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WEALTH WISE

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For many people, autumn is the time of fresh starts, new projects, pulling up your socks and sharpening your pencils. Are you thinking of taking on a new financial goal? Perhaps making a resolution to live below your means, or plan to simplify and reprioritize? Or perhaps you're delightedly relieved just to get back to the regular routine that September brings.

While you walk through the cooler crisper evenings this month, consider any issues you'd like to discuss with me with regard to your goals, financial lifestyle, or priorities.

Once again, I'm always pleased to be a sounding board to your questions and ideas, and am happy to help you out with your investments and financial plan.

FOCUS ON INSURANCE

Does it make sense to insure your credit card debt?

Canadians are carrying record levels of debt on their credit cards, so it's no wonder credit card companies are now offering "balance insurance" to cover your card's minimum monthly payment should you lose your job or become disabled. If you develop a critical illness or die, the insurance could pay off the entire balance owing. It sounds like a good idea, right?

Protecting your family from the burden of debt is always a good idea. But with credit card insurance, there can be some drawbacks:

- **The more you owe, the higher the premiums.** If you routinely carry a balance, this can quickly become very expensive. For example, suppose your monthly premium is 95¢ per $100 of outstanding balance. Your cost could range from $11.40 per year if you have only $100 of outstanding balance, to $1,140 per year if you're carrying a $10,000 balance.
- **The coverage applies to only one specific card.** That is, unless you buy it for each of your cards.
- **There may be limits to how much is covered.** The maximum lump sum payable typically ranges from $10,000 to $20,000. Would that be enough to pay off your card's balance?

And finally, many Canadians are paying for balance insurance and don't even know it. Check your statements. If you don't want the coverage, cancel it.

If you are concerned about your credit card debt and the risk of losing your job or being injured, a stand-alone disability or critical illness insurance policy might offer more protection, more flexibility, and better overall value. ■

MUTUAL FUNDS

3 ways to reward your conscience — and your capital

The stereotype that "green" or socially responsible investors are do-gooders sacrificing returns for the sake of their conscience has been firmly laid to rest. What's more, SRI funds have emerged as strong performers across every major fund category. (See chart: "Socially and financially responsible.")

So what is socially responsible investing and does it make sense for your portfolio? Here's a quick backgrounder.

Environmental, social, governance

In the early days, SRI generally meant avoiding companies that produced tobacco, firearms, and alcohol. During the days of apartheid in South Africa, public awareness of SRI broadened and gained traction as individual and institutional investors divested out of businesses with ties to the country and its regime.

Today, there are no specific rules about what constitutes a socially responsible investment, but most mutual funds apply an ESG screening protocol. ESG is a kind of blueprint for assessing a company's commitment to its environmental impact, social responsibility, and corporate governance (hence ESG).

Environmental factors could include such things as a company's disposal of emissions and waste, its dependence on diminishing resources, and its impact on climate change.

The social prong weighs the company's employee diversity, aboriginal relations, and consumer and animal protection.

Corporate governance is the newcomer of the trio and seeks to gauge things like employee relations, executive compensation, and shareholder relationships. It is becoming widely accepted that responsibility in these areas will not only make a company more socially responsible, but will also help maximize profits.

ESG screens can also be used to exclude companies with poor practices or in controversial industries such as weaponry or genetically modified foods.

Of course, SRI fund managers also apply rigorous financial analyses to choose securities that have both strong ethics and good growth potential.

50 shades of green

Quantifying intangibles, like whether a company is philanthropic enough, is significantly different from the more traditional yardsticks, like price-to-earnings ratios. And because these criteria are more abstract, it's not surprising that each fund company has its own proprietary way of measuring and ranking them.

Another important point here is that SRI funds don't just apply ESG screens to traditional "green" industries like renewable energy or organic farming. ESG tenets are used to assess corporations across every market sector.

For example, a mining company could could still be part of an SRI mutual fund if it conducts its business in a way that meets or exceeds ESG standards.

The degree of ESG compliance required depends on the fund company and its specific objectives. Some companies demand more than others. But it's fair to say that SRI fund managers have had a hand in influencing business practices across many industries as these firms strive to accommodate and attract institutional investors.

To see if these funds merit a place in your portfolio, please contact our office. ■

Socially and financially responsible

This chart shows the performance of SRI mutual funds against overall industry averages (to March 31, 2013). While many SRI funds are young and don't yet have longer-term track records, the trend is compelling. Of course, past performance alone is never a reason to invest for the future. But this can give you an idea of how responsible investing can go hand in hand with profitable investing.

	Average annual compound return		
Fund Category	**1 year**	**3 years**	**5 years**
Canadian Equity Funds			
SRI	7.66	4.44	1.67
Non-SRI	6.22	3.38	.47
Canadian Fixed Income			
SRI	2.78	5.15	5.27
Non-SRI	3.66	4.86	4.50
Canadian Small/Mid Cap Equity			
SRI	16.14	12.33	5.42
Non-SRI	1.34	3.75	2.09
US Equity			
SRI	14.23	9.76	4.00
Non-SRI	10.41	8.38	1.99

Source: Social Investment Organization, *Socially Responsible Funds Perform Strongly.*

The MONEY file

TIPS AND TACTICS TO HELP YOU GET AHEAD

SMALL BUSINESS

Small business owners take note: Capital gains exemption going up in 2014

If you have been mulling the opportunity to crystalize a capital gain from shares of a small business, farm, or fishing property, there's good news.

Thanks to the federal government's spring budget, the lifetime capital gains exemption on these assets is going up to $800,000 from $750,000. And even if you have exhausted the existing limit, you will still be eligible for the additional $50,000 starting in 2014. This sets up a strategic planning opportunity that could save you more than $12,000 in taxes.

As you might expect, the rules are complex and require some advance planning. So if you own (or think you own) these kinds of shares, please call our office. We would be pleased to help you get the most from this exemption. ■

MANAGING CREDIT

Dad, could you sign this please?

It's fall, and time for the annual migration of kids flocking back to school. Not coincidentally, it's also the season for young adults to apply for loans and credit cards. If you are thinking about co-signing a loan or credit card application, here are a few caveats.

When you co-sign a loan, you are effectively becoming a joint borrower. That makes you equally responsible for repaying the debt. If you are comfortable with this, our advice is to start with a small loan and a short repayment schedule.

Credit cards are a little different. Some issuers require no co-signer. Others won't let you co-sign but will let you add your child as a secondary card holder on your own account, in which case you are equally responsible for their debts. And still others don't issue traditional credit cards to students at all.

If you share your account, you'll be able to monitor your student's spending on your own monthly statements. If you co-sign, you have the option of receiving a copy of your student's monthly statements. It's probably a good idea to opt in for this, as it will help you to keep track of the balances and make sure your own credit rating is not being compromised. ■

MONEY MANAGEMENT

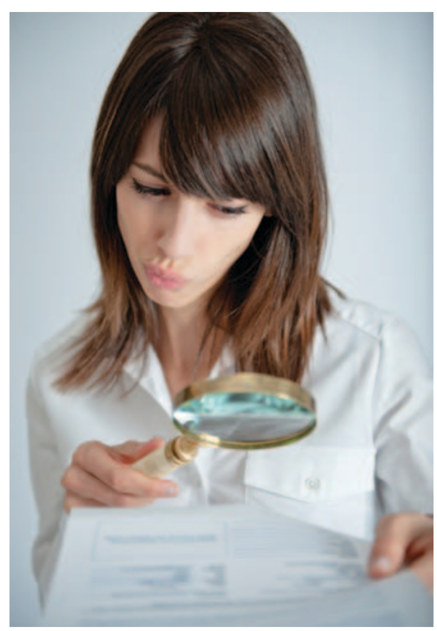
Watch those fees!

What happens if you have a banking package that includes, say, 15 free transactions, and you go over? Or if your balance drops below the minimum threshold? You could find yourself facing unexpected (and hefty) fees.

If it happens more than once, the bank may upgrade you to a more expensive package that includes more transactions, as a courtesy — which may or may not be what you want.

You can avoid this by reviewing your actual banking needs. How many transactions do you usually have per month? Is it worth carrying a hefty balance to avoid a few dollars in transaction fees? Do you make withdrawals from other banks' ATMs, get U.S. money orders or certified cheques, need a safety deposit box? These services are often included in the higher-priced account packages. If they're features you use, it might be worth it.

And lastly, always check your statement! If you get bumped into a higher-tier package that you don't want, call your branch and let them know. ■



Aging: Hope for the best, but plan for the worst

For many, thoughts of retirement centre on how we will enjoy our well-earned respite from the working world. Few of us choose to imagine that we may become ill, lose our autonomy, or require care.

But these issues are compelling, expensive, and require families to plan.

There are workable solutions

While growing older can bring the comforts of grandchildren and leisure time, it also increases the chances of becoming seriously ill. Heart attack and stroke are the leading causes of hospitalization in Canada.[1]

Meanwhile, cancer is diagnosed in some 500 Canadians each week.[2]

One of the difficulties of living with a critical illness is the potential financial stress it brings. The costs of private nursing care, experimental medicines, and alternative therapies aren't covered by provincial health plans. But with a critical illness insurance policy, you can hope for the best and plan for the worst.

These plans pay out a lump sum if you are diagnosed with one of the covered illnesses and survive the minimum number of days afterwards (typically 30 days). You can use the money in any way you see fit. So if you decide that the best way to recuperate from your bypass surgery is in a villa in the south of France, you can use the money for that.

Long life, long-term care

According to Statistics Canada, 89% of Canadian seniors have at least one chronic condition.[3] More than 500,000 Canadians have Alzheimer's (or a related dementia). Living with these conditions will eventually require in-home assistance or a nursing home or both.

A room in a long-term care facility can cost between $900 and $5,000 per month, depending on where you live and whether you have roommates.[4] Even if you stay in your own home, you may need expensive in-home assistance.

Long-term care insurance can take the financial pressure off. If you become dependent and require care, your policy will provide benefits as either a reimbursement of expenses or as a monthly income.

The best time to purchase this kind of insurance is while you're young and healthy, as premiums will be lower. In some cases, you can insure both spouses on a single contract, which can be more affordable than two individual policies. You may also be able to include a "return of premium" option, which will pay back premiums if the policy is in force at death.

Finally, keep these three things in mind. 1) It's never too early to start discussing these matters. 2) Don't try to plan it all at once. Instead, set up a schedule to tackle the components one at a time over the next 6-12 months. 3) We can help. ■

1 Heart & Stroke Foundation
2 Canadian Cancer Society, "Cancer statistics at a glance"
3 Public Health Agency of Canada, The Chief Public Health Officer's Report on the State of Public Health in Canada 2010
4 Canadian Life and Health Association Inc., A guide to long-term care insurance

Ensure your young scholars are insured

As the kids head off to college or university, they may be moving into the dorm or sharing an apartment off-campus. Either way, it's important to make sure they have the protection of tenant and liability insurance before they head out the door.

Tenant insurance protects their "stuff" (computers, electronics, furnishings, clothing, skis) even if these things are stolen or damaged while in a vehicle. (Auto insurance doesn't cover items not attached to the car.)

A tenant policy will typically cover a variety of perils, including damage caused by fire, theft, and — let's just call it rowdiness. It typically provides liability protection as well. This kicks in if your student damages someone else's property. ("Dude, I'm sorry I broke your window, but other than that, it was a great pass!") It also protects them in case someone, say the delivery guy, slips and falls and breaks his leg in an attempt to deliver that extra large pepperoni pizza in 30 minutes or less.

Some or all of this coverage may be available to your student through your existing homeowner's or tenant's policy. If that's not adequate (for example, if it doesn't cover enough of your daughter's expensive computer animation equipment), we can equip your scholar with an affordable, stand-alone plan.

Your next steps? 1) Take an inventory of everything your student is hauling off to school, and estimate how much it would cost to replace. 2) Give us a call. We can review your existing policy and make sure your student is adequately protected. ■

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

ISSN 1205-5840