



THE BOTTOM LINE

the latest trends, ideas, and news from the financial industry

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CONTACT US

CHRIS FORMAN
Senior Financial Advisor
Phone 604.687.4587
Chris.Forman@manulifesecurities.ca

MARK RICHARDS
Senior Financial Advisor
Phone 604.484.4559
Mark.Richards@manulifesecurities.ca

MIKE FRASER
Financial Advisor
Phone 604.484.4558
Mike.Fraser@manulifesecurities.ca

PETER GRAHAM
Financial Advisor
Phone 604.484.4577
Peter.Graham@manulifesecurities.ca

TOM CHIPMAN
Associate
Phone 604.484.4552
Tom.Chipman@manulifesecurities.ca

MAIN BRANCH
#1310-925 West Georgia St
Vancouver, BC | V6C 3L2
Phone 604.688.2123
www.roadmapforsuccess.ca

Economic Update

Following a promising first quarter, things cooled off somewhat in the second quarter, at least from a stock market point of view. For example, the S&P500 grew more than 5% in the first quarter and slowed substantially in the second quarter, although still up almost 7% in US Dollar terms year-to-date. This, in spite of sluggish growth numbers, poor employment creation, and continuing softness in the housing market. Contrast that with the Canadian economy where the S&P/TSX has dropped into negative territory to the end of June, ironically, on concerns about the US economic recovery. Elsewhere in the world, we are seeing similar numbers to the US experience, up anywhere from 1%-6%. However, when converted back to CDN Dollars, those returns drop off notably.

The pace of the economic recovery has slowed over the past six months. Given the speed and steepness of the decline in 2008, the early pace of the recovery was bound to be dramatic as the global economy snapped back into action. But now we are in a more protracted grinding phase where growth is likely to be positive, albeit, low and slow over the coming year. It was excessive amounts of debt and borrowing that led to the collapse. Regardless of government initiatives aimed to reverse, or at the very least, alleviate the economic collapse, at the end of the day the world needs to reduce its collective debt. The massive borrowing needs to stop and the debts need to be paid down, and that will take time as well as burden economic growth for an extended period.

Post-Retirement Planning

The Sun Life Canadian Unretirement™ Index tracks how workers' attitudes and expectations about retirement are evolving in response to economic, health, and personal forces affecting their lives. The overall score – measuring the confidence of working Canadians – is down significantly from prior years,

"The art is not in making money, but in keeping it."
-Proverb

to 39 in 2010, from 50 in 2008, and 51, in 2009.

Canadians believe they'll work much longer than the traditional retirement age of 65, are less confident about their retirement-readiness and outlook, and are increasingly more concerned about their financial well-being. With the first wave of boomers turning 65 this year, we are only at the start of this significant surge in the number of retirees. Statistics Canada projects that over the next 265 years the number of seniors in Canada will grow to represent 24 per cent of the total population.

Since many retirement decisions are based on finances, the sub-index measuring overall personal finance perception is critical. Its decline – from 46 in 2008 to 38 in 2010 – is a strong contributor to the less than rosey outlook Canadians have towards their retirement. With more frequent market downturns, it's even more critical to take steps to protect against market volatility throughout the course of your retirement.

GIC INTEREST RATES 2011 (%) **

	APR	MAY	JUN
1 YR	1.9	2.05	1.85
3 YR	2.8	2.75	2.55
5 YR	3.45	3.25	3.05

ANNUALIZED RATES OF RETURN AS OF JUNE 30, 2011 (%) ***

CDN\$	1 YR	3 YR	5 YR
TSX	20.4	0.8	6.2
S&P 500	26.0	0.9	3.3
TSX DEX	6.5	6.1	5.9
*EAFE	21.2	-4.5	-0.4

* Europe, Australia, & Far East Index
** Source: GICInvest.net
*** Morningstar

Just like in pre-retirement years, unexpected events happen, and circumstances change during retirement. Post-retirement planning makes sure you are prepared for emergencies and also gives you the flexibility to accommodate emerging priorities, like travel or helping family members reach their own financial goals. Our goal is to offer you support and timely advice in response to your ever-changing needs. The results clearly show that Canadians who have a financial plan are more likely to be more confident with their retirement plans and finances. Those readers who are presently retired are familiar with our recommended process, and others may benefit from our ability to draw on our unique experience to assist you in developing your personal post-retirement plan.

Insurance

Many clients ask us if we do life, disability and critical illness insurance. The quick answer is...absolutely. Insurance can form an important part of your overall financial plan and should be reviewed regularly to ensure that it is up-to-date and cost effective.

Lately we have had clients come to us with questions regarding term-insurance policies that were about to renew into a new term at a much higher cost. The main question was whether they should keep their existing coverage at this new higher cost, or cancel their coverage.

Whether they should keep the insurance coverage would be based on their current needs, which may be very different from when they originally purchased their insurance. Most term policies are ten years old or older when they renew and many things can change in that time period.

If it is determined that insurance is needed, we would begin looking for the most cost effective way to provide coverage. Depending on your current health condition, you could apply for new medically underwritten insurance which could potentially save a large amount of money. This process would give the insurance company up-to-date risk information. If approved, you could see your monthly cost decrease by a significant amount when compared to the renewal quoted with your existing provider – well worth the inconvenience of going through the application process. The resultant savings over the duration of the policy could add up to be in the hundreds, or, in some cases, thousands of dollars. In a recent case we were involved in, the savings were approximately \$14,000 over ten years.

Give us a call if this example sounds familiar to you. We can help you evaluate your options and apply for coverage.

If you like our service, please let others know. The greatest measure of our success is the referrals we receive from our clients.

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Introduction

In our last edition, you may have noticed Tom Chipman’s name under the “Contact Us” sidebar. Tom has settled in so well, so quickly, we were remiss in providing a formal introduction. Tom joined us earlier this year from a major insurance company where he was a client relationship manager of a large block of group clients.

Tom holds a Bachelor of Commerce degree from Saint Mary’s University with majors in both Finance and Marketing. Tom has completed his Retirement Plans Associate (RPA) certification, and is working towards a Certified Financial Planner (CFP) designation.

Tom has been working in the financial services sector since 2003 and specifically in the group retirement field since 2007. He will work with plan sponsors and their members on all aspects of their Group Retirement Plans.

Group Plan Communications Initiatives

We’re committed to coming up with new and innovative ways to help our Group Retirement clients promote their group retirement plan and distribute information to plan members. With that in mind, we are excited to introduce our first Podcast online video. The link below will direct you to a short presentation that outlines who we are, the services we provide to you and your employees, and demonstrates how we can leverage this technology to communicate with your plan members.

We feel this technology can assist every client, in particular, those that have several branches or members in remote locations. Where geography is a challenge, this is an excellent tool to disseminate information.

<http://www.screencast.com/t/bAP2bvU5M>

Please feel free to share the link with anyone who you feel may benefit from it, including your plan members. Moreover, if you have ideas for future content, please don’t hesitate to let us know.