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We specialize in building long term, trusting client relationships. We help clients make informed financial decisions by delivering knowledge, ideas and information they can use.

 **Manulife Securities**
Account Representative

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FOCUS ON MUTUAL FUNDS



What's your investment personality?

Whether your goal is financial security in retirement or funding post-secondary education for your children, it's important to choose mutual funds that match your investment philosophy and personality.

Risk tolerance

How much volatility are you really comfortable with?

Are you comfortable with equity funds whose price may increase or decrease daily, monthly, or yearly? Can you accept the potential risk of short-term losses, knowing that you have a good chance of earning higher returns over a period of 10 years or more?

Or are you more comfortable with investments that generate a stable, but modest, return from year to year?

Whether your risk tolerance is low, moderate, or high, it's important to diver-

sify by spreading your investments among the three main asset classes: equity funds, fixed-income funds, and funds that invest in cash and cash equivalents.

Hands-on or hands-off?

Some investors are very hands-on. They follow financial and market trends closely, and want to be very involved in investment decisions with their advisor.

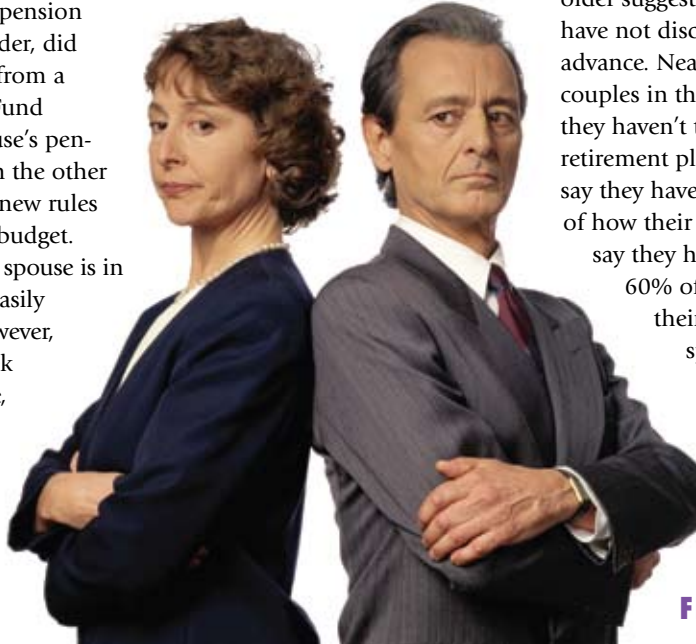
An active investor is more likely to adjust his or her portfolio regularly, in an attempt to profit from changing market conditions. If you're a hands-on investor, you can benefit from professional input and expertise when adjusting your portfolio mix.

Take the time to understand your investment philosophy and personality. Professional advice can then help you work more effectively to achieve your goals. ■

TAX PLANNING

Split retirement income to reduce taxes

Did you or your spouse collect pension income in 2007? Or, if 65 or older, did either of you withdraw money from a Registered Retirement Income Fund (RRIF)? Up to 50% of one spouse's pension income can be reported on the other spouse's 2007 tax return under new rules introduced in the 2007 federal budget. This can save tax if the receiving spouse is in a lower bracket. The transfer is easily made using tax form T1032; however, it may be worthwhile to first seek professional advice. For instance, income splitting can affect eligibility for income-tested tax credits. It can also create new planning opportunities in deciding when to retire and start drawing a pension. ■



RETIREMENT PLANNING

Do you and your partner share retirement dreams?

Retirement usually means a big lifestyle change for couples, but a national survey of Canadians 50 years of age or

older suggests that most have not discussed plans in advance. Nearly a quarter of couples in their fifties say they haven't talked about retirement plans at all. Half say they have a "rough" idea of how their mate feels. Only about one in four say they have talked in-depth. Not surprisingly, 60% of couples polled couldn't agree on their vision of retirement. If you and your spouse save regularly for retirement, why not quiz each other on what those years could really be like? A change in goals could mean a change to your retirement savings strategy as well. ■



FINANCIAL PLANNING

Keep your credit card balances in the black

About 55% of Canadians carry an outstanding credit card balance at least once a year and thus incur interest charges. So says a survey conducted for Credit Canada, the national association of non-profit debt counselling agencies. Of those who owe, 14% pay interest for six months and 6% say they never get out from under their debts. If you're carrying credit-card debt and would like to reduce this to put more money toward your long-term goals, let's meet. Credit can be a useful tool for managing expenses if it's used wisely and you can avoid paying more interest than necessary. ■



FINANCIAL CLASSROOM

your guide to the basics and how to benefit

Group RRSP

What it is

A group Registered Retirement Savings Plan (RRSP) is simply a collection of individual RRSPs administered by one financial organization under an agreement with the account holders' employer. It is not a formal pension plan, but does allow employees to save and invest for their own retirement.

How it works

Employees contribute to their RRSP accounts through a pre-authorized payroll withdrawal. Since this contribution is tax-deductible, less tax may be withheld at source to immediately reflect the RRSP deduction. Some employers also match the employee's contribution, up to as much as 5% of pay. All contributions count as part of a person's RRSP limit. Anything the employer contributes automatically becomes the employee's property. You make all the investment decisions, as with a personal RRSP, but your employer may limit the range of choices. If you do participate in a group RRSP, contact us to coordinate any other of your RRSP investments with those in the group plan.

Why it matters

Group RRSPs offer a great way to make the commitment to save for your own retirement. Plus, employer contributions are akin to getting tax-free pay. Payroll deductions and accelerated receipt of the RRSP tax savings make this a very convenient, affordable way to save. And your employer may have the clout to negotiate preferred investment fund management fees.



ments — so-called “greenfield” projects to create new facilities — may carry environmental risk and cost more than expected. And there can be political risk if rates and markets are regulated by governments.

Infrastructure ownership and management agreements run a long time — often 99 years. This ensures long-term income, but also means a lack of liquidity. Mutual funds overcome this since fund units are valued and redeemable daily, making it possible for individual investors to participate.

You may already own it

In Canada, there are a number of infrastructure mutual funds available directly from financial advisors. There are some funds closed to new investors, while others are exchange-traded and listed on the stock market.

You may even already have exposure to infrastructure investments within your diversified mutual funds, through companies involved in development or operation.

For instance, partial ownership of Ontario’s Highway 407 toll route as well as power transmission lines in Alberta contribute to the returns of engineering company SNC-Lavalin, a widely held stock. In addition to engineering and construction firms, the field includes building materials manufacturers, aggregate producers, logistical support contractors, and specialized financial companies.

If you are interested in exposure to this type of asset, we can help you determine your optimal portfolio weighting. Or, if you hold broadly diversified funds, we can tell you more about their infrastructure exposure and strategy. ■

Infrastructure investments seek income from public works

Peter Lynch, the legendary U.S. mutual fund manager, used to advise investors to focus on boring industries that meet day-to-day needs. His reasoning: those businesses are easily understood and largely immune to the economic cycle.

Well, boring industries are now some of the most talked-about investments around. Have you ever imagined owning part of a water and sewage system? How about a tunnel, toll road, electrical grid — or even a prison? Those are just the kinds of things that specialty and diversified mutual funds are buying today on behalf of individual investors.

Public-private partnerships

The private sector, institutional investors, and stock markets are all playing a larger role in funding infrastructure. On the supply side, governments are selling outdated facilities that need to be upgraded, replaced, or better managed. Opportunities are global, from industrialized nations to emerging economies.

On the demand side, pension funds and institutional investors such as life insurers see infrastructure investments as a good match to help fund their long-term liabilities.

As one example, the Canada Pension Plan Investment Board (CPPIB) says an established toll road has similar risk-return attributes as government bonds, utility stocks, or a well-located Class A office building. CPPIB considers these four types of assets as potentially interchangeable.

Such big money investors — who commit billions of dollars over decades — began investing in infrastructure in the

1990s. Now, an array of infrastructure-related investment funds has opened this market to individual investors, primarily those with a longer time horizon.

Good income-earners

Many infrastructure projects include the right to provide a monopoly or near-monopoly service with regulated rates. This can create stable cash flow at relatively low risk, a hedge against inflation, and low correlation with conventional stock and bond markets. An infrastructure asset might also increase in value.

But there are vulnerabilities. Some of the most lucrative infrastructure invest-

Infrastructure heads off inflation



THE CANADA PENSION PLAN, Quebec’s Caisse de dépôt, the Ontario Teachers’ Pension Plan, and Canada’s other major public sector pension funds all have billions of dollars invested in infrastructure projects.

Why? Largely because of inflation.

These organizations have to fund pensions that are indexed to the cost of living. So they need long-term investments that can reliably keep pace with inflation.

The same inflation-fighting principles can be applied to your own RRSP, in order to protect your purchasing power as a retiree. Managers of mutual funds that invest in infrastructure look for income streams that can beat inflation.

Inflation hedge: Infrastructure projects are recognized for their ability to hedge inflation. First, many operate in regulated environments, such as utilities, where fees are often indexed to inflation via the operating agreements between project operators and the governments. So, rates rise with inflation.

Increased use: Demand can pick up for certain types of investments. For instance, as usage of Ontario’s Highway 407 privatized toll road grew, the peak toll rose three times faster than the Consumer Price Index from 1997 to 2007.

Rising asset value: Facilities are very expensive to build and their asset value should rise as inflation drives up the cost of constructing comparable new ones.

Cash on the side lines? Think long-term investing

It's well accepted that diversification is one of the building blocks of a sound investment portfolio.

However, market volatility can sometimes cause investors to focus more on income investments that carry little or no risk of capital loss. The problem is that playing it too safe can deny them the full measure of long-term growth they need to meet their goals.

Registered Retirement Savings Plans (RRSPs) offer more than enough flexibility to assemble a balanced mix of both growth and safety investments.

Equities for the long term

Your RRSP is probably the investment you will own for the longest time. Depending on your age, it could be in place for 50 years or longer. This makes your RRSP the ideal candidate for long-term, growth-oriented investments. In other words, equities.

Equity-based mutual funds cover virtually all of the world's main industries, economies, and currencies. They range from relatively stable "blue chip" and dividend funds to high-risk/high-reward emerging markets or technology funds, and everything in between.

To balance your RRSP's growth potential with an acceptable degree of risk, it's a good idea to diversify into several different equity funds. At a minimum, you should consider both a Canadian and a U.S. equity fund, with a broadly diversified international fund to round out the mix.

Remember that there is no longer a limit on international investments in your RRSP.

Fixed income for balance

Although equities are your RRSP's big guns, it's essential to balance them with fixed-income investments.

As with equities, not all fixed-income holdings offer the same benefits or growth potential. So balance within this side of your portfolio is equally important.

For capital preservation and modest growth potential, you may want to consider a mortgage fund or shorter-term income fund.

Then, for some additional growth potential, look into longer-term bond funds. These offer capital gains potential, as well as interest earnings. International bond funds add potential for capital appreciation and diversification.

High-yield income funds can also be considered. However, keep in mind that these funds often invest in riskier bonds.

Mind the mix

Ultimately, it's not the individual holdings, but rather your overall investment mix, that will help you achieve your long-term goals.

Professional advice can help you establish the right mix for you and make regular adjustments to help you meet your retirement goals. ■

How do we measure risk in your funds?

ONE WAY THAT mutual fund analysts view risk is in terms of volatility — how much a holding swings up and down. Academics have developed many measures. Here are the ones most commonly reported in mutual fund annual reports.

Standard deviation. The usual calculation takes 36 months of data and, for each month, determines how much the fund varied from its average performance. For example, consider a fund with a 10% compound annual return and a 5.0 standard deviation. This means the returns generally ranged between 15% and 5%. Some publications convert numeric standard deviations to ratings such as high, medium, or low.

Standard deviation measures fluctuation only. Two funds can have identical multi-year returns but different standard deviations.

Beta. This indicates whether a fund was more or less volatile than the broad market in which it primarily invests. A 1.0 beta indicates that the fund matched the market. Betas are below 1.0 for less volatile funds, and above 1.0 for more volatile ones.

Sharpe Measure. This figure correlates returns and volatility to rate the fund manager's effectiveness. The higher the score, the better.

If you have concerns about risk in today's market conditions, get in touch; we can help you understand your investments better. ■

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