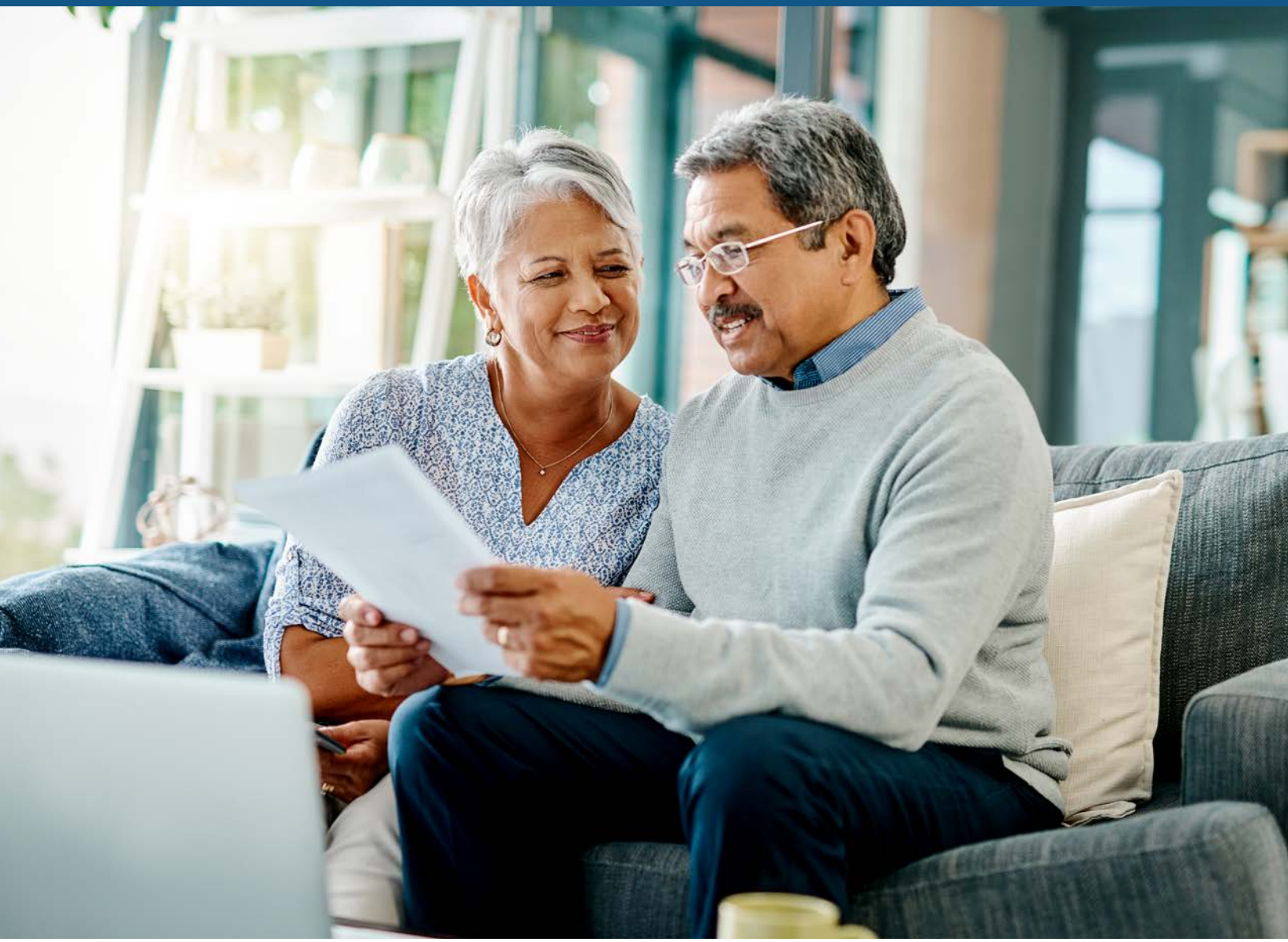
Investing Basics



Name	
Date	

Advisor Name
Approved Title
Dealer Name
Address Street
Address City, Province
Address Postal Code
Work Phone
Mobile
Email
Website

SNAPSHOT
FOCUSED ADVICE



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SNAPSHOT
FOCUSED ADVICE

Investing basics: The foundation of your investing future

Whether you are just starting out or have passed through many of life's major financial milestones, it is never too early or too late to consider how to invest your money to prepare for the next Snapshot of Life Events, which come with a new set of financial decisions to be made.

The very definition of "financial literacy", in fact, sets out the reasons why you and your family will want to work together with your financial advisors, to cover all the bases you need to, in anticipation of life's changes:

Financial literacy means you have "the knowledge, skills and confidence to make responsible financial decisions[1]".

Making those decisions together with your financial advisors bolsters your opportunities to reach the objectives you need and want to make.

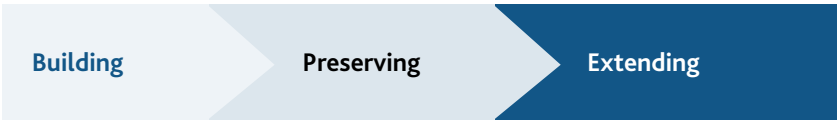
Knowledge
An understanding of the personal issues you will face and the broader financial matters that will relate to them.

Skills
The ability to apply your financial knowledge to the everyday decisions you would like to make.

Confidence
The self-assurance to make important financial decisions for you and your family.

Getting started. In this guide, we will help you get on track to financial literacy to help you to meet your investing goals and objectives.

When arming (or re-arming) yourself with the investing basics, be sure to think about the questions you need to ask your financial advisors in order to build, preserve and extend your wealth.



[1] https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-history.html



Section 1

Should I save or invest my money?

Saving vs. Investing

The simple answer is both! To meet your short- and long- term financial goals successfully, you'll need to know the difference. Let's break each one down.

Saving money is the process of putting cold, hard cash aside and parking it in safe and liquid savings accounts (meaning they can be sold or accessed in a very short amount of time). The money you save first is usually to pay for short-term financial goals such as a vacation or putting aside an emergency fund for any unexpected expense or loss of income.

Investing money is the process of using your money to buy an **asset** or financial securities that you think have a good chance of producing an income in the future or can be sold at a higher price later for a profit. Investing your money typically requires a longer-term perspective to realize the potential benefits: a real return on your investment that complements your goals to build, preserve and extend your wealth into the future.

Budgeting to "pay yourself first"

The idea behind "paying yourself first" is a simple but powerful savings tool that can help you meet your short- and long-term financial goals. Also known as "reverse budgeting", it involves treating your budgeted savings goal like any other bill. You assign it a value and place that money in a savings or investment account each month as soon as you receive your paycheck. After that, you pay your fixed monthly expenses. Anything left over can be spent on discretionary purchases without putting your savings goals at risk. By ordering your budget in this manner, you are building in prioritization. You are deciding ahead of time that your long-term savings are more important than your discretionary spending. If you want to increase your discretionary spending, you are consciously deciding that the funds needed to cover the expense will require you to reduce your long-term savings.

Your advisor can discuss your needs with you and help you discover ways to meet them with financial planning steps to get you there.

"The journey of a thousand miles begins with one step." – Lao Tzu

Discuss needs → **Discover financial picture** → **Define next steps**

What financial goals should I make in the short term, and the long term? What plans need to be made to meet those goals?

Inflation and why it matters

Inflation is a sustained increase in prices over time, reducing the purchasing power of money. A dollar today buys much less than it did 20 years ago. To combat this decrease in value, you can invest your money in assets or securities that are likely to increase in value over time.

For example, if you have $100 today and inflation is 3% over the next year, the purchasing power of your $100 next year would be reduced to what you could buy for $97 today. However, if you invested that $100 and its value grew by 10%, your $100 would be worth $110. After accounting for inflation, you would still be able to purchase what would cost $107 today. Investing can help guard against the impact of inflation over time.



$100

1 Year, 3% inflation
Value = $97
You lose $3



Section 2

Why should I invest my money?

As you can see, *Investing Matters*. If you want to shore up the value of your savings for the future, there are only two ways to do it. You can continue to generate income by working – either for yourself or someone else, or you can also have your savings work for you, to increase the value of your efforts. That becomes increasingly important when planning for specific life events: Parenthood, Losing a Job, Retirement or Disability, for example.

Investors grow their money in a variety of ways: by earning interest on their savings, by buying assets that increase in value, and/or that pay part of their profits to shareholders as dividends. In fact, if you don't invest you are at risk of losing money over time thanks to inflation.

The case for investing

The best way to stay ahead of inflation, earn income for retirement, and meet your future spending needs is to grow your money by investing.

1. Investing to create wealth

Many investors use a three-step formula for building wealth: earn more money than you spend, limit debt, and invest your savings wisely.

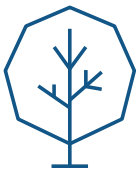
In its simplest form, wealth is created by spending less than you make and using this extra money to invest for your future goals and needs. Sounds simple right? Well, it can be if you take a disciplined and proactive approach to setting aside some of your money now for the sole purpose of using it to make more money over time.

Discuss needs

Why should I invest sooner rather than later?

2. Value of money

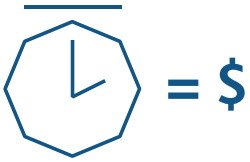
The time value of money is an important reason why you should invest sooner rather than later. A dollar invested today has greater value now than it will in the future if it has the potential to earn investment income and therefore increase in value. As discussed above, if you put $100 in a cookie jar and then take it out in a year of 3% inflation, you would only be able to buy $97 worth of goods or services compared to a year ago. But, if you had invested that money instead, you have a better chance of maintaining the purchasing power of the original $100 over time, if you make at least a 3% return on that investment, after taxes and fees.



You have built wealth:

When the value of your assets is greater than the debt you owe.

Invest sooner



3. The magic of compound growth

Here's why: when an initial sum of money earns interest, over time, that interest, reinvested, also earns interest. It is growth earning growth!

Let's say you have $500 to invest now; you are going to invest another $500 per month for the next 30 years and you expect to earn 5% interest on your investments annually. In 30 years, your total investment will be worth $418,363. And more than half of that amount ($238,363) is interest. This is the magic of compound growth!

> "Compound interest is the eighth wonder of the world. He who understands it, earns it … he who doesn't… pays it."[2]

Discuss needs → **What kinds of investments provide compounding growth?** → **Discuss investment vehicles that can help you earn growth on growth with your advisor.**

[2] These two quotes are largely believed to have been attributed to Albert Einstein



Section 3

How should I invest my money?

Knowing when and how to invest your money is one of the most common questions new investors have. The good news is that there are basic rules to help guide you to a successful outcome.

Financial success

- ☑ Set goals
- ☑ Understand risk to your returns
- ☑ Invest strategically

Key principles of successful investing

Successful investors have a few things in common. They know what they are trying to achieve with their investments, how risk affects the return they can get, and how to invest their money strategically to increase the likelihood of realizing their goals.

1. Setting financial goals

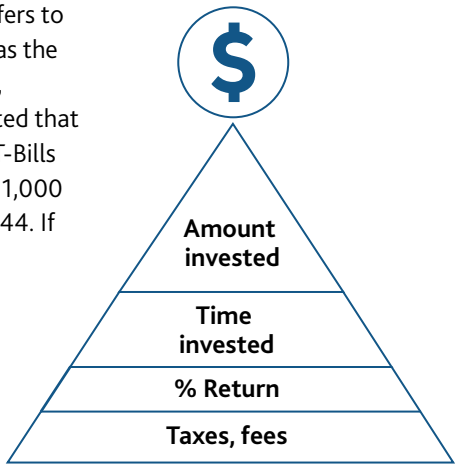
Now that you know why you should invest, it is time for you to spend a little time exploring what your money values and investment goals are. This is important to guide you to determine which investments are best suited to helping you reach your goals.

What are your financial goals? Ask your advisor to help you.

Goals guide decision-making → **Investment selections matter**

2. Consider risk vs. reward

All investments carry some amount of risk, and it is important that you understand what these risks are before you choose an investment. Risk is typically measured in terms of volatility, which refers to how much your investment fluctuates in value over time. However, most people consider risk as the likelihood of being unable to meet their financial goals. Many factors affect your risk tolerance, including age, gender, income, time horizon, and investment experience. In general, it is expected that higher risk investments should produce higher investment returns, but this is not guaranteed. T-Bills are considered virtually risk-free as they are backed by the government. If you had purchased $1,000 of 3-month Canadian T-Bills on Dec 31, 1979, the value on Dec 31, 2023 would have been $8,444. If you had instead invested that money in the S&P/TSX Cdn Composite Total Return Index, your investment would be worth $40,146.



Do you understand the relationship between risk and return? Ask your advisor to explain this to you.

It is important to note that your ability to reach your investment goals depends on several factors such as the amount invested, length of time invested, rate of return, fees, taxes, and inflation. If you can't accept much risk in your investments, then you will likely earn a lower return in exchange for more peace of mind.



Once you determine why you are investing and understand the risks associated with each type of investment, you can then focus on how to invest.

Risk assessment is multifaceted and you should discuss with your advisor, to get better results:

3. Invest often: dollar-cost averaging (DCA)

One of the challenges of investing in higher return stocks is knowing when to buy or sell them. There can be significant changes in the price of a stock from one day to the next. Changes in price is called **volatility** and can sometimes dramatically affect the value of your investment.

One strategy that can help minimize the effects of market volatility is to systematically invest a fixed amount of money regularly to buy investments which have a changing price. This is known as **dollar-cost averaging** (DCA).

Some investors think that the only way to invest is by first saving up a large lump sum. With DCA, you can invest smaller amounts over time and get your money working for you sooner. This also provides the additional benefit of buying investments at different prices so that when the prices are low you acquire more and when the prices are high you acquire less. This helps protect you against price fluctuations and keep you invested.

4. Manage your risk with asset allocation

Asset allocation involves dividing your investment portfolio among different asset categories, such as stocks, bonds, and cash. The decision on how much to invest in each **asset class** is a personal one and is determined by your risk tolerance, goals and investment **time horizon**. By including asset categories with investment returns that move up and down under different market conditions within a portfolio, you can help protect against significant losses.

Since different investments will perform differently over time, it is very important that you monitor your holdings and periodically rebalance your portfolio back to your target allocation.

For instance, if you had a target of 40% equities and those holdings are growing in value, you could find that they are now worth 45% of your portfolio. In this case, you would want to sell some of your equity holdings and reallocate it to the other asset classes to get back to your target allocation. Typically this is done on a quarterly or an annual basis but may be reconsidered if there is a sudden drastic surge or decrease in an asset class's value.

Discover financial picture

Meet with your advisor to discuss your financial picture at least annually.

5. Spread it around – diversification

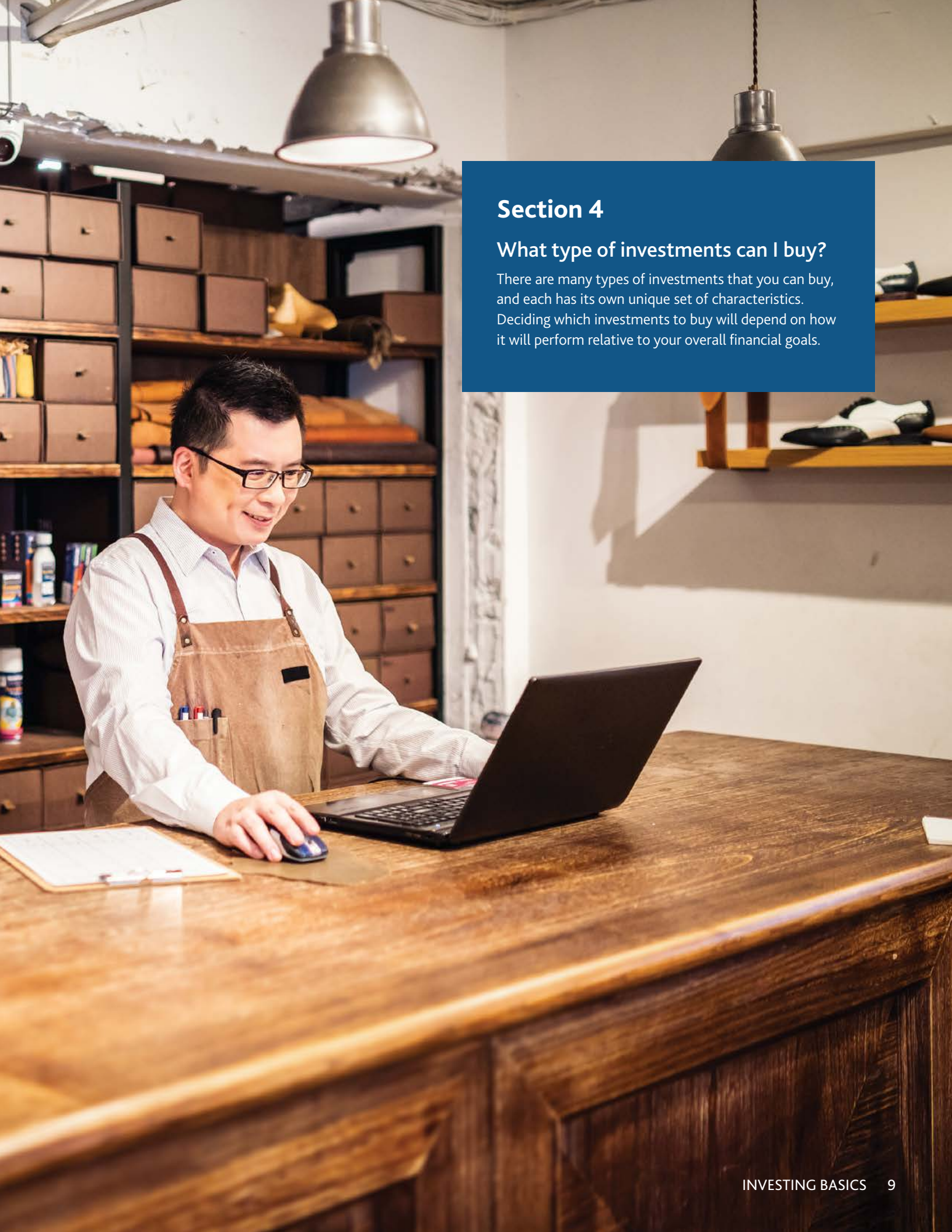
This strategy involves spreading your money among various investments in the hope that if one investment loses money, the other investments will more than make up for those losses. While asset allocation focuses on choosing different asset classes, **diversification** means choosing different investments within an asset class.

An example of this would be if your target asset allocation was to own 10% of Canadian equities, you may choose to buy shares of both a major Canadian bank and a major Canadian phone company. The idea here is that if one stock were to perform poorly the other may be performing better, which would offset the loss of the poor performer.

You can diversify your investment portfolio by *choosing different types of investments* (e.g., stocks, bonds, term deposits, real estate), choosing different companies or industries, and by choosing investments in different geographical areas (e.g., Canada, United States).

While diversification is important, you should avoid over-diversification. Over-diversification occurs when an investment portfolio contains so many different assets that it becomes overly complex and difficult to manage, potentially diluting returns and increasing costs without significantly reducing risk. Most research indicates that an optimal diversification contains between 20 to 30 different securities.

Worried about losses? **Diversify within an asset class.**



Section 4

What type of investments can I buy?

There are many types of investments that you can buy, and each has its own unique set of characteristics. Deciding which investments to buy will depend on how it will perform relative to your overall financial goals.



Knowing your investment options

In order to understand where to invest your money, it is important you understand the different types of investments available and the types of return you can expect from them. There are six main types of investment asset classes you can invest in.

1. Equities or stocks



Equities

Equities or stocks are shares of ownership issued by publicly traded companies. They are traded on stock exchanges such as the Toronto Stock Exchange (TSX) in Canada or the National Association of Securities Dealers Automated Quotations (NASDAQ) in the US. You can potentially profit from owning equities either through a rise in the share price (capital appreciation) or by receiving dividends relative to bonds and cash; equities are typically considered higher risk investments as share prices can change dramatically over time and there is a risk of losing your money.

2. Bonds or fixed income



Bonds

Bonds or fixed income investments pay investors a rate of return in the form of fixed interest payments until the investment's maturity date. At maturity investors are repaid the principal amount they had invested. Government and corporate bonds are the most common types of fixed-income products. Such investments are generally considered less risky than investing in equities or other asset classes, but investors must remain aware that losses are possible in fixed income.

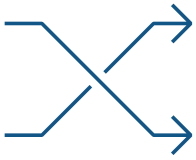
3. Cash or cash equivalents



Cash

Cash or cash equivalents are highly secure financial assets that are liquid, i.e. can be readily converted into cash, such as high-interest savings accounts, short-term Guaranteed Investment Certificate (GICs), Treasury Bills (T-Bills), and other debt instruments with less than a year to maturity. These investments can either be purchased at a discount to their future value or pay fixed interest payments over a specified period of time.

4. Cryptocurrencies



Cryptocurrencies

Cryptocurrency is a global form of digital currency generated through computer algorithms. It operates on a decentralized, peer-to-peer (P2P) network and is stored electronically. Cryptocurrencies can be used to purchase goods and services, although they are not recognized as legal tender by any government.

Known for their potential high returns and high volatility, cryptocurrencies cannot be held in registered accounts; however, the 2024 Federal Budget does invite consultations on modernizing the definition of "qualified investments" to potentially include crypto-backed securities in the future.

In Canada, the Canada Revenue Agency (CRA) mandates that any gains or losses from cryptocurrency transactions be reported for taxation, which could be classified as either business income or capital gains.

Each of the investment types described above can be purchased and owned directly by you. The only limit to your ownership is the amount you can afford and how much you choose to invest in each. For example, if you have $100 to invest and you would like to purchase shares in XYZ Corp., and they are trading for $5 per share, you can purchase 20 shares (not including the cost to purchase the shares).

However, there are also investment vehicles that provide you with an opportunity to own a "basket" of these investments and can potentially provide you with access to a wider array of investment holdings. Let's look at these in more detail.

5. Mutual funds

A mutual fund is an investment security that enables people to pool their money together into one professionally managed investment. Mutual funds can invest in stocks, bonds, cash, or a combination of those assets. The underlying security types, called holdings, combine to form one mutual fund, also called a portfolio. It is important to note that you do not own the actual underlying securities, **you own units** (or shares) of the mutual fund but still participate in the growth (or loss) of the holdings collectively. Owning mutual funds offers you several advantages such as:

a) Simplicity – investment experts manage the holdings for you

b) Diversity – owns a variety of investments to reduce risk

c) Versatility – gain access to almost any market segment

d) Accessibility – low minimum investment required

Invest in units of stocks, bonds, cash or combination

However, it is important to consider the Management Expense Ratios (MERs) associated with mutual funds. MERs are the annual fees that investors pay for the management and operation of the fund, which can impact the overall returns.

6. Exchange-traded funds (ETFs)

ETFs trade like stocks

An ETF is a type of investment security that tracks an underlying benchmark index, such as the Toronto Stock Exchange (TSX). ETFs are baskets of securities that have multiple stocks, bonds, and other assets, or sometimes even just one asset like gold. ETFs are similar to mutual funds in that you do not own the underlying stock. However, unlike mutual funds, ETFs trade like stocks, meaning that you buy and sell shares of an ETF on an exchange similar to a stock. Like mutual funds, ETFs also charge an MER; however, it is usually significantly lower than that of mutual funds because ETFs are often passively managed, tracking a specific index, which involves fewer transactions and lower management costs compared to actively managed mutual funds. Mutual funds also often include a commission to the advisor, where ETFs do not.

Additionally, ETFs have a unique creation and redemption mechanism whereby authorized participants can exchange a block of ETF shares for the underlying holdings, or vice versa. This process, known as "in-kind creation and redemption," helps keep the ETF's market price aligned with the net asset value (NAV) of its underlying assets, and is not available in mutual funds.

Explore more: See the glossary of helpful links

Both mutual funds and ETFs can be either actively or passively managed, which can affect the rate of return you receive.

Active

With actively managed funds the portfolio manager will often buy and sell the holdings in an attempt to get a better return than a specific benchmark. Actively managed funds will charge a larger MER to compensate the fund managers.

Passive

With a passively managed fund, the portfolio manager will only buy and sell holdings to match the benchmark it tracks, resulting in a lower MER compared to actively managed funds.

Which is better for you to reach your goals? Your advisor can explain.



Section 5

How and when do I earn investment income?

Inside or outside of a registered account?

There are several factors to consider when choosing an appropriate investment account for your investments.

One of the biggest factors to consider when choosing which account to hold your investment(s) will be what the tax benefit or liability will be. Understanding the way your investment income will be taxed can guide you.

Ask your advisor to help you explore the factors to consider when choosing which account to invest in.

Taxable events – non-registered accounts

- ☑ Interest
- ☑ Dividends
- ☑ Capital gains
- ☑ Foreign income
- ☑ Other income

These accounts are not tax sheltered but are also not limited by the amount you can contribute or withdraw. You will sometimes hear these referred to as cash accounts although you can hold most investment types in them.

When considering what type of investments to hold in these accounts, you should consider the tax treatment of the investment income generated. For instance, income from interest-paying investments is 100% taxable as income in the year in which it was earned, whether or not it was received (i.e. in a compounding GIC). Generally, capital gains are taxed at 50%, and so investments that are expected to grow in value may be more tax-efficient choices to hold in a non-registered account. As discussed below, there are proposed changes in the 2024 Federal Budget that affect this.

There are four main categories of taxable events that can be triggered by your investments. These are:

1. Interest

Interest paid on an investment such as a bond is 100% taxable as income at your marginal tax rate.

2. Dividends (eligible and ineligible)

When dividends are paid to you from an investment in a Canadian company they are "grossed-up" for the purpose of calculating tax and a corresponding tax credit is issued lowering the income tax you must pay.

3. Capital gains/losses

When you sell an investment, you may have either a capital gain (you receive more than you paid for it) or a capital loss (you receive less than you paid for it) and 50% of this gain or loss is included in your taxable income. **NOTE:** The Federal Budget 2024 introduced a proposal on a new Capital Gains Inclusion Rate. Effective for dispositions by individual taxpayers on or after June 25, 2024, the capital gains inclusion rates will increase from 50% to 66²/₃% on capital gains over $250,000. For corporations and trusts, that increase will apply also, but without the $250,000 threshold – in fact, on the first dollar of gains incurred on or after that date.

This will change the marginal tax rates on the disposition of assets with larger capital gains and should be discussed with a financial advisor well beforehand for these reasons.

4. Foreign property

If you receive interest, dividends or capital gains from investments outside of Canada, you must report this income in Canadian dollars on your tax return.

It is important that you report all sources of income on your annual tax return. There are many qualified tax specialists who can help you with this.

Taxable events – registered accounts

These accounts are government-sponsored and tax-sheltered. You can hold a wide range of investments in these accounts like equities, fixed-income, mutual funds and ETFs among others. The income generated in these accounts is not taxable until it is withdrawn. Since paying tax on your investment income will lower your overall wealth, it is worth taking advantage of these accounts to grow your investments in a tax-efficient way.

The main types of registered accounts available to you are:

1. Registered Retirement Savings Plan (RRSP)

Anyone with **earned income** can open an RRSP and contribute to it until the age of 71. Here are three compelling reasons to invest in these accounts: you will receive a tax deduction for your contributions, the earnings generated by your investments are tax-sheltered and you do not have to pay tax until you withdraw the money. That is a great way to maximize the time value of money.

2. Registered Retirement Income Fund (RRIF)

Once you turn 71, you must close your RRSP and either take a lump sum payment of the proceeds and pay the related taxes, purchase an **annuity** or convert the account to an RRIF. If you choose to open an RRIF account, you must take out a minimum amount per year, which is taxable at your marginal tax rate at the time of withdrawal.

3. Tax-Free Savings Account (TFSA)

TFSA's were first made available by the Canadian government in 2009. Anyone who is 18 years of age can open a TFSA and contribute up to the prescribed maximum per year. Contributions are not tax-deductible, but investment income generated in the account is not taxable and you can withdraw your money at any time tax-free. For 2024, the annual contribution limit is $7,000. If you have never contributed to a TFSA, you could deposit a total of $95,000 in this tax-free investment account.

4. Registered Education Savings Plan (RESP)

You can save for your child's post-secondary education in an RESP account up to a lifetime maximum of $50,000 and be eligible for up to $7,200 of government contributions in the form of grants or bonds. Once your child starts taking payments from the account, it is taxable at your child's tax rate.

5. Registered Disability Savings Plan (RDSP)

If you or your dependents have a disability and have qualified for the Disability Tax Credit (DTC), you can contribute up to a maximum of $200,000 to help pay for the additional costs associated with the disability. Before the disabled person is 49 years of age, the plan may be eligible for government grants and bonds and by age 60 they must start taking payments from the plan.

6. First Home Savings Account (FHSA)

Tax-Free First Home Savings Account will be available in 2023 to Canadian residents under age 71 who have not lived in an owner-occupied home in the current or any of the preceding 4 years. They may contribute a maximum of $8,000 a year to a lifetime maximum of $40,000.

To build contribution room, an account must be opened. The unused contribution room can be carried forward, provided the account was opened.

The account must be closed at the end of the 15th year after it was opened, regardless of whether the funds have been used to purchase a home. That's to 2039 if contributions started in 2024.

FHSA plans may be transferred to an RRSP or RRIF if the funds are not used to purchase a home. This means, with the right planning, an individual can increase their RRSP savings by $40,000 by taking advantage of the FHSA.

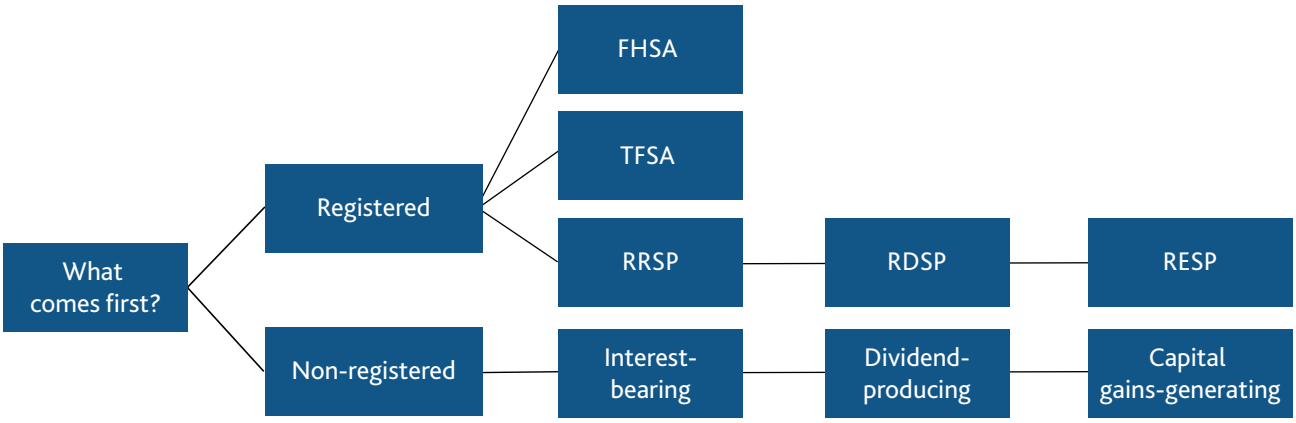


Section 6

What should I do first? Order of investing

If you are new to investing or have a limited amount of savings and/or cash flow available to invest, the type of account you choose to invest in can make a difference in your long-term wealth creation. There are several factors to take into consideration when evaluating which account type to invest in. Factors to consider include:

- Your marginal tax rate now and what you anticipate it will be when you withdraw the money (i.e. at retirement).
- The types of assets you will be investing in
- The nature of the returns you expect (interest income, dividends, capital gains)
- The amount you plan to invest and your investing purpose (retirement savings, short-term project funding, child's education fund)
- Whether you have available contribution room in your registered accounts
- Any age limits for the account, if applicable



Should you invest in an FHSA, TFSA, RRSP or non-registered account?

Your advisor can help you make sound investment decisions based on your goals.



Section 7

How do I start investing?

Now that you have a better understanding of the why, what, where and how of investing, it is time to get started! Depending on your comfort level and your investing preferences, you may choose to manage your own investment plan, or you may prefer to work with a registered professional.

There are two key considerations that should drive your decision: the cost of investing and the support and service provided by your advisor. In either case, it is important that you take your time and evaluate your options.

Getting advice – working with a team of professionals

1. Financial advisors

Working with a qualified financial advisor can be very beneficial to a new investor. Depending on their training and registration, they can advise you on a range of investment options that may be suitable for you. There are many different types of advisors, so you will want to understand the different products they can sell, the services they provide and the fees they charge. In order to protect yourself, it is also important that you check their registration to be sure they are licensed to sell you the products they recommend and that no disciplinary actions have been taken against them.



2. Accountants/tax specialists

Whether your financial situation is simple or complicated, working with an accountant or tax specialist can help assure you that your hard-earned dollars are not going to be eaten away by unnecessary taxes. These professionals are experts in creating and maintaining audit proof financial records and can advise you on the tax treatment of various investment options you may be considering.

3. Lawyers

There may be times when you will need the services of a lawyer to manage your financial affairs. They can draft agreements, review contracts, set up trusts, draft wills among other things. Typically, a lawyer will specialize in one or more areas of the law. Depending on the situation, you may find you need to work with a lawyer with the following legal expertise:

- Real estate – when buying or selling a home
- Family – when getting married or divorced
- Employment – when taking or leaving a job
- Estate Planning – when drafting a will, power of attorney, and health directive

Understanding fees

Over time the impact of fees on your investment returns can be significant, and it is important that you understand what fees you will incur when making investing decisions. The fees you may have to pay fall into the following categories:

1. Cost to buy or sell an investment

When buying or selling a security, you may have to pay a trading fee. In the case of a mutual fund, you may have to pay an upfront commission fee, which is usually a specified percentage of the amount you invest, or you may have to pay a fee when you redeem the fund.



2. Investment management fees

Mutual funds and ETFs charge a Management Expense Ratio (MER) within the fund to pay for the professional management of the fund's holdings. The fee is calculated as a percentage of the value of the holdings and is taken directly out of the fund, which reduces the overall return you receive. This fee varies based on the type of fund and is drawn directly from the assets of the fund, reducing the net asset value (NAV) rather than requiring the client to provide cash flow to cover the fee.

3. Financial advisor fees

Depending on the financial institution a financial advisor works with, there are several ways an advisor can be paid. Advisors may charge a commission for the purchase or sale of an investment and/or charge a percentage fee based on the value of the investments they advise you on. In some cases, an advisor may charge you a fixed price for services they provide such as creating a financial plan.

4. Administration fee for registered plans

Firms that administer registered accounts on your behalf will sometimes charge an annual fee to cover things such as reporting to CRA.



Section 8

How do I measure my investing success?

"Remember that the stock market is manic depressive." Warren Buffett

Discuss needs → **Discover financial picture** → **Define next steps**

Your financial advisor is a professional who can help you define the right next steps for the Snapshots in your Financial Life. There are three key issues to consider in defining next steps:

1. Understand personal and family net worth: A snapshot now, and projected

To measure your progress in making great investing decisions, it is important to be accountable to results, over time. The personal and family net worth statement provides you with a *Snapshot* of the results of your investment activities. Net worth increases when your assets increase in value, but also when your debts decrease.

Ask your financial advisor to provide you with a Personal and Family Net Worth Snapshot at least once a year. Some investors like to see this quarterly or twice a year – it's your choice.

As important, ask your financial advisor to project forward to a "terminal net worth"; that is, what your estate might be worth 10, 20, 50 years in the future given sound inflation and investment return rates. This will help you understand what your tax liability might be when there is a death in the family and make sound decisions about your insurance needs to restore net wealth, after taxes at death.

Sample Net Worth Statement

Total assets			Total debts			
Financial assets			**Short-term debt**			
• **Cash deposits**			• Credit card debt			
• **Registered accounts** (RRSPs, RRIFs, RESPs, DPSPs, TFSAs, RDSPs add FHSAs)			• Tax debt			
• **Non-registered accounts** (stocks, bonds, mutual funds, ETFs, crypto currency, etc.)			• Lines of credit			
• **Other assets** (mortgages, notes, etc.)						
Non-financial assets			**Long-term debt**			
• Principal residence			**Mortgages:**			
• Other real estate			• Principal residence			
• Contents in real estate			• Other real estate			
• Precious art, jewels, stamp or other collections			**Student loans**			
• Cars, trucks			**Vehicle loans**			
• Other assets			**Other debt**			
Equity in business			**Business debt**			**Net worth**
TOTAL ASSETS	**$0.00**	–	**TOTAL DEBTS**	**$0.00**	=	**$0.00**

Source: Knowledge Bureau

2. Tax efficiency – what matters is what you keep:

A second point of accountability is the financial results you achieve for your household after filing family tax returns. How much income you keep, after tax, matters in building wealth. There are two things to think about:

1. How can I keep more of my income, after tax, to save more money?
2. As I earn more, how much will I pay on the next investment dollar I make?

As your income rises, the "tax bite" rises, too. That's because we have a progressive tax system: the more you earn, the more tax you pay, and the less you receive from social benefits like the **Canada Child Benefit (CCB)** or **GST/HST Credit**. Saving inside a registered account like a TFSA and an RRSP can help you keep more income and benefits, after tax.

What kind of investment income you earn, outside a registered account, matters, too. You will note from the chart below that different income sources are taxed at various **tax rates**.

Pension, employment and interest income sources are "ordinary income" taxed at the highest marginal rates – the rate of tax on the next dollar you earn. Capital gains attract the lowest tax rates. Note that indexation of tax brackets for inflation will change the taxable income ranges from year to year; various government budgets can also change tax rates applied to income.

Ask your advisor to keep you up to date on tax changes and how they will affect your investment returns, after tax. You'll want to know combined federal/provincial rates. Your province of residence for tax purposes is where you reside as of December 31.

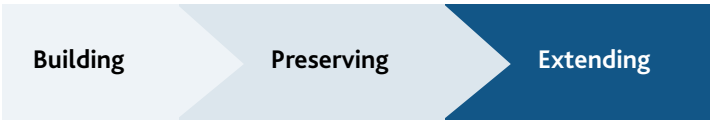
Sample Federal and Provincial Marginal Tax Rates on Income 2025

Province	Taxable income range	Ordinary income	Capital gains	Small bus. Corp. Div	Eligible div.
BC	Up to $12,932	0.00%	0.00%	0.00%	0.00%
	$12,933 to $16,129	5.06%	2.53%	3.56%	-9.58%
	$16,130 to $49,279	19.56%	9.78%	9.86%	-10.29%
	$49,280 to $57,375	22.20%	11.10%	12.90%	-6.65%
	$57,376 to $98,560	28.20%	14.10%	19.80%	1.63%
	$98,561 to $113,158	31.00%	15.50%	23.02%	5.49%
	$113,159 to $114,750	32.79%	16.40%	25.07%	7.96%
	$114,751 to $137,407	38.29%	19.15%	31.40%	15.55%
	$137,408 to $177,882	40.70%	20.35%	34.17%	18.88%
	$177,882 to $186,306	44.02%	22.01%	37.98%	23.45%
	$186,307 to $253,414	46.12%	23.06%	40.40%	26.35%
	$253,414 to $259,829	49.80%	24.90%	44.64%	31.44%
	Over $259,829	53.50%	26.75%	48.89%	36.54%

Source: Knowledge Bureau, 2025

3. Calculating investment returns: after taxes, inflation and fees

By asking your advisor to help you decipher how your investment returns are calculated after taxes, inflation and fees, like interest, investment fees, legal and accounting fees, you will then be better able to understand the effective "real return" on your investments over time. This will help you make more timely, confident, and responsible decisions about your next steps in building, preserving and extending wealth.





Explore more: Glossary of helpful links

To learn more about some of the topics covered in this guide, try the links below:

Why should I invest my money?

The Magic of Compound Growth: Try out this Compound Interest Calculator to see the magic work… then discuss investment vehicles that can help you earn growth on growth with your advisor.

How should I invest my money?

- Setting Financial Goals: Click this link to explore what your financial goals are?
- Learn about Volatility: Click this link to learn more about how volatility affects your investments.
- Consider Risk vs. Reward: All investments carry some amount of risk and it is important that you understand what these risks are. Try these links for more information about investment risks.
- Manage Your Risk with Asset Allocation: The decision on how much to invest in each asset class is a personal one and is determined by your risk tolerance, goals and investment time horizon. Try this Asset Allocation calculator to start conversations on what the best asset allocation mix for you may be.
- Spread it Around – Diversify: Click here to learn more about how diversification works.

What type of investments can I buy?

- Cryptocurrencies: Click here to get more information about digital currencies.
- Mutual Funds: Access a full guide to understanding mutual funds by clicking this link.
- Exchange-traded funds (ETFs): Click here to learn more about how ETFs work.
- Active vs. Passive Investing: To learn more about active vs. passive investing, click this link.

How and when do I earn investment income?

Taxable events – non-registered accounts:

1. Interest
2. Dividends (eligible and ineligible)
3. Capital gains/losses
4. Foreign property

For more information on the way investment income is taxed, click this link.

Taxable events – registered accounts:

1. Registered Retirement Savings Plan (RRSP): Here is more information on how RRSPs work.
2. Registered Retirement Income Fund (RRIF): To learn more about RRIFs, click here.
3. Tax-Free Savings Account (TFSA): Learn the TFSA basics. Take a look at the differences between RRSP and TFSA.
4. Registered Education Savings Plan (RESP): You can find more information on how RESPs work here.
5. Registered Disability Savings Plan (RDSP): Learn more about how to claim the (DTC) here.
   You can learn more about the benefits of this plan here.
6. First Home Savings Account (FHSA): Learn more about this latest registered account here.

How do I start investing?

Getting advice – working with a team of professionals

Financial advisors:

1. Explore the types of advisors.
2. Learn about the services provided.
3. Here is how to check their registration.

Understanding fees

1. Investment management fees: Find out more about the types of fees charged by clicking this link.
2. Financial advisor fees: Explore how advisors can be paid by clicking this link.

Click on these links for additional financial calculations you can try:

- From the Ontario Securities Commission
- From Knowledge Bureau

Explore important tax terms at these links:

From the Canada Revenue Agency

And to receive weekly tax and financial news subscribe now:

- Knowledge Bureau Report

Glossary of terms

Accounts – non-registered: These investment accounts earn investment income sources like interest, dividends, capital gains and foreign investment income that must be reported in your taxable income in the year the investment returns accrue, in the case of interest, or as the income is earned, in the case of the other investments.

Accounts – registered: These investment accounts provide income deferral opportunities; that is, the investment returns are sheltered from tax while the money is left in the account. Depending on the type of account, principal is invested on a pre-tax basis (example RRSP; a deduction is received when the money is invested), or after tax has been paid on the savings (example TFSA). Withdrawals are either taxable (RRSP and RRIF for example) or tax exempt (TFSA).

Annuity: A contract usually sold by life insurance companies that guarantees an income to you or your beneficiary at some time in the future. An annuity is a contract with a life insurance company. When you buy an annuity, you deposit a lump sum of money, and the insurance company agrees to pay you a guaranteed income for a set period of time – or for the rest of your life. Annuities are money commonly used to generate retirement income.

Asset: Something of value that a company or an individual owns or controls. Examples: buildings, equipment, property, a car, investments, or cash. Can also include patents, trademarks and other forms of intellectual property.

Asset class: A group of securities that have similar characteristics. Examples of asset classes include stocks, bonds, real estate or cash.

Benchmark: A yardstick that you can use to measure the performance of an investment. Example: a stock market index may be a benchmark you can use to compare how well your own stocks are doing.

Canada Child Benefit (CCB): Is a tax-free monthly payment available to eligible Canadian families to help with the cost of raising children.

Capital appreciation: How much your money, investments or other assets go up in value as time passes.

Capital Gain or Loss: When an income-producing asset such as a security in a non-registered account is sold for more (or less) than it was acquired for (plus or minus certain adjustments), a capital gain (or loss) will occur. For transactions under $250,000, the income inclusion rate is 50% for individuals; over that threshhold and for corporations and trusts, the rate is 66 $^{2}/_{3}$%.

Compound Interest: This is interest earned on both principal and reinvested interest, allowing for a faster accumulation of earnings. Compounding can occur daily, weekly, monthly, quarterly, annually.

Disability Tax Credit (DTC): Is a non-refundable tax credit that helps persons with disabilities, or their supporting persons reduce the amount of income tax they may have to pay. An individual may claim the disability amount once they are eligible for the DTC. Learn more about how to claim the DTC here.

Diversification: A way of spreading investment risk by choosing a mix of investments. The idea is that some investments will do well at times when others are not.

Dividend: Part of a company's profits that it pays to shareholders in proportion to the total number of shares held. The Board of Directors sets the amount. For common shares, the amount varies. It may skip dividends if business is poor, or the directors invest money in things like new equipment or buildings.

Dollar-cost averaging: A strategy where you try to reduce the cost of buying securities by spreading your purchases out over time. You buy a set amount of a security, such as a mutual fund, at regular intervals. In the end, you average out your cost per unit.

Earned income for RRSP purposes: Check your Notice of Assessment or Reassessment and your online profile with CRA to confirm your RRSP Contribution Room. It is based on "earned income" of the prior year and calculated by adding actively earned income sources like various employment income, royalties for work or inventions, net research grants or unemployment benefit plan or wage earner protection plan benefits received, qualifying income from an Amateur Athletic Trust, net income from a rental property or a business, taxable support payments (less any amounts repaid) less current year business or rental losses, deductible support payments and certain other provisions. To build your RRSP earned income, it is very important to file a tax return for every family member, even children with part-time earnings.

Estate planning: Is the act of preparing for the transfer of a person's wealth and assets after his or her death. Assets, life insurance, pensions, real estate, cars, personal belongings, and debts are all part of one's estate. Learn more about what is involved in estate planning.

First Home Savings Account (FHSA): This is a registered account in which up to $40,000 can be saved over a period of 8 years in order to purchase a home. The maximum annual contribution is $8,000 per year.

GST/HST credit: Is a non-taxable amount paid four times a year to individuals and families with low and modest incomes to help offset the goods and services tax/harmonized sales tax (GST/HST) that they pay. Click this link to see if you are eligible.

High-interest savings account: A savings account that pays a higher rate of interest. Some rules apply. Examples: You may have to make a minimum deposit. You may have to do your banking by phone or Internet. You may also have to wait a couple of days to take money out.

Inflation: A rise in the cost of goods and services over a set period of time. This means a dollar can buy fewer goods over time. In most cases, inflation is measured by the Consumer Price Index.

Interest rate: A fee you pay to borrow money. Or a fee you get to lend it. Often shown as an annual percentage rate, like 5%. Examples: If you get a loan, you pay interest. If you buy a GIC, the bank pays you interest. It uses your money until you need it back.

Guaranteed Investment Certificate (GIC): An investment that works like a special kind of deposit. Most GICs pay you a set rate of interest for a set length of time. Some GICs base what you get on the performance of a benchmark such as a stock exchange index.

Management Expense Ratio (MER): Is how much it will cost you, year in and year out, to own any mutual fund, index fund, or ETF. It is a charge determined by how much of a fund's assets are used for administrative and other operating expenses. Find out more about the types of fees charged by clicking this **link**.

Marginal tax rate: Is the rate at which an additional dollar of taxable income would be taxed. It is part of a progressive tax system, which applies different tax rates to different levels of income. As income rises, it is taxed at a higher rate (according to the marginal tax bracket it falls in). Click **here** to learn how to calculate your marginal tax rate.

Maturity date: The date when an investment becomes due. On that date, you get your money back without any penalty. Any interest payments stop.

Personal net worth statement: This document provides you with a Snapshot of investment results at a particular point in time by calculating the total financial and non-financial assets you have, including business equity and reducing this by short-term and long-term debt.

Principal: The total amount of money that you invest, or the total amount of money you owe on a debt.

Rate of return: The amount of money you make on an investment before expenses – this rate of return doesn't factor in expenses such as taxes, fees or inflation.

Real estate: Known as real property by the government of Canada, it includes all land, messuages, tenements of every nature and description and every estate or interest in real property whether legal or equitable. Learn more about investing in real estate by clicking **here**.

Registered Disability Savings Plan (RDSP): This is a tax-sheltered investment account that allows for savings for a private pension for disabled family members, enhanced by government grants and bonds.

Registered Education Savings Plan (RESP): This is a tax-sheltered investment account that allows for savings for a private education account for children, enhanced by government grants and bonds. You can find more information on how RESPs work **here**.

Registered Retirement Income Fund (RRIF): These tax-sheltered accounts hold matured RRSP deposits for those over age 71, providing a periodic pension income to the recipient. This income can be split with the spouse. To learn more about RRIFs, click **here**.

Registered Retirement Savings Plan (RRSP): These tax-sheltered accounts provide a tax-deferred savings opportunities for those taxpayers who have earned income sources, in order to provide a periodic pension income later in life. It is possible to invest in a spousal RRSP with certain terms and conditions to be observed. An RRSP investment results in a tax deduction, which can significantly reduce taxes payable. However, upon withdrawal later in life, both the principal and the earnings are taxable when withdrawn from the RRSP, or after the matured RRSP is converted to an RRIF or annuity. **Here** is more information on how RRSPs work.

Tax-Free Savings Account (TFSA): This is a registered account that can be used by Canadian residents who are at least 18 years of age. It is subject to an annual maximum RRSP contribution room. There is no upper age limit, however. The main advantage is to save tax-free throughout one's lifetime – no tax is ever levied on investment earnings. It is a great place to save for emergencies or specific wants or needs. Funds withdrawn can be recontributed to the plan – and that includes the value of investment earnings. However, there are recontribution limitations; that is, investors must wait until the following calendar year to recontribute withdrawals. Learn the **TFSA basics**.

Tax rates: The rate of federal and provincial income tax you need to pay on your income overall (effective tax rate) and how much tax you will pay on the next dollar you earn (marginal tax rate).

Time horizon: The length of time that you plan to hold an investment before you sell it. This may be a brief period of time or span as long as decades, depending on your financial goals.

Time value of money: Time value of money is the concept that a dollar today is worth more than a dollar tomorrow. A dollar earning a return today is more desirable than a dollar tomorrow as it may lose purchasing power due to inflation.

Toronto Stock Exchange (TSX): Canada's largest stock exchange, North America's third largest stock exchange, and the sixth largest in the world.

Trading fee: Trading fees apply when you want to buy or sell shares of a specific investment. Also called a commission, this fee is paid to an intermediary, such as a broker – dealer or a bank, for assisting in the sale or purchase of a security. **Learn more** about the fees for buying and selling stocks.

Treasury Bill (T-Bill): An investment where you lend money to the federal or a provincial government for a set period of time. It does not pay interest, but rather you buy T-Bills at a price below what the government will give you at the end of the term.

Volatility: The rate at which the price of a security increases or decreases for a given set of returns. A stock price that changes quickly and by a lot is more volatile. Volatility can be measured using standard deviation and beta.

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