



Finance Forum



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With the new year comes RRSP time. Your RRSP offers the opportunity to save on your taxes this year and to make a commitment to your long-term financial security. Let's meet soon to fine-tune your plan. Together, we can put you firmly on the road to reaching your long-term retirement objectives.



Don't sacrifice RRSP growth by waiting to invest

In an uncertain economy, some investors make the mistake of avoiding equity funds while they wait for the "perfect" time to invest. Successful investing doesn't depend on timing the market. Even financial experts can't accurately predict what the markets will do on a daily, weekly, or monthly basis.

Opportunities are available at every stage of the economic and market cycles. There are always good mutual funds to be found that can provide solid performance and superior long-term growth potential for your Registered Retirement Savings Plan (RRSP).

Seek out quality. Be proactive by identifying specific assets, industries, countries, or global regions that you believe offer the best value and opportunities. Then, choose funds for your RRSP that concentrate on those areas. Another way to strengthen your RRSP is by selecting fund managers

with a good track record and reputation, and whose management style and investment objectives match your own.

Asset mix can have a major impact on performance and portfolio volatility. Review your mix of equity and fixed-income funds to ensure it's in keeping with your accumulation goals and risk tolerance.

Manage risk by staying invested. Making regular investment contributions means you'll always be invested. And making regular RRSP contributions is one of the best ways to do it. Systematic investing also helps to reduce volatility over the long term because you buy more units when prices are low and fewer units when prices are high. Staying invested means that your money keeps working towards your goals through all the highs and lows.

Call me to help you find quality RRSP investments, or set up an automatic contribution plan if you haven't already. ■

Does your RRSP need a new fund mix?

We all recognize that our needs evolve as we grow older. But change has a way of creeping up unnoticed. That's why it's important to review your Registered Retirement Savings Plan (RRSP) on a regular basis.

With another year behind us, and the RRSP contribution deadline just ahead, it's an ideal time to schedule a review. A key question for mutual fund investors is: Are you holding the right mix of mutual funds in your RRSP? Is it time to begin making adjustments in preparation for the next stage of your investing life?



Risk-return tradeoff

First, remember that mutual funds are a way to invest in various asset categories — not an asset category on their own. An equity mutual fund invests in stocks. A fixed-income fund invests in bonds and similar holdings. A balanced fund invests in both stocks and bonds. The key point is that your fund's performance depends largely on what it's invested in. When Canadian stocks do well, Canadian equity funds do well too. The same goes for other asset classes.

Historically, equity funds have delivered superior returns over the long term — but with greater volatility. Money market funds and fixed-income funds help to offset that volatility.

Juggling variables

How do we decide whether you have the right proportion of equity, fixed-income, and cash-equivalent funds in your RRSP for your current stage of life? We'll look at the following factors:

- **Accumulation horizon.** The farther from retirement, the longer you have to recover from a setback. As a result, young people can typically bear more risk than older people.
- **Drawdown horizon.** How long will your retirement run? This reflects your target retirement age and life expectancy. Worklife changes and health concerns for you and your spouse can easily affect your target retirement date. Health issues naturally affect your

longevity projection. The longer your retirement, the more capital you will need.

- **Target retirement lifestyle.** How much retirement income do you want? Your lifestyle today is probably different than 10 or 20 years ago. As we age, our wants and needs change.
- **Required rate of return.** If you have already accumulated a substantial amount,

you may need only modest returns from your retirement savings in order to meet your future needs. On the other hand, if you're behind in your savings, you may need to take on extra risk or consider adjusting your expectations.

- **Other sources of income.** Some retirees continue to work part time. Others may receive an income from a company pension plan.

All of these factors are subject to change as you progress through life's stages.

Do you have the right mix?

An old rule of thumb suggests setting your equity allocation by subtracting your age from 100. So you would be 70% in equity funds at age 30, 60% at 40, 50% at 50 and so on. But there's no one-size-fits-all solution. Indeed, one of the most valuable benefits of working with a financial professional is gaining expert insight into the mutual fund mix that best matches your unique situation.

With professional assistance, you can make sure that the mutual fund mix in your RRSP stays in step with your life. ■

Your RRSP checklist

Deadline

March 1, 2006 is the last day to make a contribution that you can claim on your 2005 tax return.

Foreign content

The 2005 federal budget abolished the foreign content limit. You can hold as much of your RRSP in foreign assets as is appropriate, given your risk tolerance and investment objectives.

Contribution limit

You may contribute up to 18% of the income you earned in 2004 to a maximum of \$16,500, less any pension plan contributions, plus your unused room from the past, if any.

Consider RRSP loans

You'll get a tax deduction for your contribution, and in most cases, the long-term benefit of tax-deferred compound growth will outweigh the short-term interest cost. Professional advice can help you decide whether borrowing is an appropriate choice for you.

MONEY INSIGHTS

Consider these New Year's resolutions

Keep your financial plan on track for 2006 and beyond with these five financial resolutions:

- 1 Set up automatic monthly RRSP contributions to help you reach your maximum in 2006.
- 2 Update your will, power of attorney for property, and power of attorney for medical decision-making.
- 3 Avoid credit card balances. If you can't pay in full at the end of every month, consider using a lower-rate line of credit instead.
- 4 Protect yourself, your family, and your property with insurance.
- 5 Take care of yourself. Poor health is the biggest threat to your financial plan. ■



INSURANCE

Do you have what you need?

When did you last review your insurance coverage? If you're like the majority — 61% of Canadians in a recent Ipsos-Reid survey — it's been more than a year. And that may not be sufficient. You should check your coverage at least annually and, more important, whenever there's a major change in your life. That includes marriage, the birth of a child, a home purchase, or a big career move. ■



The MONEY file

TIPS AND TACTICS TO HELP YOU GET AHEAD



FINANCIAL PLANNING

Canadians turning to professionals

Increasingly, Canadians are recognizing the value of consulting a financial advisor, says an Environics poll. Overall, the survey found that 43% of Canadians have advisors. The figures ranged from 46% of those aged 30 to 44 to 48% of those aged 60 or older. The polling firm expressed surprise that so many younger people have sought professional help, but concluded that by age 30, many Canadians find that their financial situation is complex enough to benefit from expert insight. ■

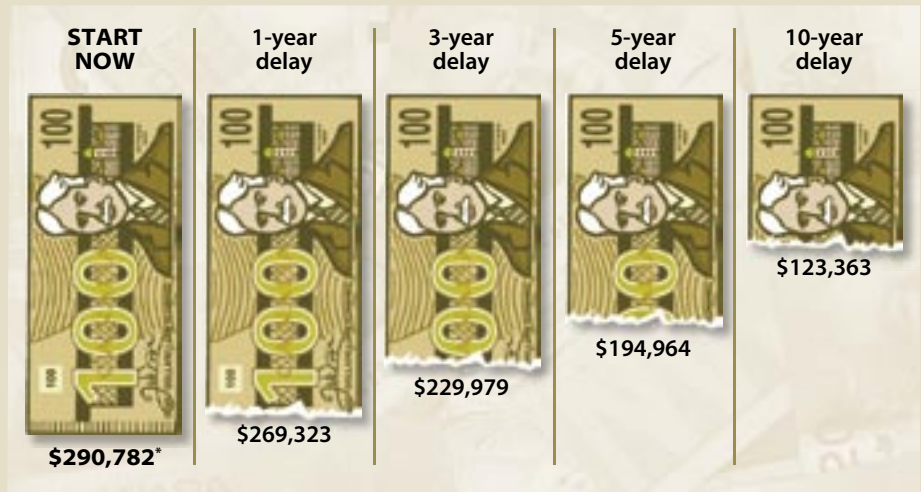


EYEOPENER

graphic evidence of how investing works

Time really is money

WHILE TAX DEDUCTION is attractive, the most powerful feature of a Registered Retirement Savings Plan (RRSP) is actually long-term, tax-sheltered compounding. That's why it's important to start contributing as soon as you can — and to keep contributing. ■



**Based on a 35-year-old investor contributing \$5,000 at the beginning of each year, and earning 6% compounded annually, until age 60. For illustrative purposes only. Actual returns may vary.*

Which mutual fund styles are right for you?

Equity mutual fund managers use a number of different approaches in selecting the stocks that make up a fund. Understanding these styles can help you choose the types of funds you're most comfortable with.

In addition, by choosing funds with different styles, you can diversify your equity portfolio by more than just asset class and geography.

The following are some of the most commonly encountered mutual fund management approaches:

Top down

Top-down managers start by analyzing the big economic picture, looking for industries and sectors that are likely to do well at a particular stage of the business cycle.

Once the analysis is complete, they select leading stocks in the most promising sectors and weight those sectors more heavily in their portfolios. Top-down managers of international funds look for countries and regions with the best prospects.

Bottom up

Bottom-up managers focus on the quality of individual companies when they are selecting stocks.

They look at fundamentals such as the price/earnings ratio, debt/equity ratio, earnings per share, and the overall soundness of the company's balance sheet. They may also talk to company executives and visit the company's facilities to help evaluate specific stocks.

Value

Value managers search for bargains — stocks that trade for less than their intrinsic value. They look for companies with underemployed or undervalued assets or for companies with low prices relative to earnings, book values, or dividends. The strategy is to buy undervalued stocks before the market recognizes their true value and drives prices up.

Growth

Growth managers look for companies whose sales, earnings, and stock prices have the potential to shoot up. Growth funds are usually more volatile than value funds, offering the potential for larger gains or losses.

Sector rotation

Sector rotators are market timers. These managers stack their portfolios with stocks from sectors that they believe are about to outperform, then rotate out of those sectors when they peak.

Momentum

Momentum managers look for upward trends in a stock or its sector. They buy stocks once they see clear upward movement, ride the trend to the top, and then sell when the inevitable downtrend starts.

There is no one investment style that's best for all investors or market conditions. Professional guidance can help you choose the types of funds that best suit your goals, preferences, and comfort level. ■

Diversify effectively with global and international funds

WITH HUNDREDS TO choose from, global and international mutual funds offer a challenge: how to choose funds to ensure that you diversify effectively and avoid duplication.

What's the difference? Global equity mutual funds can invest in stocks in any country in the world, including Canada and the United States. International equity funds, on the other hand, can usually invest in any country, excluding Canada and the United States.

Why it matters. By choosing wisely, you can ensure that any fund you add to your portfolio offers you exposure to companies and countries you don't already have, rather than just giving you more of the same.

How it works. If you currently own only Canadian equity mutual funds, a broad-based global fund offers an easy way to gain exposure to most of the world's major markets and industries. Be sure to read the simplified prospectus to learn where the fund invests its money.

If, however, you already own a number of Canadian and U.S. equity funds, a global fund may hold many of the stocks you already own. In this case, an international fund may be a better choice.

Building a well-diversified portfolio, including high-quality foreign investments, is key to reaching your investment goals. Professional advice can help you get started or fine-tune your existing portfolio. ■

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