The Money Manager

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*** Investments – Insurance – Mortgages ***

"Helping to make your dreams come true"

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In this issue, I will be covering investments for retirement, Term Life versus Mortgage Life Insurance, and mortgage rates. Please feel free to send me your comments and questions. Also let me know if there is something you'd like to see in future newsletters.
For further details on any of the mentioned product, please feel free to contact me.

Getting Ready to Retire

As the baby boomers get older, retirement is fast approaching. In fact, some have already retired. At least those that are able to.
As you approach retirement, you want to move your savings into more conservative investments. Typically, people move to low risk conservative mutual funds and re-allocate their investment portfolio more heavily towards fixed income investments such as bonds & GICs.

Here are some other alternative investments that you may want to consider adding to your retirement portfolio.

Guaranteed Mutual Funds:

Before this product came along, only the Segregated funds put out by the insurance companies guaranteed your original investment. Unfortunately, along with the guarantee came the much higher MER costs. Segregated funds still has it's place in one's investment portfolio, but mainly for it's creditor protection and estate planning features. Now with guaranteed mutual funds, your principal is also protected, but the MER is lower than your typical seg funds. Two guaranteed mutual funds that I recommend are the IA Clarington Target Click funds and the Guardian Life Stage funds.

The **Target Click Funds** automatically lock in month-end highs and lower risk as they approach their maturity date – capturing growth and providing downside protection.

The **BMO Guardian LifeStage Plus Fund** is adjusted to become more conservative as the fund approaches its target end date. If the fund is held to maturity, at the fund's target end date, you will receive an amount equal to the net asset value per unit on the start date of the fund or the highest net asset value per unit from inception up to the target end date, whichever is greater.

5 For Life:

This product guarantees the owner 5% of their guaranteed withdrawal base starting from age 65. Bonuses help increase the value of the guaranteed withdrawal base and reset increases to the guaranteed withdrawal base are also done based on the value of the underlying mutual fund. If you defer the 5% payments until age 75, you will get 5.5% for life.

What makes this great product even better is the RRIF version. Minimum withdrawal income from RRIFs are determined based on government calculations. This makes the retirement income less predictable. However, with the 5 for Life RRIF, the minimum that the owner will ever receive is the 5%, regardless of how low the RRIF calculated income is. Also, the RRIF income is guaranteed for life. Which isn't the case for all RRIFs.

Guaranteed Deposit Accounts (GDAs):

GDAs are the insurance companies equivalent to the banks' GICs. GDAs provide a much higher interest rate than a GIC. Equitable Life, one of the insurance companies I work closely with, regularly provides the highest GDA rates.
Interest is annually compounded with terms from 12 to 120 months. You can invest in a GDA for as little as $500.
Typically, the 5 year rate is about 1% to 2% higher than what the banks will offer.
The following chart outlines some of the main differences between a GDA & GIC.

	GIC	***GDA***
Principal protected	Yes (CDIC)	Yes (Assuris)
Possible Creditor Protection	No	Yes
Probate tax protected	No (unless held in a registered plan)	Yes
Beneficiary designation	No	Yes

Unhappy with your current financial situation? Need a second opinion on your financial strategy?

Book an appointment with me for a free no obligation assessment of your current investments and finances.

Term Life versus Mortgage Life Insurance

Every time you take out a mortgage, the mortgage agent offers you the option of getting life insurance on your mortgage. But do you know if it is better to get that mortgage life insurance or a term life insurance?
Mortgage life insurance, also known as mortgage insurance or creditor insurance, is offered by most banks and lending institutions. It is a life insurance policy that pays the balance of your mortgage to the lending institution if the person listed on the mortgage passes away.
Life insurance gives you more options and greater control over your mortgage protection.
Here are the advantages & disadvantages of both, when it comes to protecting you.

Mortgage insurance	Life insurance
Your insurance covers only your mortgage balance.	You can choose from different types of insurance (i.e. term or permanent) with a death benefit to cover more than just your mortgage.
Even though your mortgage debt reduces over time, your premiums remain level.	Your coverage amount does not decrease over time unless you choose to change it.
If you die, only the outstanding balance on your mortgage is paid off.	If you die, the death benefit is paid to your beneficiary who can use it as they see fit, not just to pay off the mortgage. With life insurance your family receives any payout from your policy directly. It may be more advantageous for your surviving spouse or children to use the proceeds to invest and simply continue to pay the monthly mortgage payments. This would be most appropriate if the current mortgage interest rate is much lower than current investment rates of return available. They could simply invest the proceeds and use the investment income to pay part or all of the mortgage payments on a monthly basis.
The mortgage lender is automatically the	You name the beneficiary.

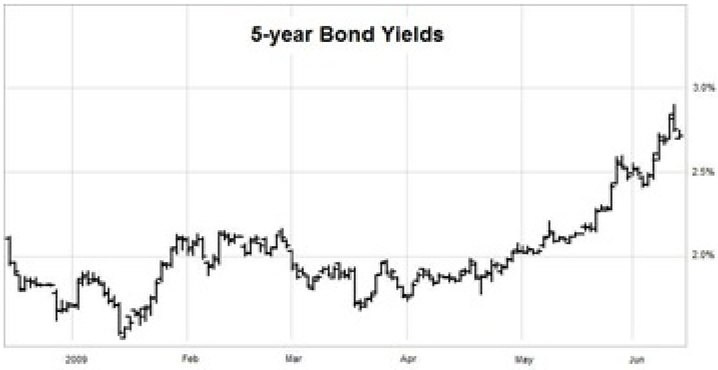
beneficiary. The lender owns the policy and you have no control over it.	If you elect to cover both yourself and spouse then both death benefits will be paid out in the event of a common disaster
If you take your mortgage to another company, you may lose your existing mortgage insurance and may be required to re-qualify for new mortgage insurance.	If you take your mortgage to another company you keep your existing insurance, so you don’t have to re-qualify.
You lose all your coverage when your mortgage is repaid, assumed or in default.	As long as premiums are paid your coverage remains in place, even if your mortgage is repaid, assumed or in default. For a Term Life policy you have the option of changing the coverage to permanent protection in the future, regardless of health.
You have no flexibility to change your coverage as your needs change.	If you decide you need coverage only until your mortgage is repaid but later realize you require coverage for other needs, you can convert your insurance to a permanent plan.
Generally the medical underwriting is less stringent and the coverage can be approved quickly. In most cases no medical exam is required, however it is possible to be declined. Underwriting is actually done when you need the insurance, so there is still a possibility you won’t be covered when you die.	In most cases you will have to go through medical underwriting and be approved which sometimes may take a period of time and you could be declined. However, once approved, you are guaranteed that the benefit will be paid out.
Insurance premiums included with your mortgage payment	Insurance premiums are paid separately from the mortgage payments, but if you do not make your mortgage payments, you may still be insured so long as you pay the insurance premium.
Premium rates do not increase due to age during the life of your existing mortgage as long as your balance does not increase.	Term life premiums will increase upon renewal of the term. But depending on the type of policy, you can select a policy that has guaranteed premiums.

Long Term Fixed Mortgages Rates

A 5-year fixed mortgage can be had nationally for around 4.35% right now. That’s 1.85% below the average 5-year fixed rate over the last 18 years. (The average is 6.20%, based on 1.5% off posted rates.)

Today’s 4.35% is therefore not bad, especially given the rate risk out there. If the economy rebounds and/or federal budget deficits persist and/or inflation runs up to 3%, five-year fixed rates could easily rise towards their long-term median. It could take a few years, but it's nonetheless a real possibility.

If you want (or need) to lock in, keep watching 5-year bond yields. If they close above 2.90-3.00%, fixed mortgage rates may rise again.



If bond yields do not break above this level, and there are no new credit market shocks, long-term fixed mortgage rates will probably stay where they are or drift lower.