ClearWater PRIVATE INVESTMENTS

ALIGNED capital partners inc.

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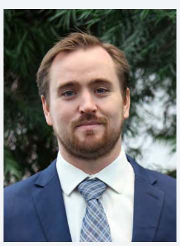

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▶ INVESTING

Investing during a market recovery

There's no such thing as a typical market recovery. Past recoveries have lasted as little as a few months to as long as several years. Some have been generally smooth, while others have been extremely volatile.

With their duration and pattern being so unpredictable, how are you supposed to know how to invest in the midst of a market recovery?

What the investment managers do

Investment managers generally take one of two approaches as markets recover. In the active approach, they invest more heavily in sectors that historically outperform in the recovery phase or are favoured to outperform in the current recovery. The passive approach maintains a well-diversified portfolio throughout the economic cycle to gain exposure to any outperforming sectors while aiming to reduce overall risk. Both approaches have their benefits, and both can be successful.

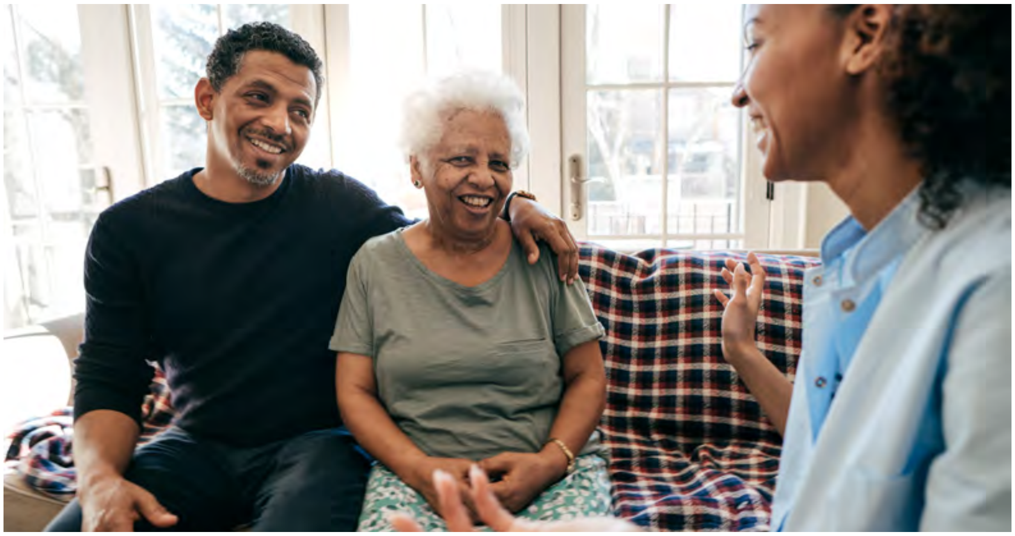
Investors' reactions to a recovery

When a market recovery is highly volatile, some investors may not want to risk new investments falling in value. They're tempted to stop contributing and jump back in when the markets look steady and strong. But sitting on the sidelines is a risk in itself. If they resume investing when stock prices are higher, they'll end up with fewer shares or fund units for their money. Sticking to your regular contributions is the advisable way to invest.

If a recovery is robust and fairly smooth, some investors may want to increase their regular contribution amounts or also invest their annual bonus or tax refund. Increasing your investments in any market can always be valuable if it helps you achieve a financial goal – but you must stick to your current asset allocation. If you only add to equities, you'll be invested beyond your risk tolerance.

Whenever you want to talk about your regular contributions or a lump-sum contribution during any phase of the economic cycle, please contact us. ◀

When life changes, your financial life changes too



It's said that life is what happens while you're making other plans. We all experience life changes from time to time, and any of those changes can have financial consequences.

Here are several scenarios illustrating how life situations and events can affect wealth planning and investments.

Supporting a grandchild

Rohan's grandchild has special needs and is eligible for the disability tax credit. With this eligibility, the grandchild's parents have opened a Registered Disability Savings Plan (RDSP). Rohan has savings he planned on leaving to loved ones in his will, but he now chooses to use a portion to fund his grandchild's RDSP, where contributions grow tax-deferred. The funds will be largely devoted to growth-oriented investments as the withdrawals will only be needed to help support his grandchild decades from now.

Following a divorce

Joseph recently divorced and is in the midst of changing his will, executor, beneficiaries – and his investment portfolio. He had always been a more aggressive investor. Joseph's former spouse invested conservatively, so their portfolios balanced out as a couple. But divorce has triggered a change in asset allocation for Joseph. With the financial settlement of the divorce, including ongoing child support, he now has less tolerance for risk. Joseph increases his allocation to fixed-income investments and seeks growth with less risky choices.

Recovering from job loss

After working for an event planning firm for 20 years, Colleen lost her job when the firm was bought out by a national event planning corporation. Colleen had long been thinking about going out on her own, and she talks to her advisor about the possibility of self-funding her start-up costs. Colleen decides to go for it. Her severance package will provide a financial cushion during the planning phase and beyond, and she can access funds from her Tax-Free Savings Account (TFSA), which she'll eventually replenish in full.

Caring for a parent

Liena's elderly mother lives alone and needs help with daily living. Liena and her spouse have discussed the idea of Liena leaving her job to care for her mother. With Liena being three years away from their planned retirement, the couple wants to know the financial impact. They discuss the situation with their advisor to answer two questions. If Liena's spouse sticks to the retirement date, how would the lost salary affect their retirement income? If they don't want to compromise on their planned retirement income, how much longer would Liena's spouse need to work?

Let us know whenever you experience a life change, whether it involves your marital status, helping a family member, a change in income or any other event or situation. While you look after the personal side, we'll help you with the financial side. ◀

The blended finances of a blended family

When a parent remarries, financial life changes, especially when both spouses have children from a previous marriage. Here are several areas that often call for change.

Children and money. Each spouse may have their own beliefs about money matters involving children. One parent may have given a weekly allowance without strings attached, while the other may have tied allowance to performing chores. Perhaps one parent thinks a teen should work part time during the school year, but their spouse believes it will cause the child's schoolwork to suffer. Differences of opinion call for open discussion, understanding and compromise.

Family finance. Money management can change in various ways for both spouses, separately and together. Perhaps one spouse needs to budget for the first time, now that they're paying spousal support and taking on a larger mortgage on a new home. If each spouse brings children to the family, the couple may wish to equalize their education savings among all children.

Estate planning. Often, the most significant estate planning change is developing a way to provide for both your current spouse and your children from a previous marriage, which involves your advisor and a lawyer. Giving while living, establishing a trust or purchasing life insurance are some of the options available. ◀

Should downsizing be part of your retirement plan?

When you're approaching retirement or already retired, thoughts of downsizing may have crossed your mind.

Selling the home can be especially tempting when its value represents a large part of your net worth. Unlock that capital and you create new opportunities – perhaps to travel the world or purchase a vacation property. The purpose may be to boost your retirement income to enhance your overall retirement lifestyle. For some people, the financial gain could mean retiring when they wish or not having to work part time during retirement.

The decision to downsize isn't always a financial one. You might want to live in a condo to enjoy a more comfortable life without snow to shovel, a lawn to mow or home repairs to manage. Some might have chosen to live close to work and now want to live in a rural area. Retirees who spend the warm months at a vacation property and the winter down south may not even need their home anymore.

Reasons to stay

Even if downsizing might benefit you financially, other practical or psychological factors could make staying the better choice. Your home and neighbourhood may be a source of comfort for you, and you question whether you'll have that same comfort elsewhere. Moving can be stressful, and you may not want to find a new doctor, dentist and any other medical professionals. Perhaps you value your family home as the place where your children return for holidays, celebrations and visits. You may have always considered your home to be part of your estate plan, a significant tax-free inheritance for your children.

Should I stay or should I go?

If the primary reason you're thinking about downsizing is financial gain, you can ask for our input. We can take into account the cost of your next home and estimate what kind of impact downsizing may have on boosting your income or achieving another retirement goal. With our assistance on the financial side and your own consideration of the personal factors, you'll be better able to decide if downsizing is right for you. ◄

PERSONAL FINANCE

Using an RRSP for a home or an education

If someone needs funds to help achieve a life goal or meet an unexpected need, making a Registered Retirement Savings Plan (RRSP) withdrawal is usually a last resort. The amount is taxed as income and that contribution room is lost.

But there are two exceptions to the rule that could apply to a family member, or possibly yourself. The Home Buyers' Plan and the Lifelong Learning Plan allow you to make tax-free RRSP withdrawals, and you don't lose the contribution room.

Home Buyers' Plan

With the Home Buyers' Plan, a first-time homeowner can withdraw up to $35,000 from their RRSP on a tax-free basis, provided they repay the funds according to the plan rules. They can also use funds from a First Home Savings Account (FHSA) to help make their down payment.

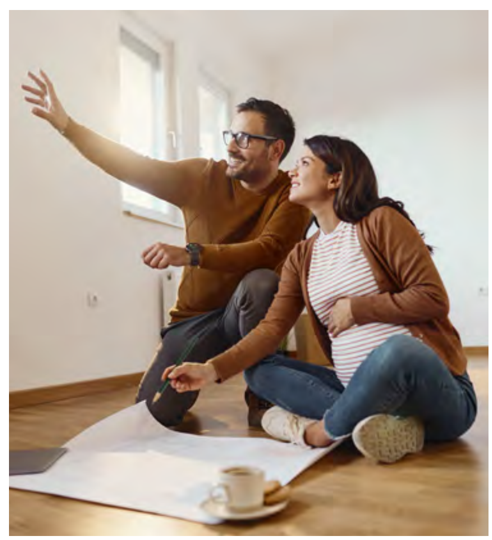
A relatively new provision helps recently separated or divorced individuals – recognizing there could be financial hardship at such a time. They can use the Home Buyers' Plan to either help purchase a new home or buy out their ex-spouse's share of the current home.

Lifelong Learning Plan

The Lifelong Learning Plan is designed to help adults enhance their education or skill set. An individual can withdraw up to $20,000 of RRSP funds tax-free to help fund their own or their spouse's education or training costs.

Weighing the financial impact

It's important to keep in mind that using either program means losing several years of tax-deferred investment growth while the withdrawn amount is being repaid. However, furthering your education



through the Lifelong Learning Plan may lead to increased income – and larger RRSP contributions down the road. Purchasing a home with help from the Home Buyers' Plan may avoid the cost of mortgage loan insurance or even make the difference between renting and owning. ◄

Be wary of forecast season

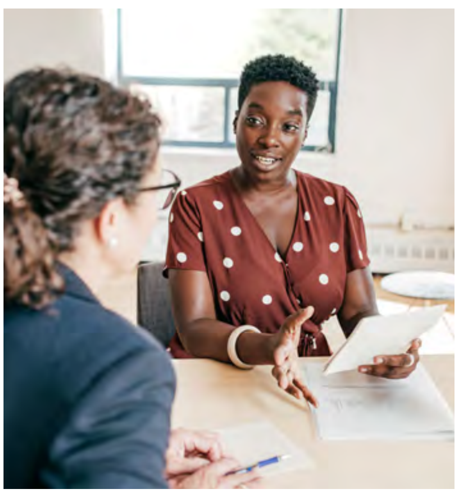
Last January, we all heard that a global recession was imminent in 2023. The forecast came from financial institutions, industry analysts and experts everywhere – in both the financial and mainstream media. But it didn't materialize during the first quarter, the second quarter, or even the third...

Some called it the most anticipated recession that never came. What happened to anyone who stopped investing or changed how they invest out of fear of an economic downturn? They may have wished they had maintained their regular investments.

All of this is not to say that a recession is still out of the question. The point is, even the experts don't know if or when one may occur.

Now a new year has begun and the 2024 forecasts are underway. But no one can regularly predict the state of the economy or the stock market's direction, so it's important not to let this year's opinions change the way you invest. Also, you don't want January predictions to affect you psychologically, perhaps worrying unnecessarily for months. ◄

Share financial information with your spouse during retirement



Imagine a situation where one spouse primarily deals with the couple's financial life. What happens if that spouse is the first to pass away?

The widowed spouse already faces the psychological and practical challenges of living on their own. On top of that, they must now learn about wealth planning in general and their own financial matters specifically. It's a lot to deal with, and they may feel distressed.

Sure, their advisor will be there to guide them, but the process would be a lot smoother and less overwhelming if the individual was familiar with their finances. That's why it's important to share financial information with your spouse. They don't need to become an expert, just acquire a general working knowledge of the couple's investments, income sources and estate plans. With this preparation, the widowed spouse will be able to manage their financial life more comfortably. ◄

Ever want your fortune told?

A parent is struggling with a decision about helping their child make a down payment on their first home. Will too large of a gift interfere with the parent's retirement savings goal? The solution is to involve their advisor. We can estimate how gifts of various amounts may affect their savings goal, and the parent can use those projections to make a decision.

Situations like this are common. Just about everyone needs to make a decision from time to time that involves guessing about their financial future.

A soon-to-be retiree is wondering about delaying the start of their Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) benefits. They want to know the difference larger payments will make down the road if they delay now.

An individual is planning how to cover the eventual tax liability on their estate's assets. First, they need an estimate of the tax bill at their estimated life expectancy.

Whenever a picture of your financial future will help you make a choice today, please contact us. We'll see into the future so you can make an informed decision. ◄