Insights

Educators FINANCIAL GROUP

SPRING 2023

More in-depth educator-specific financial tips, articles, and resources are available at educatorsfinancialgroup.ca

DID YOU KNOW?

When you think of 'spring cleaning', think of your finances too.

Don't stop with your windows and rugs when you're spring cleaning. Take a look at your finances, too – including your budget, savings, debt, and investments – to ensure they still reflect your needs.

Michail Tsirikos, Senior Financial Advisor, suggests you start with your budget. "Over the past year, did your expenses change? If you're spending more and saving less, it's harder to achieve important goals like building an emergency fund, buying a home, or retiring." Look for ways to cut costs (hint: cancel memberships or subscriptions you don't use). A Pre-authorized Contribution Plan (PAC), that transfers funds automatically to your savings account or investments, can make saving easier.

As part of your spring check-up, look at your debt. Consolidating your debt with a lower rate line of credit could increase your cash flow to let you pay down debt faster. And, check your credit score (Equifax lets you check your score for free, once a year).

If you were uncomfortable with market volatility in 2022, think about whether your investments still reflect your tolerance for risk. You may want to consider alternatives to equities, such as a HISA or GIC. And remember, your portfolio should be rebalanced regularly to ensure its asset allocation hasn't changed. Talk to your financial advisor.

Look at your estate planning documents, too. Getting married or divorced, having a child, or receiving an inheritance are just three of the reasons why you might want to revise your will or estate plan.

For more ways to spring clean your finances, read this article in the Learning Centre: www.educatorsfinancialgroup.ca/learning-centre/top-5-financial-to-dos-for-spring/

CHUCK'S CORNER

"Taking Stock": 3 things investors can learn from 2022

2022 was a wild ride for investors. The fixed income market struggled as inflation hit a 40-year high, forcing central banks to raise interest rates, which in turn drove down the value of bonds. Equity markets also experienced extreme volatility, impacted by the higher borrowing rates, lingering COVID-19 related supply-chain issues, and evolving geopolitical risks with the war in Ukraine.

The good news? There's much to learn from unusual markets. Here's what investors learned from 2022.

1. If stock market ups and downs make you feel like you're on a roller coaster, it's time to think about your risk tolerance. Did it change in the past year? Does your portfolio's current asset allocation reflect it, or should it be adjusted?

2. Don't panic and put your long-term investments into short-term investments. Making emotional decisions about your portfolio can have negative results. (Our article about "Emotional Investing" in our Learning Centre explores this topic in more detail: www.educatorsfinancialgroup.ca/learning-centre/investing-you-and-your-emotions-here-are-the-issues/). Remember: keep your focus on your long-term goals.

3. Take advantage of the expert knowledge and expertise available to you. Educators financial advisors can answer your questions about the potential impact of inflation on your investments and what you can do to ensure your portfolio continues to meet your goals.

No matter what happens to the market in 2023, Educators' advisors will help you structure your portfolio to be aligned with your long-term financial goals.

Cheers,

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PLANNING

Conservative investor? Maximize your savings.

If you are a very conservative investor or are saving for a short-term goal, it's crucial that your principal is secure (i.e., not subject to volatility). However, low volatility typically comes with low returns. So, it's good to know investment options that offer steady, predictable growth.

A High Interest Savings Account (HISA) offers a principal guarantee* and easy access to funds, as you are not locked in. Interest rates are calculated daily and paid monthly. Educators offers 10 different HISAs with rates currently ranging from 4.05% to 4.2% (subject to change daily).

A Guaranteed Interest Certificate (GIC) also offers a principal guarantee*. However, unlike HISAs, GICs are locked in until their maturity date (cashable GIC options are available at lower rates). In return for their lack of liquidity, rates are usually higher than those of HISAs. They can be a good option for savings that you are certain you won't need for a period of time.

The Educators Money Market Fund (a type of fixed income mutual fund) provides easy access to funds and may be suitable for short-term savings. "Money market funds are attractive now for investors with ultra conservative risk profiles," **says Corrinne Mallender, Certified Financial Planner professional,** "especially since rising interest rates have boosted yields." Money market funds are not covered under CDIC insurance and, like most mutual funds, do not have any guarantees.

If you have questions about HISAs, GICs or money market funds give us a call today at 1.800.263.9541.

*Up to CDIC limits

Maximize your GIC returns by "laddering". Find out more: www.educatorsfinancialgroup.ca/learning-centre/fixed-income-investments-and-low-interest-rates-alternatives/

INVESTING

Understanding the benefits of dollar cost averaging.

One of the dangers of market volatility is that it can cause "emotional investing": selling (or putting a hold on buying) due to fear of loss. However, experts agree that emotional investing often has negative results. www.educatorsfinancialgroup.ca/learning-centre/investing-you-and-your-emotions-here-are-the-issues/

"One way to prevent emotional investing is with Dollar Cost Averaging," **says Educators Financial Group Nadeen Israel, Certified Financial Planner professional**. "Investing in 2023 may be a bit of a rocky ride, given rising interest rates, the fear of recession, and geopolitical uncertainty. But the advantage of dollar cost averaging is that it puts your money to work, regardless of what happens in the market."

With dollar-cost averaging, you invest a fixed-dollar amount at regular intervals. (With a Pre-authorized Contribution plan, your contributions will be made automatically.) Because you invest the same amount each time, you purchase more of an investment when prices are low, and less when prices are high. Your average unit cost will be lower and you'll reduce the risk of investing in the market at the wrong time. Plus, the longer you use dollar-cost averaging (such as a period of 5 to 10 years), the more lucrative it can be.

"Dollar-cost averaging also helps investors stick to their plan and avoid second-guessing and emotional investing," adds Nadeen.

Is dollar cost averaging right for you? Find out more at (www.educatorsfinancialgroup.ca/learning-centre/7-ways-to-make-the-most-of-dollar-cost-averaging/) or call us at 1.800.263.9541 today.

Set up a Pre-Authorized Contribution Plan to take advantage of dollar cost averaging http://www.educatorsfinancialgroup.ca/forms/

BORROWING

A new way to save for your 1st home, tax-free!

Introduced in the 2022 Federal Budget, the new First Home Savings Account (FHSA) will soon be available … and that's great news for people saving for their first home!

Your Educators financial advisor will be able to give you all the details, but here are answers to the most commonly-asked questions:

You're eligible if you're a resident of Canada between 18 and 70 years old, and neither you nor your partner have owned a house in the past 5 years.

You can contribute up to $8,000 annually to a lifetime maximum of $40,000, and can carry forward unused contributions (with limitations).

Like an RRSP, you'll receive a tax deduction on your contributions which can be carried forward indefinitely, and like a TFSA, withdrawals are tax-free, as long as they qualify. Your FHSA must be used within 15 years from the date you open it. Also, you can carry your tax deduction forward to future years, when you may be in a higher tax bracket.

Your FHSA can hold a variety of investments, such as high interest savings accounts, GICs and mutual funds.

If you don't use your FHSA to buy a home, you can transfer it to your RRSP or RRIF.

It can be used in addition to the RRSP Home Buyers' Plan (HBP). The HBP lets you withdraw up to $35,000 from your RRSP tax-free to buy a first home, however you must repay that amount to your RRSP within 15 years, or it is considered taxable income. There is no repayment required for funds withdrawn from an FHSA.

For more information about the FHSA, and other ways to help you save for your first home, call Educators today at 1.800.263.9541.

Your budget is an important tool to help you save for a down payment. www.educatorsfinancialgroup.ca/budget-calculator/

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