T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

SEPTEMBER 2015

In This Issue:

75 is the new 65

When can I retire? This is one of the questions that I am asked most by clients. It would be nice if there was a single answer to such a seemingly simple concept, unfortunately the answer is as diversified as are the individuals asking and the influences on that decision just as mixed.

Perhaps in Canada over the last 30 or 40 years, the strongest inputs on when retirement is expected have been government policy that has favoured the age of 65 and a certain level of successful commercialism that was first promoted by London Life in 1989 with their classic "Freedom 55" sales promotion. The creation of expectation. The government needed a set standard on which to base social policy and economic decisions and that insurance company among many financial firms wanted as much money as possible funnelled into their investment products.

Unfortunately for most people, the notion of retiring at 55 has been more of a dream than a reality. Even London Life has repositioned themselves as those ages are now either unobtainable or irrelevant in an environment where perspectives are changing. An Ipsos Reid survey conducted in 2010 suggested that only 28 per cent of respondents expected to obtain this "Freedom" by age 66. The other 72 per cent are obviously reassessing their situations or are simply no longer opting to retire as they have not accumulated adequate resources to fund retirement.

However for many potential retirees, the concept of retirement may be one of the by-products of the 20th century industrialization process that in the larger scheme of things, simply doesn't fit the realities of today's society. Traditionally retirement, particularly for baby boomers, meant that after a period of working and asset accumulation lasting until the arbitrary age of 65 or 55, if you bought into the "Freedom 55" scenario, an individual could then stop work and live off the proceeds of their assets and pensions. The perceived and promoted view of life after retirement was golf, time at the cottage and quality interaction with grand kids, family and friends. The general theme was relaxed bliss with perhaps some time to travel the world, spend the winters down south or take up new hobbies. It is no wonder the term "golden years" held so much comfort for those who had spent years working often at labour intensive careers.

However, there are some factors occurring that are making this whole view of retirement a little less compelling or even viable. First and foremost, people are living longer. When the government introduced the age of 65 as the threshold for receiving benefits in 1965, the average life span of a man was in the mid 60's with men being the predominant gender in the workforce. Consequently, those wanting to collect any benefits had to outlive that average age by at least 3 years. Today life expectancy has ballooned to 80.7 years for men and slightly more for women while women have continually increased their participation in the work force. Two income families have also become the norm whereas in 1965 the majority of women were relegated to the home.

T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

75 is the new 65 - continued

Today people are living past these historical expectations and are being productive much longer. Age 65 is no longer considered old, and in many cases, doesn't even vaguely represent the ability of a person to function as a valued employee, company owner or new entrepreneur. There are an increasing number of people over 65 still working very productively and collecting their pensions. There are also many more of these individuals running viable companies or in some cases, starting new companies. In fact, Canada's workforce is aging creating a potential labour shortage of skilled and experienced workers. These potential retirees may experience an increased demand for their services.

Actually if a person has their health, there are several good reasons to carry on working. A work place is generally a social venue with developed personal relationships and consistent expectations. For many people, loss of this environment is an unnecessary change in personal status and wellbeing. But perhaps even more important, there are economic costs. Retirement initiates the draw on resources and assets. Each extra year of work gives the potential of more savings from income and allows more growth of existing savings. Let's not forget that the new prescribed deferral payments in CPP and OAS benefits are also a contributing factor for potential retirees delaying their retirement.

Another consideration is the nature of the actual work being done. In 1965, work was predominately manual. Today work is more knowledge based and service oriented. In both cases, this is much easier on the health of the individuals involved and puts more value on experience. For many, the reasons to retire are diminishing and it appears many of these potential retirees will not formally retire and may opt to work, work a little less or take up new vocations.

Quite clearly this discussion might be enlightening and provide some perspectives, but it will not provide a definitive answer to the original question of "When can I retire?" As always, a thorough examination of the options and resources available to each individual or family grouping is required.

As a Financial Advisor, I believe retirement planning in whatever form is an ongoing process. If you are assessing your options and developing future planning – my feeling is that we should be discussing this question and developing the best informed plans.

THE SECOND OPINION

Recently a couple was referred to me by a long term client. This gentleman felt that I could offer his good friends a second opinion about their investment portfolio and their future planning. These individuals were very unhappy and frustrated with their current Advisor. Unfortunately, this is something that happens a bit too often in Advisor/client relationships.

Inevitably after a discussion, some considerate questioning and sympathetic listening, the issue became clear. This referred couple's concern was not generated specifically from the performance of the portfolio or investments, but rather from communications about the investments and the timely responsiveness to concerned enquiries. The lack of appropriate communications is characteristically the situation that most annoys clients and generates the unease that encourages people to seek out a new Advisor.

Although performance is important that aspect of your future planning should always be weighed against what your actual plan was formulated to produce in the longer term. Performance should never be the sole reason for seeking out another Advisor. Comparing your returns to your neighbours or a relative is hardly relevant if the general format, risks and financial circumstances are quite different. Secondly, developing in retrospect a more appealing investment strategy is hardly challenging. Unfortunately, it is very common for Advisors seeking your business to offer these "second opinions" which will always appear to be much more rational and performance oriented.

As an Advisor I take my vocation very seriously and as such I feel that I need to be on top of what my clients expect and need from my services (within reason). I also presume that my clients would be forthcoming with what their expectations and needs would be from me. By having an open relationship with clients where good communication and listening skills are paramount, this inevitably leads to a long term partnership and a strong foundation that enhances their financial well-being.

T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

MY GRANDFATHER'S ADVICE ABOUT THE BANKS

My young niece recently opened her first bank account. Naturally for everyone concerned, this is a good sign of developing responsibility and the initiation of good financial habits. Her telling me with such pride made me pleased and happy for her. I can still remember my first experience with starting a bank account. CIBC was my choice of banks, mostly because it had a branch closest to my home.

The concept of saving and being wise with my money had been instilled in me since I first realized what money was. I was very proud of myself and of course, felt very grown up. I announced to my grandfather in a fit of accomplishment what I had done, knowing full well he would enthusiastically approve. He was a very endearing with the kindest manner for his grandchildren, but was also renowned throughout the family for his frugal attitudes and clever money management. My grandmother used to say he could "make a penny squeak." As a child, I never really understood what that meant nor did I understand something else he said, which was "It is very good to have money in the bank. That shows good sense, but just remember someday you want to own the bank." Knowing how intimidating it was just to go into the local branch, I couldn't imagine how I could ever own the bank; and equally as important inform the very large bank manager that I was his new boss.

Yet, today I do own the bank. Not all of it, but like many other Canadians, part of several.

Fortunately as I got a little older, I was able to ask my grandfather what he had meant. His reply was simple. He explained that the bank made a profit from me putting money in a bank account. So by owning shares in the bank, I would share in the profit they were making on my very own money. He said over time, the risk was no greater owning the bank than depositing money in the bank. I have never forgotten those thoughts.

Of course in retrospect, history has shown he was absolutely correct. Interest rates have been on a pretty steady decline since about 1982 but have averaged about 6 to 7 percent over the last thirty to thirty five years. Needless to say, today we are at near historical lows, so a cautious individual would generally anticipate that rates will rise over the foreseeable future. At a 6 to 7 percent return deposited money will double every 10 to 12 years. If you are of the mindset that current rates will stay low – well at 2 percent, it will take 36 years to accomplish the same thing if investing in a fixed income product. Perhaps a little discouraging.

However had I bought the bank, the outcome have been dramatically different. My initial deposit was $100 in early 1982. If I had left the money untouched, today there would be about $400 in my account generated through accrued interest on the principal. However, using CIBC's historical share index calculation (minus any service fees), had I put the same amount of money into CIBC shares, those would now be worth about $2105. Over 5 times as much. Not only did my grandfather know how to make a penny squeak, he could also make dollars multiply.

So you can understand why I not only congratulated my niece, but added these words from my sage old penny pinching grandfather, "That's wonderful but just remember, it is very good to have money in the bank. However someday you want to own the bank." I am almost certain she does not completely understand the concept, any more than I did at that age. Nonetheless, I remembered and I also hope she does. My sincerest wish is that you do also.

RAYMOND JAMES® | ISABEL OLIVEIRA
WATERFRONT WEALTH MANAGEMENT

T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

BUYING YOUR HOUSE AND WINNING THE LOTTERY TOO!

This might seem a little farfetched to many people who may have never considered this type of very happy sounding scenario as being realistic. It may also be a little irritating to anyone who has spent thousands of dollars on lottery tickets and still has annoying mortgage payments that seem to drag on forever. Although I cannot guarantee winning the lottery, I can assure you that some good financial management can generate the next best thing.

Most people when they contemplate purchasing a house for the first time or when they anticipate up sizing will go to a bank or other lending institution to ascertain the size of mortgage they are able to obtain. In fact, virtually all real estate agents will recommend this as does the lending firm. In a sense, this is a unique circumstance concerning the largest purchase most of us will ever make. We would never consider purchasing a television, coffee maker or a new outdoor set with the same frame of mind. We would set the purchase well within our budget and undoubtedly with a real concern for value. Some of course will say, you can't compare the purchase of a coffee maker with a house. The house is an investment. Exactly.

If you look at the purchase of a home from a money management perspective rather than an income qualifying exercise, a completely different scenario can be developed. We must remember both the real estate agent and the lending institution want us to make as high a financial commitment as possible. This is in their best interest, but possibly not yours.

So let us deal with an example. This is a concept so the math calculations have been rounded and may not be 100% accurate. Nonetheless, they will be close enough to make my point.

You decide to purchase a home. Your lender says you qualify for a $360,000 mortgage if you can make a 10% or $40,000 down payment. Thus you can purchase up to a $400,000 home. The mortgage will be for 25 years at 4% giving you a monthly obligation of approximately $2100. After some careful calculations you feel this will be manageable and you rest at ease knowing 25 years down the road you will be having a mortgage burning party on a home you completely own!

However, after some second thoughts you decide on another approach. Rather than mortgaging on a $400,000 dollar home you decide to opt for a home valued 10% less than this – so $360,000. Still a nice home, yet a little less expensive. You still put down your $40,000 so your mortgage amount is $320,000 with a payment of approximately $1900 per month at the same 4%.

Your spouse who is one of the wisest people you have ever met says, if we qualified to make a $2100 payment, why don't we do that instead of the $1900? Surely that will pay off our mortgage sooner? Of course this is perfectly correct. The mortgage will now be paid off in just over 20 years, 5 years sooner and saving $126,000 in payments. It also saves over $50,000 in interest. And if you opt to pay bi weekly, this will save another 3 years, although there will be one extra payment of $2100 per year. Needless to say this becomes very intriguing when the same wise spouse says, if we were going to pay $2100 for 25 years but now only have to do it for 17 years, what would happen if we just carried on making the payments into an investment for ourselves for those 8 years of payments we saved?

T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

BUYING YOUR HOUSE AND WINNING THE LOTTERY TOO! - continued

Well at a nominal 5% return on your investment after 25 years you would own the house and have approximately $235,000 in your investment. Needless to say the scheduled mortgage burning party would be a good deal more affluent and joyous.

$235,000 might be a meagre lottery winning amount if your lottery ticket ambitions were in the multi millions. But being realistic, the odds of winning the "big one" are about 15 million to one. The odds of making this house buying scenario and investment format work are approximately 100% (give or take a few basis points) and even a $235,000 win would be, well, life changing for many people.

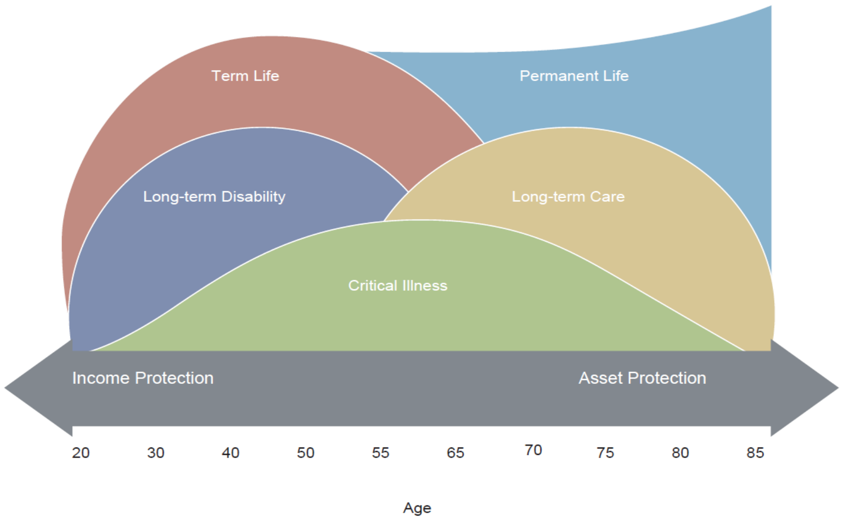
With a good Financial Advisor, you might also find that a 5% scenario is a little pessimistic. But the real exercise is to understand and use proper financial management. It really pays and saves.

CRITICAL ILLNESS INSURANCE

Getting sick isn't something any of us like to think about. But it can happen. Thanks to improvements in healthy living and medical science, there is a good chance you can recover and get on with life.

Over the course of your life, your insurance needs change

In your younger years, when income is typically low and debt is high, term life insurance can be a great option. Then as you age and your income typically increases, so does your need for more coverage. At this time a more robust, permanent insurance product might be a better fit. Through all of life's stages is the concern that you could develop a serious health issue.



1455 Lakeshore Rd. Unit 204S Burlington, ON, Canada L7S 2J1

T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

CRITICAL ILLNESS INSURANCE - continued

Being ill or injured can be emotionally and physically devastating. It can also lead to significant and unexpected costs that may not be covered by your provincial or employee health plans. That's where additional coverage can help.

Critical illness insurance can provide you with a lump sum payment if you suffer from one of the covered critical illnesses and satisfy the waiting period. The money is yours to use however you like.

For example:

- Help pay your medical bills and prescription costs
- Pay down your mortgage
- Allow your spouse to take time off work
- Hire extra childcare or a caregiver to help you out at home

1. **Premium for $100,000 of coverage for a 45 year old, non-smoking female, level cost for ten years**:
   - A critical illness policy with these underwriting parameters can start at as low as $65 per month or approximately $700 per year.

2. **Optional benefits:**
   - A critical illness policy can be structured in such a way where you can have coverage for the rest of your life, have it paid up early, and/or get all your premiums back if you do not make claim.

3. **The covered illnesses:**
   The following 24 illnesses are from a Manulife Critical Illness Insurance brochure,

Aortic surgery
Aplastic anemia
Bacterial meningitis
Benign brain tumor
Blindness
Cancer (life-threatening)
Coma
Coronary artery bypass surgery
Deafness
Dementia, including Alzheimer's disease
Heart attack
Kidney failure
Loss of limbs
Loss of speech
Major organ transplant
Major organ failure (on waiting list)
Motor neuron disease
Multiple sclerosis
Occupational HIV infection
Paralysis
Severe burns
Heart valve replacement or repair
Stroke
Parkinson's disease and specific atypical Parkinsonian disorders

RAYMOND JAMES | ISABEL OLIVEIRA
WATERFRONT WEALTH MANAGEMENT

T.F. 1.844.549.1900 | T. 905.333.1920 | Isabel.oliveira@raymondjames.ca | www.raymondjames.ca/isabeloliveira

CURRENT MARKET OBSERVATIONS

August was a very volatile month for both the Global Bond and Stock Markets. While the overly exaggerated devaluation of the Chinese currency was a catalyst for the confidence scare, the real reason for the US selloff is the nervousness pertaining to a potential hike in U.S. rates. The U.S. economy is addicted to a low interest rate environment and any threat of raising rates throws the markets into a tailspin. The market turmoil will continue in the future until this fear subsides.

Canada's benchmark equities index was down 5.4 per cent in August, which is its worst monthly performance in over three years. The resource-rich Canadian benchmark equity gauge has been one of the worst-performing developed markets in the world this year amid a collapse in crude price.

Below is a list of my current observations and what I see coming in the next couple of months:

1. Expect volatility in the markets to continue for the next several months. The U.S. Dollar should remain strong with some reversals along the way which means downward pressure on commodity prices, inflation and the Canadian Dollar. But keep in mind that market dips may present buying opportunities for an investor.

2. The Bank of Canada has declared itself data-dependent, so it will wait for the day when the growth picture definitively points in one direction or the other (I still believe we are heading into a recession if we are not already in it). And given the growth outlook, we should expect the Bank of Canada will face further pressure to ease rates. The Bank of Canada may face further pressure to cut rates.

3. Canadian equity performance will continue to struggle from reduced business profitability and a weak economic outlook. Slow-but-steady growth in the US economy should support modest advances in US stocks.

4. Comfortably low inflation is good news for businesses and consumers, and lending some support to stocks. But the bigger impact may be felt in European stocks, which stand to benefit from further ECB easing.

5. I still favour stocks over bonds but bonds are still needed in portfolios to offset market corrections.

6. U.S. and European stocks can climb higher, but investors should expect a bumpier ride and should not count on the double-digit gains of the past few years. Better value exists overseas particularly in Europe and Japan.

In conclusion, by having a diversified portfolio, you don't need to fret over the market's day-to-day swings. Most market declines don't turn out to be much more than a blip on a long-term chart headed upward along with companies' earnings and cash flow. Most corrections never turn into full-blown bear markets – and corrections pass soon enough. A little pain is a small price to pay to enjoy the long-term money-generating power of the market.