



# Financial Blueprint

## Setting short-term and long-term goals

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**The Canadian economy** looks to be stabilizing, with Canadian businesses having a generally positive yet cautious outlook. Businesses report they are reaching capacity points and anticipate hiring new employees.

However, the Bank of Canada understands the delicate nature of this recovery and has accordingly reduced its outlook for future growth.

In the long run, the new financial discipline displayed by both consumer and government should lead to a more stable economy. That said, the short term will likely be defined by volatile markets and shaky consumer confidence.

### THE NEW STARTING LINE

In times of uncertainty, a financial blueprint provides the best defence. Asking and answering the hard questions – What do you want from your money? How do you want to spend your time? What

legacy do you want to leave? – provides a glimpse into the future, regarding where you want to be and when. Once you set these goals, a financial plan and investment strategy can then be created.

### INVESTING

The basis of any investment

appropriate asset allocation. Asset allocation is the manner in which an investor distributes their portfolio between different asset classes (stocks, bonds, alternative assets and cash) and accounts for up to 93 percent of portfolio returns.

In normal circumstances, different asset classes behave

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portfolio is a risk/return trade-off. Higher desired returns require higher risk investments.

Similarly, lower risk investments generally provide lower returns.

Working with set goals can allow a risk/return metric to be established. This will direct a portfolio and allow for an

differently to the same situations. For example, an increase in interest rates will decrease the value of a bond, but may have a positive impact on stocks.

The goal of asset allocation is to choose assets that perform differently to the same situation, thereby reducing a portfolio's overall volatility.

### MORE WORK

Properly managing a portfolio requires homework. While there is no hard and fast rule about how much research needs to be done on an individual investment, it has been recommended that at least one hour per week should be dedicated per investment owned or desired. A properly diversified portfolio has up to 20 or more different investments.

### PRECIOUS COMMODITY

Time is the most precious commodity and there never seems to be enough. The average Canadian employee works 36.8 hours a week, while entrepreneurs and executives work twice, even three times, as many hours. Factor in commuting, exercising, hobbies and shuttling the kids to soccer and dance recitals and time soon evaporates.

Time and money are both precious commodities. Preserve and spend them wisely. **OHB**