

Long-term Investing to Reach Your Retirement *A Long-term State of Mind*

We live in a world of instant gratification and quick results. News, especially bad news travels faster than the speed of light. We have witnessed heavy dips in the stock markets in recent years around the world and interest rates continue to remain at historic lows. Keeping focus on long-term investing, especially when it comes to retirement savings has been a challenge for some investors.

Importance of long-term investing:

- Long-term investing is being committed to a sound investment plan, one that starts with proper asset allocation appropriate for your risk tolerance over a length of time that can typically range from 5 to over 30 years.
- Long-term investing is a mindset that gives helps you with the right perspective and discipline as you work toward your retirement and financial goals and can keep you from making costly mistakes based on short-term perceptions and emotions.

The retirement assets that you accumulate over your lifetime are determined by the amount of contributions you and your employer make throughout your working life, the total number of years you make the contributions and the rate of return you earn on your investments.

The earlier you start and maintain the long-term outlook, the more time compounding has to work its magic.

Rule of Thumb

Here's a rule of thumb on investment return:

Dividing 72 by your rate of return tells you roughly how many years it will take to double your money. For example, if the risk tolerance you choose provides for a 6% rate of return per year, your portfolio will double in 12 years (72 divided by 6).

Losing sight of the long-term and thinking you can time the market by exiting at the high point peak and re-entering the market at the low point could be costly because attempting to time market shifts correctly is nearly impossible. Why can market timing be costly?

Example

The Canadian stock market had one of the lowest points in March 2009 but markets gained around 50% from March to December 2009.

Having a long-term mindset and lengthening the time you hold investments can often help reduce probability of experiencing negative returns.

How can you keep your long-term state of mind the next time you are tempted by a short-term investment decision? Remember that keeping the long-term state of mind does not mean ignoring your portfolio. It means developing a plan based on long term expectations and not short-term trends or emotions. Investing for the long term can help maximize wealth, prevent costly mistakes and lower the downside risk in your portfolio.

Volatility in the markets is likely to continue in the short to medium term as we all digest current financial events. There are no easy solutions to the current political and financial uncertainty. Storm clouds are still visible on the horizon for many countries. As we have seen in the past, attractive long-term investment opportunities can often emerge from market volatility and fear for the patient investor.

We are committed to providing the best products and services to help you meet your retirement goals. We recommend you seek investment advice from only a qualified investment representative. You are encouraged to use the information and investment tools provided by your plan sponsor and CUMIS Retirement Services.

CPP Provision Enhances Retirement

Child Rearing Provision Request could Boost your Benefits

Did you leave the workforce or receive lower earnings while you raised your children? You may be eligible to benefit from the child-rearing provision under CPP. Your benefit at retirement may increase if you have children born on and after January 1, 1959, and you as the primary caregiver, stopped work or received lower earnings while caring for your children while they were under age seven.

The Canada Pension Plan (CPP) is part of our retirement income system for Canadians who have worked, either as an employee or self-employed. The amount of retirement benefits will depend on your total amount of contributions, your total work history since age 18 and the age you start taking the benefits.

Under CPP, the primary caregiver is the person most responsible for the day-to-day needs of the children up to age seven. The child rearing provision can be requested by either spouse or common – law partner, but cannot be claimed by both parents during the same period of time.

Eligibility requirements for the child-rearing provision can be used only for months when:

- You or your spouse received Family Allowance payments, or you or your common-law partner were eligible for the Canada Child Tax Benefit (even if you did not receive the benefit); *and*
- Your earnings were lower because you either stopped working or worked fewer hours to be the primary caregiver

The child-rearing provision could also help the primary caregiver to meet the eligibility requirements for CPP disability benefits and also contributory requirements to provide benefits to your estate and survivors.

In order to request the child-rearing provision, you will need to provide to Service Canada:

- your child's birth certificate (a certified true copy); *or*
- the child's name, date of birth, and Social Insurance Number.

Example

The following example shows how the child-rearing provision works:

Diane was working full time until her son, Jason was born in 1983. Diane stayed at home with Jason until he started school in 1989.

When Diane applies for her normal retirement benefit in 2016 at age 65, the CPP will exclude her period from the month following Jason's birth in 1983 to 1990 when it calculates Diane's pension benefit amount, if this is beneficial to her.

Diane will receive about \$85 more per month by applying for child-rearing provision. Every scenario will be different depending on the primary caregiver's unique situation.

Please note that you may be required to provide proof of the date of entry into Canada if your children were born outside the country.

You should request the child-rearing provision at the same time as you apply for any CPP benefit. However, if you are already receiving a CPP benefit and you did not request the child-rearing provision, contact servicecanada.gc.ca, a Service Canada Centre or 1-800-277-9914 to check if you are eligible.

Article source: Service Canada website

At CUMIS Retirement Services, we welcome your feedback and are happy to answer any questions you may have.

Please call, email or write to our Customer Service Contact Centre at:

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