RESPONSIBLE INVESTING
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DIVERSIFICATION IS KEY
Why you shouldn't put all your eggs in one basket. **p05**

A GLOBAL STRATEGY
Why globalization should be integrated in every portfolio. **p08**

MONEY MANAGEMENT

Canada's Youngest Dragon

Wealth management tips from entrepreneur Michele Romanow.

p03

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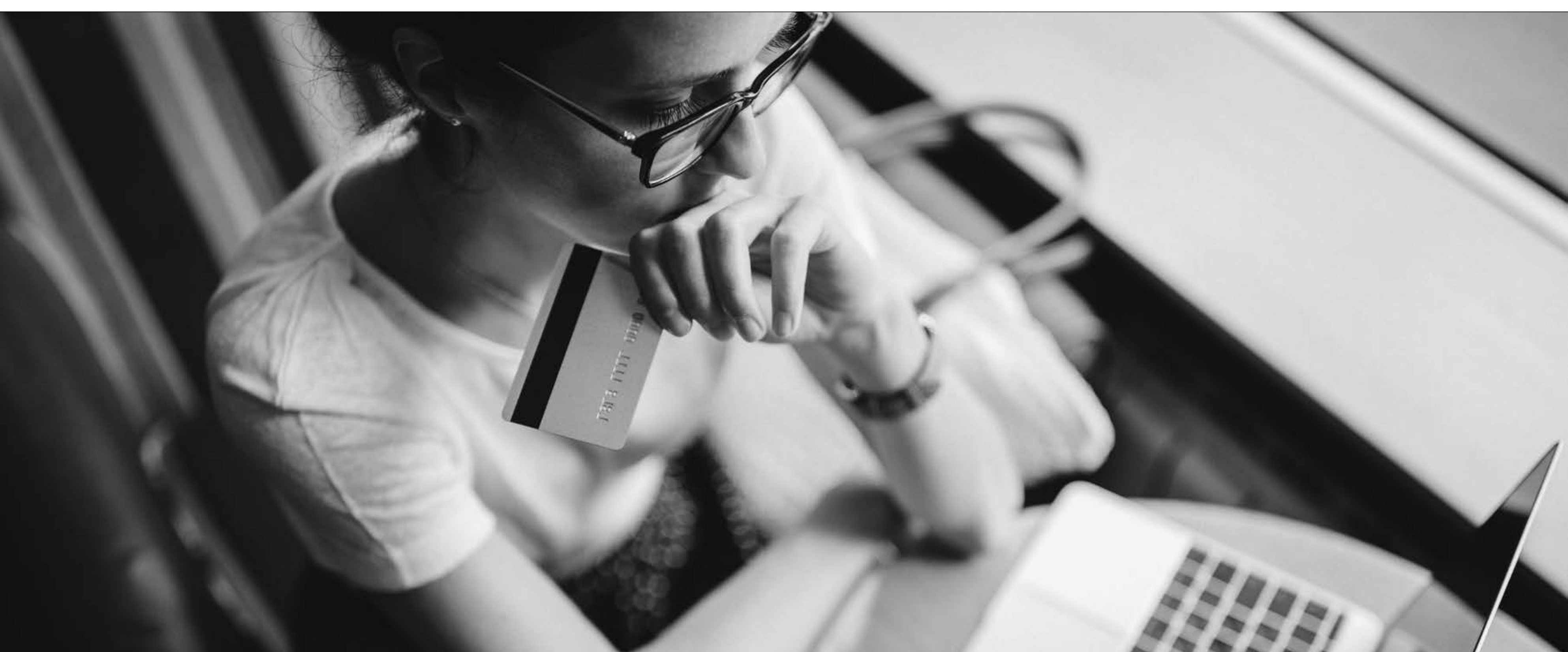

Financial Literacy Key to a Debt Free Life

Canadians lack basic financial literacy, according to a 2014 Statistics Canada Canadian Financial Capability Survey, sponsored by the Financial Consumer Agency of Canada. On a financial literacy test requiring a score of 5/14 to pass, only 22 percent of the male respondents and 15 percent of the female respondents made the grade.

Not knowing basic money management is a main cause of money problems — out of control consumer debt and bankruptcy — not to mention mental and physical stress.

"This low level of financial literacy doesn't surprise me," says Alan Farber, Founder and Joint Managing Partner of Farber Financial Group, a licensed insolvency trustee with offices across Ontario and British Columbia, which specializes in helping people get out of debt, and *Live Debt Free*.

Farber sees the effects of consumer debt on people on a daily basis and considers it a significant social issue with many different causes. The rise in consumer debt is driven by easy access to credit, a live for today attitude, and people confusing a want and a need. "People don't understand the impacts of taking on debt until they get a call from a creditor stating they are behind paying what they owe," says Farber.

Sometimes it's those unavoidable life mishaps — a car accident resulting in insurance deductibles and medical expenses, family breakdown, or loss of a job — that may lead to financial difficulties and ultimately insolvency. "Even a temporary loss of a job of one to six weeks can cause people to spiral into debt," says Farber. "With high interest rates on credit cards and no reserves, people can find themselves in a financial crisis all too quickly."

A socially conscious approach

The Farber team counsels clients facing debt and insolvency problems using a socially conscious approach. "We take care of them as human beings first," says Farber. "When people walk into our offices, they are invariably stressed out and distracted, so the first thing we do is acknowledge and validate their very emotional state." That validation includes alleviating the stigma and self-blame by reminding clients that, even with the best laid plans, unavoidable circumstances or pure bad luck can put them in debt.

Alan Farber
Founder and Joint Managing Partner, Farber Financial Group

Then they proceed to the financial front. "We may help them with budgeting or an actual insolvency procedure, or we may refer them to someone who can help them with a mortgage loan, personal loan, or consolidation loan," says Farber.

Farber reports that most people leave the office with a sense of relief. "They now see a light at the end of the tunnel and feel more in control." Though the firm offers a set of financial solutions, Farber says it's the human interaction that's key: "We like to go beyond budgeting, getting them to understand the impact of their behaviour and decisions, and coach them in how to avoid getting into a bad money situation."

Learning to live debt free

Having seen the suffering that debt causes, Farber wants to help people prevent it. Though seemingly counterintuitive to its business model, Farber genuinely cares about those struggling with debt and believes that better financial literacy and preparation can help them avoid or reduce their suffering when life throws them a curve. That's why Farber's mantra is *Live Debt Free*. For us at Farber, this has become a social cause.

"We like to see Canadians feel better and get back on their feet, so it makes sense for us to want to put our oar in the water to help on the common financial literacy front," says Farber.

Farber sees budgeting as the cornerstone of living debt free. "We have to know where our cash flow is, what it affords us, and make sure we provide for the absolute certainty that life will surprise each one of us with a hurdle or two." While it may not be our fault, we need to be prepared for it.

That means living within your means, cutting spending, and building an emergency fund. With a bit of thought, "you can find all sorts of ways to cut spending — such as quitting smoking, cutting back on eating out, buying on sale, and using coupons — plus there are lots of apps to help you reduce your living costs," says Farber.

It takes work but the payoff is peace of mind and savings for a rainy day.

Even if you do get into uncontrollable debt, Farber says "people shouldn't hesitate to seek help sooner rather than later to prevent a crisis and regain financial control. There is always a solution."

Anne Papmhel

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Founded by Canadians, WealthONE understands that people work hard for their money and want a bank that puts each customer first. WealthONE serves both individuals and businesses, and provides online banking services that are available 24 hours a day, 365 days a year.

> "Saving starts with setting an achievable goal."

I have a savings goal. Any tips on how I can achieve it faster?

Saving starts with setting an achievable goal, and reviewing your budget to determine how much you can feasibly contribute toward this goal. From there, the next step is deciding *which* savings account will help your money grow. Note: some banks offer savings accounts that carry monthly fees and offer little earned interest on the funds deposited. Why pay the bank when you can pay yourself?

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What are the benefits of online banking versus traditional banking?

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Contributors: **Bianca Bharti, Kevin Gopaul, Anne Papmhel, Kyle Prevost, Mark Seed, Lesley-Anne Scorgie** Cover Photo: **Courtesy of CBC** Photo credits: All images are from Getty Images unless otherwise accredited.
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EXPERT INSIGHT

Michele Romanow's TIPS FOR SUCCESS

Unfortunately, financial literacy is not something taught in school. As a result, many Canadians grow up without the necessary knowledge needed to manage their wealth, and end up with bad habits or misconceptions down the line.

Dragons' Den's youngest judge, Michele Romanow, shares some money management tips she implemented — from day one — that got her to where she is today.

Mediaplanet What is the most common misconception when it comes to money management?
Michele Romanow The most common misconception is that money manages itself. It takes a ton of time, research, and planning to manage your money and so it makes sense to start with easy tools that can help you invest almost for free.

MP Why is it important for Canadians to invest their wealth?
MR Without investing your wealth, Canadians will see declining value of their wealth because of inflation. It's not only essential to save, but to also invest.

MP Is there a difference between investing and saving?
MR Saving is not spending everything you earn. Investing is making sure those savings grow so their value is not eaten away by inflation.

MP Do you think that financial literacy should be taught at a young age in school?
MR Yes. Every kid needs an allowance book and should feel comfortable spending, saving, and donating money.

MP What is your best money management tip?
MR Never put all your eggs in one basket.

MP Can you share any personal experiences you've had with managing your own wealth?
MR The first thing I learned about money was that talking about money is okay. The second was understanding where your money goes. I think that is a huge thing that so many kids are not taught because, oftentimes, we live in a culture where it's not okay to ask about money. That's a problem. It's seen as rude or intrusive. In a similar way, I believe that for young people, money should be a factor in making decisions about your career. Because you should be really happy in all the elements of your career. That includes satisfaction with the work you do and how challenging the work is, but also your compensation. You should not be afraid of money.

MP What inspired you to create your first startup?
MR With my first startup, The Tea Room, I wanted to see if you could create a sustainable coffee shop with zero consumer waste and I built it on Queen's University campus. It's still there 11 years later!

Many investors believe that being a responsible investor comes at the cost of financial returns

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PERSPECTIVE

Responsible Investing on the Rise

Dustyn Lanz explains responsible investing, also referred to as "sustainable" or "ESG" investing, and how it has become a popular investment strategy in recent years.

Mediaplanet Can you define responsible investing (RI), what it means to invest responsibly, and whether it exists in different degrees?

Dustyn Lanz Responsible investing means choosing investments that incorporate environmental, social, and corporate governance (ESG) factors. There are a number of ways to invest responsibly. The classic strategy is to exclude companies or industries based on ethical concerns. Another more active approach is to use shareholder influence to improve a company's ESG performance. As shareholders, RI investors actively engage with companies to support positive outcomes such as improved corporate diversity and fairer pay. There are many other RI strategies, including sustainability investing, which may focus on themes like clean technology and renewables. You'll find more on our website (riacanada.ca/ri-basics) under the RI strategies tab.

Dustyn Lanz
Chief Operating Officer, Responsible Investment Association

MP Why do you think RI is among the fastest growing segments?

DL Individual investors increasingly want to align their portfolios with their values. The 2008 financial crisis has contributed to a growing aversion to risk while megatrends such as climate change have led investors to ask themselves, "How are my savings affecting people and the planet?" This is part of a broader growing interest in sustainability and socially responsible brands.

Institutional investors are moving into RI largely because of the growing business case. A recent survey found that improving risk management, enhancing long-term returns, and adhering to fiduciary obligations are the top three drivers of responsible investing among institutional investors.

MP Responsible investing is referred to by many different terms: ie, sustainable, ESG, and socially responsible investing. What is the difference between these terms?

DL Responsible investing is an umbrella term that refers to all investments that incorporate ESG criteria in the broadest sense.

Terms like socially responsible investing and ethical investing were popularized in the 80s and 90s alongside a campaign to divest from companies involved with the South African apartheid regime and a growing interest in screening out "bad" companies like manufacturers of tobacco and nuclear weapons. In recent years, strategies like integrating ESG factors into financial analysis, positive screening, shareholder engagement, sustainability-themed investing, and impact investing have moved front and centre.

> "Responsible investing now accounts for $1.5 trillion in assets under management in Canada."

MP Does responsible investing make up a large portion of the investment market?

DL The RIA's *2016 Canadian RI Trends Report* shows that responsible investing is growing rapidly in Canada, having grown by 49 percent over the last two years for which there are data. Responsible investing now accounts for $1.5 trillion in assets under management in Canada. That's 38 percent of the Canadian investment industry.

MP Can responsible investing reduce risk?

DL Absolutely, incorporating ESG factors into investment decisions can reduce risk. For example, after Volkswagen admitted to falsifying its emissions results, its shares dropped 35 percent in less than a week. Choosing RI funds can reduce exposure to these types of risks.

MP Where can an investor go to find responsible investments?

DL Investors can speak with their advisor or financial institution. The Responsible Investment Association website (riacanada.ca) has a wealth of resources on RI, including a list of RI funds and a national directory of responsible investment advisors.

Sustainable Investing Provides High Value for Investors in the Long Run

Institutional investors, such as universities, foundations and pension funds, are increasingly aware of the benefits of sustainable investing or integrating environmental, social and governance (ESG) opportunities and risks into their investment decision-making.

In fact, Ontario pension legislation recently included language about ESG integration. Individual investors should know that they too can incorporate sustainable investing into their portfolios.

ESG equals high quality business practices

Many asset managers equate ESG factors like good environmental stewardship, labour relations, and corporate governance with high quality businesses.

> "Institutional investors, such as universities, foundations and pension funds, are increasingly aware of the benefits of sustainable investing."

This has been the investment philosophy at Jarislowsky Fraser, an independent investment management firm that integrates ESG into its high quality, low risk investment philosophy and process, which is the foundation for all its client portfolios.

"We are bottom-up fundamental investors and we want to identify great businesses for the long term, and ESG is a very valuable lens to help us identify those businesses," says Dan Hanson, CFA, Partner and Portfolio Manager at Jarislowsky Fraser.

The firm's in-house research team considers fundamentals such as cash flow, profitability, and growth potential along with ESG factors in all its decisions. "Combining ESG criteria with fundamental analysis can be very informative to understanding the depth of the company's competitive position and its prospects going forward," says Hanson.

Dan Hanson
Partner & Portfolio Manager, U.S. Equities

Mark Fattedad
Partner & Portfolio Manager, Institutional and Private Clients

A customized approach

Whether selecting companies to invest in or building investment portfolios for its clients, Jarislowsky Fraser recognizes there's no "one size fits all."

With securities selection, evaluation criteria vary. "What's material to one business in one sector is not necessarily material to another," notes Hanson.

Metrics for a resource intensive business like energy or mining might focus on environmental criteria such as energy efficiency, emissions reduction, and health and safety standards, whereas those for a human capital intensive business like pharmaceuticals or software development might lean more towards social criteria such as employee attraction and retention rates. "This concept of materiality has recently gained a lot of traction in ESG investing and is core to our approach," says Hanson.

Governance criteria tend to be more standardized. "As an investor you really need to have confidence in management, and also that management is being held to account by a board and a structure that creates that accountability — so the importance of good governance cuts through any kind of business," says Hanson.

While ESG criteria help to identify sustainable competitive advantages, they can also help avoid risk. "If you have a culture of safety, transparency, and accountability, there's less chance of an accident or bad news situation hitting the newspapers and causing the share price to fall," says Hanson.

> "ESG integration helps us to find the best high quality businesses for our clients' portfolios."

Jarislowsky Fraser has been working with groups like the Sustainability Accounting Standards Board, the Canadian Coalition for Good Governance, and the CDP (formerly, Carbon Disclosure Project) to develop a common language on ESG disclosures and standards, and to further promote transparency and accountability. "We take an engaged ownership approach with the companies in our portfolios, on behalf of our clients, and we think that aligns very appropriately with our long-term view," says Hanson.

The customized approach extends to Jarislowsky Fraser's client services. "We take a consultative approach, working with investors to understand their specific values and world views and tailoring the investments to reflect that," says Mark Fattedad, Partner with Jarislowsky Fraser's institutional and private wealth management practice. "We are a discretionary investment manager and have a fiduciary duty towards our clients, as stewards of their assets, to act in their best interests. We believe ESG integration helps us to find the best high quality businesses for our clients' portfolios."

As ESG moves further into the mainstream, more high net worth investors may wish to join the conversation. "High net worth individuals are asking for ESG because they see it as a way to reduce risk exposure, take advantage of innovation and growth opportunities, and obtain long-term value," says Fattedad.

Anne Papmehl

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ARE YOU TRULY DIVERSIFIED?

Learn to Protect Yourself.

Jennifer Radman, Vice President, Head of North American Equities & Senior Portfolio Manager, Caldwell Investment Management Ltd.

[1] For the period ending July 31, 2017

[2] Source: Cremers, Ferreira, Matos and Starks. "Indexing and Active Fund Management: International Evidence". Journal of Financial Economics, February 1, 2015, 73 pages.

[3] Correlation of 0.62 refers to Series O. Correlation data for other time periods and CCVMF series: Series O 1-Year: 0.24, 3-Year: 0.62, since inception: 0.65; Series F 1-year: 0.24, 3-Year: 0.59, since inception: 0.59; and Series I: N/A due to lack of performance history. All figures provided for the period ending July 31, 2017.

Jennifer Radman is the Portfolio Manager of the Caldwell Canadian Value Momentum Fund and shares her thoughts with us regarding diversification.

Mediaplanet What is diversification?
Jennifer Radman Diversification is a risk management tool used in constructing investment portfolios. Since different asset classes, geographies, business sectors, and even companies have different underlying factors that affect their performance, each investment's returns will follow a different path. When one investment zigs, the other often zags.

MP Why is diversification important?
JR The goal of investing is to own investments that will grow in value over time. However, we all know that investments don't rise in a straight line. When you open your monthly statement, the value of your portfolio may be up in some periods and down in others. By diversifying a portfolio using different investments that move differently, the goal is to create a portfolio that produces less month-to-month volatility, than each investment on its own, without compromising overall returns. In financial jargon, diversification produces higher risk-adjusted returns.

MP Have you ever seen evidence of poor diversification?
JR We're going to focus on stocks, given other asset classes are still in the early stages of being broadly available to individual investors.

A lack of diversification is relatively easy to detect. Clients will come to us owning a single stock or a portfolio full of energy and mining stocks. You need more than one stock to safely grow your wealth over time and the commodity industry is highly cyclical.

MP Is it possible to over-diversify?
JR Absolutely! It's actually a big problem in Canada, possibly because it's less obvious for investors to detect. Too many stocks means good things at some companies are completely offset by bad things at other companies. The result is that your portfolio ends up behaving like the index.

The Canadian market in 2015 provides a great example. The S&P/TSX Composite Total Return Index lost over 8 percent that year. The average Canadian equity fund's correlation to the Index rose to 0.98 so that the average Canadian equity fund lost more than 6 percent.

MP How can investors protect themselves from over-diversification?
JR We recommend a portfolio of 15-30 stocks for optimal diversification. Investors should also seek out high active share scores (75 percent or more) and low correlations across investments (less than 0.7). Active share is a statistic that shows how differently your portfolio is being managed versus the index while low correlations indicate better diversification.

Unfortunately, most mutual funds in Canada show poorly on these scores. The average mutual fund in Canada owns roughly 59 stocks. Looking at the Canadian equity category, the average five-year correlation is 0.89, meaning that 79 percent of performance is driven by the underlying index.[1]

Lastly, a study found that 37 percent of mutual funds in Canada have a sub-60 active share score.[2] This translates into an extremely large amount of Canadian investors' money that's being sub-optimally managed.

A word of caution to those thinking this doesn't affect them because they own individual stocks over funds: many large investment firms (and their investment advisors) work off of model portfolios. The amount of money they're investing is so massive that you essentially own what everyone else does.

Your investment advisor should be able to provide all of the above information on your portfolio. If not, we're happy to help.

MP Can the Caldwell Canadian Value Momentum Fund (CCVMF) help diversify my portfolio?
JR Yes! The CCVMF targets 15-25 stocks exhibiting strong growth catalysts. At the highest level, it aims to own the best companies in Canada, at the best time. It has peer leading active share and five-year correlation (98 percent and 0.62, respectively) which has allowed the CCVMF to significantly outperform the S&P/TSX Composite Index.[3] Importantly, it is one of only five Canadian equity funds to have posted a positive return in the difficult 2015 market.

By diversifying a portfolio using different investments that move differently, the goal is to **create a portfolio that produces less month-to-month volatility,** than each investment on its own, without compromising overall returns.

This article was made possible with the support of Caldwell Investment Management Ltd.

Meet the Caldwell Team...

Caldwell Canadian Value Momentum Fund
A perfect complement to a traditional portfolio.

- A top quartile performer among Canadian equity funds*
- Concentrated, high-conviction portfolio that is vastly different from traditional Canadian equity funds
- Demonstrated ability to outperform in falling markets
- Positioned to invest in companies that may be overlooked or not accessible to larger mandates

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*Refers to the Series O of the CCVMF since inception and over the 1-, 3- and 5-year periods ending July 31, 2017.

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TIPS

CALLING ALL NEW AND EXPERIENCED INVESTORS

The MoneyShow Toronto, happening September 8-9, 2017 at the Metro Toronto Convention Centre, is the premier education event for self-directed investors and active traders in Canada. The free, two-day pass will give you unlimited access to an exciting array of topics and world-class insights to fit your investing and trading needs, including keynote presentations, interactive workshops, live trading demonstrations, and spirited panel discussions. With over 75 topics to choose from, you'll leave with the knowledge you need to become more skillful and confident when navigating any market condition.

Gordon Pape, an experienced investor, author, and columnist, will be discussing his outlook on the Canadian market going into 2018 at the show this September.

Mediaplanet What is the most common misconception when it comes to investing?
Gordon Pape Market timing. Despite all the studies that have proven that no one can time the market on a consistent basis, people continue to ask me if it is time to sell and get out of stocks. I would never advise that drastic a move. If you are concerned about the market, adjust your asset allocation to reduce risk. That means taking some profits in equities to reduce the stock weighting and shifting those assets to fixed income or cash.

MP Can you give us your number one investing tip for experienced investors?
GP Never let emotion influence your investment decisions. Every buy/sell decision should be made on a rational, analytical basis. Even experienced investors tend to fall in love with winners and are reluctant to take profits even when the stock has reached unsustainable highs. On the other side of the equation, there is always the temptation with a losing stock to wait until it gets back to break-even before selling. That thinking can lead to some major losses. If a stock loses 25 percent, it needs to be reviewed. Ask yourself the question: would I buy it now? If the answer is no, sell.

MP What will you be discussing at the MoneyShow in September?
GP The outlook for the Canadian market going into 2018. The TSX is the worst performing major market in the world so far. That's surprising in view of the strength displayed by the Canadian economy, but it reflects the imbalance in our market, which is heavily skewed to finance and energy.

Financial Post journalist and 5i Research founder Peter Hodson is another keynote speaker at the conference who will discuss *Five Times Five (25) Investment Points You Need to Know.*

MP Give us a little background on 5i Research.
Peter Hodson I started 5i Research in 2011 to provide conflict-free research and advice to investors. The investment industry is filled with conflicts, and I wanted to change the research model after seeing how the individual investor is severely disadvantaged by the investment industry.

MP What advice would you give to a millennial getting into the investment realm for the first time?
PH Time is on your side, so you can be more aggressive. Fees are your worst enemy, so do all that you can to reduce or eliminate investment management fees.

MP What will you be discussing at the MoneyShow in September?
PH I'll be discussing *Five Times Five (25) Investment Points You Need to Know.*

You can register for free either by calling **1-800-970-4355** or by visting **torontomoneyshow.com**

Debunking the MYTHS of ETFs

ETFs have become the foundation of many clients' investment portfolios, and while many benefits are understood, like any new product, there are misconceptions that have entered client conversations. Below are some common misconceptions about ETFs that need to be addressed:

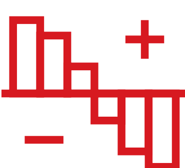
Kevin Gopaul, *Head of BMO Global Asset Management Canada, was appointed as the Chair of the Canadian ETF Association (CETFA) on July 10. At that time, Gopaul was quoted on the importance of thought leadership around exchange traded funds (ETFs) and raising awareness of the benefits and uses of ETFs.*

ETFs are just like stocks

ETFs trade on an exchange; however, unlike a stock, which has a limited number of shares available for sale or purchase, an ETF is an open-ended fund that can create new units based on demand. This means that clients can buy larger blocks of units without worrying about running through the order book, while clients that buy smaller blocks will benefit through offsetting client orders. Market makers will continually offer new shares and will create new units when needed.

Stocks and funds outperform ETFs

Active management has an important part to play in financial markets and can deliver meaningful outperformance; the challenge for active managers is to do so consistently over time. Active managers typically target improved risk adjusted returns by selecting high quality stocks, ETFs can outperform when the entire market lifts off, or when higher fees and adverse stock selection impacts active managers.



ETFs aren't liquid

ETF liquidity begins with the underlying portfolio, where ETFs that are based on harder to trade strategies will then have less liquidity. An ETF adds liquidity through exchange trading, where as an ETF matures more buyers and sellers meet on the exchange and the ETF develops more liquidity than its underlying portfolio. This is particularly beneficial in narrower asset classes and fixed income, areas with historical liquidity challenges.

ETFs are riskier than stocks and funds

Warnings that ETFs will cause instability — particularly in less liquid areas like bonds — is a consistent refrain. Instead, I would turn this misconception on its head. While fixed income market reforms have impacted liquidity and execution, ETFs add liquidity because they hold a diversified portfolio, and because most of the trading on mature ETFs does not touch the underlying portfolio. As an example, on our High Yield Bond ETF (ticker: ZHY), a harder to access asset class, only 17 percent of the exchange trades in 2016 resulted in underlying portfolio trades. This percentage would only be lower on larger U.S. listed ETFs.

ETFs cause market crashes

An important caveat to exchange trading is that, just like a stock, an ETF is subject to the integrity of the markets. In other words, if there is a market event or large moves in investor sentiment, we should expect ETFs to move with the market. ETFs are priced based on their underlying portfolios, not the other way around. The assumption that ETFs continue to drive market instability — as they did when they became prominent — doesn't pass the smell test.

Kevin Gopaul

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The 3-ETF Portfolio Tactic

The traditional Canadian strategy for handling investments is to hand it all off to someone else and then slowly nod as they are inundated with a steady stream of acronyms and fancy terminology that they don't understand.

Kyle Prevost
Financial Blogger

If you buy three basic vanilla ETFs using the TSX, you can quickly and easily get a small piece of the more than 200 Canadian companies, over 10,000 of the largest companies from around the world, and dozens of safe Canadian bonds.

The costs of investing are often measured as a percentage of your overall portfolio's worth, and are usually expressed as an MER or Management Expense Ratio. The simple 3-ETF portfolio that we just built will have an MER in the range of 0.15 to 0.20 percent. That number might not mean much on its own, but when compared to the 2.5 percent range that most Canadian mutual funds charge, you can quickly see that it's possible to pay less than one-tenth of what most are currently paying for our financial advice!

To give a very rough approximation of what that MER difference means, let's see how a $100,000 portfolio will look after 35 years of DIY investing with ETFs versus traditional mutual funds. We'll assume the before-fees-taxes-and-inflation returns for both portfolios is 7 percent (even though most mutual funds fail to return as much as their corresponding index ETF) and that no other money is added during the 25-year stretch. Our ETF portfolio (0.15 percent MER) returns 6.85 percent per year, and compounds yearly to over $1 million! Our mutual fund portfolio (2.5 percent MER) returns 4.5 percent per year, and compounds yearly to only $467,000. To compare apples to apples, one should note that the fees associated with mutual funds generally pay your financial advisor to do more than just figure out your investments. The question then becomes — how much is 2.35 percent of MER worth to you?

"To compare apples to apples, one should note that the fees associated with mutual funds generally pay your financial advisor to do more than just figure out your investments."

Learn more at **youngandthrifty.ca**

Kyle Prevost

4 Reasons You Should Save for Your Child's Education

You know it! The cost of education has increased by more than 100 percent since the 80s. Thankfully, parents across Canada have access to Registered Education Savings Plans (RESPs) to help save for their child's future education costs: tuition and books at accredited trade, university, and college programs.

Experts in Canada are projecting education costs could reach $115,000 by 2035. No wonder talks of tuition scare so many parents!

A recent survey from Ipsos and Knowledge First Financial indicates that when parents haven't saved enough, they and their children are turning to debt to fund the cost of education. Not only is that a huge financial debt load, there can be life-altering mental health challenges for new graduates, and parents are pushing out their retirement plans.

Savvy planning can reduce the fear. I get it; budgets are tight for new parents between diapers, mortgage, and credit card payments. But here are four reasons you should make room in your budget and start saving for your child's education today using an RESP.

1 A little money today goes a long way

It only takes $50 per month of RESP savings today to pay for one year of school for your child 17 years from now. And to pay for the whole cost, parents should set aside $200 per month into their child's RESP.

Compounded interest and reinvested returns is what grows the money when it's invested (it isn't going to sit under your mattress!). It earns interest and returns on the original amount, then interest and returns are earned on that total larger sum and so on.

So, trade in that vente latte for a tall, and cancel unused memberships to scrounge up extra savings.

2 RESPs earn free money

Everyone loves free money and RESPs qualify for free federal and provincial government grants!

The largest grant is the Canada Education Savings Grant (CESG), worth $7,200, followed by smaller provincial grants in British Columbia, Saskatchewan and Quebec. And lower-income families will receive extra savings dollars through the Canada Learning Bond.

These grants have specific windows of opportunity to apply, so don't miss out! An RESP expert can help you navigate these restrictions.

3 You can invest the RESP money in whatever you want

RESPs can be invested in mutual, index or exchange traded funds, pools of funds, stocks, or bonds. If you're not an investment advisor, an RESP professional can assess the appropriate risk level for the money.

Keep in mind that you don't want to take on too much risk because the window of time to grow this money is less than 17 years.

Lesley-Anne Scorgie
Personal finance expert and author

> "The only thing you should be totally lazy about when it comes to your child's RESP is putting your regular contributions on autopilot."

4 If you don't save, your kids will live in your basement

Imagine your children don't launch until after they pay off their loans. That's well past the age of 30. Forget "Freedom 65," it will be "Freedom 95!"

The only thing you should be totally lazy about when it comes to your child's RESP is putting your regular contributions on autopilot. Yes, I'm talking about setting up automatic contributions so every time you get paid, you make an automated RESP contribution of whatever amount you choose.

Lesley-Anne Scorgie

The Importance of Saving and How That Differs From Investing

Mark Seed is the founder, editor, and owner of My Own Advisor, one of Canada's leading personal finance and investing blogs. As his own DIY financial advisor, he is on a journey to own a $1 million investment portfolio for an early retirement.

Saving. Investing. Same deal, right? Not even close in my book. Saving, for us, is putting money aside bit by bit for something specific and within a defined (shorter) timeframe, such as within one or two, or maybe even up to five years.

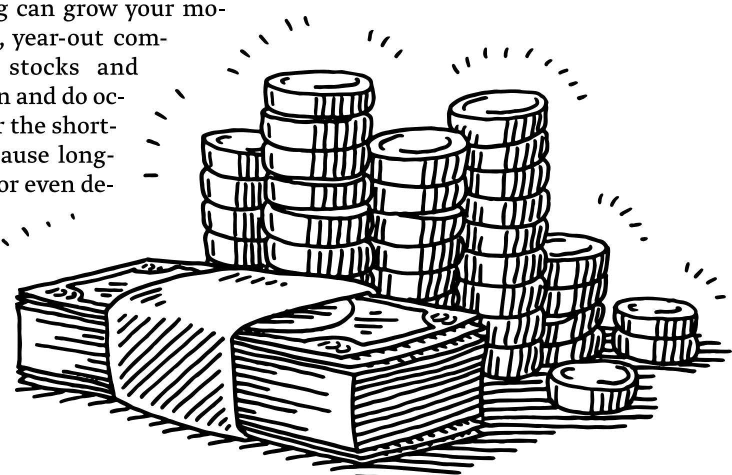
We use savings to build up and then maintain our emergency fund. When we were younger we saved up for a down payment on our house. We use savings to pay for our next international trip. We use savings to build up a cash fund to purchase a newer car or items we want to buy around the house. "Saving" is basically something we'll pay for, eventually, with primarily our own money along with some interest payments along the way. Think of "saving" like preservation, like keeping something safe from loss or harm.

Investing is arguably far more powerful than saving ever could be. Investing is putting money into an asset, for the objective of a long-term return. Investing has the expectation that your asset will grow, potentially considerably in value, given enough time and return on your side. With investing you are forgoing consumption today to have the ability to consume more at a later date. That said, unfortunately many people today are into the consumption today and I'll-figure-it-out-later mentality when it comes to money and investing it. Worse still, I believe many people think investing in the stock market in particular equates to a form of gambling or speculation, rather than investing. I suppose depending on how you define "investing" that could be true! Gambling and speculation usually offer a small chance of a very high return. I don't see investing this way. Investing is the long game. Speculation is nothing more than rolling the dice.

Long-term, investing can grow your money thanks to year-in, year-out compounded returns of stocks and bonds. While losses can and do occur with investing over the short-term, you "invest" because long-term, over many years or even decades — the money you invest makes far more money that what you put in.

Mark Seed

Learn more at
myownadvisor.ca



How Global Investing Helps to Diversify a Portfolio

A truly diverse investment portfolio includes global investments. Yet many Canadian investors invest only within Canada or North America. The reasons range from a preference for the familiar to the fear of foreign currency exposure or the perception that investing outside of Canada is riskier.

Risks in staying close to home

In reality, this "home market bias" can add more risk to your portfolio's long-term performance. With Canada comprising only 2.9 percent of the developed market, investors miss out on a world of opportunities by staying close to home. Plus, our domestic equity market is highly concentrated in resource and financial services companies, with the top ten holdings representing about 39 percent of the TSX. A portfolio with this concentration level can be more volatile, which means that it may experience greater fluctuations in its value, especially when markets decline.

What is global investing?

"There are various definitions of what constitutes global investing," says Sukyong Yang, the Lead Portfolio Manager for Global Equities at Cumberland Private Wealth Management Inc., a privately owned Toronto-based investment management firm serving high net worth clients. "For us, a globally diversified portfolio can include investments in companies from anywhere in the globe spanning world class leaders in mature economies trading on established indexes as well as leading companies in emerging countries."

Sukyong Yang
Lead Portfolio Manager for Global Equities, Cumberland Private Wealth Management Inc.

Cumberland's investment philosophy

For their Global and International Equity Portfolios, Cumberland typically seeks quality global companies with strong financials, solid management, and the ability to survive in any type of economic environment. Current investment themes represented in the portfolios are health management and ageing demographics, rising global wealth, automation, and big data.

"We have found that global investing adds incremental value to our clients' returns without contributing additional risk to the portfolio," says Yang. "By adhering to our investment process and ignoring market and news hype, we've managed to preserve our clients' capital through recessions and market crashes and meet their longer term goal of steadily growing their investments with us."

Cumberland takes an active approach to portfolio management, avoiding the passive or index investing trend popular with many retail investors and some discretionary managers today. "We see this as contrary to the concept of buying low and selling high because index buyers have no choice but to load up on stocks that may already be overvalued and neglect those that are undervalued," says Yang. Another disadvantage of indexing is the inability to protect capital when markets go down. "As we saw during the Great Financial Crisis (GFC) of 2008-2009, indexes perform in line with the market."

U.S. investors trending towards global

"Until recently, many U.S. investors have not seen the need to look outside their own markets," says Yang. With the current high valuation multiples of American companies, U.S. investors are finding it more expensive to invest domestically, spurring a trend to investigate investment opportunities outside the U.S.

How a global portfolio benefits Canadian investors

With the exception of 2016, Canadian markets have underperformed global markets since 2011. "Investing in global markets during this time would have benefited the Canadian investor even with our weaker Canadian dollar," says Yang.

Global recessions such as the one we experienced during the GFC led markets to behave in a similar fashion. However, the recovery, growth, and expansion of the underlying countries have occurred at different rates. "Growth diversity and valuation disparity of the different regions provide a vast variety of investments to choose from with varying return profiles over different time horizons."

As for currency risk, Yang explains: "Research has shown that foreign exchange risk becomes less significant over the long-term and the benefits of global diversification have a greater impact on the portfolio's overall performance than the short-term impact of currency movements."

Working with a private wealth management firm that invests globally

Creating an investment portfolio with adequate exposure to global equities can be challenging for most investors. Through Cumberland, investors work with a team of highly skilled and experienced investment professionals to create a diversified portfolio that meets their specific investment needs for the long-term. With most of the firm's employees being shareholders, the senior leaders and portfolio managers own what they recommend to their clients. "This ensures alignment with our clients," says Yang.

Anne Papmehl

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PROTECTING INVESTORS
from dealer insolvency
since 1969

CIPF
Canadian Investor Protection Fund

Get CIPF Protection –
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TRUST AND TRANSPARENCY

Why it's important to work with a registered investment advisor.

Lucy Becker
Vice President, Public Affairs and Member Education Services, Investment Industry Regulatory Organization of Canada (IIROC)

Mediaplanet What are some of the first questions you should ask your financial or investment advisor?

Lucy Becker You may want to ask potential advisors a few questions before you decide who should help you. Are they registered with a security regulator and what does this entail? What is their training and background? How are they paid? Do they have other clients similar to me? At the end of the day, you should be comfortable with your advisor — and comfortable that your advisor understands your needs, and your financial situation in order to give you the best advice to help you achieve your goals.

MP How can clients know how certified or how qualified an advisor is? Is there an online database to do a reference check?

LB Investors should always take the time to ask a potential advisor about their training and qualifications, and whether he or she is certified and what was required to achieve a specific certification or designation.

IIROC also maintains a glossary online of commonly used financial certifications in Canada that includes information about the issuing organization, where to turn if an investor has a complaint, and other helpful information.

MP How do investment advisors establish trust with their clients?

LB Once you choose an advisor, before that advisor helps a client make decisions about investments, he/she must understand a client's needs, based both on their financial situation and where they're at in life. In fact, IIROC-regulated advisors are obliged to go through something called the "Know Your Client" or "KYC" process, asking a number of questions as they gather information. As an investor, it's vital your advisor fully understands your needs and your circumstances. Advisors are required to collect this information so they can develop a picture of your financial state of health, fully understand your personal situation, and make recommendations that are suitable to you.

MP Do advisors assess a client's level of risk before advising on specific investments?

LB IIROC-regulated advisors are obliged to assess a client's level of risk and their overall circumstances before recommending suitable types of investment accounts, products, and strategies. And they must stay up to date, in case of any change in a client's situation or needs. These changes can include moving from one life stage into another, unexpected changes in your personal life, career changes, and changes in your investment objectives.

You can learn about the specific training, qualifications and discipline history of any IIROC-registered advisor by searching IIROC's Advisor Report at **iiroc.ca/investors/knowyouradvisor/pages/advisorreport.aspx**