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Achieving Financial Success™

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CANFIN FINANCIAL GROUP

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Mutual Funds, GICs & Fee for Service Financial Planning provided through CANFIN Magellan Investments Inc.
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Wealth Creation

The Mutual Fund Investor Guide

Every financial planning magazine has had numerous articles on how people lost money in the 2007-2008 world-wide mortgage crises. There are also media pundits stressing current opportunities in stock market related investments such as mutual funds. Since March 2009 we have witnessed tremendous growth in the stock markets worldwide. Let's examine how funds are related to the markets.

Mutual Funds allow the investor of modest means the same access to securities as the institutional investor—access to stocks and bonds from many different companies. Beginning early in the 20th century, mutual funds achieved this by spreading an investment over a number of different stocks. What are the benefits?

Professional management.

Each fund has a knowledgeable portfolio manager or a team of managers that work full-time on the investor's behalf, with expertise in selecting suitable securities of many companies and/or governments. The average investor, who buys stocks and bonds, does not have the necessary time to assess securities, nor the expertise to make qualified investment decisions; thus he indirectly hires the fund's manager to make these decisions.

Ease of investing.

Automation can help you beat any habit of procrastination that might otherwise hold you back from achieving financial independence. With as little as $50 to $100 per month you can automatically pay for a pre-selected mutual fund purchase, directly from your bank account. You can also get started by investing a lump sum.

New investment capital can be added to a mutual fund.

As long as you meet the minimum (if any) investment amount, you can easily add new purchases to your account at any time. For example, if you invest an additional $500 (net after any sales commissions) in a fund selling at $10 a unit, the fund credits your account with 50 new units ($500 divided by $10 = 50).

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Please read the funds' prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Any indicated rate of return is for illustration purposes only and is not intended to reflect future values of returns on investment. Please seek professional advice prior to investing. Financium, the publisher does not guarantee accuracy of information, and will not be held liable in any way for any statements or statistics in this publication, though we seek to present reliable, precise and complete information. Written permission of Financium who retains all rights, must be obtained prior to any reproduction. ©Financium. email: admin@adviceon.com

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Simplicity of transaction.

Fund units can be purchased or sold easily, offering a liquid form of investment, assuring ready access to capital in the case of an emergency. Within a fund family, monies can be transferred from fund to fund without penalty.

Immediate diversification among securities.

Even with a small investment of $1,000, your capital can purchase units of mutual fund trusts (or shares of mutual fund corporations), representing a proportionate ownership of all the securities held by the fund. Even with a limited investment of $1,000, your capital can purchase fund units that represent a variety of companies spread across many different sectors of the economy. Furthermore, to help mitigate risk, a fund may invest no more than 10% of its assets in any one security, except for government securities.

Past performance is obtainable from public records.

Mutual fund data services, fund companies, newspapers and websites all record and offer reports of the performance of mutual funds. It is the practice of most mutual fund consultants to offer a monthly or quarterly report on portfolio performance.

Planning Ahead

Efficiently re-invest dividends.

A mutual fund can automatically reinvest all your dividends and interest earned, which can add nicely to your future profits.

Automatic withdrawal plans.

Most funds allow you to redeem units at pre-selected intervals to create income. You can set up regular transfers to your bank account that accommodate your various income needs during different periods of your life.

Industry regulation.

The Mutual Fund Dealers Association (MFDA) now regulates the distribution of mutual funds. Detailed rules govern how mutual funds are sold to the investor, with an emphasis on assisting the consumer to meet his or her investment goals.

RRSP and RRIF eligible.

Domestic mutual funds with Canadian securities and foreign funds are fully RRSP and RRIF eligible. Depending on your tolerance for volatility, mutual funds can allow your long-term retirement portfolios to contain a wide array of stocks in various securities worldwide. You can even diversify your RRSP and/or your non-registered fund portfolio by owning up to 100% of a portfolio in funds holding foreign securities.

A great RESP tool.

You can start investing in mutual funds for your child's education long before he or she reaches college or university age. Small monthly investments can add up over time to cover all or part of the following costs: tuition, books, accommodation, a cafeteria food plan or weekly groceries, a car payment plus insurance and gas or public transportation, furniture, a telephone, and of course spending money.

Both your contribution and the government's grant are invested in the RESP. The added benefit of reinvesting the 20% government grant automatically in the mutual fund creates even more compounding. The RESP will grow tax deferred until your student needs it.

Consider using mutual funds in a TFSA (Tax Free Savings Account).

The TFSA is a great investment if you are a member of a pension plan and have minimal, if any, room to invest in your RRSP due to a high pension adjustment (PA) factor. You can supplement your retirement savings through the TFSA. After-tax investments grow tax deferred and there is no taxation on withdrawal.

Thousands to choose from.

Every type of investment fund—including equity funds, bond funds, diversified funds, balanced funds, and international funds—give you access to investments in the world's strongest companies.

Financial Consultation

Review your fund portfolio on a regular basis. There are many funds to choose from—with both foreign and Canadian securities included, including a wide range of international and global funds.