

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

SUMMER 2015 NEWSLETTER

Carl Eppstadt, Financial Planner, CLU, CHFC, CFP, CHFS
Julie Westall, Financial Planner, CFP, CIM, FDS
Kristin Eppstadt

Carl's Comments

Recently, I returned from a conference where I had the opportunity to hear from several fund managers and economists. The topics were wide ranging and insightful covering macro trends to estate planning. One discussion I found particularly interesting was just how many top managers have all suffered periods of underperformance at some point. See below.

Top performing managers from 2000 -2010

- 97% spent at least 3 out of 10 calendar years in the bottom half based on performance
- 79% spent 3 out of 10 calendar years in the bottom quartile based on performance
- 47% spent at least 3 out of 10 calendar years in the bottom decile (i.e. bottom 10%) based on performance

These statistics may surprise some of us; however, most value managers generate positive returns by buying undervalued securities. To do this, managers require a great deal of conviction and patience. In this world of instant gratification, patience is very often overlooked.

The fund manager speaking at this session is a value manager. Value managers don't like to pay too much for a stock. If they do, it can be that much harder to make money. Lately, this manager has been selling stocks originally bought at undervalued prices. Since the stocks on his watch list are not yet in the price range he is willing to pay, the cash reserve is building up. If the stock market is up, the cash reserve will likely underperform as will the fund itself.

Last year turned out to be a year where many value managers got 'caught'. What appeared to be cheap stock valuations and phenomenal buying opportunities in the energy sector, unexpectedly continued to devalue. In hindsight, the buying opportunity could have been much better. Managers who increased energy positions too early last year will have to be patient. By all accounts, these managers are poised to do very well going forward. The timing of purchases is another example of how a great manager could underperform peers in the last 6 to 12 months.

It can be against our nature, but this shows why it may be important not to sell (sell low) during these tough periods in favour of buying something that has recently done well (buy high). In an ideal scenario, we hope for top performing managers to deliver outstanding returns consistently year after year. In reality, this is not often the case but above average longer term performance is still very achievable.

Source: Wealthtrack.com, Joel Greenblatt Nov. 14, 2014 Interview

Everything to Plan Your Estate

A local accounting firm GGFL has assembled what we view as a great series of articles on steps to consider when planning your estate. The series includes roles and responsibilities of executors, reducing probate and estate valuation. All eleven articles can be found at <http://tinyurl.com/FFP-Estate>. Should you have any questions, please contact us.

Fees and costs are an important part of any purchase decision. But like any purchase decision, there is more to consider than cost alone.

The Value of Good Financial Advice

Qualified financial advisors provide ongoing investment advice, resources and assistance to you.

In addition to Investment Management and Portfolio Construction, Future Financial will work with you to assess and implement Wealth Planning strategies. This includes working with you to evaluate your needs and investment goals, and recommending products that meet your circumstances.

Wealth Planning includes 4 main elements (L I F E):

Later life

- Transition/Career Planning
- Pension & CPP/OAS
- Living Expenses

Insurance

- Premature Death/Disability/Critical Illness
- Asset Protection

Family

- Children & Parents
- Living expenses & Caregiving
- Education

Estate Planning

- Tax Strategies & Efficiencies
- Will/POA
- Beneficiaries/Charities
- Business Succession

Source: Professional Development CI & WFM Advisor conference

Additional services and resources we provide:

Advice	Tax Planning	Investment Management	Goal Setting	Reviews
Meetings	Estate Planning	Education Planning	Discipline	Portfolio Rebalancing
Research	Financial Planning	Business Planning	Monitoring	3rd Party Referrals
Asset Allocation	Retirement Planning	Budget/Cash Management	Risk Management	Insurance Solutions

More TFSA Room!

In April of this year, the 2015 Federal budget proposed changes to contribution room for TFSA accounts effective January 1, 2015.

The Canada Revenue Agency issued a press release <http://tinyurl.com/FFP-TFSA> confirming clients can take advantage of the increased contribution room immediately. The 2015 TFSA contribution limit is now \$10,000.

Withdrawal and over-contribution rules remain the same. Should you have any questions regarding your TFSA, whether it is held with us or elsewhere, please call.

BY THE NUMBERS

MONEY is the #1 stress factor among Canadians of all demographic and geographical regions.

Source: FPSC – FP Standard Spring 2015. Survey by Leger.

Tax Refund Stats

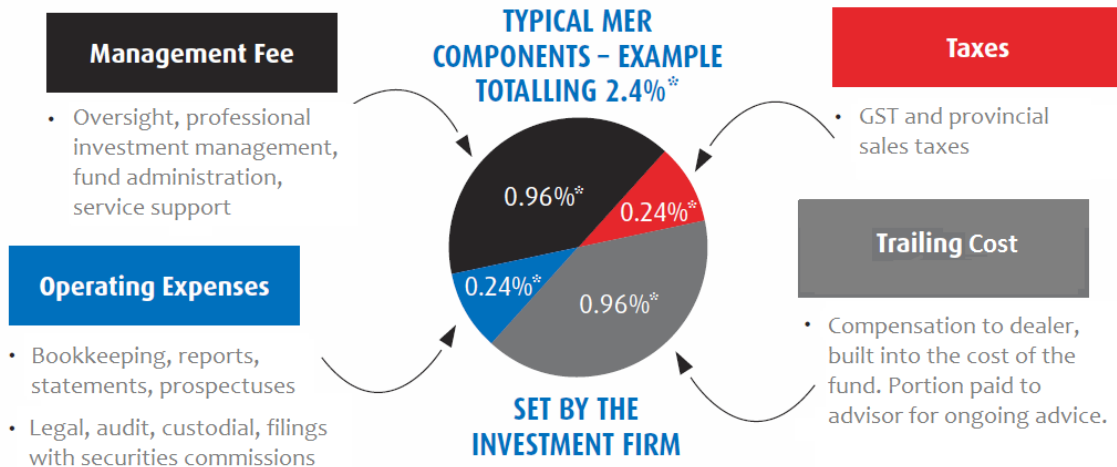
For the 2015 tax filing season, the average Canadian overpaid their taxes by \$1,729 during the year (resulting in a tax refund). That is just over \$140 a month that could be going into TFSAs, RRSPs, RESPs, or non-registered accounts to benefit Canadian families.

Although it may not sound all that much, when you add up the numbers, the pre-paid amount the government can use to fund operations throughout the year is almost \$26 billion.

Source: Knowledge Bureau - Trees Win, But Average Tax Refund Up To \$1,729. June 9/15

Mutual Fund Fees Explained

The MER consists of the operating costs for a mutual fund. These fees are embedded (i.e., not paid directly by you), and are calculated as an annual percentage (average 2.4%[†]) that is deducted daily.



[†] Average MER of an equity mutual fund in Canada. (Source: Morningstar Fund Research, 2013 *Global Fund Investor Experience Report* – May 15, 2013).

* Reflects cost components of typical mutual fund with embedded trailer fees. Overall cost shown of 2.4% reflects asset-weighted average MER of load-paying equity funds at December 2011 (Source: Investor Economics *Insight Report* – January 2012).

Source: BMO Global Asset Management

Manulife One All in One Mortgage & Banking Flexibility

Why would you not want all your money working for you 24/7? With Manulife One* the concept is simple. The “One” account consolidates your assets and debts so that every dollar in savings is actually working to reduce borrowing costs.

Benefits are numerous and include:

- one stop for banking/mortgage
- pays off higher rate debts first
- more rapid debt repayment
- cash-flow flexibility to deal with unexpected
- no need to transfer money between accounts
- smooth out variable income



*Manulife One is offered through a referral agreement. Please contact us for information or to speak to a Manulife Bank representative.



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Commissions and trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the CDIC or any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated. Mutual Funds and Segregated Funds provided by the Fund Companies are offered through Worldsource Financial Management Inc. Other Products and Services are offered through Future Financial Planning Group and term/mart Insurance Agency Inc.



FFPG FUND REPORT

Compounded to June 29, 2015



<u>Fund</u>	<u>YTD</u>	<u>1 yr %</u>	<u>3 yr avg %</u>	<u>5 yr avg %</u>	<u>10 yr avg %</u>
CANADIAN EQUITY FUNDS					
BMO Growth & Income Advisor	-5.32	-9.76	6.45	8.01	5.74
Fidelity Canadian Growth Sr. B	11.27	18.92	25.83	19.05	9.20
Dynamic Small Business Sr. A	2.16	-0.09	7.61	9.29	11.50
Sentry Canadian Income Sr. A	0.26	6.77	13.06	13.85	9.69
Fidelity Dividend Plus Sr. B	0.82	8.56	8.66	10.37	10.57
Fidelity Canadian Large Cap Sr. B	1.47	7.28	16.54	16.78	11.25
IA Clarington Strategic Equity Income Sr. A	-0.79	-0.16	11.20	n/a	n/a
IA Clarington Canadian Small Cap Sr. A	-0.47	-4.22	15.70	14.27	8.66
IA Clarington Focused Cdn. Equity Cl. A	1.22	-8.80	8.77	n/a	n/a
US/INTERNATIONAL/GLOBAL EQUITY					
Dynamic Global Discovery Sr. A	15.41	21.98	17.67	10.97	8.03
Fidelity Small Cap America Sr. B	15.35	35.23	30.42	27.65	10.65
Trimark Global Endeavour Fund Sr. A	15.19	23.46	22.28	19.22	8.04
Sentry U.S Growth & Income Sr. A	4.35	18.85	21.75	n/a	n/a
BALANCED FUNDS					
AGF Monthly High Income MF Series	-0.60	-7.38	5.12	6.56	6.32
CI Signature Canadian Balanced Cl. A	1.98	5.25	9.84	7.99	6.53
Dynamic Power Balanced Sr. A	6.45	9.30	11.20	6.09	6.70
Dynamic Value Balanced Sr. A	4.64	5.23	11.28	7.30	6.59
Fidelity Monthly Income Sr. B	1.34	4.52	8.34	8.97	7.46
Fidelity Canadian Balanced Sr. B	5.50	9.94	11.28	9.43	7.12
Fidelity Income Allocation Sr. B	2.84	7.29	7.89	8.55	8.51
IA Clarington Focused Balanced Sr. A	1.82	-3.60	8.99	n/a	n/a
Mackenzie Cundill Canadian Balanced Sr. C	-0.03	2.44	11.48	9.34	5.70
ALTERNATIVE FUNDS *YTD for Arrow as of May 31/15					
Vertex Fund Class B	8.16	-3.95	8.41	4.55	8.79
Vertex Managed Value Sr B	5.49	9.06	21.39	11.33	8.43
Arrow Raven Rock (1) Class A	6.30	-5.40	2.90	6.00	n/a
Arrow Curvature Mkt Neutral Cl A (capped)	5.70	10.40	7.40	7.80	n/a

All Mutual Funds Sold by Prospectus Only & Alternative Funds Sold by Offering Memorandum

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201-370 Churchill Avenue, Ottawa, Ontario K1Z 5C2 613.728.0589. www.futurefinancial.com