

# Weathering the ups and downs of the market

Economic uncertainty south of the border is shaking up the markets and raising concerns among investors. The current economic situation gives good reason to take stock of your finances and make sure everything is in order.

By Isabelle Paradis, in collaboration with  
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It's essential to have an overall vision of your needs at every stage of your financial life. And now's the perfect time to make a detailed list of your income and expenses, check your savings capacity, and understand and manage your emotions with respect to investment. It's also a good time to review your insurance coverage. Do you have enough coverage to protect you and your family in case the unexpected occurs? Have you prepared a will, a power of attorney, a mandate in case of incapacity or other important legal document?

Ask a professional at your caisse to give you an objective opinion on your financial situation. It's very difficult, especially during heavy market turbulence, to properly judge the situation on your own.

Adopt a flexible, customized plan that takes into account not only your own situation but also that of your spouse and your children.

## An investor profile can be a good security blanket

An investor profile is a diagnostic tool that helps us—and you—learn more about your investment habits, based on a list of questions and scenarios. Among its numerous advantages, it helps you:

- Establish an investment strategy that is best adapted to your situation

- Better understand the nature of the investments in your portfolio
- Define the best possible compromise between the risk and the expected rate of return at the various stages of your financial life
- Manage the emotions involved when it's your own money at stake
- Understand the specifics of the nature and consequences of each of your financial objectives
- Make a timeline for achieving your plans and projects in the short, medium or long term
- Appreciate all the benefits of proper diversification of your assets
- Better understand the nature and consequences of any changes that may need to be made to your current profile
- Fully understand the meaning of the recommendations of your financial advisor ■



# The five most common questions for financial advisors

Not sure how you should be reacting to fluctuations in the stock market? Feeling worried about an uncertain economy, especially how it will impact your life, your assets and your property?

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## 1. Should I continue contributing to my RRSP?

Yes. The decision to contribute to an RRSP has nothing to do with changes occurring on financial markets. The parameters of your investor profile will help determine which investments you should choose as well as the relative importance each type of investment should be given. In addition to still being an excellent tax shelter, your RRSP can, for example, help you get that much closer to achieving your retirement goals, financing your education or even purchasing a property.

## 2. Should I change my investment strategy in light of recent market turbulence?

When you choose to save through regular instalments, your contributions “enter the market” at different moments—which helps minimize volatility and major fluctuations in your portfolio.

It’s essential to invest with a long-term perspective, such as five years or more. You also need to make sure that you are comfortable with the risk level of your investments and their potential rate of return. In times of turbulence, some people like to focus on protecting their capital and making safe investments. On the other hand, others see excellent opportunities for gains when the markets are down, as is currently the case. The important thing is to be comfortable with your own investment strategy. If not, it may be time to review your investor profile, or have one drawn up if you haven’t already done so.

## 3. Should I take advantage of this situation to pay down my mortgage loan?

Yes. If you have any non-registered savings, for example, that are not in an RRSP, paying down your mortgage more quickly is a good decision to make when the after-tax return on your non-registered savings is lower than the borrowing rate on your mortgage loan.

## 4. Is this a good time to buy a property?

Buying property is always a good idea, as long as it represents a lifestyle that you really want. You should always be sure to stay within your financial means. Your borrower profile is a very useful tool to

help you deal with changing interest rates. Simulations that take several variables into account can also help you better understand the nature and consequences of the choices you’re making.

## 5. I’m nearing retirement age. Should I put it off?

Whether you are already retired or about to leave the work force, there are certain precautions you should take. These apply at all times, regardless of the state of the markets.

Seek out the expertise of professionals at your caisse to help you take stock of your finances and analyze the various scenarios that will help you make the most of your capital.

Review your investor profile (see next page) so that it more closely reflects your needs and your personality at this crucial stage of your financial life, especially since you will probably spend as many years in retirement as you did working.

Keep up with the changes in your expenses (such as health care and recreation) and changes to your income (in particular the after-tax returns on your non-registered investments).

Set up a realistic scenario that fits your situation for using your RRSPs and other registered savings products.

Remember that inflation and premature exhaustion of capital are your worst financial enemies at this stage in life. ■

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