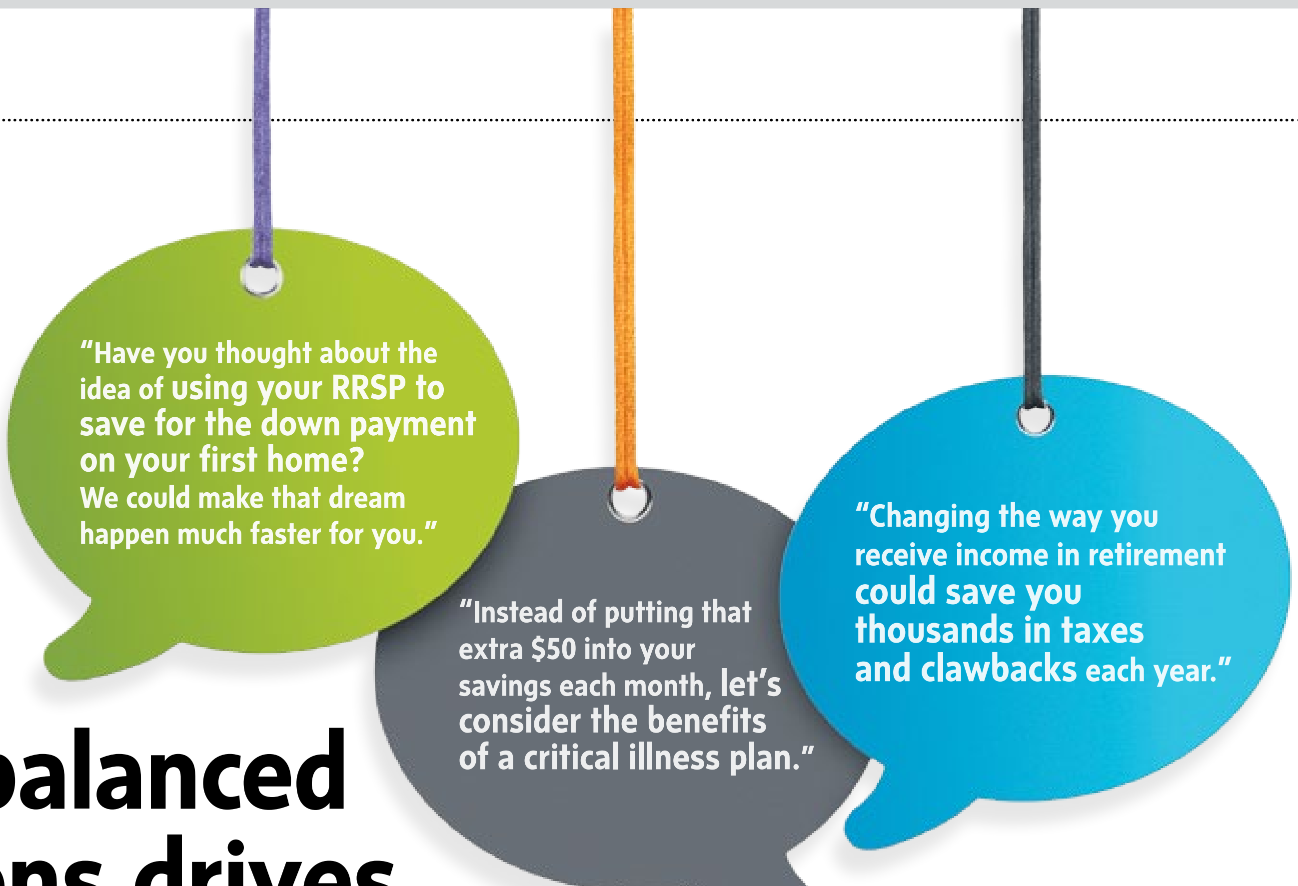
Special

Investment Funds



Appetite for balanced equity solutions drives mutual fund market in 2013

For more than 80 years, mutual funds have been an integral component of Canadian portfolios and savings plans, enabling investors to conveniently tailor their investment strategies to their unique risk styles.

Over that time, Canada's mutual funds industry has evolved to provide everything from strategic tax-saving opportunities to "bundled" solutions that provide a one-stop balanced portfolio. And as interest rates savings instruments have fallen in value since the early 1990s, Canadian investors have increasingly relied on mutual funds to meet their financial goals.

But the fallout from the financial crisis heralded by the bankruptcy of Lehman Brothers five years ago created a significant shift in those trends.

"It really shook investors' faith in not only the market, but in the meaning of risk," says industry veteran Blake Goldring, chair and CEO of AGF Management. "It forced investors to rethink their risk tolerance."

"Since the 2008-2009 market downturn, we've observed a general level of anxiety among Canadian investors," says Goshka Folda, senior managing director of Investor Economics. "The most visible evidence of that anxiety was the enormous cash cushion investors had amassed: at the end of 2012, of the $3.1-trillion Canadians hold in investable assets, more than $1-trillion was sitting in instruments with a maturity of under one year – on the sidelines, she says.

Starting in January 2013, says Ms. Folda, "We saw a very important shift, with sales accelerating in equity investment."

That bodes well, she notes, especially for the many baby boomers now within 10 years of retirement age. "There is a growing realization that, in order to accumulate more and grow their financial retirement nest egg, they still need exposure to equities."

With interest rates that have nowhere to go but up, she explains, there is risk associated with holding bond and fixed income investments, and a very solid rationale for equities.

In addition, investors reviewing their portfolios with their advisers are finding that the case for foreign diversification is mounting, reports Ms. Folda. "Throughout 2013, we've seen a number of breaches of the historical highs for the U.S. stock indices. The Canadian economy is probably not keeping pace with the U.S. economy, and the international situation is providing greater opportunities in many cases."

In general, she says, investors are making a gentle but definitive return to equity investing, "with a foreign flavour. When you look at the composition of the asset mix of the industry, it is a more balanced portfolio than it has ever been before."

Canadians are very aware of the demographic trends challenging public pension plans such as the Old Age Security benefit, and longer lifespans that extend retirements to 20 or more years, says Mr. Goldring. "We've heard the adage that there's no return without risk, and that's certainly true. Exposure to asset classes that are subject to a little bit more volatility, but in a risk-controlled manner, can lead to excellent investment outcomes."

Fixed income investments simply won't generate the returns people need to provide a sufficient retirement income stream, he stresses. "Investors need to take on some equity risk if they want their investments to grow at a rate higher than inflation."

While the financial crisis has had many regrettable outcomes, it has also had one positive effect, he says. "Investors are much more aware of the danger of silver-bullet-type solutions – it really reinforced the need to be diversified."

That understanding has contributed to even greater demand for "fund-of-fund" products. "One of the major trends we continue to observe is that the mutual funds industry is helping investors take the emotion out of investing, to stay true to a properly diversified portfolio, with these fund solutions," says Ms. Folda. "We continue to see strong sales of these diversified solutions."

"Not many people have the time or expertise to choose among a multitude of investment options to create a portfolio that balances risk and return," says Joanne De Laurentiis, president and CEO of The Investment Funds Institute of Canada. "Fund-of-fund products simplify this process."

There are fund-of-fund options for every type of investment personality, from aggressive to conservative, she stresses. "For example, as people approach retirement, they can choose one that is less volatile."

Financial advisers can recommend the products that they think are best suited to each client, she adds.

ONLINE?

For more information, visit www.ific.ca.

BY THE NUMBERS

In 2012, the mutual funds industry directly employed more than 63,000 people across the country and supported a total of 192,600 jobs, while creating

$12.6 billion

in primary household income.

The mutual funds industry directly contributes $5.8-billion to Canada's economy, with a total economic footprint of

$17 billion

in 2012 – equivalent to one per cent of total GDP.

Last year, the economic activity supported by the investment funds industry contributed

$3.9 billion

to the federal coffers and

$3.1 billion

at the provincial level.

Source: Conference Board of Canada

WEALTH ACCUMULATION

Bundled advice improves financial outcomes for Canadians

Canadians are besieged each day with news about the financial mess we're in: we're collectively over-indebted and unprepared for retirement; the future of our jobs and pensions is uncertain; the public health-care system is on its last legs; we may have paid too much for our homes.

It's unsurprising that many choose to simply avoid the details, in favour of binge-watching *Orange is the New Black*. But financial planning is a much more effective alternative, reducing anxiety while increasing the likelihood that we'll meet our future goals.

"When someone has a plan in place, it provides peace of mind," says Jason Round, head of financial planning support at RBC. "Having access to an expert who will look at your financial and life situation and provide guidance that helps you achieve your goals provides a significant amount of reassurance."

Professional advice hasn't always been available to all Canadians. "If you go back 35 or 40 years, a significant amount of wealth was required in order to establish a relationship with an investment adviser – it was something only the elite had access to," says Robert McCullagh, a certified financial planner who teaches personal finance and financial planning at the University of Calgary and Mount Royal University.

The advent of mutual funds made the equity and bond markets accessible to people with as little as $25 to invest, he says. "It created new opportunities to build wealth. But without advice, investors often find themselves in sectors that aren't right for their situation, or move in and out of different sectors at exactly the wrong time."

By bundling advice with a management fee, however, mutual funds also provided every investor with access to advice.

Mr. McCullagh points to *Econometric Models on the Value of Advice of a Financial Advisor* as the latest in a series of independent studies that quantify the benefits of getting advice. By Professor Claude Montmarquette and Nathalie Viennot-Briot, of the Montreal-based Centre for Interuniversity Research and Analysis of Organizations (CIRANO), the study looked at more than 10,000 households and found

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INSIDE

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INVESTMENT FUNDS

A financial planning road map is useful for achieving success and navigating challenges.

OPINION

Your plan: the key to successful investing

By Joanne De Laurentiis, President & CEO of The Investment Funds Institute of Canada

Investing may seem like a daunting task. There appears to be so much we need to know. However, much like planning a trip, buying a home, or looking after our health, the key to successful investing is having the right information, a well-constructed plan and, often, the right advice. Yes, this takes effort when we might rather be doing something else, but once the planning is complete, we're on our way.

Do you need the skills, knowledge and tools of a tour guide to take a vacation? Do you need the equipment and tools of a builder to own a home? Do you need the medical degree of a doctor to stay healthy? Of course not. However, as with those experts, there are times when having a trusted financial adviser can help you reach your destination. Your adviser will help you set realistic, attainable goals, and create a plan to achieve them – so you can sleep better at night.

"As with all major life undertakings, there is a trade-off between risk and reward. A professional financial adviser will help you identify your objectives, risks and potential rewards, and then help you select and monitor the investments for each of your goals."

As with all major life undertakings, there is a trade-off between risk and reward. A professional financial adviser will help you identify your objectives, risks and potential rewards, and then help you select and monitor the investments for each of your goals.

Many investors have several financial goals and investment accounts specifically designed to work towards those goals. Each account will have its own strategy to attain its objective. Parents may set a goal to save money for a child's post-secondary education. Later, that child may start saving to buy a car, a home or to retire decades into the future. How you invest depends on your life stage, goals and personal circumstances.

Having several investment objectives and multiple products from which to choose makes the decision-making process challenging. Adding to the challenge is that our goals can change throughout our lives.

The Investment Funds Institute of Canada has created a new webpage: "Your Financial Journey." It lists common life events that impact financial plans. If you are confident answering the questions associated with each event, you might prefer to manage your investments on your own. However, if you're uncertain, you might want a financial adviser to guide you.

If you know an adviser you can trust, contact that person to get started. If you are looking for a financial adviser, you can ask family, friends, workmates or professionals that you work with, such as your accountant or lawyer. You can also see who is registered in your area by checking on the links in our Investor Centre.

With a well-constructed plan, and a trusted financial adviser, you are on your way.

ONLINE PREVIEW

105 reasons to find a financial adviser you trust

Ida Hall celebrates her 105th birthday with her financial adviser, Elaine Politsky.
As a result of effective planning, Mrs. Hall's retirement portfolio is designed to meet her needs to age 120 and beyond.

To learn more, visit www.globeandmail.com/investmentfunds.

PLANNING

Customized advice for first time investors

The world of financial planning can seem daunting, but achievable goals, the right advice and an understanding of how to maximize opportunities can make the first step a lot easier.

For those new to investing, success generally starts with the power of professional advice, says Gordon Forrester, head of retail at AGF Investments Inc. "You're really talking about investing in the context of having a savings plan – how you spend your money and what you save."

Add questions about time horizons, contributing to an RRSP versus a TFSA and what investment vehicles are most appropriate, and "it's a complicated tapestry," Mr. Forrester says.

Through a relationship with an adviser, first-time investors have the opportunity to create a financial plan that enables them to more effectively navigate their finances throughout the rest of their life, he stresses. "Because it's not just about investing – it's about understanding what you can afford to invest, relative to your day-to-day spending, and whether or not your saving and spending habits will allow you to achieve your financial goals."

Many people feel that they should have a significant savings portfolio or at least an impressive income before they approach a financial adviser, but research shows that the opposite is true, says Mr. Forrester. "Don't wait until you think you have the money. The earlier you start, the better off you're going to be in the long term. Start today."

Not every adviser will be someone you can relate to or feel comfortable with, he notes. "Talk to a number of people; don't just choose the first one. Understand the kind of clients they deal with, their experience and the level of service they will provide, because it's going to be a long-term relationship. Be thoughtful about it, and make sure there's good chemistry."

"You're paying for advice; for a financial plan. Just as in the rest of your life, whether you're buying clothes, a car or a home, the value you're getting is ultimately more important than paying the lowest price."

Gordon Forrester
is head of retail at AGF Investments Inc.

When you do find someone who feels right, ask for referrals, advises Mr. Forrester.

When comparing the cost of mutual funds and other investments, such as ETFs, many investors overlook the fact that the cost of professional advice is included in the management fee. "You're paying for advice; for a financial plan. Just as in the rest of your life, whether you're buying clothes, a car or a home, the value you're getting is ultimately more important than paying the lowest price," he says.

Mutual funds provide access to diversified investments and professional management and advice with even a small portfolio, says Debbie Ammeter, vice-president of advanced financial planning at Investors Group. "They are ideal for making regular monthly contributions, easy to access and liquid."

The financial planning process helps Canadians who have competing demands for limited resources make good decisions, she adds. "It's so much more than just investment recommendations. An adviser should take the time to understand you and your financial needs as well as your entire situation in order to give you customized advice that is personalized to your needs."

A relationship with a trusted adviser can help create a more informed awareness of one's current financial situation and chart a course of action to achieve personal goals. "In addition to their qualifications and experience, you'll want to understand their approach to financial planning, the services they would provide to you, and their commitment to client service," says Ms. Ammeter. "You want a relationship that focuses on you and your life goals, not your money."

Many first-time investors feel they should have a savings portfolio or an impressive income before they seek professional advice but experts disagree.
ISTOCKPHOTO.COM

PROFILES

The value of advice

Financial advisers fulfill an essential role in the well-being of Canadian families, as is demonstrated by these examples of advice that made a life-changing difference.

KEVIN GEBERT

Financial planner Kevin Gebert was surprised when a client recently dropped in to say, "Thank you for helping me buy my house."

"I was a bit taken aback," says Mr. Gebert. "I didn't think I'd done much – it's just part of my job. But it all came down to a conversation we had about using his RRSP for his down payment."

Early in their professional relationship, the client had mentioned his dream of buying a home. "We discussed using the Home Buyers' Plan and made the appropriate risk allocations within his RRSP portfolio."

The Home Buyers' Plan enables a qualifying first-time homebuyer to borrow up to $25,000 from his or her RRSP and repay the amount over up to 15 years. By contributing to an RRSP, income is sheltered from tax in the year it's earned, so that money that would otherwise be paid in tax instead goes toward savings – bringing home ownership within reach earlier.

In another case, a client decided to invest an additional $50 each month. "I suggested we have a broader discussion. We did a full-scale needs analysis, and she agreed it was better to put that $50 into a critical illness policy."

Just a few years later, she was diagnosed with breast cancer. "She is cancer-free today, but because of that conversation, she received a cheque for $50,000, tax free, that alleviated a lot of her stress and let her focus on her recovery," he reports.

Kevin Gebert is a certified financial planner based in Surrey, B.C. His book Financial Fotographs, which uses images to help families have valuable conversations about money, can be pre-ordered now at www.knowledgebureau.com.

ANDREW GUILFOYLE

It might seem counter-intuitive, says financial adviser Andrew Guilfoyle, but it is a mistake to assume that a family with a net worth of $5 million or even $10 million has realized financial security. For example, he says, "One family recently sold their business, and they couldn't sleep at night for worry about what they were going to do with their money."

The sense of responsibility and uncertainty about how to manage a nest egg that had taken most of a lifetime to accumulate was affecting their health, says Mr. Guilfoyle.

"They told us afterward that what was supposed to be a very happy time in their life was instead one of the most stressful periods they'd ever been through."

The reason, he explains, was that "they had had a certain income from their business for over 40 years. It was very difficult to adjust to that no longer being the case."

Through a series of long-term planning exercises and re-allocations, Mr. Guilfoyle and his team were able to help the couple reach a point where they were very comfortable with their financial affairs and could begin to enjoy their retirement.

For another high-net-worth family who recently sold a part of their company, Mr. Guilfoyle's team set up a life insurance plan that serves the purpose of a corporate tax-free savings account to leave a legacy for the third and fourth generations.

"The compounded rate of return is greater than they could get in today's fixed income rate environment, on a fully guaranteed basis. But as well, a detailed communication plan has also been implemented, and all three generations are completely aligned with it," he says.

The plan enables the family to achieve their shared significant charitable objectives as well as corporate objectives over the coming decade.

"Many of our clients feel similar to Warren Buffett: they want to leave their children enough to do anything, but not to do nothing. Wealth can be a blessing and a privilege or a curse," says Mr. Guilfoyle. "We're fortunate to be able to assist our clients in having their wealth work for them over multiple generations, to help them achieve their life dreams."

Andrew Guilfoyle holds the prestigious chartered accountant (CA) and chartered financial analyst (CFA) designations, and acts as a personal chief financial officer for wealthy Canadians.

To learn more, visit www.globeandmail.com/investmentfunds.

FROM PAGE IF 1

Planning: Tangible outcomes

that families with financial advice have 4.2 times the median assets of non-advised families.

Most importantly, the CIRANO data show that an "advised household that has worked with a financial adviser for four to six years accumulates 1.58 times more assets than a passive, non-advised household that is identical in all other respects."

The study provides compelling evidence of the importance of bundling financial advice with mutual fund management fees, says Blake Goldring, chair and CEO of AGF Management, and a member of The Investment Funds Institute of Canada's strategic research committee. At a time when many policy leaders are concerned about Canadian savings rates, the research "shows that advised households save at twice the rate of non-advised households, and are more likely to feel confident about their financial situation," he notes.

Given the stakes, it's important to find the right adviser, someone with whom you can build a long-term and effective professional relationship, the experts point out.

"There's an essential baseline of knowledge and experience necessary. A credible financial planning certification speaks to the time invested in understanding the profession and providing advice that has an impact on the lives of Canadians," says Mr. Round.

"We call it 'e-cubed': educated, experienced and ethical," says Mr. McCullagh. "Does the adviser have a professional code of conduct and designations? Are they a member of a professional association? These things demonstrate their experience, and that they have continued to grow throughout their career."

In addition, it's important to find an adviser who is philosophically compatible with you, he adds. "It's a matter of understanding how you make decisions and what you value, and finding an adviser with whom you're aligned."

The first conversation with a financial adviser shouldn't begin with how much money you've saved or how much you're putting away on a monthly basis, suggests Mr. Round. "It should start with you as an individual. Any financial planner who doesn't start with that more life-based approach is going in the wrong direction."

In addition, an adviser-client relationship will only be successful if both parties have an understanding of its nature, says Mr. Round. This includes details such as the frequency of contact, the nature of the advice provided and the tangible outcomes expected in terms of recommendations, as well as compensation and fees.

"The most important ingredient in the relationship is the level of trust, and discussions about these issues help build that foundation," he adds.

INVESTMENT FUNDS

OPINION

Responsible investment funds play important role in advancing environmental and social leadership

Q&A with Deb Abbey, Executive Director of the Social Investment Organization

With more than $926-billion in managed mutual funds in Canada, investors know it's possible to find the right fund to fulfill any role in their investment portfolios. But mutual funds also offer an effective way for Canadians who are concerned about social responsibility, the environment and effective governance to influence positive change.

Deb Abbey, author of the best-selling book *Global Profit & Global Justice*, and newly appointed executive director of the Social Investment Organization (SIO), answers questions about such investing.

What are some of the ways that SIO member funds enable Canadians to address their concerns about social responsibility, the environment and governance?
There are a number of different strategies employed by responsible investing (RI) funds in Canada. Shareholder action and environmental, social and governance (ESG) integration strategies address change from the risk side. Thematic investing – that is, investing in innovative companies that are creating new technologies and adaptive strategies – addresses the solutions.

Many of our fund managers are active shareholders. They engage in dialogue with the companies in their portfolios about policies and practices that will reduce risk to shareholder and stakeholder value. If that doesn't move the agenda along, they file shareholder resolutions. It's like a knock on the CEO's door, and usually leads to more dialogue or, in some cases, a vote at the annual general meeting.

Canadian RI funds have been leaders in bringing forward proposals to press companies to consider the environmental, social and financial risks associated with issues like oil sands production. And companies such as Suncor and Cenovus have responded, introducing renewable energy strategies and improving environmental monitoring and energy efficiency.

Would you explain the various approaches that RI fund managers take in designing their portfolios?
I mentioned thematic funds, which usually invest in sustainable businesses that are involved in energy efficiency, green infrastructure, clean fuels, low-carbon transportation infrastructure and that provide adaptive solutions to climate change. These funds seek out the opportunities presented by the $5-trillion of investment in clean energy that's needed worldwide by 2020. They can be a good alternative for investors who want to exclude resource extraction companies from their portfolios.

There's also the best-of-sector approach, funds that invest in companies that are the best in their sector or class in terms of environmental protection, supply-chain management, alternative energy, executive compensation and consultation with aboriginal communities, among others.

What are some of the positive changes that have emerged as a result of RI investing?
Canada's responsible mutual fund companies have been the leaders in bringing forward the shareholder proposals to press companies to consider EFG risks associated with oil sands production.

A number of our mutual fund companies have engaged in dialogue on supply-chain issues that have encouraged a lot of retail companies to adopt supply-chain codes of conduct, something that's received considerable media attention since the tragic Bangladesh building collapse.

We know that the adoption of mandatory sustainability reporting requirements in countries like Denmark, Sweden, France and South Africa have had a positive impact on corporate behaviour and performance.

And yet, with so much of their time focused on quarterly results, few traditional investment managers give more than an educated guess about the long-term financial risks and opportunities facing the companies in their portfolios. By incorporating ESG issues into the investment process, responsible investment managers are managing the future – and investors will reap the benefits.

How widespread and influential are these approaches?
The world's largest stock exchange, the NYSE Euronext, recently joined the UN Sustainable Stock Exchanges Initiative. The initiative brings together eight exchanges with over 13,000 listed companies to explore how exchanges can work with investors, regulators and companies to increase transparency on ESG issues.

How has this sector changed in the past decade?
There's a greater focus now on measuring and managing non-traditional risks to both shareholder and stakeholder value, which can only benefit investors. When we integrate environmental, social and governance issues into that investment management process, investments are going to be much more sustainable in the long term. In the past, we've looked backward a lot and used historical performance numbers. At this point, we really have to start looking forward: how are these companies managing the future?

For more information on responsible investment funds in Canada, visit *www.socialinvestment.ca.*

RESOURCES

New initiatives provide clearer, simpler investment information

On July 15, 2013, the Canadian Securities Administrators (CSA) implemented new requirements to ensure all investors receive key information about the costs and performance of their investments. To be phased in over three years, the new requirements apply to all firms registered to deal in securities or act as portfolio managers.

"IFIC has always supported measures that give clear and meaningful disclosures to investors," says Joanne De Laurentiis, president and CEO, The Investment Funds Institute of Canada, of the measures.

She notes that the amendments will provide investors with "clear and meaningful information" that will help them assess their progress toward their investing goals, as well as the value of professional advice they receive.

When investors open an account, the new disclosures will include information on the product and services costs they can expect to pay. When a transaction occurs, investors will receive information on the transaction cost and any deferred cost. In addition, investors will receive an annual summary of charges and any other fees paid to the firm, such as trailing commissions.

Investors can also expect a new annual investment performance report that includes:

- how much they have contributed and what it is worth as of the report date;
- deposits and withdrawals over the past year and since their account was opened; and,
- percentage returns for their account over one, three, five and 10 years and since it was opened.

"Fund Facts" replaces fund prospectus documents

Fund Facts is a plain-language document of no more than two double-sided pages that highlights key information about a mutual fund that research by the CSA has identified as important to investors.

Since 2011, fund managers have been required to make Fund Facts available to investors on request or on the fund website.

As of June 13, 2014, the CSA will require that Fund Facts will be delivered to investors instead of the simplified prospectus, a change that the CSA reports will give investors "enhanced access to more meaningful and effective disclosure about their mutual funds." The mutual funds industry has been encouraged to adopt this practice earlier where possible.

Source: www.osc.gov.on.ca

Professional management can help mitigate the risks of volatile markets. ISTOCKPHOTO.COM

"The next 10 years will not look like the last 10 years – it's time to revisit the geographical asset mix of your equity portfolio."

STRATEGY

Specialty fund managers help investors drill down for returns

The rewards for investing in volatile sectors are tempting – they offer the potential for high returns and may add significant value to a portfolio. But investors who don't have a high level of familiarity with the ins and outs of sectors such as emerging markets, precious metals and energy soon learn that the adage "what you don't know can't hurt you" doesn't hold true in investing.

In fast-changing markets, a professional manager's on-the-ground experience and insider knowledge is often critical to managing risk and identifying opportunity. For investors who wish to include these sectors in the higher risk/higher return portion of their portfolio, specialty mutual funds offer a particularly attractive value proposition: access to professional management with a proven track record and a diversified portfolio, even with relatively low minimum investments.

Given the typically volatile nature of commodities such as oil and gas, for example, investing in energy stocks can prove to be a risky business.

But with a spectrum of diversified energy stocks, you can find a lot of upsides, says Jennifer Stevenson, vice-president and portfolio manager, energy, with Dynamic Funds.

"Professional management can help mitigate some of the risk in energy because it "changes all the time" and thus requires vigilance and expertise. We're up to speed with what's going on all day, every day."

Jennifer Stevenson
is vice-president and portfolio manager, energy, with Dynamic Funds

Such "specialty funds" can deliver value to investors in unpredictable and challenging sectors, for example where emerging economies and commodities offer enormous potential. But they also require a significant depth of experience and know-how from professional managers in order to understand and act on market trends and important developments in such intricate fields.

"It's not scary – if you have the right advice," comments Ms. Stevenson, who runs the Dynamic Energy Income Fund and Dynamic Strategic Energy Class at Dynamic, which she says have more than $500-million in assets.

The range of energy stocks that are available "run from stem to stern," in the energy business, she says. They include companies in many different regions of the world; subsectors such as oil, gas and natural gas liquids producers; as well as services like drilling rigs and completions and processing and transportation companies.

Specialty funds have an important role to play in a portfolio, she says, adding extra weight in a particular area, such as energy, while diversifying the investor's exposure and providing insulation from some of the inherent volatility in commodities, for example.

Professional management can help mitigate some of the risk in energy because it "changes all the time" and thus requires vigilance and expertise, she says. "We're up to speed with what's going on all day, every day."

Diversification is critical in such an interconnected field, allowing managers to "drill down between the subsectors," analyze the influences on individual companies and take advantage of the ebb and flow between different sides of the business. "You can move money around to where the industry is the most active – and the most profitable."

For instance, she sold her fund's positions in the refining sector in May when the cost of crude oil in North America began to rise faster than the price that refineries were getting for the gas and other products they were making. Instead, the fund switched to investing more in oil production companies to take advantage of the rising price of crude.

"It's pretty dynamic," stresses Ms. Stevenson, noting that her funds are invested in 30 to 40 energy-sector stocks at one time, and both are outperforming the TSX this year.

Energy is an important sector for investors, she adds, because the opportunities across the different subsectors can offer long-term growth, especially in North America. There are also strong income-oriented energy companies that pay healthy dividends.

With professional help, navigating volatile markets can turn a risky enterprise into a rewarding experience.

RESOURCE

The mutual fund value proposition

1. Mutual fund products have continually evolved to meet the emerging needs of investors, and to protect investor interests.
2. Mutual funds are highly regulated and more transparent than many other managed investment products.
3. A mutual fund account can be started for as little as $25/month, providing instant access to capital markets in over 40 countries. This saves investors the time, energy and expertise required to build their own portfolios, and provides a scope that an individual investor cannot achieve.
4. Financial advisers are trusted by Canadians; 93 per cent of mutual fund investors indicate they can trust their adviser to give them sound advice.
5. Research shows that advised households are twice as likely to save regularly for retirement across all age groups and more likely to feel confident in achieving a comfortable retirement – and this is with good reason: advised households save as much as 4.2 times the financial assets of households that are not receiving advice.
6. Almost two-thirds of Canadian investors rely on mutual funds in achieving their financial goals, and participation is growing.
7. More than half of the total value of Canadians' registered plans, including RRSPs, RRIFs and RESPs, is invested in mutual funds and income trusts.

Source: Investment Funds Institute of Canada

INVESTMENT FUNDS

TIMING

It's never too late to plan for a good retirement

By 2031, 9.6 million baby boomers will be 65 or older, creating unprecedented pressures on public retirement funds. Policy leaders have made it clear that they expect Canadians to do a better job of saving for retirement.

But middle-aged Canadians trying to save for retirement have not had an easy time of it. The optimism of the nineties, a time when markets soared, gave way to a series of economic calamities ranging from the bursting of the tech bubble through to the housing and credit crises, the effects of which are still being felt today.

Making matters worse, many in the 50-plus age bracket have conflicting financial priorities ranging from "late-launching" children at home and school to lingering mortgages and financial responsibility for aging parents. These challenges have made it difficult for Canadians who want and need to save for the future to find the time and money to do so.

> *"[Mutual funds] are an outstanding investment tool, allowing average investors to have a portfolio that can perform as well or even better than that of a high net-worth investor."*
>
> **Roland Sakha**
> *is senior manager of engineering managed solutions at National Bank of Canada*

Even when those hurdles are overcome, it isn't always easy to decide where to invest. "Many are confused and many are worried," says Roland Sakha, senior manager of engineering managed solutions at National Bank of Canada. In a world of volatile markets and record low yields, he says, "they are finding it difficult to sort through the vast array of investment options and the crucial asset allocation decision on their own."

Mutual funds can provide a one-stop solution for these hard-pressed savers, says Mr. Sakha. "They are an outstanding investment tool, allowing average investors to have a portfolio that can perform as well or even better than that of a high-net-worth investor," he explains. "They provide the opportunity to acquire balanced portfolios along with professional management and financial advice at a very reasonable price."

> "You may be taking on more risk than is necessary to meet your retirement income needs."

> "Have you thought about how to best structure your income stream to minimize your OAS clawbacks?"

Mr. Sakha recommends sitting down with a qualified adviser before making any investment decision. Advisers can craft portfolios that take into account the investors' age, financial situation and their vision for their life in retirement. Just as importantly, they can help their clients be "realistic when it comes to making decisions that can be very emotional."

After building a retirement portfolio, he adds, it is essential that investors "take ownership" of it.

"What investors need to do – more than ever before – is look after their investments," he says. "This doesn't mean worrying all the time. It means planning, and seeking good advice through a financial adviser on a regular basis. It means actually looking at your quarterly statement and making sure you are still comfortable with your plan. It means making revisions when necessary."

If you do that, Mr. Sakha stresses, "you'll not only will you have more money for your retirement in the future, you will sleep better today."

DATA

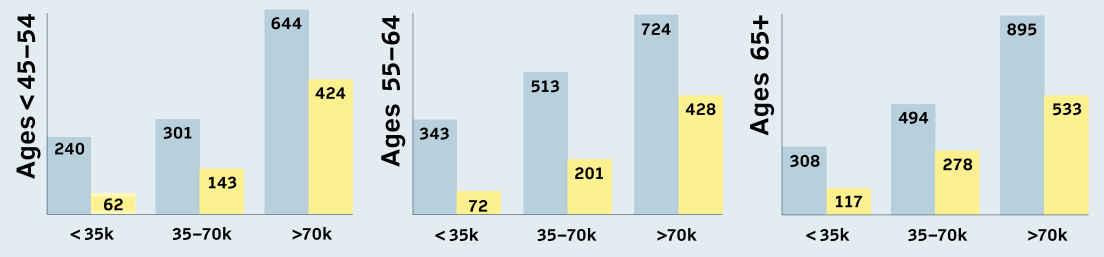
Independent research proves that advice gives investors a better chance of:

- *Accumulating greater wealth through better savings behaviour;*
- *Building towards a more comfortable retirement;*
- *Selecting tax-efficient investment vehicles;*
- *Maintaining a long-term investment strategy;*
- *Protecting against poor financial decisions;*
- *Avoiding emotional investing habits.*

These benefits show themselves in a number of ways, including having a greater sense of control of one's finances, and the peace of mind that comes from greater confidence in the future.

Adapted from *The Value of Advice Report 2012*, with permission from The Investment Funds Institute of Canada.

Household Average Net Worth by Age Group and Income Group



Source: Ipsos Reid Canadian Financial Monitor

IFIC's *Value of Advice: Report 2011* provides confirming evidence that, when controlling for both age and income, the net worth of advised individuals is significantly greater than that of non-advised individuals.

Mutual funds can help Canadians overcome hurdles to retirement savings.
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