NATIONAL BEST

TOGETHER WE ARE THE BEST

*nb*Investment Solutions

Retire Financially Successful

&

Be Able To Live Your Dreams

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*nb*Navigator Solutions

- Cash Flow Plans
- Debt Reduction
- Debt Settlement
- Credit Repair Solutions
- Mortgage Solutions
- HELOC Solutions

- Life Insurance
- Critical Illness
- Disability
- Long Term Care Insurance
- Health & Dental
- Group Benefits

- Estate Preservation
- Succession Planning
- Charitable Giving
- Legacy Planning
- Tax Planning
- Executor Assistance

- Segregated Funds
- Exempt Market Funds
- Mutual Funds
- Modern Money Solution
- RDSPs, RESPs, TFSAs
- RRSPs, RRIFs, LIRAs, LIFs

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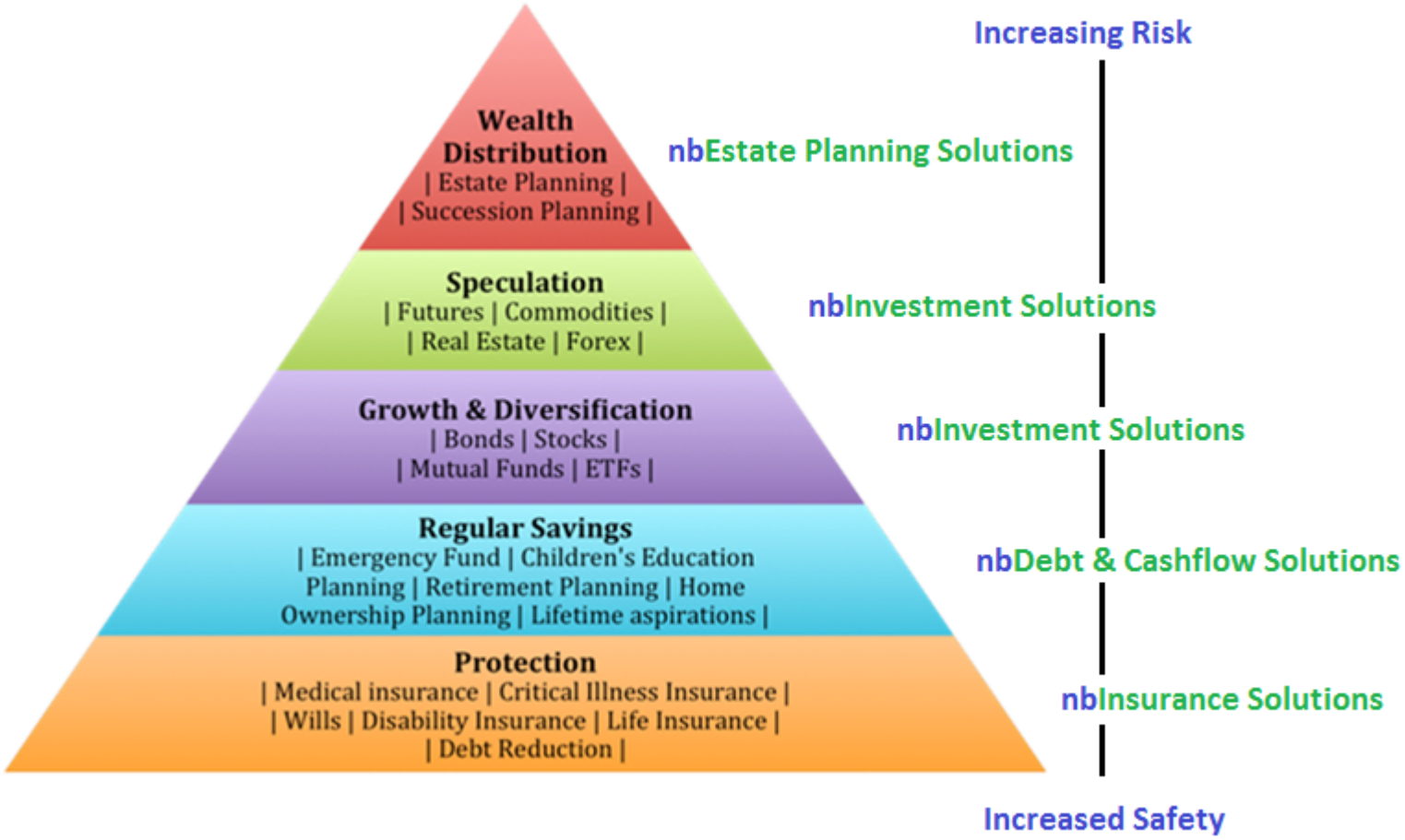
Financial Planning Pyramid



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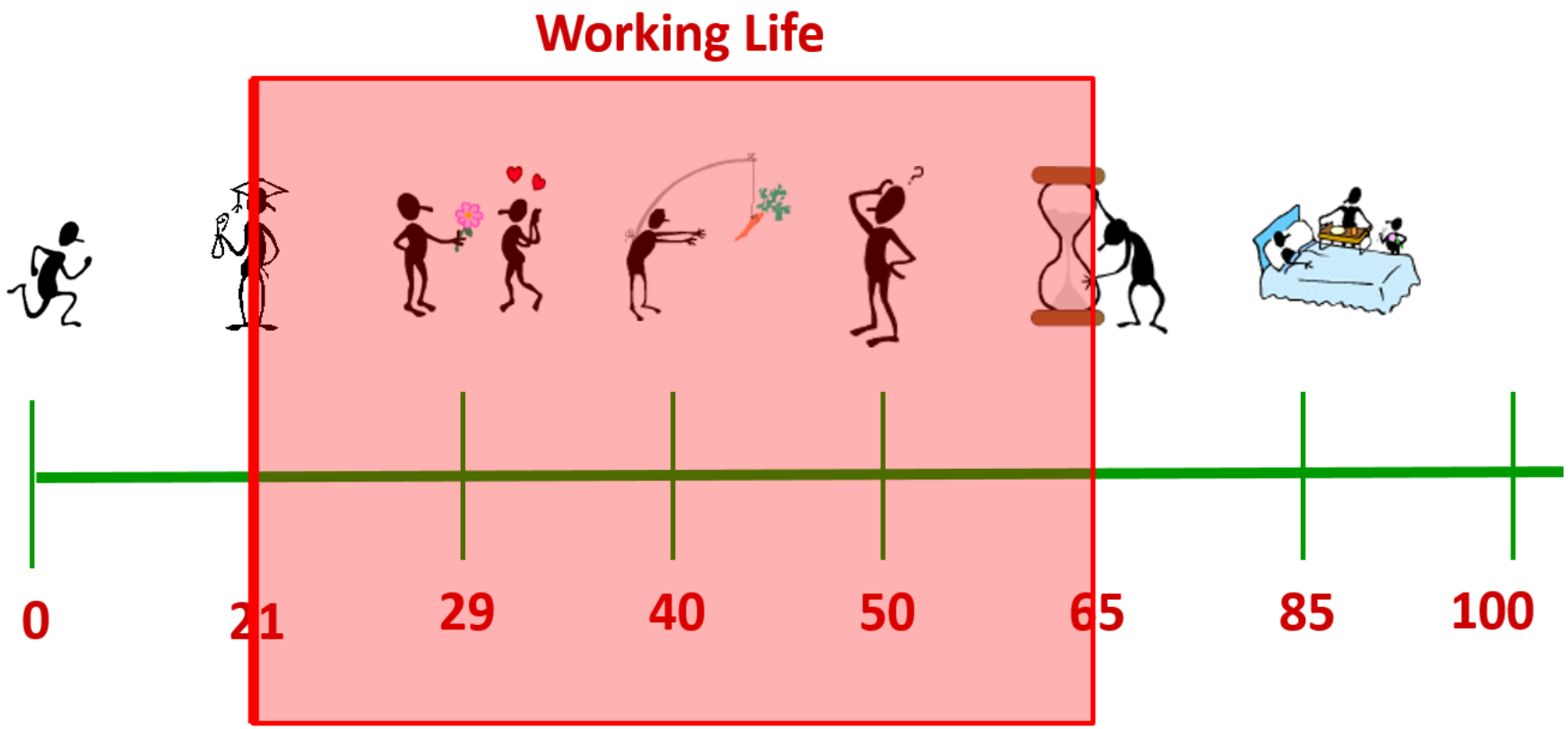
Financial Lifelong Timeline



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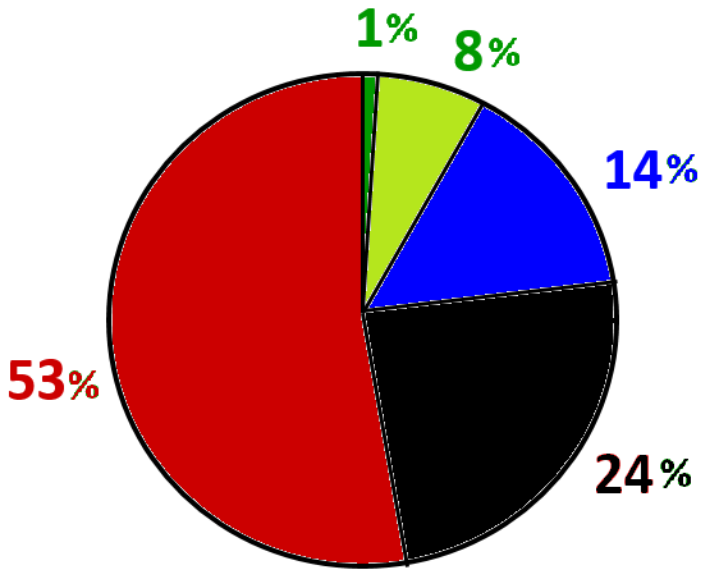
The Average Canadian at Age 65



1% Financially Independent

8% Financially Comfortable

14% Still Working

24% Dead

53% Financially Dependent

9% Successful

91% Unsuccessful

In 2014, 2/3 of Canadians aged over 65 have debt. The average debt balance being $66,000.

Source: "The 10 Secrets Revenue Canada Doesn't Want You to Know" – 2007 by David M. Voth

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Canada's borrowing binge

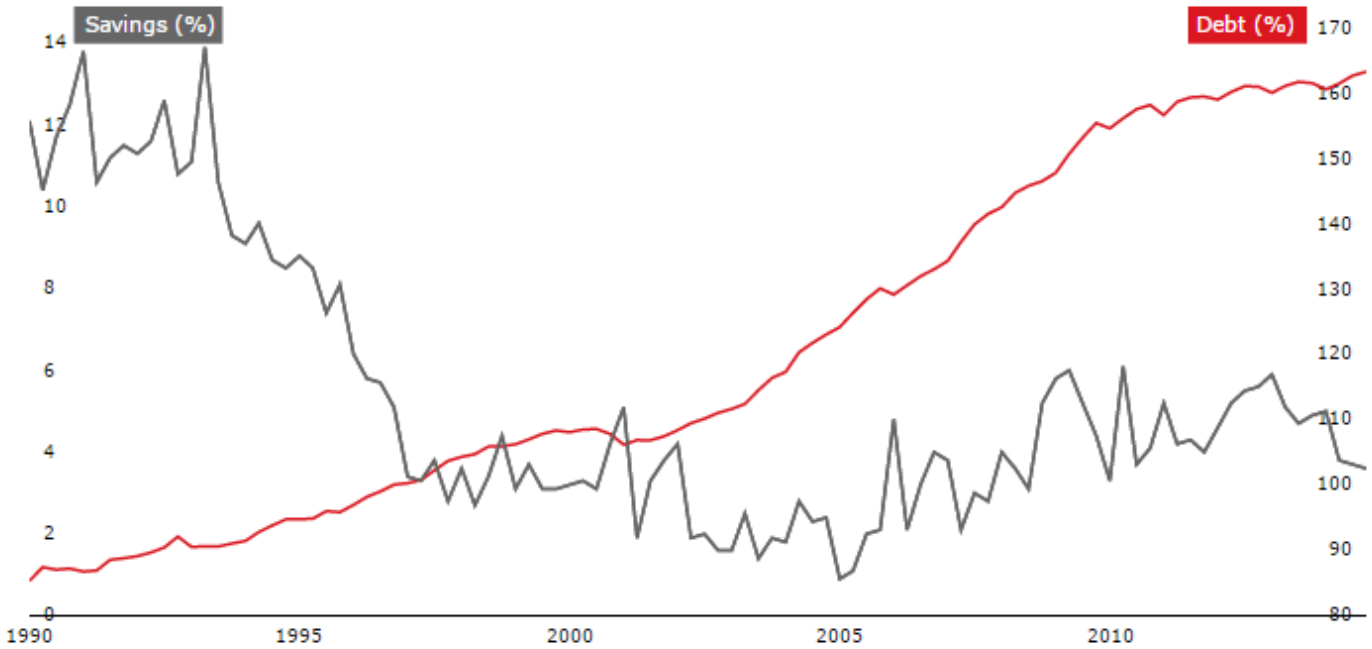
In 1990, Canadians owed 85 cents for every dollar of annual disposable income.

Today that number has grown to a record $1.63.

The total debt owed by all Canadians at the end of March was a record $1.8-trillion.

In 2014, 2/3 of Canadians aged over 65 have debt with average balance being $66,000.

Meanwhile, Canadians are saving just 3.6% of their incomes today - a drop from 12% in 1990.



Lack of Savings + Abundance of Debt = Spending Money That We Don't Have

Source: http://www.theglobeandmail.com/globe-investor/personal-finance/household-finances/canadian-households-now-owe-a-record-18-trillion-and-more-debt-statistics/article24322565/

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Getting Started is Everything

- If someone started investing $400/mo until age 70 and managed a consistent 5% annual return, here is the amount that they would have accumulated (Before any taxes):

  Starting at Age 20 : $1,027,696

  Starting at Age 30 : $593,010

  Starting at Age 40 : $326,150

  Starting at Age 50 : $162,322

- In order to reach the same approximate $1 million goal by age 70, here is the approximate amount that would need to be invested each month to reach that goal with a consistent 5% return.

  Starting at Age 20 : $400/month

  Starting at Age 30 : $700/month

  Starting at Age 40 : $1,250/month

  Starting at Age 50 : $2,500/month

THE MORAL OF THE STORY IS TO GET STARTED AS SOON AS YOU . CAN. IT IS NOT ABOUT HOW MUCH YOU CAN INVEST BUT IT IS . ABOUT *WHEN YOU CAN GET STARTED*.

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Investment Opportunities with National Best Financial Network

- **National Best** is an **innovative network** of financial professionals who work collaboratively to provide their clients with best-in-class products and services. This ensures that clients have access to solutions that meet their specific needs.
- As a **national broker**, we can offer products from a wide range of companies and to find the best solution for you as an individual and your individual circumstances. National Best does not represent a specific provider or product. We truly shop the market for clients whether it is investment products, mortgages, or insurance protection, we can **build a tailor-made solution** for you.
- We ***m*Power clients** to take control of their debt and improve their cash flow, protect their income and assets, retire with dignity and live their dreams. National Best is proud to offer an array of services and products through our network to our valued clients.

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Investment Choices

- There are broadly six different categories of investment opportunities that a client can choose from. A good investment plan likely combines a number of them to suit your particular situation.
  - Guaranteed Investment Certificates (GICs) = Guaranteed Investment Accounts (GIAs)
  - Annuities
  - Mutual Funds = Segregated Funds
  - Exempt Market Product Offerings
  - Portfolio Managers
  - Modern Money Solutions (Unique to National Best)

Guaranteed Investment Certificates (GICs) = Guaranteed Investment Accounts (GIAs)

- **Guaranteed Investment Certificates** (GICs) offer fixed rates of interest for a specific term. Both principal and interest payments are guaranteed. GICs can be either redeemable or non-redeemable over the term.
  - The Canada Deposit Insurance Corporation (CDIC) guarantees balances up to $100,000 for GICs with up to a 5 year term should the bank be unable to repay your money themselves.
- **Guaranteed Investment Accounts** (GIAs) have all the same benefits as a GIC ***PLUS*** more benefits that you can only get from an insurance company.

  - **HIGHER INTEREST RATES**: Insurance companies rates are typically higher and more competitive than bank deposit rates.
  - **BENEFICIARY DESIGNATION**: This means the proceeds can go directly to a named beneficiary tax-free.
  - **ESTATE PLANNING**: GIA's are an insurance product and do not have to pass through the estate going instead quickly and directly to your beneficiary.
  - **PENSION INCOME TAX CREDIT**: GIC interest income does not qualify for the Pension Income Tax Credit, but interest earned on a GIA does. This means that an investor that is 65 or older may claim the first $2,000 of interest on a non-registered account as eligible pension income.
  - **CREDITOR PROTECTION**: GIC's, by themselves, cannot offer protection to the owner from his or her creditors. A GIA is an insurance product and, therefore, may provide creditor protection to the policy owner from his or her creditors subject certain conditions.

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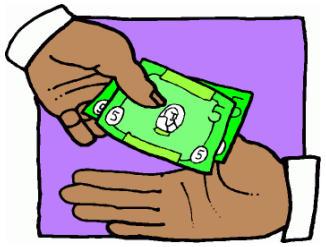
Annuities

- An **annuity** is a stream of income and a guaranteed cash flow for the period of the annuity (Sometimes Cash for Life or a fixed number of years). Annuities offer a combination of interest and return of capital while providing guarantees on the principal as well as the cash flow.
- **The basic structure of an annuity involves the exchange of a lump of cash for the fixed income stream**. A client who has worked his/her whole life and built up substantial savings will look to covert those savings into cash flow to help fund his/her retirement. This is the most common use of an annuity.
- Annuities can be very flexible and have many variations but there are two basic structures:
  - Life Annuity – ie. Cash flow for life
  - Term Certain Annuity – A stream of payments for a fixed amount of time. This can be particularly useful for creating cash flow to pay for a regular recurring payment for something over a fixed period.



Mutual Funds = Seg Funds

- A **Mutual Fund** is an investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in various types of securities. Mutual funds are operated by professional money managers (for a management fee) allowing for greater diversification of your investment money than you would otherwise have. Benefits include:
  - Professional Management
  - Diversification
  - Liquidity
  - Ability to invest smaller amount

- A **Segregated Fund** (ie Seg Fund) has all the same benefits as a Mutual Fund ***PLUS*** more benefits that you can only get from an insurance company.
  - Maturity Guarantee
  - Death Benefit Guarantee
  - Named Beneficiary
  - Potential Creditor Protection
  - Speedy Estate Settlement
  - Lifetime Income Benefit Option (GMWB)

Exempt Market Products

- **What is Exempt Market/Private Market Investing?**
- **Exempt Market** investing offers investors an opportunity to diversify their investment portfolios into assets not offered in traditional institutions. Private investments place capital in mortgage pools, asset-backed securities, debt offerings and equity in private companies. They are opportunities, companies and projects that require funding, but are not traded publicly.

- **Why Invest in the Private Market?**
- Many are familiar with the success stories of the pension and endowment funds in Canada and the US. Private market products can comprise of up to 40% of their total investment portfolio. Canadian pension plans have among the highest performing investment portfolios in Canada. They diversify into non-market correlated assets by investing in private opportunities. The exempt market offers investment products that allow financial advisors to provide private investment opportunities to help properly diversify their portfolio like these successful funds do.

Modern Money Solution

The **Modern Money Solution** is a better way to save your money and build wealth using a Participating Whole Life Insurance policy as your primary savings vehicle to take advantage of tax-free compound growth. Participating Whole life insurance combines permanent life insurance with a tax advantaged savings component. Some of the "Living Benefits" of Whole Life Insurance include the following:

- Increasing Cash Values and Death Benefit that continually grow over time and are accessible during your lifetime
- Take advantage of the tax-free Compound Interest Growth Curve with your money over time
- Tax-free Death Benefit and tax-free cash growth within your policy (According to today's tax laws)

A major part of the reason that whole life insurance is such a great wealth building tool is the **GUARANTEES** that it provides.

Guaranteed Level Premiums for Life
Guaranteed Cash Values
Guaranteed Never to Lose its Value
Guaranteed Death Benefit
Guaranteed Access to Your Cash Values

All of this as long as you pay your premiums. ***Option*** **- 20 Pay or Life Pay**

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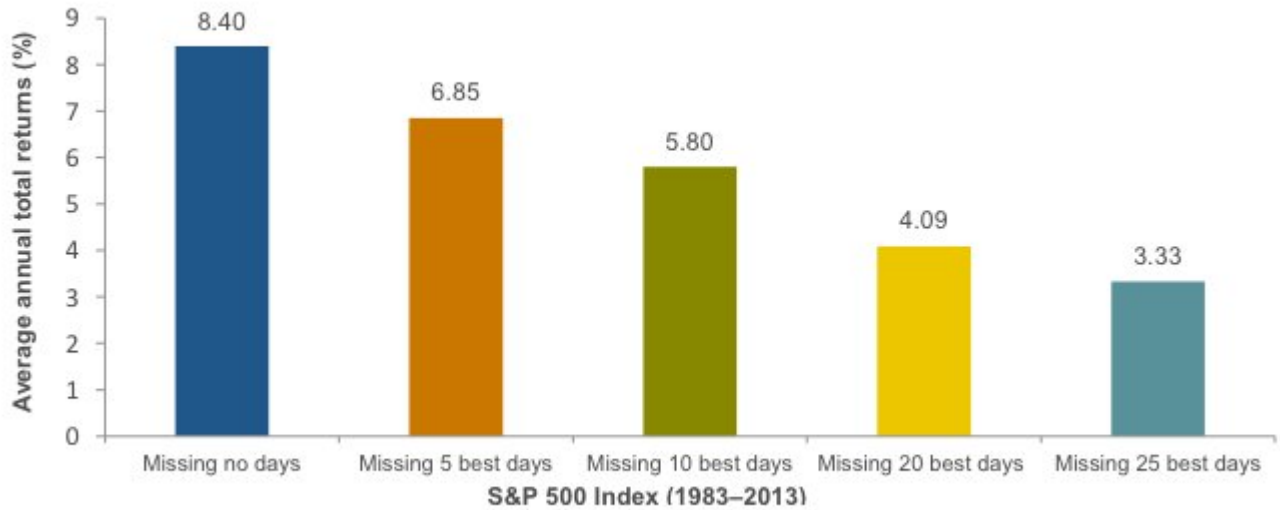
Time In the Market, Not Timing the Market

- When looking at the S&P 500 Index for the period 1983- 2013 (30 years equals about 11,000 days). One might assume that eliminating a few of those days would have little impact on investment performance during that time. Yet, if the ten best days are excluded, the average annual return drops from 8.40% to 5.80%. If the twenty best days are excluded, the average annual return drops to 4.09%.

Remember, it is time invested in the market, not market timing.



Sources: Columbia Management Investment Advisers, LLC, Ned Davis Research, Inc., 12/31/83–12/31/13.

- **The key is <u>time in</u> the market, not <u>timing</u> the market.**

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Rule of 72

- The **Rule of 72** is a method used in finance to quickly estimate the doubling your money through compound interest over time. For example, using the rule of 72, an investor who invests $1,000 at an interest rate of 6% per year, will double their money in approximately 12 years.
- Well this may not sound like much at first glance**, keep in mind that this is doubling <u>EVERY</u> 12 years.** Learning to harness the **power of compound interest** for yourself and your family is one of the big secrets to achieving financial independence. Using the same consistent 6% compounding rate of interest, we get the following returns:

  - **2x your initial investment after 12 years**
  - **4x your initial investment after 24 years**
  - **8x your initial investment after 36 years**
  - **16x your initial investment after 48 years**
  - **32x your initial investment after 60 years**

- Put into real life scenarios, this means that a **22 year old** putting aside **$10,000** for **retirement at age 70** would have **$160,000.** A **46 year old** putting aside the same **$10,000** would only have **$40,000 at age 70.**
  - **The key is <u>time in</u> the market, not <u>timing</u> the market.**

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Types of Investment Accounts

- There are many types of accounts that an individual can put their money into, each with their own unique benefits and their own restrictions. The choice can be daunting.
- Money can be invested in an ‘open’ (Or non-registered) account. The various ‘registered’ accounts are created to suit a specific cause such as retirement or savings or education or for people with disabilities.
- The main breakdown are as follows:
  - Registered Retirement Savings Plan (RRSP) / Registered Retirement Income Fund (RRIF)
  - Variations of the retirement accounts may include a Locked-in Retirement Account (LIRA) and a Locked-in Income Fund (LIF)
  - Tax Free Savings Account (TFSA)
  - Registered Education Savings Plan (RESP)
  - Registered Disability Savings Plan (RDSP)

Registered Retirement Savings Plan (RRSP) / Registered Retirement Income Fund (RRIF)

- A **Registered Retirement Savings Plan** (RRSP) is an investment vehicle that allows you to defer tax and save for retirement. Annual contributions are tax-deductible up to allowable limits. Earnings generated in an RRSP are tax-free within the plan. NOTE: RRSP's only *defer the payment of taxes.* *E*ventually, all funds contributed to, as well as the earnings within an RRSP, will be taxed. After age 71, an RRSP becomes a Registered Retirement Income Fund (RRIF) and mandate minimum withdrawals during your retirement years. (*unless you choose an annuity option*).
  - Variations of the retirement accounts may include a Locked-in Retirement Account (LIRA) and a Locked-in Income Fund (LIF)

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- **How the RRSP Works**
  - Annual contribution limit of 18% of income up to a yearly limit set by the government ($26,230 in 2018)
  - Investment income earned in a RRSP **is** tax-free.
  - Withdrawals from a RRSP are fully taxable AND subject to a withholding tax if withdrawn before age 71.
  - Unused RRSP contribution room **is** carried forward and accumulates in future years.
  - Full amount of withdrawals CANNOT be put back into the RRSP unless you have available contribution room (Unlike a TFSA).
  - Contributions are tax-deductible often creating a tax refund.

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Tax Free Savings Account (TFSA)

Save with the Tax-Free Savings Account

The Tax-Free Savings Account (TFSA) is a flexible, general-purpose savings account that allows Canadians over the age of 18 to earn tax-free investment income to more easily meet lifetime savings needs.

- **How the Tax-Free Savings Account Works**
  - Annual contribution limit of $10,000 (Currently, no lifetime contribution limit)
  - Investment income earned in a TFSA **is** tax-free.
  - Withdrawals from a TFSA **are** tax-free.
  - Unused TFSA contribution room is carried forward and accumulates in future years.
  - Full amount of withdrawals can be put back into the TFSA in future years.
  - ****Contributions are not tax-deductible (Unlike an RRSP).*
  - Neither income earned within a TFSA nor withdrawals from it affect eligibility for federal income-tested benefits and credits, such as Old Age Security, the Guaranteed Income Supplement, and the Canada Child Tax Benefit.

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Registered Education Savings Plan (RESP)

- **Registered Education Savings Plans** [RESP's] are tax-deferred savings plans intended to help pay for the post secondary education of a child. Although contributions to the plan are not tax-deductible, the money will grow within the account tax-free. On withdrawal, a portion of the withdrawals will be taxable in the hands of the student (Keep in mind that their income level is likely going to be very low).

© Can Stock Photo

- **How the Registered Education Savings Plans Work**
  - The is no Annual contribution limit but there is a $50,000 lifetime contribution limit per beneficiary.
  - Investment income earned in a RESP **is** tax-free.
  - Withdrawals from a RESP **are** taxable – although in the hands of the student.
  - Money withdrawn must be used to help pay for post-secondary education of a child.
  - Contributions are eligible for a CESG grant of $500 per year up to a lifetime limit of $7200 per beneficiary (Additional grants are available for low income families)
  - Contributions **are not** tax-deductible (Unlike an RRSP).
  - RESP Plans must be wrapped up within 35 years of the starting date.
  - Any unused RESP money must be withdrawn but can be transferred to a parent's RRSP if they have unused contribution room.

Registered Disability Savings Plan (RDSP)

- A **Registered Disability Savings Plan** (RDSP) is a savings plan that is intended to help parents and others save for the long term financial security of a person who is eligible for the disability tax credit (DTC). Contributions to an RDSP are not tax deductible and can be made until the end of the year in which the beneficiary turns 59.

- **How the Registered Disability Savings Plans Work**
  - The is no Annual contribution limit but there is a $200,000 lifetime contribution limit per beneficiary up to the age of 59.
  - Investment income earned in a RDSP **is** tax-free.
  - Withdrawals from a RDSP **are** partially taxable (Contribution amounts are not) – although in the hands of the beneficiary.
  - Money withdrawn **must remain** in an RDSP for at least 10 years (Withdrawals in less than 10 years subject to sever penalties).
  - Contributions are eligible for a grants and bonds grant of at least $1000 up to a possible $4500 per year with a combined maximum lifetime limit of $90,000 per beneficiary. (Additional grants are available for low income families)
  - Contributions **are not** tax-deductible (Unlike an RRSP).
  - RDSP Plans **do not** allow contribution after ager 59 and the plan will start paying a mandatory minimum lifetime disability assistance payment (Similar to a RRIF)

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Retire Successfully & Be Able to Live Your Dreams

- National Best helps their clients **fulfill their purpose and passion**. Believe in your dreams. We ***m*Power™** you to succeed.

- National Best is an **innovative network** of financial professionals who work collaboratively to provide their clients with best-in-class products and services. This ensures that clients have access to solutions that meet their specific needs and get you where you really want to be.

- National Best ***m*Powers™ Clients** to take control of their financial futures by **providing solutions** to take control of their debt and improve their cash flow, protect their income and assets, retire with dignity and live their dreams. National Best is proud to offer an array of services and products through our network to our valued clients.

Believe in Your Dreams! We *m*Power You to Succeed! ™

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