Educators
FINANCIAL GROUP

Insights

SPRING 2024

NEW! Check out the latest Market Update - now available in the Learning Center (www.educatorsfinancialgroup.ca/spring-update-2024)

DID YOU KNOW?

Take advantage of that spring cleaning urge to spruce up your finances.

"Making your home spic and span is satisfying, but it's nothing compared to the feeling of security from knowing your finances are in order", **suggests Phil Blouin, Educators Senior Financial Advisor.** Start with these three things:

1. Check your credit score to ensure there are no errors in the credit report (you can get a free report from Equifax or Transunion). This is particularly important if you're making major purchases soon, because lenders will be checking your score. Take steps to improve your score if necessary.
2. Look for ways to pay down debt. Review your spending, income and saving in the past 3 months. Have you spent more than anticipated when you resumed pre-Pandemic habits? Are you saving less? Look for 'extras' to cut. Consider consolidating high-interest debts into one, lower-rate line of credit to save money and put it towards paying down debt (www.educatorsfinancialgroup.ca/learning-centre/need-know-debt-pay-off/).
3. Review your investment portfolio. **Phil says,** "at least annually, talk to your financial advisor about whether your investments are reflecting your risk tolerance and your values as an investor." Your advisor will help you check if you're on track to meeting your financial goals, and can help you understand your investment statement, answering questions such as the difference between 'book value' and 'market value'. The former is your initial capital plus any interest or dividends that are reinvested … the latter is the current price at which you could sell that asset.

So make sure your finances are part of your spring cleaning. Call Educators today at 1.800.263.9541 to talk to a financial advisor or make an appointment today.

CHUCK'S CORNER

Responsible Investing – grow a brighter future for you, and the planet.

Investors who are involved in Responsible Investing (RI) – investing in a way that reflects your beliefs – are interested in RI for a variety of reasons. For me personally, it has a lot to do with the kind of world I want to leave for my children and grandchildren.

Our clients share this interest in RI.

Over 80% of those surveyed said they considered RI important. At Educators we've responded to your interest, most recently with the launch of our Educators BrighterFuture Funds™ (learn more here: www.educatorsfinancialgroup.ca/brighterfuture-funds/) , and also by providing you with answers to your questions about RI and how it works in your investment portfolio.

Other recent studies agree on some future trends in RI:

First, the number of RI products will increase and investment choices will broaden to include a wider range of themes, such as nature and biodiversity, inclusive finance (financing to underrepresented people), and social issues. Second, the efforts to reach 2030's net-zero carbon emission will mean an increased focus on productive and efficient land use, renewable energy and conservation efforts.

If you're interested in Responsible Investing, we can help you understand your choices and how they fit into your portfolio and financial goals. As mentioned earlier, we've recently launched the NEW Educators BrighterFuture Funds™, with investment themes that include clean water, clean energy, health and education, climate action, and many more. To find out more about these funds, and their investment objectives and RI strategy, talk to your advisor to see if these funds are right for you.

Here's to a brighter future!

Chuck Hamilton, *President and CEO,*
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Do you have questions? We want to help. Call us at 1.800.263.9541 and let's talk about it!

PLANNING

Planning for retirement – The big picture.

Saving for retirement is like achieving all major life goals: it takes discipline and consistency (on your part); and professional advice and helpful tools (from a trusted advisor).

"We tell our clients to start early, when they're low on the pay grid but time is on their side," **says Bill Rakovitis, Certified Financial Planner Professional.** Remember, the average Ontario teacher retires at age 59, and has a longer than average retirement. So while you'll have your pension, you may need to supplement it. Learn how much you can and should contribute to your RRSP.

Start investing early, with a pre-authorized contribution plan (PAC), even if it's only $50 a month.

As you get closer to retirement, even if it's still 10 years away, talk to your Educators advisor about whether or not you should modify your portfolio to reflect your shortening time horizon. Investing in a balanced mutual fund that buys a mix of stocks and bonds may be suitable now. You can check whether your retirement savings are on track with Educators Pension Income Gap Calculator: www.educatorsfinancialgroup.ca/calculatepensiongap/.

As you get even closer to the 'big day', there will be more to do. Your investment needs will likely change at this point and more fixed income investments may be appropriate. Know if you are eligible for sick leave credit-based gratuity, and if it can be rolled into your RRSP … discuss estate planning (if you haven't before) … know when you should take OAS and CPP… and more. Our Retirement Planning checklist can help: www.educatorsfinancialgroup.ca/learning-centre/the-educators-retirement-planning-checklist/.

No matter where you are on the pay grid, it's time to start thinking about retirement. Give us a call today.

INVESTING

Interest rates and investing

"When we talk about high interest rates, many people think about how they're paying more interest on their debt," **says Nigel Goetz, Certified Financial Planner Professional.** "But people should also understand how interest rates affect their investments." Fixed income investments such as guaranteed investment certificates (GICs), bonds and money market securities are substantially affected by market interest rates.

GICs and bonds react to interest rates differently. The interest rate offered on GICs has a direct correlation to the Bank of Canada overnight lending rate …when the BoC rate gets higher, GIC rates do too. However, investors should not make the decision to invest in GICs based on interest rates alone, "Whether to invest in GICs depends not just on their current interest rate, but also on the role GICs will play in their portfolio, and whether an investor can, or wants to, tie up their funds for the length of the GIC term, which could potentially mean missing out on other opportunities." **says Nigel.**

Prices of existing bonds move in the opposite direction of interest rates – when market interest rates rise, bond prices fall, and vice-versa. Here's an example. Suppose you purchase a bond with a face value of $1,000, when the interest rate is 4%. As long as interest rates remain constant, the bond would provide a yield of $40 per year. But say that after your purchase, bonds become available with an interest rate of 5%. Because the 5% bond pays more interest, the value of your bond decreases.

This article in Educators' Learning Centre will provide more information about how interest rates affect the value of bonds: www.educatorsfinancialgroup.ca/learning-centre/bond-prices-fall-interest-rates-rise/.

At Educators, we're here to answer your questions about your portfolio and how to achieve your financial goals. Talk to an Educators financial advisor today.

BORROWING

Renewing a mortgage? Be prepared!

Most Canadians have been affected by high interest rates, but perhaps those most concerned are homeowners who took advantage of historically-low interest rates during the pandemic, and will need to renew their mortgage soon. "Many homeowners will face substantially higher mortgage payments when they renew," **says Mortgage Agent Level 1 – Regional Director, Lending Services Chris Knoch.** "It'll pay for you to understand your options, and be proactive."

First, know you can negotiate your rate. "Your lender will send you a renewal letter 30 days before your renewal date, but you can start to negotiate 120 days before your mortgage matures", **says Chris.** Which is great, because the letter usually offers a rate that is a discount on your lender's posted rate (which may not be their lowest rate, or as low as you could get from another lender.)

Another reason to start early: a new lender requires a new mortgage application plus documents like your mortgage renewal letter and proof of income, homeownership, and property insurance. Using a mortgage broker can save time because they'll pull your credit report just once, find lenders who'll work with you, and get their best rates. And when you are offered a rate, you can ask for a rate hold to protect you from interest rate increases for up to 120 days.

If you decide to switch, ask whether you'll be charged additional costs (such as set up fees, an appraisal fee, and other administration fees). These fees are typically covered by the new lender, but always good to double-check!

Check out this article for more information on how to renew your mortgage when interest rates are high www.educatorsfinancialgroup.ca/learning-centre/how-to-manage-mortgage-renewal-during-rising-rates/, or you can call Educators to talk to a lending specialist at 1.800.263.9541.

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

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