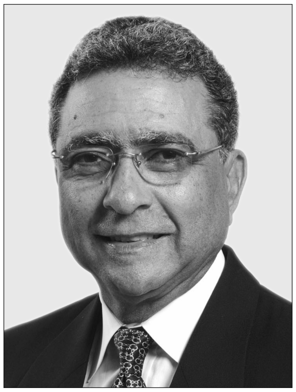
The Perspective

500-710 Dorval Drive



Raymond E. Jackson, CPCA
Senior Financial Advisor
Senior Life Insurance Advisor

Simon J. Jackson, CPCA
Senior Financial Advisor
Life Insurance Advisor

Manulife Securities Incorporated
Manulife Securities Insurance Inc.
500 – 710 Dorval Drive
Oakville, ON L6K 3V7
Telephone: (905) 849-4700
Fax: (905) 849-7626
Email:
Raymond.Jackson@manulifesecurities.ca
Simon.Jackson@manulifesecurities.ca
Website:
www.jacksonfinancialplanninggroup.ca

Are you contributing to your Tax-Free Savings Account (TFSA) this year? An extra $500 has been added to the 2013 contribution limit! With this inflation adjustment, the total limit is $25,500, making the TFSA more powerful than it's ever been. The major wealth-building benefit of a TFSA is that your investment income and growth is tax-free…forever. You can take the money out — with no taxes to worry about. And remember, even if you haven't contributed the maximum each year, you can still carry it forward for as long as you like and catch up at any time.

FOCUS ON INSURANCE

Fairness means peace for your heirs

Distributing assets equitably among heirs can sometimes be a challenge, especially if there is a valuable family asset that you wish to bequeath to one person.

To help ensure that your most valuable assets are distributed fairly, consider life insurance as one solution to avoiding future family conflict.

Let's say you wish to leave a substantial asset, such as your lakeside cottage, to the child who is most interested. To be fair to the other siblings, consider naming them as beneficiaries of a life insurance policy with a benefit of the same monetary value.

What if your primary asset is a family business? You can use a life insurance policy and name as beneficiary the family member who is already involved in running it, while also providing a benefit of similar value to other heirs who are not active in the business.

If a cottage has greatly increased in value or a family business has grown substantially, there may be large capital gains tax to pay if it is sold or transferred to an heir. Be sure there is sufficient coverage to pay for any capital gains taxes that might be due. Life insurance can also be used to pay off any debts against the property or business.

Remember to review the amount of insurance coverage you have from time to time to ensure that it keeps pace with any increase in the value of your assets and can cover off any associated taxes.
Ask us how we can help you develop an equitable estate plan. n

Time to take on more risk in a quest for yield?

Typically, investors pursue fixed-income mutual funds to add an element of relatively steady, dependable income — without a lot of risk — to their portfolio. However, the staid comfort of "safety" sometimes comes with its own price in the form of lower potential returns, particularly in a low-interest-rate environment.

For those on a quest for yield, take a look at high-yield bond funds.

MUTUAL FUNDS

How to get high yield potential

Higher earnings potential always means higher risk. While regular fixed-income funds hold high-quality, low-risk corporate and government bonds, high-yield bond funds contain high-yield bonds.

These bonds typically offer better interest rates than traditional bonds because of the higher risk associated with the corporation issuing the bond. Perhaps the company has an existing high debt ratio or has experienced recent poor financial performance. To attract investors, the corporation offers higher rates.

High-yield bonds are rated by independent agencies (for an explanation of therating system, please see "What bond ratings mean") below investment grade, because the issuing corporation of the bond has higher risk factors.

Mutual fund strategies

On their own, high-yield bonds are risky. A high-yield bond mutual fund, however, reduces that risk somewhat by holding bonds issued by many companies. If the fund includes a mix of high-yield and traditional bonds, the risk is lower still, because the portfolio is diversified across investment-grade and below-investment-grade bonds.

High-yield bond funds can boost the return of the fixed-income segment of your portfolio. But they also increase the risk. Before deciding if high-yield bond funds are for you, here are some things to consider:

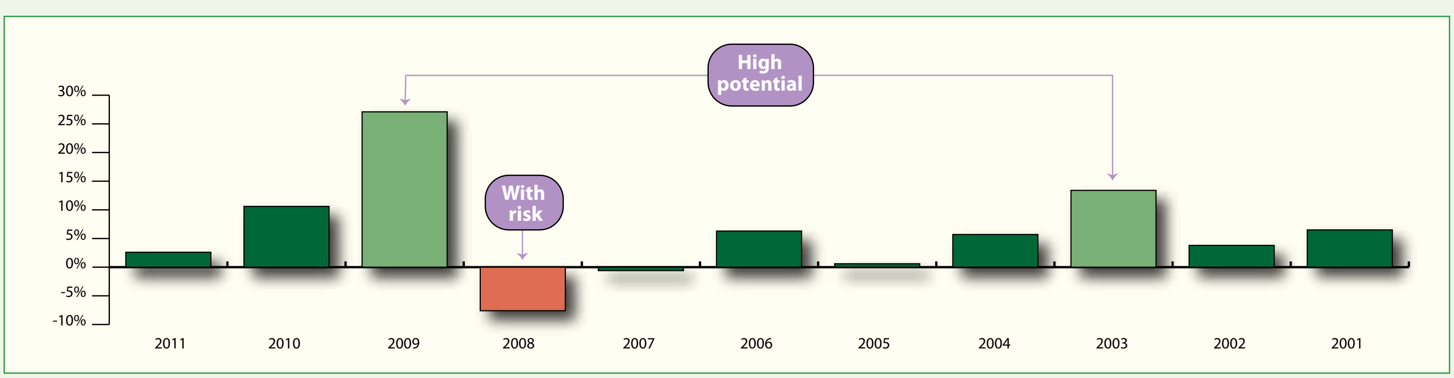
- **Your risk tolerance.** If you're willing and able to accept higher risk, you might want a fund that invests heavily in high-yield bonds, thereby increasing your potential returns. But if you're more conservative, you might want to stay with traditional bonds.
- **Your time horizon.** If you buy a bond fund that has a large proportion of high-yield issues, consider it a long-term investment. High-yield bonds can have sharp fluctuations in price in the short term.
- **Be prepared for volatility.** Remember that high-yield bonds may be among the first types of investments to suffer in an economic downturn. That's because in a declining market, many investors move their money to what they perceive to be the highest-quality, lowest-risk investments. Prices can drop quickly if investors start selling off their high-yield bonds.
- **Keep things in balance.** Bond funds should be just one part of a mutual fund portfolio that includes all asset classes. And high-yield bond funds should be just part of your total fixed-income holdings.

The potentially higher returns of high-yield bond funds can boost the overall returns of your bond holdings, while the safety of traditional bond funds can minimize the greater risk of the high-yield bonds.

High-yield bonds present an opportunity to increase your potential returns. Together, we can plan your investments to ensure that the bond segment of your portfolio continues to provide stable, reliable returns. ■

High-yield bond funds: Great potential, but there's risk too

Average annual returns for the High Yield Fixed Income mutual funds category show how these higher-volatility investments can achieve attractive returns.



Source: *Globe Fund 15-Year Mutual Fund review*, Dec. 31, 2011 (http://www.globefund.com/review/20111231/TABHYB_3.html)

RETIREMENT PLANNING

Saving for retirement? Put it in your piggy bank

It's been coined the "Piggy Bank Index" in a report* by the C.D. Howe Institute — the amount of money you need to save to have the quality of life you want in retirement. How do you determine if you're saving enough?

How much do you need to save?

If your goal is to have $1 million saved by the time you retire at age 65, how much you have to contribute every year depends upon how soon you start and how your investments perform.

To reach $1 million in savings by the time you're 65:				
at Age:	35	40	45	50
You must contribute:	$8,827/yr	$13,679/yr	$21,852/yr	$36,830/yr

Based on an 8% average annual compound return; contributions made at the end of every year.

What kind of lifestyle do you envision?

We invite you to discuss with us the kind of retirement lifestyle you want before settling in on any numbers and determining what your post-retirement income should be. Once we know your plans for the future, we can look at a number of things that affect how much you need to save, such as:

- Given the current economic outlook, what are reasonable assumptions for long-term investment returns and inflation?
- Is your life expectancy assumption reasonable? On average, Canadians are living longer than ever.
- Are you able to increase your regular savings?
- Are you thinking of post-retirement part-time work?

We can tie all these together to establish a savings and investment plan to deliver on the retirement plan you want. Together, we can help you determine how much you need to put in your retirement piggy bank. ■

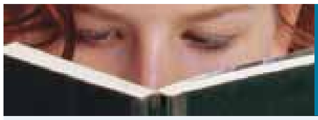
**The Piggy Bank Index: Matching Canadians' Saving Rates to Their Retirement Dreams.* David A. Dodge, Alexandre Laurin, Colin Busby, March 18, 2010.

TAX PLANNING

Tax credit? Let it ride

As tempting as it may be to take advantage of every possible tax credit or deduction available to you on your annual income tax return, here are two situations in which putting off your claim might put more money in your pocket.

- **RRSP contributions**: If you anticipate that your taxable income will be increasing enough next year to potentially put you into a higher tax bracket, you could defer your Registered Retirement Savings Plan (RRSP) tax deduction in whole or in part. Depending upon how much the deduction reduces your net income in that future year, the savings can be significant.
- **Charitable donations:** You can save your donations (up to five years) and claim a whole bunch in one year to get a greater benefit. Donation amounts over $200 generate a federal tax credit of 29%; below that it's only 15%. ■



FINANCIAL CLASSROOM

Your guide to the basics and how to benefit

What bond ratings mean

Independent rating agencies assess and grade Canadian and U.S. debt issues. In Canada, you'll typically see ratings from Dominion Bond Rating Service (DBRS), Moody's Investor Services, and Standard & Poor's. Their systems assess the creditworthiness of a bond based, in a large part, on their opinion on the likelihood of default. Ratings of "BB" all the way down to "D" by DBRS are considered non-investment grade, also known as "high yield."

AAA	Highest credit quality
AA	Superior
A	Good
BBB	Adequate
BB	Speculative, non-investment-grade; "vulnerable to future events"
B	Highly speculative
CCC/CC/C	Very highly speculative
D	A financial obligation has not been met

Source: DBRS

Have spendthrift offspring? Get control over payouts

Did you know that your life insurance policy offers you different settlement options? As the policyholder, you can choose whether your beneficiaries receive a lump sum or one of several annuity options.

If you're worried that one or more of your dependents will not be able to handle a lump-sum benefit, you can arrange for that individual to receive an annuity instead. Here's an example of the advantages.

Consider this scenario: You and your spouse have accumulated a substantial nest egg to pass on to your three children. Two of them have shown themselves to be financially responsible; however, your eldest child always seems to be short on cash, running up credit card bills and not managing his finances properly.

While you may feel comfortable leaving lump sums to the other two children, you're hesitant to leave so much money at once to your son, as you're concerned that he will burn through it right away.

With an annuity settlement, you can arrange for him to receive scheduled payments over a longer period of time, and a lump sum for your two other children.

When to choose a lump sum

A lump sum is well suited to cover any large, one-time tax liability associated with your estate. It is also beneficial if there are sizable debts to be paid that could erode the value of the estate, such as with a mortgage, line of credit, or business loans.

Leaving a lump sum to your beneficiaries gives them the flexibility to use the money as they see fit, perhaps paying off their mortgage and other debts, paying for post-secondary education, or investing for their retirement savings. It's important to consider the ability of the beneficiaries to manage a lump sum before settling on this option, however.

When to choose an annuity

With an annuity settlement option, your insurance policy will pay smaller, scheduled payments to your beneficiary (or beneficiaries) for a pre-selected period of time or even over their lifetimes.

An annuity settlement is beneficial when you need to provide an ongoing income stream — for example, to replace the deceased's salary. An annuity allows you to retain some control over how and when the payments are made. If you have disabled children or beneficiaries with special needs, an annuity can guarantee them a regular income stream for a fixed number of years or for life.

The benefits of life insurance

Whether you choose a lump-sum payment or an annuity, proceeds from an annuity are paid directly to your beneficiaries, bypassing probate. In some case, your heirs could start receiving income within a few weeks of your death.

At some point in the future you may decide you want to change the settlement options in your life insurance. You can convert an annuity to a lump-sum payment or vice versa. In most cases, there is no charge to do this. Talk to us and we can review your settlement options to determine the best approach for your estate planning needs. ■

FOCUS ON INSURANCE

Take care of your heirs, not just your mortgage

WHEN YOU BUY a house, most mortgage lenders or banks will ask if you want mortgage life insurance that will pay down the mortgage in the event of your death. Is this for you?

You may want to consider an individual policy that will take care of your heirs, and not just your mortgage.

Mortgage life insurance coverage is based on the initial amount of your mortgage. The death benefit goes to the lender to pay off the mortgage, so your family can stay in the home mortgage-free. No money actually goes to your dependents.

The amount of your coverage declines over time as you pay off the mortgage. Meanwhile, you keep paying the premium.

Protecting your dependents is the purpose of an individual term life insurance policy. The death benefit they receive is tax-free and bypasses probate. They can put this money toward their life expenses in any way they see fit — including paying off the mortgage.

When the term is up and you want to renew, you will undoubtedly have to pay more than you did at first, since you will be older. However, your mortgage will be lower and your children will be older, so you potentially won't need as much coverage.

We can help you secure sufficient coverage for your mortgage to meet your needs. ■