The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 1

Financial Planning

Tips for the younger generation: Saving – it pays to start early!

By Brittany Kothlow – Client Services Coordinator

Based on your feedback – and thank you for providing that! – we've decided to devote a series of personal investing articles meant for your children, grandchildren and/or other young adults you care about. The purpose of these articles will be to help you share personal finance values and wisdom with them.

Granted, sometimes it's hard to pass along any advice, let alone financial advice, to a younger generation. To help make the advice in this new series more contemporary and accessible, the articles will be written by the younger members of our team: Sales Assistant Johnny Lyall, Administrative Assistant Meghan Jones and me. We've designed the content to speak directly to your millennials, from Stan Clark's millennials.

The articles will be highly readable. But they will also be sophisticated enough to reinforce principles for experienced investors, too. We plan on covering a wide range of topics, from saving early to the benefits of diversifying. Here's a sample of what to expect:

Most millennials would agree that it is difficult to get ahead these days, especially with the rise in real estate prices. We thought we'd give some tips on starting to think about saving and planning for the future. The little things we "need" certainly add up, like buying a coffee every day or eating out regularly. Although these seem to be natural choices in our busy days, we often don't realize how much we end up spending on these purchases – or the long-term consequences of such spending.

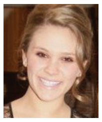
For example, a drink at Starbucks can cost up to $6. If you make a daily stop for coffee, that means you are spending $180 per month. This adds up to $2,160 each year! There are many ways to better use this money. Let's put it in perspective. If you start making your coffee at home or at work, and choose to invest the $180 per month instead, what will happen?

Looking at rates of return for stocks and bonds over the last 100 years, we have an average return of 11.5% for stocks and 4.3% for bonds. Assuming you spread your money evenly between stocks and bonds, the average rate of return would be around 8%. In 40 years, investing $180 per month with an 8% return works out to over $600,000! And all because you made a decision to make coffee at home instead of a daily stop at Starbucks.

There are many options to invest your savings, for example, using a Tax-Free Savings Account (TFSA) and/or Registered Retirement Savings Plan (RRSP). Both are great vehicles to help you invest. All of your growth in TFSAs is tax-free and you can withdraw savings at any time with no tax consequences. So, your savings are easily available. Of course, that may or may not be a good thing, depending on what you are doing with the savings.

On the other hand, RRSPs also provide tax-free growth, but have the added benefit that your contributions to them reduce your income tax. RRSP savings are not as accessible, since you need to pay taxes to withdraw them. The silver lining here is that we tend not to withdraw from our RRSPs because of the taxes, so this helps us to save.

Everyone has different needs. TFSAs might be better suited for some than an RRSP, or vice-versa – or there might also be a need for both! It helps to think about these options early and develop a plan for your future. ■



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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 3

Financial Planning

Prepare for your future self

By Johnny Lyall, Sales Assistant

Here's a question for millennials: Do you ever think of your future self? Do people ask you where you see yourself in 10 years? I wonder if you have given the idea any thought. Maybe it's time you should.

I suspect most people *don't* try to picture themselves in 10 years. That's unfortunate. Maybe the whole idea is just too daunting. Yet in reality, we will all one day be that future self.

Psychologist Daniel Goldstein makes a funny, intriguing contrast between what he calls our present and future selves. Goldstein says:

"Let's face it: The present self is present. It's in control. It's in power right now. It has these strong, heroic arms that can lift doughnuts into your mouth. And the future self is not even around. It's off in the future. It's weak. It doesn't even have a lawyer present."

I tried out an app that shows me what I might look like In 2047. Wow, I thought. That old goat is going to be me one day – and I need to look out for him! It's a good idea for all of us to think of our future selves from time to time and what we hope our lives will be like. It's also good to recognize that the odds of things working out are going to be really low if we just wing our way through the years.

As millennials, another thing we need to think about is that our life expectancy is much higher. We could live to be 100 years old. This means each of us needs to have enough money to last and keep us happy in our golden years.

Lots of people think or say, "I'll let my future self worry about that." They anticipate that their future self will earn more, or have the capacity to cover whatever it is they are spending right now. People often spend too much and buy things that are out of their means, all because they are rationalizing that they can pay for it later. That is not a smart way to plan for your future.

One thing that makes it too easy for people to overspend is credit cards, as well as the bank's willingness to lend them money they don't have. Way back in the day before credit and debit cards, people would be paid their earnings in cash. If they spent it all before the end of the month, tough luck! Getting paid in cash was actually a great way to prevent them from getting into debt.

Thankfully for us as millennials, there's good news. We have time on our side. We can help our future selves by starting to put money away now and setting some goals for ourselves. Studies show that people who write down their goals accomplish significantly more than those who don't. So try it: Write down your goals!

In our upcoming articles, we will be touching on topics such as tracking spending, budgeting, saving and investing. Through these, we're aiming to give you helpful tips on how to take control of your situation – and get prepared for your future self. ■

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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 4

Financial Planning

To start putting money away, first get back to the basics

By Meghan Jones, Administrative Assistant

Last month, Sales Assistant Johnny Lyall introduced us to the concept of preparing for our future selves. Johnny discussed the importance of saving, and some of the vehicles available for achieving that, and other goals.

In this issue, I'm going to look at how we can reach the point where we are indeed able to start putting money away. To do this, we first need to get back to the basics! We need to set up a budget and learn to monitor our spending. Welcome to adulthood!

Budgeting may have a bad reputation in the gen-y world – but that bad rep is undeserved. Contrary to popular belief, budgeting doesn't have to be time-consuming, restrictive and a task that's always on the to-do list for tomorrow. Far from it, in fact. When implemented correctly, using a budget not only puts you in a position of control, but can help you reach your financial goals with ease. It can even help you plan for the occasional splurge – guilt-free!

The basic concept of creating a budget is simple: Spend less than you make. The first step in setting yourself up for financial success is to take a look at where your money is currently going. That is, to track your spending. You can start by creating a few categories:

- After-tax income: monthly income earned after taxes
- Needs: rent, utilities, car payment, phone bill, basic groceries, debt, etc.
- Wants: eating out, shopping, vacations, etc.
- Savings: retirement, emergency fund*, savings for future purchases (such as a down payment on a house).

**Many experts recommend having enough cash on hand to cover six months' worth of expenses if you suddenly lose your income or have an emergency.*

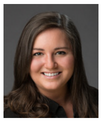
Once you have established your categories, there are a few simple guidelines to put into effect. No more than 50% of your after-tax income should be spent on needs.

No more than 20% of your after-tax income should be spent on wants and at least 30% of your after-tax income should be saved.

If this information is completely alien to you, or your budget needs a few tweaks, here's where prioritization comes into play. Take some time to reflect on your monthly purchases. Become aware of what is costing you the most after your needs and savings are taken care of. What are you spending the majority of your money on in your wants section? Prioritize those purchases. Anything that is low on this list should be scrapped to make room for what is highest. For example, maybe you have a few birthday dinners that require your attendance this month. However, those daily lunch runs are bringing you down. Consider taking your own lunch to work, creating a more flexible budget to celebrate your friends and planning for that future purchase!

Now that you have a concrete budget plan in place, it's time to make the budget as easy to execute as possible. This could simply involve setting up separate savings accounts for each of your goals, keeping cash in jars on your kitchen counter or setting up automatic withdrawals so you won't have the opportunity or temptation to spend. Out of sight, out of mind.

We recognize that sticking to a budget can be a difficult task and that our 50/20/30 guidelines won't work for everyone. The key is to categorize your expenses on a monthly basis so you can see exactly where your money is going. If your savings targets are too aggressive or you're spending too much at Starbucks, you may find that some months require readjustments. But by sticking to your monthly sum realistically, you will be well on your way to reaching your personal financial goals. All that's left to do is relax and start planning that vacation. ■



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An excerpt from "Perspectives" - Volume 7 - Issue 5

Financial Planning

Saving – your pennies and your peace of mind!

By Brittany Kothlow, Client Services Coordinator

As Administrative Assistant Meghan Jones showed last month, budgets are the essential foundation for helping us reach our goals, both short- and long-term. Budgeting helps us clear the fog away and realize exactly how much we are making, after tax. We see where our money is going – and where our money should be going.

So, now that you have identified your fixed and variable expenses, it is time to evaluate! Suppose the money coming in covers neither what is going out in expenses nor your savings goals. You have two options: Boost your income or lower your expenses. Here's where you may need to make some tough decisions and scale back on some of your spending.

Let's examine some ways to control spending so that you can reach your savings goals and look after your future self.

First, create a **SMART** goal: **S**pecific, **M**easurable, **A**ttainable, **R**ealistic and **T**imely. When you have a clear vision for yourself, saving becomes easier, and turning down purchases here and there will not feel as difficult. Short-term pain for long-term gain!

There are many ways to do this. Say you are really bad with your cash and could use some extra discipline. We recommend separating your monthly funds into envelopes or jars for each category of your spending. Then, if your funds for dining out are gone by the end of the month, it's time to crack open the cookbook or the Pinterest boards and experiment.

That being said, if you're the type to misplace things, envelopes are probably not the best method. Luckily, in today's world we have many incredible resources literally at our fingertips. There are some wonderful apps out there to help you track your spending and input your savings goals. However, we recommend doing your research before diving into any of these.

Here's another simple way to save. If your paycheque gets sent to your savings account each month, you can easily set up automatic monthly withdrawals that go into another account. Out of sight, out of mind!

There are other, less direct ways for saving your money. One tip we recommend is meal planning and then transferring those plans to a grocery list. So, when you go to the grocery store, you have a plan to stick to. You're not roaming through the aisles and on a whim buying a mix of things that might not add up to meals over the week. Another thing to keep in mind at the grocery store is the premium price put on brand-name products. Try the no-name brand when you can. And did you know that LED bulbs can save you money on your electrical bill?

What this all comes down to is making conscious decisions now that will set you up for success later. Those saved pennies add up. Even the little decisions you make can affect how much money you will have for future purchases – and right through to your retirement.

We have one basic rule for you: Pay yourself first. Saving is the first priority on the list. Figure out what is reasonable for you and put that away each month. Once you choose the method that will work best for you, saving will be more straightforward.

Most importantly, you need to be realistic. Reward yourself! You may start out refraining from buying fun things, but that's going to be impossible to maintain. Treating yourself once in a while is the only way the light will stay bright at the end of the tunnel. With these tips in mind, your savings pile will add up faster than you may think. ■

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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 6

Financial Planning

Good spending vs. bad spending

By Johnny Lyall, Sales Assistant

Every day we make purchases. Some are more important than others. What's the difference between good spending and bad spending? Let's look at why we sometimes make bad spending decisions. And how, instead, we could balance our spending to keep life enjoyable – while saving for our future selves.

Some people are natural savers. They get satisfaction from seeing their account grow. Other people feel satisfied in using their hard-earned money for things they enjoy. Often people go too extreme in either direction! The savers are so set on saving that they may not take time to enjoy life and reward themselves for their hard work. The spenders may go through life spending too much and paying little attention to their future – leaving them in a tough spot when retirement hits.

In the 1960s, Stanford researchers did an interesting study. In what became known as the *marshmallow experiment*, they presented a tray of marshmallows and cookies to some preschoolers. They told the kids to select one piece. They said if the kids ate it immediately, they would not receive more. But, if the kids waited only a few minutes, they could take another one. If the preschoolers could just postpone their indulgence briefly, they would double their holdings.

The researchers monitored those kids right up to adulthood. They found the ones who were able to delay their gratification achieved much more success in life than the ones who wanted instant gratification.

Spenders can't delay gratification. If they have cash, they go right ahead and spend it on the things they want. Savers, on the other hand, derive immense joy from having money in the bank or experiencing a major discount on a purchase.

These tendencies are hard-wired into us. They take a lot of work to change. Basically, *good spending* is paying for things we need; *bad spending* falls into our wants category.

Think you spend too much? Here are a few tips to curb that habit.

Create a plan: Look back on what you spend per month and how much per item. Figure out your base spending (rent, groceries, transportation, cellphone, Internet, etc.). Then look at what you are spending on the other things. Set a goal of what you want to save per month and stick to it. Pay for your needs and give yourself money for spending on just a few extra things.

Avoid spending triggers: Maybe these are certain shopping spots, say, or restaurants. Stay away from these triggers as best you can.

Stop and think: Before making a purchase, step back and consider if you really need it.

Reward yourself: You deserve some rewards for following your plan, whether dinner at a favourite restaurant or a new pair of shoes. Rewards will keep you from going crazy during this new process.

Think of your future self: Sure, it's daunting to think far ahead to how much money you will need. But it actually helps! It will keep reminding you why you are putting that money away. You might even decide to save more. Either way, it will set you on the right path of good spending – and keep you off the wrong track of bad spending. ■

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PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 7

Financial Planning

Property 101: Buying your first home

By Meghan Jones, Administrative Assistant

You've finished school. You've got the job. You're settled in your city. What's next? Buying your own home!

Buying a home is often the first big financial decision people make in their lives. Your first step is to look at what you can afford and how you are going to pay for it.

You will need to save for your down payment – at least 20% to avoid the Canada Mortgage and Housing Corporation (CMHC) insurance premium. You will also need to save for closing costs, typically from 2% to 5% of the purchase price. And be sure to budget for any monthly maintenance fees!

If you're like most home buyers, you will have to finance your purchase with a *mortgage*. A mortgage is a loan that uses the home you buy as security. Your mortgage payments build personal equity, as opposed to renting, where your money goes directly to the building or unit owner.

When you apply for a mortgage loan, your credit score will aid in dictating your rate. In other words, the higher your credit score, the easier it is to get credit at a lower interest rate. Personal finance expert and author Preet Banerjee, host of the Oprah Winfrey Network's *Million Dollar Neighborhood*, and financial panelist on CBC's *The National*, provides some tips on when buying is more attractive than renting. He states that you should:

- Have a healthy down payment saved up.
- Consider staying put once you do buy (for at least 10 years - with the option to rent out during that time).
- Have enough money left over every month for both saving and living a balanced life.

In the long term, investing in real estate is typically a win. When you purchase a home, the increase in value is relatively steady and the return on this kind of investment can be substantial. In addition, homeowners can use the equity in their homes as security to acquire additional loans. Buying a home and building equity is the first step on the property ladder. It gets you into the housing market, keeps you in touch with cumulative housing prices and allows you the potential to trade up to better homes as your circumstances allow.

Yes, Vancouver can be affordable

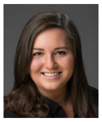
We all keep hearing that Vancouver isn't affordable. However, according to Vancouver real estate agent Thomas Beeson, himself a millennial, buying a home actually *is* possible in this seemingly volatile market. The key is to be creative and strategic in your approach.

Beeson maintains the most important thing is getting into the market. Buy to wait instead of waiting to buy. Realize that your first place isn't your last! The media and the *#donthave1million* campaign have created a potentially misleading perception for first-time home buyers: that there are no housing options under the $1-million-mark in the City of Vancouver. Beeson disagrees. There are many options under $600,000 – under $500,000, even – that allow for a livable space and won't stop you from upgrading.

I can personally attest to this. I recently purchased an apartment in the West End for under $500,000 and am very happy with it as my first home. As Beeson points out, it's not going to be perfect. He relates buying your first place to a job. You can upgrade your job, right? Well, you can also upgrade your home! You can wait for the promotion – or you can plan for it and eventually get it yourself.

Here are Beeson's other tips for first-time home buyers:

- Make a wish list of wants versus needs. Identify what is important to you, e.g., if you don't have a car, being near transit is a need.
- Talk to a mortgage broker or your bank about your financing options.
- Find a realtor who is right for you.
- Have patience! The right place will come along. ■



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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 9

Financial Planning

Entering the stock market: Main points for every beginner to know

By Brittany Kothlow, Client Services Coordinator

Through the past several issues of *Perspectives*, you have thought about your future self, tracked your spending, created a budget and accumulated some savings. It's now time to think about the extra money kicking around in your account. This could be the opportunity for you to enter the stock market!

No question: A lot of speculation surrounds the stock market. We always hear things in the news about the ups, downs and turnarounds. Trying to understand everything is definitely confusing.

There are three key components to address, which explain why some people do not succeed:

1. lack of diversification
2. investing in speculative stocks
3. market timing.

Now that we have determined some main points to avoid, let's take a closer look.

Diversification is a key part of being a smart investor and becoming successful in the stock market. This means investing in different industries, markets and categories. Investing in only one sector and using only one mode increases your risk. Instead, it is wise to diversify, spreading your money across different areas.

By doing this, you are creating a cushion – so that if one industry, for example, experiences a hardship and drops, your money in other areas will likely not result in the same consequences.

Another way to diversify relates to the categories of investments you hold. There are lower-risk vehicles such as fixed income investments, as well as higher-risk options such as common shares. It is important to look at the risk/reward tradeoff and decide the right mix for your personal needs. Part of this process includes determining your risk tolerance and investment goals.

The second factor to consider is *the type of stocks* to invest in. Looking at the hype in the news, and choosing speculative stocks for your investments based on that hype, is another risky choice. Granted, hearing about new start-up companies is intriguing; however, with no track record of their ability to grow, they may not be the best starting place for you to invest your hard earned funds. Instead, we believe investing in well-established companies that have proven strategies. We believe that success is a safer choice.

The third reason that people tend not to do so well in the stock market is timing. Often people's emotional involvement in their investments influences them to move their money in and out of the market frequently, trying to sync with the ups and downs.

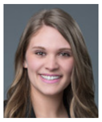
Unfortunately, no one is able to perfectly predict the stock market. It is important to remember that you cannot expect to double your money overnight, just as you should not jump to take your money out of the market as soon as the going gets tough.

Money that you are investing in the stock market should be seen as a long-term investment in order to be truly successful over time. One way to do this effectively is by trying your best to remove your emotions from the equation. And part of this means not checking your investment account on a daily basis!

To review, the points that form the foundation of being a successful investor are:

- diversifying your portfolio
- investing in well-established companies, and
- realizing the long-term benefits of stocks by removing your emotions from market ups and downs.

No one can predict what will happen with the market. Following the market in the short term can be nerve-wracking. But investing at an early age is a great way to build your portfolio and have a chance for your investments to earn considerable income and growth over time. ■



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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 7 - Issue 10

Financial Planning

TFSAs: An important, effective way to grow your wealth

By Johnny Lyall, Sales Assistant

As millennials, you may not have considered starting a Tax-Free Savings Account yet. You're thinking a TFSA is for when you're more established and making more money. In fact, the time to start your TFSA is now!

Many Canadians have a TFSA account. Here's why you should too. A TFSA is an amazing way to grow wealth, especially for millennials. That's because at your stage of life, you have the time frame to benefit hugely from the tax-free growth a TFSA will provide for your future.

Let's start by reviewing some of the basics of what a TFSA is and how it works.

It was in 2009 that then-Minister of Finance Jim Flaherty launched TFSAs. Flaherty rightly called the TFSA the most important personal finance vehicle since the Registered Retirement Savings Plan. The annual contribution amount you're allowed to make to a TFSA has changed year to year and likely will change again in the future. Typically, it's been $5,500.

In a TFSA account you have many investment options such as cash, GICs, bonds, stocks and Exchange-Traded Funds. The total accumulated amount to date that you can contribute is $46,500. Note: If you haven't opened an account yet, it's retroactive. So, if you have been procrastinating, you can catch up on the contributions. With the stock market's average return of 11.1% over the past 100 years, you can conservatively expect a good return over the long term – as long as you are invested in proven disciplined strategies like those of the Stan Clark Financial Team.

For illustrative purposes, say you start contributing at the eligible age of 18 and put in the maximum contributions (let's assume $5,500 a year going forward) until you are 60, with a compound annual return of 8%. You would have roughly $1,800,000 tax-free! You would be saving about $425,000 in taxes during this time.

In the chart, you'll see how a TFSA grows over time. Notice that the longer your time horizon is, the more your savings can grow.

Life expectancy is on the rise. Young people are much more active and conscious of our health. Combine this with modern medicine and we can expect to live and work longer than previous generations. It's important for us to anticipate these longer lives and plan for them.

Here are some other things to note about TFSAs. If you over-contribute in a calendar year, you will be penalized 1% on that over-contributed amount until you withdraw it. But never fear: You can monitor your contributions online with Canada Revenue under My Account (http://www.cra-arc.gc.ca/myaccount/). Also worth noting: If you withdraw any funds from your TFSA you will not be able to re-deposit that amount until the following year, along with your normal annual contribution.

Lastly, there is no upper age limit for TFSA contributions, unlike RRSPs, which require you to stop contributing at age 71.

Okay, so you may not have $5,500 sitting around at the end of the year. You can still start a TFSA. Arrange for savings to go automatically into your TFSA every pay period; for most people, that's twice a month. If you save $229.17 from each paycheque, that will add up to $5,500 by the end of the year. If you can't save that much, just do the best you can until you are able to add more later on. Your future self will thank you.

Johnny Lyall is a Sales Assistant for the Stan Clark Financial Team. Johnny plays a key role in our client communications and education endeavours. He also acts as a bridge connecting the team with prospective clients who are a good fit.

TFSA growth assuming an 8% return and $5,500 in annual contributions, starting at age 18

Age	Total Contributions	Profit	TFSA Total	Taxes Saved
30 years	$ 66,000	$ 46,724	$ 112,724	$ 12,616
40 years	$ 121,000	$ 208,413	$ 329,413	$ 56,272
50 years	$ 176,000	$ 621,228	$ 797,228	$ 167,732
60 years	**$231,000**	**$1,576,207**	**$1,807,207**	**$ 425,576**
70 years	$ 286,000	$ 3,701,674	$ 3,987,674	$ 999,452
80 years	$ 341,000	$ 8,354,138	$ 8,695,138	$ 2,255,617

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An excerpt from "Perspectives" - Volume 7 - Issue 12

Financial Planning

RRSPs: You can't start saving for retirement too early!

By Meghan Jones - Administrative Assistant

When you're a millennial, retirement seems far away. But it's going to come eventually – faster than you might think. So, you're best to start saving for your retirement early.

A Registered Retirement Savings Plan (RRSP) helps you do that. The two big advantages of an RRSP are: 1) tax-deductible contributions that lower your taxable income, resulting in less tax to pay; and 2) tax-free growth, meaning you don't pay tax on any of your gains. These two advantages are a huge help in saving for retirement.

Contributions can either come from yourself or your spouse. There are limits on how much you can contribute each year. These limits will be the lower of:

- 18% of your earned income in the previous year, or
- the maximum contribution amount for the current tax year, which for 2016 is $25,370.

You can find your contribution limits on your Notice of Assessment from the Canada Revenue Agency (CRA). If you have been following our millennial articles, you will have learned the tools to budget and save for personal investing. You should therefore have the funds to contribute! However, if you don't have the funds this year, it's still okay. You have the option to carry forward your RRSP contribution room and use it in the future.

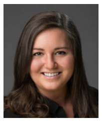
You must close your RRSP in the year you turn 71. At that time, you will have the option to withdraw from your RRSP, convert it to a Registered Retirement Income Fund (RRIF), or buy an annuity. You'll pay income tax when you withdraw from the plan.

If you have a spouse who earns a lower income, and/or who is younger than you are, you could benefit from a *spousal RRSP*. With this type of RRSP, the contributor can deduct the contributions, while the money grows tax-free under the spouse's name. By building up the spousal RRSP rather than your own, you can delay the withdrawal of your assets until your younger spouse turns 71. If you make a withdrawal from a spousal RRSP, it will be taxed as income to your spouse, who is presumably in a lower tax bracket, and not you as the original contributor. However, a withdrawal cannot be made within three years of the spousal contribution, or the income will be attributed back to the contributor.

Designating a beneficiary for your RRSP and your Tax-Free Savings Account (TFSA) is an important part of estate planning. It ensures your registered account will not be included in your estate in order to avoid probate taxes.

You'll find plenty of RRSP calculators online to help you get an idea of how much you need to save to fund your retirement. Just make sure the assumptions are realistic. And remember to factor in inflation! Retirement may be a long way away, but keep in mind that when it does come, it can last a long time, most likely decades. For that reason, you'll need a healthy amount of savings to fund your retirement.

As Johnny Lyall mentioned in his previous article about TFSAs, you can arrange for funds to automatically be deposited into your RRSP every pay period. This is an effective technique and simple to follow. As Johnny would say, your future self – that is, your retired future self – will thank you for it. ■



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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 8 - Issue 1

Financial Planning

Stocks vs. bonds: What's the difference?

By Brittany Kothlow, Client Services Coordinator

In our continuing millennial series, Johnny Lyall and Meghan Jones recently discussed Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs). But it's also important for us to talk about what to invest in.

This issue, I'd like to look at the two main groups of investments or asset classes: *stocks* and *bonds*. They're very different from each other and the balance between them can really affect your savings. So first, let's examine the difference between stocks and bonds. Then second, how we should allocate our money between them.

Each group has its advantages and drawbacks. Since everyone is different, the mix of how much to have in each also varies from person to person.

Stocks

In simple terms, stocks represent ownership in a company. If a company does well, it's likely that the stock price will go up. The reverse is also true. If business is bad, the stock price will likely go down. You might also get a *dividend*, the part of the profit that a company decides to pass on to its owners.

Basically, with stocks you will participate in the company's ups and downs. But future company results are uncertain. Add in human psychology and you get volatile stock markets. It's true that, over the short term, anything can happen with stocks. But over the long term – that is, over 10-year periods – stocks have been reasonably safe. That's because, over the long term, the wide swings tend to cancel each other out. Also, in the long term stocks have provided the best returns for any major asset class.

Bonds

With bonds, you are lending money to a government or company for a specified term. In the meantime, they pay you interest. Then, at the end of the term, you get your money back. Bonds are generally viewed as safe investments, as you should be getting all your interest payments and principal back. But bonds are not all the same, especially corporate bonds. Bonds have credit ratings to indicate the level of risk.

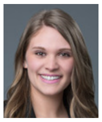
However, keep in mind that there's no free lunch! If the interest rate is a lot higher compared to an ultra-safe bond, it's a good indication that the risks are also a lot higher and things might not go as expected. That is to say, you might not get all your money back.

The right mix

Okay, so now we know generally what stocks and bonds are. But how do we decide how much to have in each? As a fellow millennial, I can understand that it might seem stocks are the way to go. They're often a more exciting route and the potential returns are attractive. But, as mentioned earlier, a good mix is really important and has a huge impact on your portfolio. The right mix depends on a lot of factors, but essentially revolves around your needs, how long you are investing for and how much volatility you can handle. One of the worst things that could happen is suddenly needing your savings and being forced to sell your stocks in a down market. It's a scenario you'd find very difficult to recover from.

When you are younger, you can usually take more risks. After all, you're likely going to be working for a long time! If you are saving for retirement, which may be a way down the road, you might be comfortable taking more risks with your investments. But others of you may be saving for something in the near future, like a car or a place of your own. In that case, you might want to be more conservative. That said, everyone is different, so we encourage you to contact our team to discuss your unique situation.

As we get older, things change and our mix can change, too. For that reason, it's important to pause every so often to reassess and see where things are at. ■



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The Stan Clark Financial Team's

PERSPECTIVES

An excerpt from "Perspectives" - Volume 8 - Issue 3

Financial Planning

Millennials' endgame: Financial independence — *Conclusion of a series*

By Johnny Lyall, Meghan Jones and Brittany Kothlow

Over the past year – and can you believe it has been a year? – we as the team's three on-staff millennials have led younger-generation readers on a journey through understanding finances. We've covered topics from the basics of budgeting to the difference between stocks and bonds, always focusing on the endgame of reaching financial well-being.

It has been an interesting and often fun journey! Here is a review of the tips we shared with you, our fellow millennials.

Everyone wants that endgame of financial stability. The dream is to have a job that is fulfilling, be able to own your own home, save for retirement, go on extravagant vacations – all while raising children and contributing to society. In other words, to become financially independent. Most likely your parents had the same dream, and their parents before them.

Whether you're just starting university, have graduated and are looking for a job, or have been part of the workforce for a few years now, it's never too early or too late to think about your future and your finances.

1. Think about your future self
Over the past year, we presented a lot for you to think about, most importantly to remember to think of your *future self*. It's fun to live in the moment – and fun is something you should always make time for – but it is also important to set yourself up for success in later years. By making conscious money decisions and avoiding mindless spending, you will have greater opportunities to set goals. These might be going back to school to pursue a new career, starting your own company, buying your dream home, or even retiring early! Whatever your goals, now is the time to start thinking about your future self by creating a clear vision for what you want. Learning to prioritize for your future over your short-term concerns will help create that strong foundation to set you up for success.

2. The big B
The latte factor: You remember going over that – how those weekly coffee runs add up big-time. This kind of mindless spending and routine is at the centre of a potential downward spiral. The easiest way to get rid of this impractical habit is to – that's right – BUDGET. You can still have those lattes as long as you budget for them! Simply put, budgeting helps keep track of what's coming in vs. what's going out. Learn to categorize your expenses on a monthly basis so you know exactly where your money is going.

3. Pay yourself first
Okay, so now you have created your budget. Time to make saving and paying off debt a top priority. Put some money away before you have a chance to spend it! We provided a few suggestions on how to do this, like using a budget app or setting up automatic contributions to a savings account or investment vehicle like a Tax-Free Savings Account or Registered Retirement Savings Plan. (More on those below.) Note: Experts recommend having enough cash to cover you for six months in the case of an unexpected emergency, such as job loss.

4. Identify good spending vs. bad spending
Make a conscious decision for each purchase: Is it a need or a want? Good spending is paying for things that you need; bad spending is paying for things you want ahead of paying for your needs. By identifying your spending triggers (e.g., that dollop of guacamole is always extra), and learning to stop and think, you will make better choices about your purchases.

5. Get comfortable with investing
Investing at an early age is a great way to grow your money over the long term. It means your long-term savings can outpace inflation. Now, everyone is different. It is important to identify the right mix for your own needs and be comfortable with your own investments. Also, don't forget to educate yourself! The tools we recommend for success include: diversification; investing in well-established companies; and realizing the long-term benefits of stocks by removing your emotions from market ups and downs and media influences.

6. Know your investment vehicle options
There is more than one effective way to save for your future self. A *Registered Retirement Savings Plan* (RRSP) helps you save for retirement. The two big advantages of an RRSP are: 1) tax-deductible contributions that lower your taxable income, resulting in less tax to pay; and 2) tax-free growth, meaning you don't have to pay tax on any of your gains. A *Tax-Free Savings Account* (TFSA) is one of the most important personal finance vehicles for growing your wealth. You can contribute $5,500 (on average) per year; as of this year the total accumulated contribution amount is $52,000. The earlier you start, the longer your investment horizon will be – allowing you to see the growth of your money completely tax-free!

Life expectancy is on the rise. As well, we young people are much more active and conscious of our health. Combine this with modern medicine and our generation can expect to live and work longer than previous ones. Good to know – but it's also important to anticipate these longer lives and plan for them accordingly.

Sure, finances can seem scary. But they don't need to be. The key to success is to equip yourself with the proper tools and education.

We hope you've enjoyed our millennial series in *Perspectives* as much as we enjoyed writing it and sharing our personal experiences. Millennials, here's to our future and financial success! ■

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