Specialty Wealth & Financial's

Solutions Newsletter:

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From the Ordinary to the Extraordinary

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Investing

Five steps to check up on your investment plan

Hesitant to get back into the market? You're not alone. Some investors still feel the uncertain after-effects of the recent economic downturn, and may be concerned about savings being diminished in the future.
Now is the time to revisit your investment plan. There are five steps:

Step 1: Reaffirm your risk tolerance
Step 2: Realign your return expectations
Step 3: Reassess your investment options
Step 4: Rebalance and rebuild
Step 5: Reinvest in your plan

Talk to your financial security advisor and investment representative about these steps to maintain a long-term plan-a plan that's designed to help meet your financial security needs. After going through this five-step process, you'll feel more confident you're on track to meeting your financial security goals.

Step 1: Reaffirm your risk tolerance

Reaffirm your risk tolerance and verify your portfolio is in line with the level of risk you are prepared to accept. What balance are you prepared to take between risk and return? Staying out of the market creates its own risks.
Many investors still have money in either cash or cashable short-term investments like money market funds, guaranteed investment certificates (GICs), and low-interest rate bank accounts.
These investors are staying out of the market to protect their capital from market volatility. This strategy can have long-term consequences to their financial security. By limiting the growth potential equity markets can provide, low or no interest rate investments mean individuals aren't keeping up with inflation. This could create a scenario where they may not have enough money to meet their goals.
Your financial security advisor and investment representative has a process to help identify your feelings about risk and return. This process determines an appropriate combination of investments that fit your tolerance for the fluctuations you may experience in the value of your portfolio.

Step 2: Realign your expectations

Historically, the markets have experienced ups and downs, so it's not realistic to rely on a never-ending series of market gains. The rate of return you expect to receive needs to be realistic and conservative.

Step 3: Reassess your investment options

Once you understand your target asset allocation and set realistic planning assumptions, you'll want to focus on other needs and considerations.

Special considerations - transitioning from savings to income

Part of your financial security plan should also include transitioning from saving to taking an income from your investments. Preparing for this transition is an important step in the planning process.

Poor market returns in the early years of retirement or the five to 10 years leading up to retirement can affect the amount of income you take and how long it might last.

Income needs

Guaranteed pension plans and government-supplied income may not be sufficient to meet retirement income needs. Many of us rely, at least in part, on personal investments for retirement income. If you are getting ready to retire, you will want sustainable income for your lifetime, and so may want to consider annuities and other guaranteed investments to help. Ask your financial security advisor and investment representative about innovative tools to help you determine which income products meet your needs.

Additional Considerations

Other factors can influence your investment decisions, such as tax efficiency of certain types of investments, and debt. Inefficient borrowing can reduce your ability to save, however borrowing to invest may be a viable strategy to help you meet your savings goals.

Step 4: Rebalance and rebuild

With your target asset allocation, guarantee choices and income needs in mind, the next step is to adjust or even make major changes to your portfolio. Work with your financial security advisor and investment representative to create a plan to help ensure this transition is easy and effective.

Regular rebalancing is an important and ongoing activity. You can talk to your financial security advisor and investment representative regularly and apply a mechanism to allow rebalancing to occur automatically.

Step 5: Reinvest in your plan

The final step to staying on track is to reinvest. Emotional decisions can result in hesitation and lost opportunities; take action based on your plan. Start a regular contribution plan and invest any capital sitting in cash. Don't wait to reinvest. It may be tempting to try to invest at a "good time", but trying to time the market is generally an unsuccessful strategy.

Need for protection

Your investment portfolio is an important component of your long-term financial security plan. Don't lose track of your most basic needs for protection. Life insurance, critical illness and disability protection are key factors to a solid financial framework.

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Talk to your financial security advisor.

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