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• Portfolio Mix for your Investments

What is the Proper Portfolio Mix for Me?

My investment portfolio has been doing quite well; markets have been great; I'm happy! If it's not broken don't fix it; leave things just the way they are and keep smiling. True or false?

We certainly hope that you will keep smiling, however, if your portfolio is not set up properly, the smile can soon fade to a frown or worse.

The fact is that over the past 4 plus years the Canadian markets have generally performed remarkably well which translates into some very healthy returns in the equity portion of your portfolio. This may cause many folks to be quite heavy in equities within their investments compared to other assets. Although equities provide growth, they are also more volatile in relation to fixed income or cash assets. Let me explain.

Fixed income includes assets such as corporate and government bonds as well as mortgages. These assets do not have the same growth potential in relation to equities however are more stable. On the other hand, equities (stocks) provide the growth we need to combat against inflation. Cash assets include GICs, money market funds and cash on hand in your bank account. These funds provide lower returns with no risk of loss, but they can be eroded quite severely with inflation and taxes. To determine the proper mixture of assets we must consider the following:

- Time horizon – when will I need to use these funds?
- Attitude towards risk – how comfortable am I with market downturns and how much patience do I have to wait for a recovery?
- What is the purpose of the

investment? Will the funds need to be withdrawn all at once or over time?

- What is the objective? Preservation, to provide income, to provide income and growth or growth only?
- What relationship does the investment have compared to my overall net worth?

Once you have determined the answers to some of these questions we recommend that you consult with an experienced financial advisor to help you determine the mix that works best for you. Also keep in mind that over time your attitude and needs may change; therefore it is recommended to review your portfolio on a regular basis, perhaps annually. Certainly your portfolio will change and may become "out of balance" and will need to be adjusted from time to time. A good analogy would relate to the tires on your car. Every now and then you need to check the tire pressure and balance the tires to ensure a smooth and safe ride.

At Capital Wealth we have tools available to help you. Visit our website www.capital-wealth.ca, click on the "Client Discovery" tab. Complete Form 4 – Client Risk Profile and send the information to us. We'll use a process called "Wealth Check", which will help determine if your portfolio is balanced properly. We take into consideration the investments you have internally with us as well as outside investments to gain a clear view of the entire picture. From these tools and discussions with you, we can certainly simplify the puzzle which will help you reach your goals and most importantly, sleep at night.

