Educators FINANCIAL GROUP

Insights

SPRING 2022

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DID YOU KNOW?

GICs still play a role in your portfolio when inflation is high.

As a consumer, you've probably noticed inflation at the grocery store and the gas pump (to say nothing of the cost of housing)! But as an investor, do you know how inflation will affect your portfolio's stocks and fixed-income investments?

"Rising inflation adds more complexity to choosing your investments," **says Educators Certified Financial Planner professional Darryl Martella.**

Fixed-income investments may be more impacted by rising inflation than equities and stocks. Bonds are vulnerable because their payments are usually based on fixed interest rates. If inflation increases, and interest rates rise, the price of bonds drops. GICs may be a better fixed-income choice. Their yields are typically higher than government bonds (and don't fluctuate once purchased). "Laddering" GICs lets you keep equal amounts in one, two, three, four and five year terms, so you'll be less affected by modest moves in interest rates.

Another reason why equities and stocks are chosen in inflationary times is because companies can increase the price of goods or services. (On the other hand, higher prices and slower sales can lower corporate profits).

The best guard against inflation? Ensure that you have a diversified investment portfolio. The equities in your portfolio will provide an opportunity for growth, while the fixed-income assets act as a counter. Both bonds and stocks can be volatile, so your portfolio should reflect your time horizon and risk tolerance.

Questions about how to minimize the impact of inflation on your portfolio? Talk to your Educators financial advisor today.

Educators offers webinars and workshops to increase your investing knowledge. Check out: www.educatorsfinancialgroup.ca/complimentary-workshops-and-webinars/

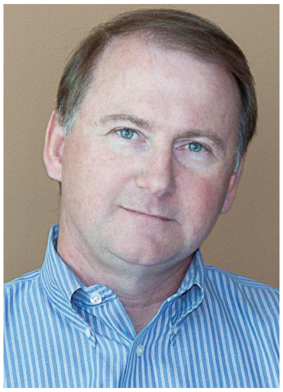
CHUCK'S CORNER

"Taking Stock" with Chuck: retirement countdown.

Congratulations, you're retiring! Whether you've reached the magic 85/90, or are taking early retirement, take stock of your finances well beforehand.

Here's some of what you should consider:

1. Decide what you'll do in retirement. Travel and renovations will cost more than gardening and babysitting the grandkids.



2. Track your expenses for the next two months – taxes, gym, lattes, everything. Then, think about where you could cut back when you retire (like work-related expenses), and where you can't (like home maintenance costs).

3. Take the info from #1 and #2 and talk to your financial advisor. Educators has the experience, training, and tools you need, including our online Pension Income Gap Calculator and OnDemand webinars about Retirement (and more topics)! www.educatorsfinancialgroup.ca/webinars/

4. If you want to work after you retire, be aware that there is a limit to how many days you can work in the school year without affecting your pension. www.otpp.com/en-ca/members/life-events/living-in-retirement/your-reemployment-limit/ and https://www.omers.com/life-in-retirement

5. Evaluate your portfolio's asset allocation. Some investors approaching retirement choose to reduce market risk; some chose to maintain their current level knowing they're healthy, vibrant, and have a long life ahead of them. Talk to an Educators financial advisor to ensure your portfolio continues to meet your needs.

Retiring is a big step. Make the most of the professional, experienced help available to you – talk to us at Educators today.

Congratulations, and our best wishes for a long and happy retirement!

C. Hamilton

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PLANNING

Spring cleaning? Include Your Financial Plan.

"Spring cleaning" is a tradition because knowing your home is in shipshape for you and your family feels great. The good news is: you can get that same feeling of security about your finances, by having a financial plan and reviewing it annually.

As you know, a financial plan uses your unique situation (your debt, dependents, assets, and accounts) to create a plan that meets your needs. It's important to assess your financial plan regularly – once a year, or after any major life event. A financial advisor will help you ensure that your portfolio and other parts of your plan still work for you. A side note about advice; did you know that 86% of Canadians say that advice from advisors is critical to reaching their most important financial goals?[1]

"Halfway through the year is a good time to assess a financial plan," **says Graham Walker, Certified Financial Planner professional.** *"It's far enough into the year to see how it's tracking, but early enough to make adjustments."* A mid-year financial review can:

- Reassess your spending and savings needs
- Reaffirm your financial goals and priorities
- Evaluate your tax exposure
- Ensure your portfolio aligns with your investment time horizon and risk tolerance

"As we reopen after COVID-19, you may need to adjust your financial plan to reflect changes – maybe you're finally going to travel, move, or just resume that gym membership or eating out."

Get the feeling of security from knowing your financial plan is working for you. Talk to an Educators Financial Group advisor today. Call 1.800.263.9541

Does your budget need adjusting? Check it out with our Budget Calculator: www.educatorsfinancialgroup.ca/budget-calculator/

INVESTING

How are Responsible Investments selected?

Responsible investing (RI) – investing for both financial returns and social good –has become increasingly popular recently. www.educatorsfinancialgroup.ca/learning-centre/growth-of-sustainable-investing/ Yet many investors are confused about how companies qualify funds as RI, or about different types of RI available.

"One question I am often asked is about screening," **says Educators Certified Financial Planner professional Lisa Raponi.** *"It's the strategy that's most widely used to determine whether a fund qualifies as RI."*

All portfolios apply positive or negative screens to ensure investments meet the investor's criteria. With RI, *positive screening* finds companies that score highly on environmental, social and governance factors. Chosen companies have superior environmental records, strong reputations for labor practices and gender equality, and good governance of issues such as non-involvement in controversies. *Negative screening* removes companies for issues, such as a poor environmental or waste management record and poor governance.

Two types of RI are *"Thematic"* and *"Impact"* Investing. *Thematic investing* focuses on long-term trends, finding opportunities with a common theme. For example, a clean water focused fund might look at companies involved in water treatment and management, as well as agricultural technology such as improved irrigation.[2]

Impact investing goes a step further, and seeks to help a business or an organization do something to benefit society – make a measurable and positive impact to a specific social or environmental challenge.[3] One example would be investing in a company dedicated to the research and development of clean energy.

If you have questions about RI or the RI funds available through Educators, give us a call today at 1.800.263.9541.

BORROWING

Retiring early? Reduce your debt!

"Debt is a helpful financial tool," **says Nick Rao, Educators Agent-Regional Director.** *"It lets us buy big-ticket items like a car, or a home. Credit cards are ideal for travel, and online buying. But like all tools, debt works best when used properly … which means minimizing the interest you pay. It also means paying off your debt before you retire. (Because who wants to be paying off debt when your income may have been reduced?)"*

So if you – like many education professionals – are considering early retirement, reduce your debt before your retire. Two options are debt consolidation and mortgage refinancing.

Debt consolidation involves combining several debts with high interest rates into one, lower-interest rate line of credit. The money you save can pay down your debt faster. You can read more about this here: www.educatorsfinancialgroup.ca/learning-centre/you-pay-enough-in-pension-contributions/

Refinancing your mortgage for a lower rate is another way to possibly reduce your monthly payments, free up cash flow, and even consolidate debt if you have a secured line of credit. Plus, if you keep your current payment amount as is – you can pay down your mortgage more quickly. According to Investopedia, refinancing is a good idea if it reduces your interest rate by at least 2%. However, many lenders say 1% savings is enough of an incentive to refinance.[4]

Refinancing your mortgage can mean a penalty for breaking your mortgage early. You may also have to re-qualify. It's imperative to talk to a lending specialist to know whether it's for you. An Educators Financial Group mortgage specialist can answer all your questions. Get in touch today!

Do you want to know if debt consolidation or mortgage refinancing is right for you? Learn more at: www.educatorsfinancialgroup.ca/learning-centre/how-to-refinance-mortgage/

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1. The Investment Funds Institute of Canada. CIRANO research paper: New evidence on the value of financial advice by Dr. Jon Cockerline, Ph.D., November 2012.
2. https://www.theimpactivate.com/what-is-thematic-investing/
3. http://www.rbc.com/community-sustainability/_assets-custom/pdf/Financing-Social-Good-Exec-Summary.pdf
4. https://www.educatorsfinancialgroup.ca/learning-centre/early-retirement-101-how-to-get-debt-under-control-before-you-retire/