Compliments of: **Howard B. Murphy, B.Comm., CLU, CH. F.C. Financial Advisor**

THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

Howard Murphy,
B.Comm., CLU, CH.F.C

Investment Representative
Quadrus Investment Services Ltd.

For more information, contact Howard at:

Murphy Neil Financial Group Inc.
27 Austin Street - Suite 203
St. John's, NL A1B 4C3
Bus: (709) 237-4122
Fax: (709) 237-5125
Toll Free : 1-877-888-4125
Email: hmurphy@murphyneil.ca
Website: www.murphyneil.ca

I am committed to helping my clients achieve their financial goals for themselves and their families by providing successful strategies for asset accumulation, preservation and transfer.

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Two-income family? Both earners need protection

The number of Canadian families where both parents earn income has almost doubled over the past 40 years.[1] These days, in 69% of families with at least one child under age 16, both parents work.

If your household depends on two incomes, life and disability insurance is essential for both wage earners to provide security for your family's future.

How much protection do you need?

When looking at how much insurance you need as a family, it's important to factor in not only your household income but also each person's relative earning power.

You may be the secondary breadwinner now, but perhaps you plan to aim for a promotion once childcare responsibilities ease. Or maybe you're earning a degree to seek a better job or planning to move from part-time to full-time hours.

Scenarios like these should prompt you to reassess your insurance coverage for income replacement.

Remember, too, that care-giving roles may change. If your partner were disabled or no longer there, you'd be facing some challenging decisions. Who will care for the kids during the day? Should you scale back work to spend more time at home?

With sufficient protection, you'll have the flexibility to do what's best for your family.

Every family is unique

No two families are the same, which is why it's helpful to get a professional assessment of your protection needs. Call us today to learn more. ■

1 Statistics Canada, *The Daily*, "The rise of the duel-earner family with children," May 2016.

Emerging markets offer growth potential and opportunities for diversification

Emerging markets were one of the best performers in the early part of this year, led by a rebound in commodity prices. But that's just one of the factors behind a positive outlook for emerging markets. Strong growth prospects, economic reforms, and favourable demographics are also good reasons for investors to consider having some exposure to these fast-growing regions of the world.

With professional management and expertise, along with built-in diversification, mutual funds are an ideal way to take part in the growth of emerging markets.

Encouraging trends

The International Monetary Fund (IMF) expects emerging markets to grow by 4.5% in 2017 and 4.8% in 2018, helped by a recovery in manufacturing and trade and robust demand from the U.S. economy. In contrast, Canada's economy is expected to grow by 1.9% in 2017 and 2.0% in 2018.[1]

But it's not just the growth story that has investors eyeing emerging markets. The two biggest emerging nations, China and India, are embarking on much-needed reforms to their economies. In China, that includes rebalancing the economy away from trade and investment and towards domestic consumption, while India has introduced a national goods and services tax to replace the complex system of local and state taxes.

Favourable demographics also bolster the case for emerging market exposure. With about 80% of the world's population[2] and a younger demographic than developed nations, emerging market consumers are expected to experience rising standards of living and an expanding middle class. This could lead to growing consumption over the longer term and more robust economies.

Diversification opportunities

With the Canadian stock market heavily weighted in the resource sectors, emerging markets offer diversification opportunities not available at home.

At the end of April 2017, the information technology sector represented one-quarter of the MSCI Emerging Markets Index, while the consumer sectors represented 17%.[3]

This lack of correlation to Canada is important in two respects: It provides an effective way to diversify outside of Canada, and it can help investors tap in to the growing consumer culture in emerging markets.

Know the risks

As with any potential investment, it's important to understand what the risks are. For emerging market funds, these include the threat of growing U.S. protectionism and its effects on global trade. A potential conflict with North Korea is another risk to markets in Southeast Asia, as is a fluctuating U.S. dollar.

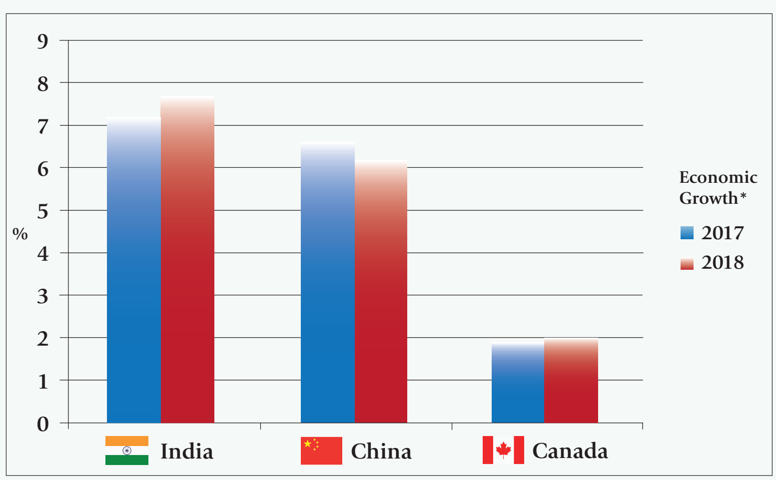
Currency risk is another factor when investing outside of Canada, although over time currency fluctuations tend to even out. Currency-neutral mutual funds are one option to consider.

Let's work together to find the right amount of exposure to emerging market funds that align with your investment objectives and risk tolerance. ■

1 International Monetary Fund, *World Economic Outlook*, April 2017.
2 Christine Lagarde, Managing Director, International Monetary Fund, "The Role of Emerging Markets in a New Global Partnership for Growth" (speech), February 2016.
3 MSCI Emerging Markets Index, April 2017.

India and China — emerging powerhouses

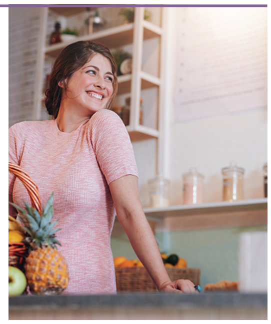
Economic growth in India and China is expected to outstrip growth in Canada by a wide margin.



*International Monetary Fund, *World Economic Outlook*, April 2017.

BUSINESS OWNERS

Why entrepreneurs need to diversify away from their business



A record number of Canadians were self-employed in 2016 — almost 2.8 million.[1] This number has been rising steadily for the past 20 years. And for good reason: Working for yourself can bring many rewards — freedom, flexibility, and the chance to follow your dreams. But it can also create challenges, especially when it comes to saving for retirement and investing.

Many entrepreneurs reinvest their earnings in their business year after year to maximize growth, relying on the proceeds of its eventual sale to fund their retirement. Assuming the sale will go as hoped is dangerous, however. What if you have trouble finding a buyer or getting the price you want? Or what if the sector you're in suffers a downturn just when you're planning to retire?

A more reliable approach is to contribute as much as you can every year to your Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA). Setting up regular monthly or quarterly contributions is an easy and convenient way to make sure that these tax-advantaged accounts get the priority they deserve.

It's also important to diversify away from your business when you invest. For example, if your business is in technology services, it makes sense to invest in companies or investment funds outside of technology — so you're not putting everything you have in one sector.

We can help you allocate your savings and choose investments as part of a plan designed for the long-term benefit of you, your family and your business. ■

1 Statistics Canada, Self-employment, historical summary, January 2017.

EDUCATION PLANNING

RESPs linked to higher postsecondary enrolment

With their combination of tax-free growth and government grants, Registered Education Savings Plans (RESPs) are an important savings vehicle for many Canadian families. And a recent study[2] shows that children from families that had invested in an RESP by the time they were 15 years old were more likely to pursue a postsecondary education by age 19 than youth from families that had not:

Attending postsecondary

With RESP 75.4%

Without RESP 59.7%

Other factors come into play as well, including students' academic performance and their parents' level of education. Even after accounting for these variables, however, the likelihood of attending postsecondary school was six percentage points higher for those with an RESP. ■

2 Statistics Canada, "Which families invest in registered education savings plans and does it matter for postsecondary enrolment?" April 2017.

EYEOPENER
graphic evidence of how investing works

The education premium

There's no question that postsecondary education is expensive, but is it really worth it? In terms of higher lifetime wages, the answer is a resounding yes. The figures at the right[3] indicate the earnings premium of a professional undergrad degree over a high-school diploma.

Undergrad degree	Earnings premium
Engineering	117%
Computer science	86%
Commerce	74%
Nursing	71%
Architecture	65%
Occupational or physical therapist	60%
Pharmacist	58%
Education/Teacher	53%

3 Monster.ca, "Highest Paying University Degrees in Canada."

How to get just the right amount of coverage

How much is enough when it comes to life insurance? Overinsure and you're spending money that could be used for other purposes. Underinsure and your family's security could be at risk.

These are the factors to keep in mind when thinking about your own needs.

Have your needs changed?

There are many reasons why people have insufficient coverage. Most often it's because their needs have grown and their coverage hasn't yet caught up.

For example, a young couple buys their first home with plans to start a family. A few years later, with kids in tow, they upgrade to a larger home and buy a time-share. In this scenario, their total estate needs and obligations — mortgage debt, tax liabilities, and income replacement requirements — are increasing over time.

Take the same couple several years later. The kids are finishing college and the mortgage is paid off. In this case, their protection needs are decreasing — which means they run the risk of being overinsured if they don't adjust their coverage.

What's right for you?

To determine the amount of coverage that's right for you, we generally recommend starting with a needs analysis to identify your:

Financial needs. How much money will your survivors need in order to maintain their standard of living? Are there any specific future expenses you'd like to fund, such as your children's postsecondary education?

Capital needs. How much will it take to pay off outstanding debts, such as your home mortgage, as well as any taxes that arise as a result of your death?

Income needs. How much could you have expected to earn over a specified period (for example, until your children reach adulthood)?

Then we'll add up all of your family's cash and liquid investment assets. This total represents the amount currently available to meet the cash protection needs identified above. The shortfall is the amount of life insurance needed.

Both parents need coverage

In most instances, the spouse who earns a higher income is insured for a higher amount to reflect the greater earning capacity. But don't underestimate the financial value contributed by a stay-at-home spouse. Depending on the age of the child or children involved, the surviving parent might need to hire a full-time caregiver for several years or choose to work fewer hours (for less pay) in order to spend more time at home with the kids.

Review coverage regularly

It's important to review your insurance on a regular basis. Over time, your need for protection may change as your children grow older. Significant life changes, such as an addition to your family, change of employer, or alteration in your financial circumstances, can also affect your insurance needs.

The best way to be confident that you have protection that's right for you is to talk to us. ■

Why term life trumps mortgage life insurance

If you've ever been approved for a mortgage, chances are your lender has offered you mortgage life insurance to pay off the balance and protect your family in case anything should happen to you.

While mortgage life insurance is convenient and easy to buy, a term life policy may be a better choice. Here's why.

Mortgage life insurance

With mortgage life insurance, the purpose of the policy is to protect your lender's investment. The money is available only to the lender (the policy's only beneficiary) and can be used only to discharge the mortgage. And as the outstanding balance on your mortgage gets smaller, so does the death benefit. Your premiums, on the other hand, stay the same.

Term life insurance

In contrast, the purpose of a term life policy is to protect your dependants. It pays full face value regardless of how much you have left to pay on your mortgage.

Your beneficiaries can use the money for any purpose — not just paying off the mortgage. And if you move to a different house, your policy moves with you. In addition, premiums on term life insurance policies remain level throughout the term.

If you own a home or are thinking of buying, we can help you secure coverage for your mortgage that meets your needs, your budget, and your family's objectives. ■