

Investment Planning

Strategic investment planning can take the worry out of market fluctuations. Long-term investors will experience every phase of a market cycle. They should anticipate the up and down swings, as these are part of normal market activity.

Fortunately, long-term investments are able to ride out the ups and downs. Strategic investment planning takes the worry out of market fluctuations, and regular contributions allow you to get the most out of your investments.

This is because, historically, markets have gone up. Over 30 years from 1977 to 2007, the S&P/TSX Composite Total Return Index 12.6% per year. So when markets drop, savvy investors recognize the opportunity to increase their holdings at lower prices and when the market rises again, those who held on to their investments reap the rewards.

The best way to approach your investment plan is to craft a sound portfolio that suits your risk tolerance so you can handle the market's inevitable fluctuations.

The following eight strategies will help you feel more comfortable when the markets are turbulent.

1. Focus on the long term --- Your best approach is to stick with your long-term investment plan and remain focused on your goals. While daily market swings may cause some concern, if you are confident that your plan is tailored to your risk tolerance, when the market fluctuates the returns generated will generally remain within your comfort level. A long-term strategic investment plan states your goals and defines your terms: how much and how often you will invest, and what type of investments you want to contribute to. This plan encompasses not only investments, but also taxation and estate planning. It is meant to help you feel secure about your finances and your future.

2. Invest regularly --- One of the most important components of investing successfully is following a regular schedule. Even small amounts invested regularly accumulate to large sums over time.

3. Take advantage of dollar cost averaging --- This is a timing strategy of investing equal dollar amounts regularly (such as \$100 monthly) over lengthy time periods in a particular investment or portfolio. By doing so, more shares are purchased when prices are low and fewer shares are purchased when prices are high. The point of this is to lower the total average *cost per share* of the investment, giving the investor a lower overall cost for the shares purchased over time.

4. An optimal asset mix — Your optimal asset mix refers to the combination of equity and fixed income investments you want to invest in, given your particular risk tolerance. Different assets have varying degrees of volatility and tend to react differently to market conditions. By holding a mix of assets, you can maintain a volatility level that you're

comfortable with, and still be in a position to benefit from whatever asset class the market favours at any given time.

5. Diversify at home and abroad — Optimal asset allocation includes diversification. Mutual funds are great because they provide a ready-made, diverse investment. Holding more than one type of fund within each asset class can increase diversification. Our Strategic Investment Planning approach enables you to diversify in order to produce an optimal portfolio, regardless of how risk tolerant or risk-averse you might be. To capitalize on some of the international investment opportunities available and further increase the diversification of your portfolio, hold mutual funds that invest outside of your country as well as at home.

6. Set goals for motivation — A unique optimal asset mix should be crafted for each of your financial goals. Perhaps you want to accumulate funds for your retirement or save for a child's education. Maybe you want to finance your own business. Such quantifiable goals can be a great motivation when markets are turbulent. Having invested regularly and seen your savings increase, you can see what progress you've made since you started investing and reassure yourself that you're well on your way to reaching your goals.

7. Work with a trusted Financial Planner — Always work with a Certified Financial Planner when devising an investment plan to meet your long term goals. Unfortunately, the majority of financial advisors or consultants are not Certified Financial Planners. Many of these financial advisors are licensed only as sales people, and work to sell investment products. Alternatively, Certified Financial Planners must undergo very challenging professional examinations and have acquired years of financial planning experience. Don't put your money into the hands of an advisor with a hidden agenda.

8. Financial Health Check — Once your investment plan is up and running be sure to review your progress at least once a year. An annual check-up is a good time for us to revisit your goals and investment time horizon and reassess your risk tolerance. Doing so allows us to assess your investments and fine-tune your plan, rebalancing your portfolio if necessary. It is a good idea to rebalance your portfolio periodically in order to ensure the asset mix you originally invested in still reflects your tolerance for risk.

The bottom line:

It's much easier — and much more rewarding — to stay invested. When you understand that both highs and lows offer rewards, you'll see that it's always a good time to be in the market.

Patience is the key to success through all stages of the market cycle, and your perseverance will allow you to benefit from the market's upswings when they occur.

Staying with your long-term strategic investment plan will keep you on the road to achieving your financial goals.