DUNHAM FINANCIAL
WEALTH WISE

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DEPENDABLE, FORWARD THINKING SOLUTIONS

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Many of us see fall as a time to get back to business. Summer's over, the kids are back in school, and it's time to get serious about life after the holidays. This is also a great time to review your finances.

We're here to help you navigate whatever the future brings. Let's talk about your financial priorities and the steps you can take for a bright future.

FOCUS ON INSURANCE

Start with the (life insurance) end in mind

Stephen Covey, the late management guru, used to say that one of the main habits of highly effective people is that they "start with the end in mind." Covey suggested visualizing what a person would want their loved ones to say about him or her at his or her funeral, and using that insight to set and achieve life goals.

What are your goals?

Although Covey never mentioned insurance, one goal you probably have is to make sure that your loved ones are provided for when you are no longer there to look after them. With appropriate life insurance and an effective estate plan, you can achieve that goal.

Life insurance. Life insurance provides an immediate, tax-free payment to your named beneficiaries that can be used to care for dependents, cover any taxes that may arise upon your death, pay for your kids' schooling, and so on.

Estate plan. An estate plan, including a will, is essential to help ensure that your assets are transferred quickly, easily, and tax-effectively to the people you want to receive them.

What is success?

With apologies to Covey, truly successful people are those who keep their own end in mind, but who do so while simultaneously making sure that their loved ones are provided for too, when that time comes. We can provide you with guidance on all of these things.

We'd be glad to review your present personal and financial situation, to exchange ideas about what you want to accomplish and to propose protection solutions that are right for you and those you will be leaving behind. ■

Time to incorporate China into your fund strategy?

MUTUAL FUNDS

A recent upwards revision by the World Bank to China's gross domestic product (GDP) could see it ranked as the planet's biggest economy as early as next year. Investors seeking growth and international diversification may want to consider equity funds with exposure to this exciting emerging market.

The World Bank re-evaluated the GDP of major economies (as of 2011) in purchasing power parity (PPP) terms. Purchasing power parity values locally produced products and services (such as a Big Mac, a haircut, or a legal opinion) equally to similar purchases in other countries, even though they may be priced differently in local currency terms. This latest World Bank estimate values China's 2011 economic production at USD $13.5 trillion[1] in PPP terms, almost twice the $7.3 trillion market exchange rate level.

Positive trends

While size clearly matters, there are several additional trends that signal opportunity in China. China's growth rate, which the International Monetary Fund (IMF) expects to slow to 7% in 2015,[2] remains vastly ahead of that of the rest of the world, which is projected by the United Nations to advance by just 3.2%.[3]

Furthermore, the Chinese Communist Party recently announced a relaxation in its one-child policy. This is potentially great news, as the "baby bust" the policy had produced has been slowing labour force growth for the past several years. If unchecked, it could lead to stagnation and even shrinkage in coming years.

China has also announced plans to reduce currency controls, in a bid to expand the yuan's usefulness as a reserve currency. Swap agreements have already been negotiated with Russia, Brazil, and several other Chinese trading partners. As a result, the yuan is beginning to edge out the U.S. dollar as the preferred medium of exchange in bilateral trading relationships.

How to participate

For mutual fund investors who would like to gain or increase exposure to Chinese growth potential, there are several options:

- Sector funds that focus solely on investment opportunities in China.
- Funds that invest in non-Chinese companies (particularly those based in Hong Kong, Taiwan, and Japan) that are connected to China.
- Canadian resource funds that invest in companies that export to China.

As with any investment, there are potential risks to investing in China.

Managing risk

Because of their narrow focus, sector funds as a group tend to be more volatile than more broadly diversified funds. In seeking specific funds for your portfolio, we will pay close attention to both your desire for growth and your tolerance for risk, in order to remain within your comfort zone. ■

1 The World Bank, Purchasing Power Parities and Real Expenditures of World Economies, Summary of Results and Findings of the 2011 International Comparison Program.
2 Reuters.com, "IMF cuts China's growth forecast but urges focus on reforms," June 5, 2014.
3 CTVnews.com, "UN lowers world economic growth forecasts amid cold winter, Ukraine crisis," May 21, 2014.

China poised to take the lead in economic growth

In 2011, China's gross domestic product (GDP) was only slightly less than that of the U.S., based on purchasing power parity. The International Monetary Fund expects that China could take over the top spot as early as 2015.

* 2011 purchasing power parity, in U.S. dollars.
Source: The World Bank.

ESTATE PLANNING

Want to simplify your estate plan? Consider segregated funds

Investors typically choose segregated funds because they offer access to a range of diversified, professionally managed portfolios (similar to mutual funds) along with maturity and death benefit guarantees. But they also offer significant estate-planning benefits.

Because the death benefit goes directly to your named beneficiary(ies), it doesn't pass through your estate. As a result, it won't be subject to probate fees or taxes in provinces where they exist.

And because the segregated fund beneficiaries are never mentioned in your will (which is a public document), the bequest remains confidential. This can be an advantage in certain delicate family situations where you want to leave a legacy for someone, but you don't want your other heirs to know about it.

If you think a segregated fund could be useful in your situation, please give us a call. ■

DEBT REDUCTION

A risk-free 35% return!

Double-digit returns are rare these days. Risk-free double-digit returns are almost unheard of. However, by paying off a revolving credit card balance, you can achieve the same effect.

Many credit cards charge interest on overdue balances at a rate of 25% or more. So paying them off can yield major savings.

That means that if you owe $1,000 to your credit card provider, and are paying a 25% annual interest rate, eliminating that balance will save you $250. That's a 25% after-tax return for a risk-free $1,000 investment. Not bad — but it gets better!

Consumer credit card interest is paid in after-tax dollars. In a 33% tax bracket, you need to earn more than $375.38 to pay $250 in interest. Taking that into consideration, paying down $1,000 in revolving credit card debt generates a pre-tax return of more than 35%. ■

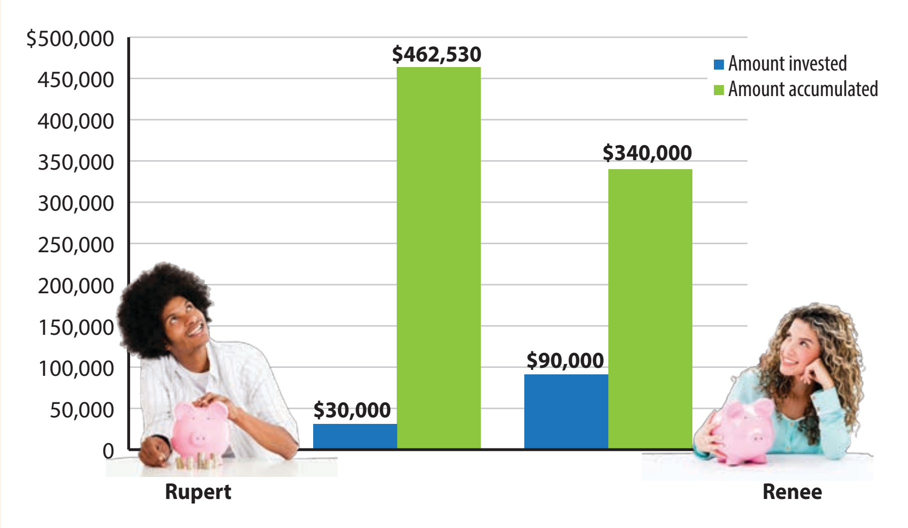
EYEOPENER
graphic evidence of how investing works

Big benefits for 'Millennials' who start saving earlier

A new study[1] suggests that Millennials, the generation born after 1978, are starting to save on average at age 22. That's almost a decade earlier than their Baby-boomer parents.

Clearly, the next generation grasps the importance of starting early when it comes to saving and investing. In this chart, for example, Rupert sets aside only one-third as much as Renee, yet has over $120,000 more at age 65.

If you have children, try to make them aware of the benefits of starting early when it comes to saving. In fact, why not bring them along next time we meet? We can show them how easy it is to get started.



1 Transamerica Center for Retirement Studies®, The Retirement Readiness of Three Unique Generations: Baby Boomers, Generation X, and Millennials, April 2014.

This newsletter has been written (unless otherwise indicated) and produced by Ariad Communications.