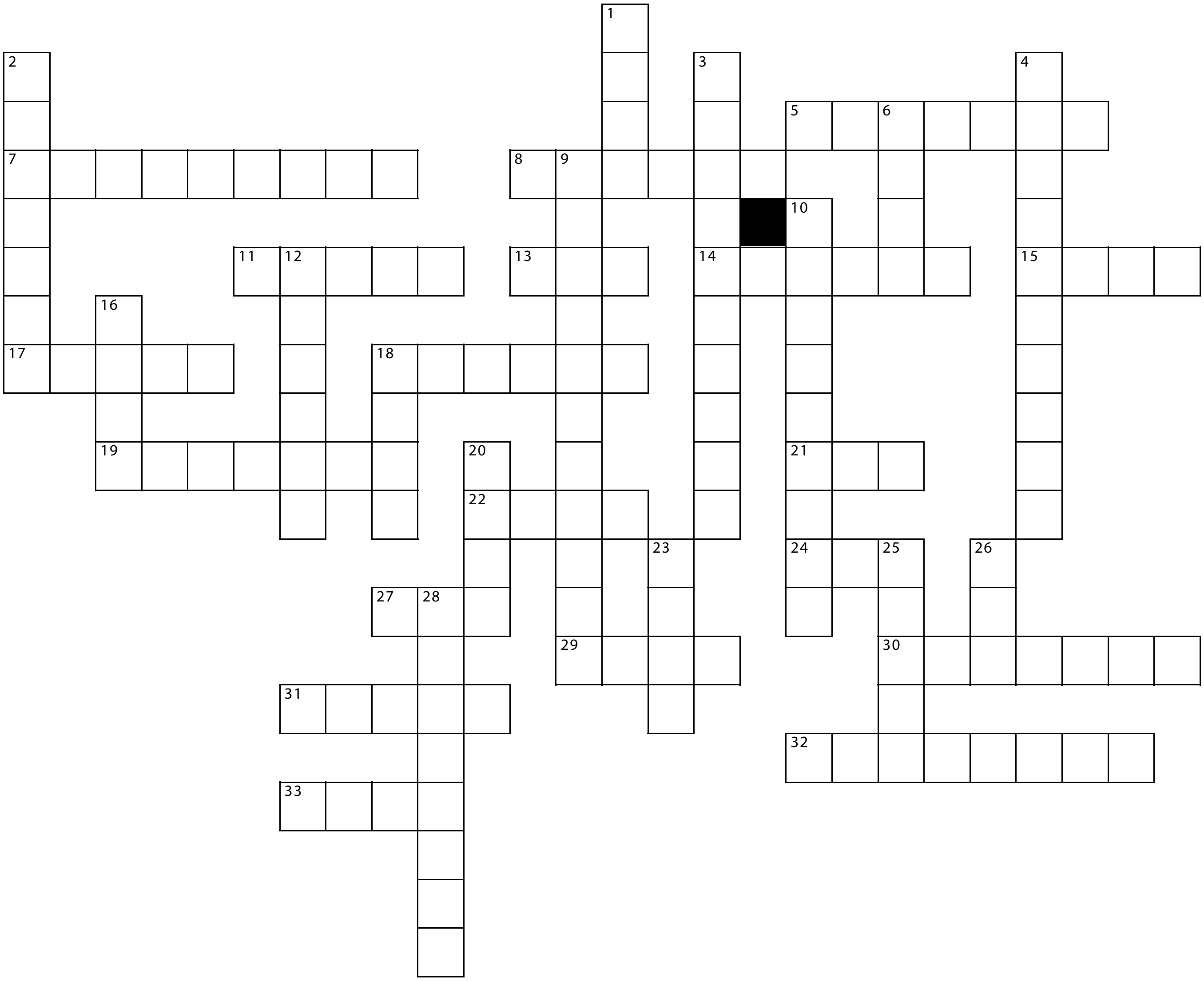
2. **Encourage part-time work.** Teaching your children to take responsibility for their future is an important and invaluable lesson. This will also help them to take their schooling more seriously as they have a vested interest in their own education. Getting started during high school will help them to get a leg-up on their savings.

3. **Plan to increase regular RESP contributions.** If your budget allows, increase your monthly contributions to RESPs, even if it pushes you over $2,500 per year. There is no annual maximum for RESPs. The lifetime maximum for RESP contributions is $50,000.

4. **The sooner, the better.** If you contribute larger sums to the RESP earlier, you will have more years of tax-sheltered, compound growth. For example, by contributing $50,000 over 2 years upon the birth of a new child, assuming a 6% growth rate, the RESP would grow to $140,000 by age 18. Compare this to making annual RESP contributions of $2,500 per year, and this amounts to more than $45,000 of additional growth.

5. **Save your tax refund.** Want to make more contributions but don't know where to find the money? Take the tax refund that you get from making RRSP contributions and apply it to the RESP.

Tease your Financial Brain



Across:

5. The Ontario Government is proposing a new mandatory __________ plan to ensure that Canadian Seniors have more stable income at retirement.
7. The rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling
8. Proper ________ planning can help to reduce probate fees and taxes upon death
11. Corporate ______ bond funds provide a unique structure
21. ______ and hold
22. _____ of 72, how long it takes for you to double your money
24. Darren and Andrea have this certification
27. Measure of the health of a country's economy
29. "______ comes from not

Down:

1. Canadians are running the highest ratios of ______ -to-income in history.
2. People not to compare yourself to when making investment decisions
3. When you move from an RRSP to a RRIF, the only difference is that you must make a minimum _________ each year
4. A measure for the variability of returns
16. Your family ______ is considered a tax-free asset
18. a debt investment in which an investor loans money to an entity which borrows the funds for a defined period of time at a variable or fixed interest rate
20. A contribution to this type of account gives you a tax deduction
23. Bonds mathematically _______ money when interest rates increase.
25. An emotion instilled in the hearts of investors by BNN

which converts interest income earned from bonds into capital gains

13. When money is withdrawn from an RESP for the purposes of providing funding for tuition, the withdrawal is called a(n) ______
14. Someone on the Coleman Wealth team who really loves minibikes
15. A type of investment vehicle in which investments have tax free growth and from which withdrawals can be made tax free
17. A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.
18. Create one to monitor cash flow
19. Tax _______ is an illegal practice, whereas tax deferral is a common planning practice

knowing what you're doing" - Warren Buffett

30. When markets are going through rough patches, the hardest thing for an investor to do is ________.
31. Maximum $500 per year per beneficiary of an RESP
32. Old Age _________ provides up to $550/month in benefits to seniors over age 65.
33. _______ vs. buy, an important analysis to do when considering your next home

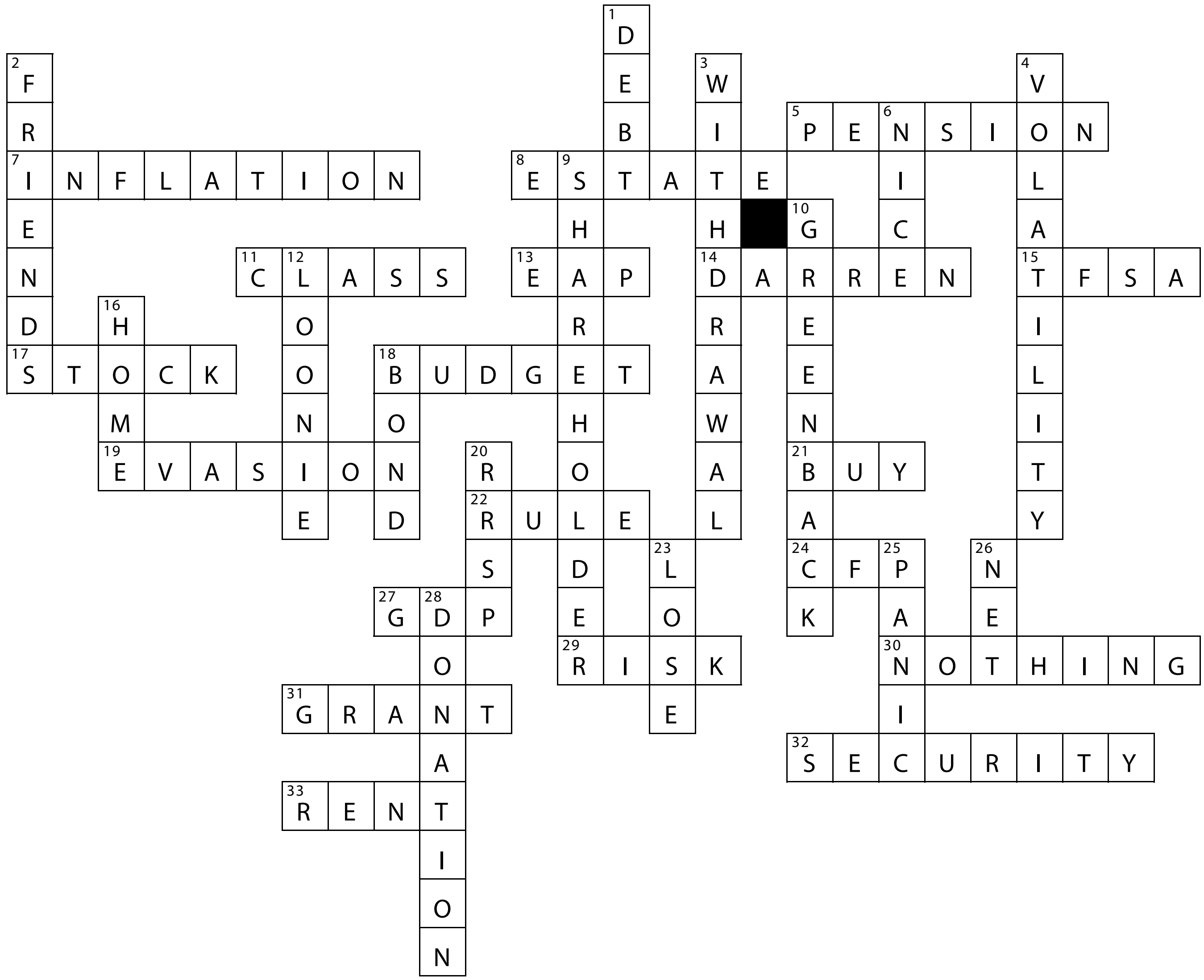
for a given security or market index

6. We only work with clients that are ______
9. An owner of a company
10. Slang for US currency
12. A Canadian dollar

and other news outlets

26. Assets minus liabilities = ___ worth
28. A charitable _________ makes a gift to a beloved charity and also helps to offset taxes

Tease your Financial Brain



Across:

5. The Ontario Government is proposing a new mandatory __________ plan to ensure that Canadian Seniors have more stable income at retirement.
7. The rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling
8. Proper ________ planning can help to reduce probate fees and taxes upon death
11. Corporate ______ bond funds provide a unique structure
21. ______ and hold
22. _____ of 72, how long it takes for you to double your money
24. Darren and Andrea have this certification
27. Measure of the health of a country's economy
29. "______ comes from not

Down:

1. Canadians are running the highest ratios of ______ -to-income in history.
2. People not to compare yourself to when making investment decisions
3. When you move from an RRSP to a RRIF, the only difference is that you must make a minimum _________ each year
4. A measure for the variability of returns
16. Your family ______ is considered a tax-free asset
18. a debt investment in which an investor loans money to an entity which borrows the funds for a defined period of time at a variable or fixed interest rate
20. A contribution to this type of account gives you a tax deduction
23. Bonds mathematically _______ money when interest rates increase.
25. An emotion instilled in the hearts of investors by BNN

which converts interest income earned from bonds into capital gains

13. When money is withdrawn from an RESP for the purposes of providing funding for tuition, the withdrawal is called a(n) _____
14. Someone on the Coleman Wealth team who really loves minibikes
15. A type of investment vehicle in which investments have tax free growth and from which withdrawals can be made tax free
17. A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings.
18. Create one to monitor cash flow
19. Tax ______ is an illegal practice, whereas tax deferral is a common planning practice

knowing what you're doing" - Warren Buffett

30. When markets are going through rough patches, the hardest thing for an investor to do is _______.
31. Maximum $500 per year per beneficiary of an RESP
32. Old Age ________ provides up to $550/month in benefits to seniors over age 65.
33. ______ vs. buy, an important analysis to do when considering your next home

for a given security or market index

6. We only work with clients that are _____
9. An owner of a company
10. Slang for US currency
12. A Canadian dollar

and other news outlets

26. Assets minus liabilities = ___ worth
28. A charitable ________ makes a gift to a beloved charity and also helps to offset taxes

Coleman Wealth

40 King St West, Suite 5300, Scotia Plaza, Toronto, ON

Darren Coleman PFP, CFP®, CIM®, FMA, FCSI, *Senior Vice President, Private Client Group Associate Branch Manager, Portfolio Manager*

T: 416-777-7158 | darren.coleman@raymondjames.ca

Andrea Thompson CFP®, CLU, CHS, CDFA, *Senior Financial Planner*

T: 416-777-7031 | andrea.thompson@raymondjames.ca

Pedro Ostia-Vega, *Financial Advisor Associate*

T: 416-777-7159 | pedro.ostiavega@raymondjames.ca