The Sean Fahy Group
PROFESSIONAL WEALTH MANAGEMENT

Fall 2009

FINANCIAL *Perspectives*

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Is the Recovery On?

The global economy is gaining traction, with virtually every region transitioning from recession to recovery around mid-year. Typically, big economic contractions are followed by big economic expansions. The release of pent-up consumer and business demand triggers a production and inventory shift from de-stocking to re-stocking, and increased government expenditures provide added thrust.

However, the pace of renewed activity will be moderated by a number of important factors. First, the drag imposed by household deleveraging in the United States and other countries with consolidating housing markets. Second, a more cautious lending environment as many beleaguered financial institutions around the world focus on recapitalization and re-regulation. And third, ongoing competitive issues magnified by increasing protectionism and destabilizing currency shifts associated with the weakening trend in the US Dollar.

Planning Your Investments Systematically and Sensibly

In today's financial world, the ever-expanding variety of investment products available, combined with the technological sophistication to execute orders and retrieve information, often within seconds, has made investing relatively easy. However, investing **wisely** is anything but. Investment opportunities have multiplied, but so has time required to research them adequately. As a result, many investors end may end up with an unfocused approach to investing.

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Many people know in a general way what they want to accomplish through investing: send children to college, provide for retirement, or increase current income. But knowing what your financial objectives are is not helpful unless you can quantify them. For example, you might want to accumulate $50,000 for a university education, retire on $5,000 per month or increase current investment income from $750 to $1,000 per month. Without these types of numerical goals, you won't be able to sort through the investment choices or measure your progress.

However, quantifying your goals is not a matter of wishful thinking. The numbers must be realistic, which means you need to have a fairly good idea of your financial resources and your attitude towards risk. Only then can you decide on realistic goals. For one family the goal of amassing $50,000 for a University education by 2014 might be achievable, while another family with fewer assets, less current income or a lower tolerance for risk, a figure of $30,000 might be more reasonable.

You may think you know what your financial position is, but many people turn out to only have a vague idea. The best starting point is to determine your family's net worth. Though that is a term that confuses many people, the process of figuring it out is quite simple. First, add up all your assets, including the value of your home; cash assets, like chequing, savings and money market accounts; other investments such as stocks bonds and mutual funds; and the present value of your pension and profit-sharing plan. Then subtract your liabilities such as mortgages, loans and other debts including such obligations such as alimony and child support. The result is your net worth.

Even if you calculate your net worth, you may need the help of an expert to determine how much you can regularly invest and in what specific investments. At ScotiaMcLeod, we can provide you with investment planning assistance.

However you determine your financial plan, it is important to realistically assess your financial resources and apply them, systematically and sensibly, to your investment goals.

Critical Illness Insurance

One of the great advantages of modern technology is that it allows people to survive once-fatal medical conditions. However, the unfortunate reality is that many survivors must bear a heavy financial burden for things like medical treatment outside Canada, or ongoing care at home or in a facility. What can prevent the depletion of your savings if you should fall ill? Critical Illness (CI) insurance can stop loss and protect your assets.

Protect Your Financial Health

You've worked hard to save and have made wise investment decisions to ensure financial security for you and your family in the future. An unexpected change in your health situation could entail a high cost for recovery. CI insurance can help protect your family health when what you hope doesn't happen, does.

Upon diagnosis of a critical illness, a CI policy imposes a waiting period. Once the waiting period has expired, the policy owner is provided a tax-free lump-sum benefit, unlike traditional life insurance that pays a beneficiary upon death. CI helps to meet the high costs associated with serious illness and to avoid tax implications or loss of returns if you were to pre-maturely withdraw your investments. This lump sum benefit can be used as you wish, including to:

- Take advantage of private or alternative medical treatment, both in Canada and outside the country
- Make RRSP contributions that may have lapsed during recovery
- Replace lost income
- Pay off a mortgage or other debts
- Modify your home or vehicle to meet any new mobility
- Continue to fund your children's present or future educational needs
- Allow a spouse or family member to take a leave of absence from work
- Help your business endure while you recover

Summary

Thanks to medical advances, the chances of surviving major illnesses such as stroke, heart attack, or cancer are significantly higher today than they were a decade or two ago. Having critical illness in place ensures that if you do fall ill, financial concerns will not compound your health concerns. You can concentrate on that which is most important; getting well.