

# MONEY MANAGEMENT

Macquarie Private Wealth

A world of opportunities



MACQUARIE

**ANGAS SHICK GROUP\***  
RETHINKING WEALTH

\*Angas Shick Group is part of Macquarie Private Wealth Inc.



**There are only three basic things that you can do with your money — spend it, save it or invest it. This document deals with all three of these choices and provides some guidelines for you to consider when faced with the challenges presented by each.**

## **Rethinking Spending**

It goes without saying that you should never spend more than you earn. A focus on prudent cash flow management is critical, and the best way to ensure you achieve this is to keep a close eye on where your money is going.

Priorities should be established that are in line with what you can afford to live on. Sustainable monthly net income will dictate not only where you live, but also how you live.

We have developed a template spreadsheet to help you keep track of your expenses and formulate your own cash flow management system. Please inquire for more details on how this handy tool might be of some assistance to you.

## **Rethinking Saving**

Saving money has its own challenges, but must be considered the first priority in seeking financial security for you and your family. Maintaining separate accounts for individual purposes is the key element in developing a successful savings strategy. Tax-Free Savings Accounts (TFSA) should also be used for this purpose to take advantage of the cumulative tax savings they allow.

### **Emergency Savings Account**

The purpose of this account is to pay for any unexpected expenses that may occur, or to cover a temporary interruption in cash flow or income.

The rule of thumb is to set aside an amount representing three to six months of net income in short-term liquid assets such as interest bearing savings accounts, 30-day GICs, Treasury Bills, or government savings bonds. Having access to a secured line of credit can also serve this purpose.

### **Cap-Ex Account**

It is important to identify major capital expenses that may occur within a three to five year time horizon, such as a new car purchase, major household improvements or repairs, a cottage purchase, or a significant vacation.

### **Income Account**

In cases where a specific amount of periodic income is required to supplement other forms of personal income, such as during retirement, it is very important to structure an investment account that does not rely on capital market growth to generate cash flow. Typically, such a portfolio would consist of cash, fixed income securities (bonds and preferred shares) and very conservative, dividend yielding, large cap equities. Different kinds of annuities can also be used for this purpose depending on your personal financial circumstances.

The comments contained herein are general in nature and are not intended to be, nor should be construed to be, legal or tax advice to any particular individual. Accordingly, individuals should consult their own tax advisors for advice with respect to the tax consequences to them, having regard to their own particular circumstances.



### **Capital Preservation Account**

When a certain amount of money must be set aside for future commitments or has been identified for specific estate planning purposes, it is very important to hold these assets in cash or high quality government bonds. Your commitments or estate planning concerns can also be secured with life insurance<sup>1</sup> plans in which the premiums are funded from other forms of personal cash flow.

### **Children's Education Account**

With the high cost of post secondary education, it may be important for parents to set aside enough money to help their children cover their college or university expenses. Canadians who open a Registered Educational Savings Plan (RESP) receive 20% of their deposit in educational grants from the government (subject to certain limitations) and the money can be later withdrawn tax-free by the student.

### **Rethinking Investing**

After your expenses have been looked after and sufficient money has been set aside for savings, anything that is left over can then be invested. An important factor to consider before actually making investments is the future purpose of this money. In the same way that you would maintain separate savings accounts, it is important to open individual investment accounts, each with its own set of objectives that are clearly articulated in an Investment Policy Statement (IPS).

### **Income Replacement Account**

Another rule of thumb is never to rely on government benefits to fund your retirement. Things you should consider when thinking about how to replace your income when you retire are opening a Registered Retirement Savings Plan (RRSP), maximizing any pension entitlement from your employer and exploring the different forms of annuities that offer guaranteed income.

### **Investment (Legacy) Account**

The balance of any surplus cash flow from income, or available lump sum funds from other sources, should be invested wisely to establish some form of legacy for yourself and your family.

Depending on the specific purpose for these funds, or the particular legacy you wish to leave behind, it is important to align the portfolio asset mix with your own comfort level of risk and to maintain a long-term view.

<sup>1</sup>Insurance products and services are offered through Macquarie Insurance Services Ltd. a wholly owned subsidiary of Macquarie Private Wealth Inc. ("MPW")



## Rethinking Your Priorities

### How to Get Started

The first thing to do is identify what your priorities are in each of the following areas:

#### Your Lifestyle

- Finance your lifestyle
- Do a retirement assessment
- Fulfill your income needs
- Protect your savings
- Make your money grow
- Finance a significant purchase

#### Your Family

- Protect your family
- Finance your children's education
- Finance a vacation
- Assist your parents

#### Your Home and Property

- Finance a house purchase
- Renovate your home
- Purchase a cottage or vacation property
- Finance an income property
- Protect your home or property

#### Your Career and/or Business

- Protect your ability to work
- Provide a business succession plan
- Protect your assets
- Take a sabbatical

#### Your Taxes

- Pay less tax
- Generate tax refunds
- Choose tax-efficient investments

#### Your Legacy

- Protect your loved ones
- Gift your love ones
- Passing on assets too late
- Plan charitable giving

#### Your Anxieties

- Not having enough money
- Losing capital
- Starting a plan
- Market ups and downs

The comments contained herein are general in nature are not intended to be, nor should be construed to be, legal or tax advice to any particular individual. Accordingly, individuals should consult their own tax advisors for advice with respect to the tax consequences to them, having regard to their own particular circumstances.



The very next thing to do before opening a savings account, an investment account, or even entering into a life insurance<sup>†</sup> contract, is to **HAVE A PLAN**.

The reasons are simple. A plan will:

- Determine your financial circumstances
- Determine your risk profile
- Determine your individual goals
- Determine a time horizon for each of these goals
- Determine the individual return objectives
- Help you stay the course.

Having a financial plan prepared for you involves an honest and comprehensive review of your personal balance sheet. We look at the assets and liabilities that constitute your net worth and the current and future capacity you have to finance your stated objectives. We also look at what could go wrong and what needs to be done to hedge against premature death, disability and critical illness, or the potential need for long-term care.

Having a plan to guide your financial life is as important as having a Will and Power of Attorney for your estate. These three documents will reflect your needs and objectives and help develop the appropriate investment and hedging strategies to ensure that they are met.

<sup>†</sup>Insurance products and services are offered through Macquarie Insurance Services Ltd. a wholly owned subsidiary of Macquarie Private Wealth Inc. ("MPW")



## Rethinking Your Advisor

### Why the Angas Shick Group\*?

Having a trusted advisor is critical in guiding you through the process of planning a lifetime of wise financial choices. We can help you develop a personalized, comprehensive wealth management plan to achieve your long-term goals that encompasses investment, insurance<sup>†</sup>, tax, and estate planning. We will also ensure that this plan is both realistic and appropriate for your personal circumstances and revisit this important document annually or more often, as agreed between you and your advisor, to ensure that you are on track to meet your long-term goals.

We specialize in family wealth management, including retirement, estate and legacy planning. We offer comprehensive, objective financial advice to clients who desire a high level of personal service. We take a holistic approach to managing wealth by focusing on your personal values, lifestyle and family money matters.

### Our Philosophy

As providers of integrated multi-generational financial solutions, we operate as a team, and believe strongly in a conservative, total solutions approach to wealth management. Our business is built on the foundation of integrity and trust. Our goal is to achieve your lifestyle objectives while providing you with ease-of-mind investing. Our commitment is to provide you with the highest possible level of personalized investment, retirement and estate planning guidance available.

### Portfolio Management

Our investment philosophy is founded on the principle that capital preservation, in both the asset mix and security selection process, is the single most important factor in successful investing. We employ an active portfolio management process that includes daily monitoring of current markets and global trends to identify investment opportunities. Our team meets weekly to review our investment strategy, asset mix models, and any new developments or ideas that may benefit our clients. Our portfolios are uniquely designed for each client based on his or her specific risk tolerance and investment objectives.

### Our Fee Structure

We believe in full disclosure of all fees and costs associated with the management of your portfolio. We will review the various options with you beforehand and recommend the most cost effective and tax efficient manner possible for the management of your investment account.

<sup>†</sup>Insurance products and services are offered through Macquarie Insurance Services Ltd. a wholly owned subsidiary of Macquarie Private Wealth Inc. ("MPW")



### **Proud to be part of Macquarie Private Wealth**

We are proud to be part of Macquarie Private Wealth, a strong new global presence that is redefining what Canadians can expect from a personal investment firm.

At Macquarie Private Wealth, we provide our investors with tailored financial solutions, award-winning research, recognized financial strength, and a global perspective — in short, a world of opportunities to build your personal wealth.

Macquarie Private Wealth is part of the Macquarie Banking and Financial Services Group, the primary relationship manager for Macquarie's retail client base. The firm's unique structure and management style enable us to exercise significant operating freedom balanced by limits on risk and observance of professional standards.

We share the goals and values of Macquarie Group, which include integrity, client commitment and boutique service, strive for profitability, fulfilment for our people, teamwork, and highest standards.

With the client focus of an independent investment boutique along with the backing and benefits of one of the world's largest and most diverse financial companies, Macquarie Private Wealth has an enviable position and strength in the industry.

We belong to the Investment Industry Regulatory Organization of Canada (IIROC) and, as a client of an IIROC firm, your investments are insured by the Canadian Investor Protection Fund (CIPF) for up to \$1,000,000 per account.

### **Macquarie Group**

We are part of Macquarie Group (Macquarie), a global provider of banking, financial, advisory, investment and funds management services.

Macquarie's main business focus is making returns by providing a diversified range of services to clients. Macquarie acts on behalf of institutional, corporate and retail clients and counterparties around the world.

Macquarie Group Limited is listed in Australia (ASX:MQG; ADR:MQBKY) and is regulated by APRA, the Australian banking regulator, as the owner of Macquarie Bank Limited, an authorized deposit taker. Macquarie also owns a bank in the UK, Macquarie Bank International Limited, which is regulated by the FSA. Macquarie's activities are also subject to scrutiny by other regulatory agencies around the world.

Macquarie's approach to risk management is long-standing. Strong risk management practices are embedded in business unit management with central oversight of credit, market, funding, compliance and operational risk. These, together with committed, quality staff, are key drivers of Macquarie's success.

<sup>1</sup>Insurance products and services are offered through Macquarie Insurance Services Ltd. a wholly owned subsidiary of Macquarie Private Wealth Inc. ("MPW")



## The Angas Shick Group\*

David J. Angas  
Vice-President  
Senior Investment Advisor  
416 864 3505  
david.angas@macquarie.com

Linda Shick  
Vice President  
Senior Investment Advisor  
416 864 3507  
linda.shick@macquarie.com

Christopher J. Angas  
Associate Investment Advisor  
416 864 3520  
cj.angas@macquarie.com

Macquarie Private Wealth Inc.  
Brookfield Place  
181 Bay Street, Suite 3200  
Toronto, ON M5J 2T3

Please note that comments included throughout this publication are not intended to be a definitive analysis of tax law. The comments contained throughout this publication are general in nature and are not intended to be, nor should be construed to be, legal or tax advice to any particular individual. Accordingly, individuals should consult their own tax advisors for advice with respect to the tax consequences to them, having regard to their own particular circumstances. The views and opinions in this newsletter are that of the author and are not necessarily representative of those of Macquarie Private Wealth Inc. (MPW). The statements and statistics contained herein were obtained from sources believed to be reliable, but we cannot represent that they are accurate or complete. This material is published for general information only. The author and MPW assume no liability for financial decisions based on this information. Readers should obtain professional advice before applying any ideas mentioned to their own personal situation to ensure their individual circumstances have been properly considered.

No entity within the Macquarie Group of Companies is registered as a bank or an authorized foreign bank in Canada under the Bank Act, S.C. 1991, c.46 and no entity within the Macquarie Group of Companies is regulated in Canada as a financial institution, bank holding company or an insurance holding company. Macquarie Bank Limited ABN 46 008 583 542 (MBL) is a company incorporated in Australia and authorized under the Banking Act 1959 (Australia) to conduct banking business in Australia. MBL is not authorized to conduct business in Canada. No entity within the Macquarie Group of Companies other than MBL is an authorized deposit-taking institution for the purposes of the Banking Act 1959 (Australia), and their obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any other Macquarie Group company. Angas Shick Group is part of Macquarie Private Wealth. Macquarie Private Wealth Inc. is a member of the Canadian Investor Protection Fund and IIROC.