

# Solutions

for financial planning • Manulife Investments

Winter Edition 2010/2011

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## PENSIONIZE™ YOUR NEST EGG

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Retirement doesn't  
always happen at 65

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## Solut!ons

Whether you are just starting out, accumulating wealth or getting ready to retire, Manulife Financial offers you a broad range of wealth protection and accumulation products to help you prepare for your financial future. Manulife is one of Canada's strongest and most reliable financial services organizations. With offices in 22 countries and millions of customers worldwide, you can trust that, when combined with the professional advice you receive from your advisor, our forward-thinking products and services provide practical *Solut!ons* that can help you make the most of your financial plan.

## How are you going to generate income in retirement?

As the leading cohort of the baby boom generation approaches retirement, the demand for income-producing investments and strategies is growing steadily. And in today's extremely low interest rate environment, you too may be wondering how to turn a lifetime of savings into a stream of income that can last for life.

*Pensionize™ your nest egg* features Moshe A. Milevsky, Ph.D. and Alexandra C. Macqueen, CFP, who are considered to be experts in investment management and retirement planning. *Retirement doesn't always happen at 65* illustrates through a case study how some products enable early retirement while delivering predictable, sustainable and potentially increasing levels of income for life.

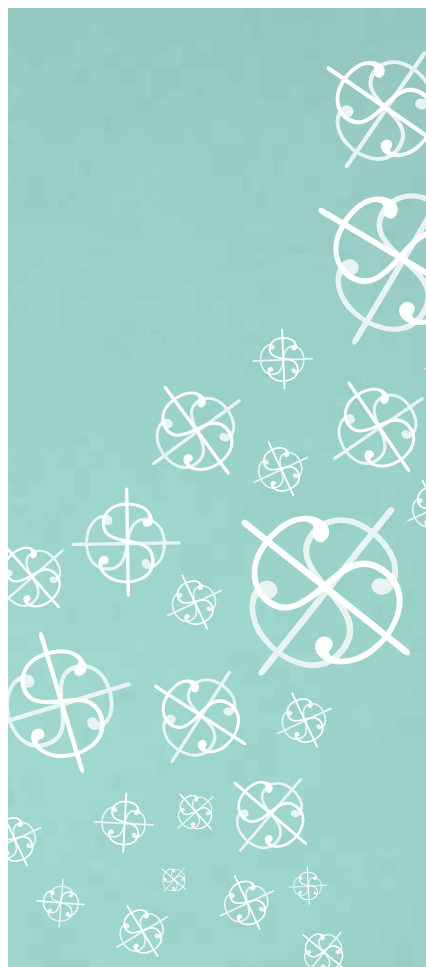
Many investors seeking safer investments have moved into bonds and mutual funds that invest in bonds over the last few years. *What's the buzz about bonds?* provides a simplified overview of different types of bonds to help you build a fixed-income portfolio.

For more than 120 years, clients have looked to Manulife for strong, reliable, trustworthy and forward-thinking solutions for their most significant financial decisions. When combined with professional advice from your advisor, Manulife can provide practical *Solut!ons* to help you prepare for your financial future. You may be surprised to learn that generating sustainable income for your retirement is easier than you think.

Sincerely,

**J. Roy Firth**, Executive Vice President  
Individual Wealth Management, Manulife Financial

# WHAT'S INSIDE



- 4 Pensionize™ your nest egg**  
FEATURING MOSHE A. MILEVSKY, PH.D.  
AND ALEXANDRA C. MACQUEEN, CFP
- 12 Retirement doesn't always happen at 65**  
A GUARANTEED INCOME SOLUTION WITH FLEXIBILITY
- 16 What's the buzz about bonds?**  
A CLOSER LOOK AT THIS INCREASINGLY  
POPULAR ASSET CLASS
- 22 Want to be debt-free?**  
SIMPLE STEPS TO GET YOUR PLAN ON TRACK
- 26 How to build a tax-exempt legacy**  
INSURANCE AND INVESTING WRAPPED  
UP IN ONE SIMPLE PACKAGE
- 30 A moving target**  
EXPLORING AN INVESTOR'S  
ADJUSTED COST BASE
- 32 Social media**  
JOIN THE CONVERSATION
- 35 Fun & food**

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# PENSIONIZE™

## YOUR NEST EGG

DC  
RRSP

LIFETIME INCOME

TAX-DEFERRED VOLATILITY

LIQUIDITY BENEFIT

DOWNSIDE RISK BONDS

RETIREMENT INFLATION

OAS WEALTH-TO-NEEDS

LIFE-CYCLE MODEL OF CONSUMPTION

PRODUCT ALLOCATION

ANNUITIES UPSIDE POTENTIAL

CONTRIBUTION STOCKS

CPP INTEREST RATES GLWB

PERSONAL PENSION

GUARANTEED

MUTUAL FUNDS DB

GENERATE



FEATURING  
**MOSHE A. MILEVSKY, PH.D.  
& ALEXANDRA C. MACQUEEN, CFP**



Moshe A. Milevsky, Ph.D., has recently co-authored his 8<sup>th</sup> book, *Pensionize Your Nest Egg: How to Use Product Allocation to Create a Guaranteed Income for Life* (with Alexandra C. MacQueen from the QWeMA Group), which examines the importance of Product Allocation for retirement planning. The answers to the questions in this article have been extracted from "*Pensionize Your Nest Egg*" with permission from the authors. This article can help you gain a better understanding of how to plan for a financially successful retirement.

Moshe A. Milevsky is one of the most sought after speakers in North America on issues related to investment management and retirement planning. Dr. Milevsky is the Executive Director of the Individual Finance and Insurance Decision (IFID) Centre and is an Associate Professor of Finance at York University in Toronto, Canada. He is also the CEO and President of The QWeMA Group, which is a software company that develops proprietary retirement income analytics. In addition to being an award-winning teacher and author he has served as a consultant and advisor for a variety of financial services companies and pension funds. He has published eight books, over 50 peer-reviewed scholarly articles and has been interviewed and quoted in *Business Week*, the *Wall Street Journal* and *Money Magazine* amongst others.

**Do you think it is safe to say that a large group of Canadians who have defined contribution plans may be over-estimating the type of pension they may have? If so, what can they do about it?**

We are actually quite concerned not just for the majority of Canadians with no pension plan, but also for a large fraction of the so-called lucky third – those who think they will retire to a guaranteed pension

income, when in fact they have nothing of the sort.

To understand this concern, we need to examine what we mean when we talk about pensions. If you are among the people

contemplating retirement in the next decade, cast your memory back to what the world of work was like when you first joined it. Twenty-five years ago, the vast majority of the largest employers in North America offered what are known as defined benefit (DB) pensions to their employees. This form of pension promises a lifetime of income to each retiree when he or she stops working, with the potential for a survivor pension for your spouse after you die, too. Note our emphasis on “promise” and “lifetime of income” – these are key distinctions in the world of pensions. If you started work for a large company 25 years ago, chances are very good that you have a DB pension plan.

But over the last few decades, the proportion of companies offering DB pensions to new employees has steadily dropped. Today, if you work in the public sector, chances



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## PENSIONIZING WILL PROTECT YOU AGAINST THE UNCERTAINTY ABOUT THE LENGTH OF YOUR LIFE AND AGAINST NUMEROUS OTHER RISKS YOU MIGHT FACE AND NOT EVEN KNOW ABOUT.

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are you (still) have a DB pension plan. But if you work in the private sector, your chances aren't so good – if you have a pension, it is likely a defined contribution (DC) plan, also known as a money purchase plan. Now, DC pensions are still considered registered pension plans for Statistics Canada purposes, so people who participate in DC plans are included in the lucky third of Canadians who belong to a registered pension plan.

However, DC pensions, despite their name, *are essentially nothing more than tax-sheltered investment plans and offer no promises of lifetime income.* Here's

the difference between the two kinds of pension plans: in a defined contribution plan, the amounts contributed to the plan are known. In a defined benefit plan, the amounts paid out of the plan (the benefits) are known and guaranteed.

In defined contribution pension plans, funds flow into the pension plan from the employer, the employee, or both, are invested in the volatile stock and bond markets, and the gains are tax-deferred until the income is received – *but nowhere is there a mention of a guarantee.* There's no promise of lifetime income. Instead, your retirement future is subject to

the random ups and downs of the stock and bond markets.

How can Canadians respond to these changes in the pension landscape? We believe that these inherent risks can be avoided, or at least managed properly, by pensionizing your nest egg – that is, taking some of your financial assets and converting them to a pension that pays a guaranteed income for the rest of your life. Pensionizing will protect you against the uncertainty about the length of your life and against numerous other risks you might face and not even know about.

### DEFINED BENEFIT

- Determined by a formula based on earnings history and years of service
- Example: the payout during retirement equals 2 per cent x years of service x final salary
- The employer guarantees a certain benefit level at retirement
- The employer absorbs all the risk
- The employer is responsible for paying the pension benefits

### DEFINED CONTRIBUTION

- Determined by the amount the employee contributes, the amount the employer contributes and market performance
- Example: the employee contributes 5 per cent of salary and the employer contributes 10 per cent
- No guaranteed benefit level at retirement
- The employee absorbs all the risk
- The employer's liability ends after the money is contributed

## Is product allocation and pensionizing still necessary even if someone seems to have saved adequate amounts in retirement?

Our quantitative analysis indicates that a prospective retiree – who could be you – might have 20, 30, or even 40 times their annual income needs in investable wealth (what we would call a Wealth-to-Needs ratio of 20, 30, or 40). These assets could be sitting in the most diversified of mutual funds, investments, RRSPs, or even in a

defined contribution pension plan, and yet the retiree still runs the risk that the portfolio will not last as long as he or she does. This is the nature of random and unpredictable human longevity combined with financial volatility. In the language of retirement income planning, retirement income streams without guarantees are subject to

high “lifetime ruin probability” – which happens when you are alive, but your portfolio is dead.

Ironically, both good news (future breakthroughs in medical science) and bad news (unexpected personal inflation or another miserable decade in the stock market) can negatively affect your income prospects in retirement. That is, events on either side of the ledger can wreak havoc on the retirements of even the wealthiest of retirees.





Your book makes a strong case for the importance of life annuities that can be purchased from an insurance company (or to use your term, a “personal pension”) as part of an overall retirement income plan. Do you expect traditional life annuities to become popular, or are there barriers that may prevent this from happening?

To get an idea of what a true guaranteed pension will set you back these days, consider the following example. Imagine you are a 62-year-old contemplating early retirement. You ask your favourite A-rated insurance company agent to provide a quote for a personal pension. They offer you something in the following price range: for every \$10,000 of guaranteed,

inflation-adjusted annual income you would like to receive for the rest of your life, you must give us \$167,000 up front (in mid-2010, using market rates). Yes, you read that correctly: you need to ante up sixteen times the desired annual income. So, let’s do the math. If you want \$60,000 of inflation-protected annual income for the rest of your life, that will cost you a cool million.

No, this is no Madoff-like scheme to make off with your RRSP – this is the fair price in the open market for an indexed life annuity, which is the closest thing to a defined benefit pension that exists in the retail market. If this type of retirement income seems too expensive, the market price should tell you something about what true pensions are actually worth.

Now, you might decide, “Heck, I have \$1,000,000 in my RRSP and I can invest it myself to create my own \$60,000 pension.” Well, here is our warning to you: there is no risk-free lunch. There is a very good reason the insurance company charges you what seems to be so much. First, interest rates

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**IF THIS TYPE OF RETIREMENT INCOME SEEMS TOO EXPENSIVE, THE MARKET PRICE SHOULD TELL YOU SOMETHING ABOUT WHAT TRUE PENSIONS ARE ACTUALLY WORTH.**

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are abnormally low right now relative to historical rates, which increases the cost of the guarantees. Secondly, and more importantly, by offering you a lifetime income stream, they are taking the risk that you'll outlive your savings off your personal balance sheet – and placing it on their corporate balance sheet. Generating \$60,000 per year may not seem like much if you have a million to spare, but if you have that viewpoint, you are probably not seeing the whole picture, and it's time to nudge you back to reality. Pensions are expensive because they are valuable, even if you don't think so.

In fact, according to something called the “life-cycle model of consumption” – which is a marvelous tool used by economists to measure consumer demand for consumption, savings, and investment from cradle to grave – the true value of a true pension is astonishingly high. To understand how the life-cycle model operates, think of it as a bathroom scale. You

can use the scale to measure the weight of any item, even if you can't weigh it directly. For example, if you stand on the bathroom scale fully clothed and then do the same totally naked, you can calculate the weight of your clothes even if you never put them directly on the scale.

The model can be used in this way to measure the “utility value,” or perceived usefulness, of a pension. To make a long and complex mathematical story short, the utility value of a pension can be worth up to half of your typical net worth. One implication of this finding is that a rational retiree (risk-averse, healthy, and pensionless) would rather have \$500,000 worth of pension than \$1,000,000 worth of cash. Yes, you read that one correctly as well. The message from this model is that most Canadians would be willing to pay – keeping in mind that willingness to pay is a fundamental concept in economics – a large premium to exchange their cash for pensions.

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**PENSIONS ARE  
EXPENSIVE BECAUSE  
THEY ARE VALUABLE,  
EVEN IF YOU DON'T  
THINK SO.**

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## For those Canadians who do not have a pension plan, how can they make sure their money lasts through retirement?

The approach we are recommending is called Product Allocation. Product Allocation is the process of allocating your financial resources to different kinds of financial products to protect you against the new risks you face as you transition into and through retirement. Different asset classes – stocks and bonds – have different risk and return characteristics and respond differently to the same economic conditions and cycles. Similarly, different product classes behave differently in the same conditions and protect your financial future from various sources of risk.

Today, you can think about retirement income products grouped into three categories. First, there are traditional mutual funds, stock accounts, and other accumulation-focused accounts, which offer growth potential but no guarantees. Retirement income is generated from these accounts by periodically selling an appropriate number of units. These products are used to protect against inflation risk, with the hope and expectation that your funds will grow faster than inflation. They also preserve liquidity (you can generate income as you need it) and the hope of a financial legacy.

Secondly, there are products that are designed to provide a lifetime of income – including defined benefit pension plans, government sponsored retirement income programs (principally CPP and OAS), and income annuity products purchased by individuals. These

allocations protect against longevity risk, but they come at a cost of complete irreversibility and loss of liquidity. An annuity purchase is a one-way street: once you've allocated funds to an annuity, you can't undo the decision. You can think of anything in this silo as a lifetime payout income annuity.

Finally, there are financially engineered products which are not quite systematic withdrawal plans and not quite pensions. These are the modern sequence-of-returns-protected investments, and we will call them guaranteed lifetime withdrawal benefit products

(GLWBs). These products provide guaranteed income (like an annuity from the second silo) as well as exposure to the stock market (like an account from the first silo). At the most basic level, these are mutual fund portfolios with a guaranteed payout each year. GLWBs are a bit like hybrid cars, which run on both gasoline and electricity, switching as conditions require.

Now, each of these product categories provides benefits and trade-offs, and accordingly your funds can be allocated among them instead of relying on one category. This will enable you to capture the upside potential while minimizing the downside risk. •

To find out how to incorporate a Product Allocation strategy into your financial plan, please speak with your advisor.

Be sure to pick up Dr. Moshe A. Milevsky and Alexandra C. Macqueen's book *Pensionize Your Nest Egg: How to Use Product Allocation to Create a Guaranteed Income for Life* from Chapters/Indigo and Amazon.ca (ISBN: 978-0-470-68099-5)





## Now that you have your retirement nest egg, how can you maximize your income and help to ensure it will take care of you for life?

If you've begun to think seriously about retirement, no doubt you've dreamed of a number of scenarios: travel, time with the family... but there are also questions you need to consider. Will your savings take care of you for life? Will they keep up with the increasing cost of living? Can your investments endure poor market conditions?

Product Allocation from Manulife can help you take action. To find out how this can work for you, contact your advisor or visit us at [helpmysavingslast.ca](http://helpmysavingslast.ca)



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# RETIREMENT

DOESN'T ALWAYS HAPPEN AT 65





## A GUARANTEED INCOME SOLUTION WITH FLEXIBILITY

John and Sylvia are age 52 and 50, respectively. Farmers by profession, they manage and own a 400-acre soya bean farm near Dutton, Ontario. With their two sons now independent and following different career paths, Sylvia is beginning to wonder how their future retirement is going to unfold.<sup>1</sup>

**T**he family business has been successful over the last 22 years. John inherited the farm and sold off a portion of the property after his father died. He has always been very conservative and holds the majority of his assets in bonds and Guaranteed Investment Certificates (GICs). In total, John and Sylvia have managed to save approximately \$850,000 in a combination of registered and non-registered accounts.

However, John suffers from a slipped disc in his back and Sylvia is growing increasingly concerned about her husband's level of discomfort. He is having trouble keeping up with their large property, and she thinks it would be a good idea to meet

with their advisor to review their financial plan.

### SEEKING PROFESSIONAL ADVICE

John and Sylvia's advisor, Terry, starts off their meeting with a simple question: "When do you want to retire?"

"The truth is, I don't want to retire – but I do want to slow down a bit and ease into retirement at age 65," John replies. "My plan is to lease out a large portion of our property and farm equipment to the son of a good friend of mine who lives in the area. That way, we can still live and work on the farm and generate some income, but I won't have the same responsibilities and workload I've had in the past."

The lease will pay John and Sylvia approximately \$35,000 per season in income, which will cover most of their living expenses. Sylvia currently works as an administrative assistant at a doctor's office in town. Her salary is approximately \$45,000 per year. According to their calculations, they will have enough money to live on for the time being, but they are also looking to fulfill their dream of travelling south every winter.

Sylvia adds, "I think we can live on what we have, but I'm a little concerned about any surprises that may appear along the way. How can we structure our savings to help provide a steady stream of income when we decide to retire, while still ensuring that we have access to our savings in case something unexpected comes up?"

<sup>1</sup>This story is fictional and is used for illustrative purposes only.



## IF THE MARKETS PERFORM WELL, THE LEVEL OF INCOME THEY RECEIVE FROM THEIR GMWB IN THE FUTURE HAS THE POTENTIAL TO GROW.

### GUARANTEED INCOME – WITH FLEXIBILITY

Terry listens carefully to their concerns. He points out that their current portfolio already provides them with income and the ability to withdraw money as required. However, he emphasizes, there is no guarantee that, once they begin withdrawing income from their bond and GIC investments when they retire, the money will last for the rest of their lives.

So Terry introduces them to the benefits of segregated fund contracts that feature a Guaranteed Minimum Withdrawal Benefit (GMWB).<sup>2,3</sup> Segregated fund contracts with a GMWB combine the growth potential of investment funds with certain guarantees and benefits, such as a predictable stream of regular income guaranteed not to decrease no matter how John and Sylvia's

investments perform, and the assurance that this income will be sustainable for both their lives.

If the markets perform well, the level of income they receive from their GMWB investment has the potential to grow in the future. This is an important consideration since they still need to grow their savings during their retirement to help offset the effects of inflation. In addition, unlike some other products, a segregated fund contract with a GMWB lets John and Sylvia change their investments and access their savings at any time.<sup>4</sup>

Terry reminds them that they should begin withdrawing money from their GMWB investment when they retire and preferably not before. This allows them to access a significant benefit available through the contract: an annual five per cent income bonus feature available in any year that withdrawals are not taken from

the investment. Essentially, as long as John and Sylvia do not need to make a withdrawal from their GMWB investment before they retire, the value of the guarantees increases automatically.

"The five per cent income bonus feature is very valuable since it will increase the guarantees regardless of market performance. And if the underlying investments held within the GMWB perform well in the future, the value of the guarantees could grow even higher," says Terry.

### AN INVESTMENT TAILORED TO THEIR NEEDS

Sylvia then asks, "What if John's back gets worse and we need to begin withdrawing income from our savings before he turns 65?"

Terry answers, "There's no problem there. Income from a GMWB investment can now be withdrawn before age 65. If you decide you need the income sooner, here is what you can expect to receive."

Although each product and company differs in the payout percentages for a GMWB investment, Terry presents John and Sylvia with the following chart as an example (see Figure 1).

**Figure 1:**  
Example of payout percentages

Age	Single life (%)	Two lives (%)
55 - 64	4	3.5
65 - 74	5	4.5
75 +	6	5.5

Certain conditions may apply

"As you can see, the amount of guaranteed income you can receive will grow if you start withdrawing income later. But you can always begin withdrawing income earlier if you need to," Terry assures them.

<sup>2</sup> Please refer to the Information Folder and Contract for complete details.

<sup>3</sup> Guaranteed Minimum Withdrawal Benefits (GMWBs) may also be described as Guaranteed Lifetime Withdrawal Benefits (GLWBs).

<sup>4</sup> Fees may apply.

Terry runs some numbers to illustrate how much they can expect to receive in income every year if they invest \$750,000 of their \$850,000 in savings (see Figure 2).

Sylvia is still a little concerned: “But what if we need to access our money? Then we could lose the benefits of the bonus feature.”

an ideal solution for our needs. They provide a guaranteed income stream for life, and I like the idea that we can begin collecting income at any time if we have to.”

**Figure 2:**  
Payout percentages based on \$750,000 invested at age 50 and 52

Age*	Starting amount	Annual Income based on a single life	Annual income based on both lives	Percentage of their initial investment (\$750,000)	
				Single	Joint
55	\$937,500	\$37,500/year	\$32,812/year	5.00%	4.38%
65	\$1,312,500	\$65,625/year	\$59,063/year	8.75%	7.88%
75	\$1,687,500	\$101,250/year	\$92,813/year	13.50%	12.38%

\*Based on Sylvia’s age and percentage payouts noted in Figure 1 on page 14. Assumes no growth in the underlying investment of \$750,000.00, a 5 per cent income bonus and no withdrawals are made over the time period.

“These figures assume you haven’t accessed the money in your GMWB over any time period shown and are therefore able to take full advantage of the five per cent bonus feature. It also assumes your investments have not climbed in value. If your investments grow over these time periods, the payments could be higher,” says Terry.

Terry replies, “We don’t have to invest your entire savings in these investments. We can always leave some money in GICs and bonds that you can access at any time without affecting your eligibility to receive the annual bonus from your segregated fund contract.”

“Good idea,” says John. “I think these GMWB features sound like

Terry adds, “There are very few investment products on the market these days that can provide you with predictable income guaranteed not to decrease no matter how the markets perform, sustainable income that will last for life and the life of your spouse<sup>5</sup>, and potentially increasing levels of guaranteed income to help you keep your savings ahead of inflation. What’s more, you have the option to begin withdrawing income before age 65, or you can even wait longer if you prefer. The choice is entirely yours.”

John and Sylvia decide to follow Terry’s advice and invest some of their savings in a segregated fund contract that features a GMWB. With their future income now secured, they can spend less time worrying about their retirement. •



**SPEAK WITH YOUR ADVISOR**

If you are looking for a means to secure income during your retirement, ask your advisor about segregated fund contracts that provide Guaranteed Minimum Withdrawal Benefits. These flexible features provide you with a number of benefits that are designed to provide predictable, sustainable and potentially increasing levels of income for life.<sup>6</sup>

<sup>5</sup>Includes a spouse or common-law partner as defined by the Income Tax Act (Canada).  
<sup>6</sup>Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.

WHAT'S THE  
**BUZZ** about **BONDS?**





## A CLOSER LOOK AT THIS INCREASINGLY POPULAR ASSET CLASS

Bond-oriented mutual funds have become very popular over the last few years. There are a number of reasons for this, but one trend stands above the rest: with equity markets showing considerable volatility, a large number of mature investors are shunning high-risk asset classes.

**M**any investors turn to bonds to add an element of stability to their portfolios and to help protect their savings from downside risk. Others choose bonds since they typically pay regular income and won't decrease in value if held to maturity. Some investors purchase bonds in the hope of achieving a combination of stability, regular income and potential capital gains.

Depending on your investment needs and overall tolerance for risk, there are a number of bond options worth considering.

### CAN BONDS OUTPERFORM STOCKS?

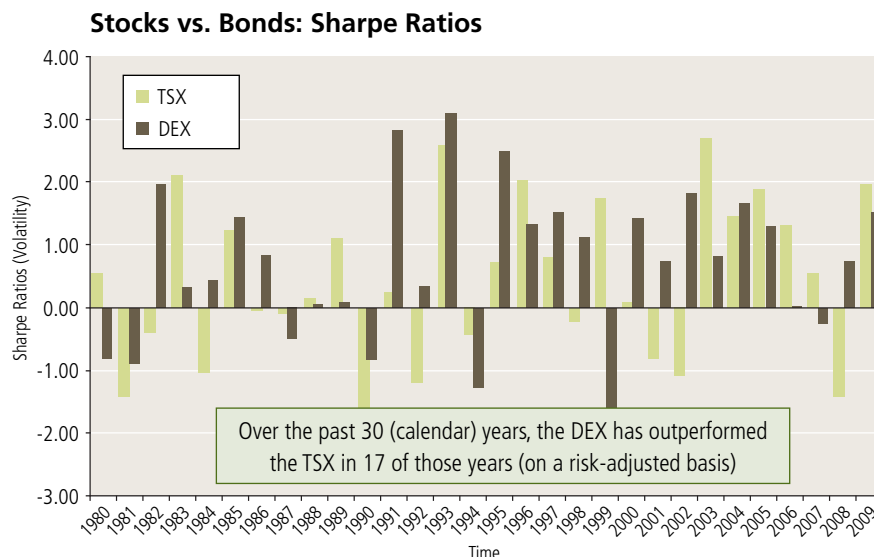
The following graph shows that, over the last 30 years, there have been 17 historical periods during which bonds outperformed the S&P/TSX Composite Index on a risk-adjusted basis.

### WHAT IS A BOND?

Bonds are essentially loans that can be issued by many sources, but the most common are governments and corporations. When you purchase bonds, you are lending your money to the entity from which you bought the bonds. In return, you

receive a fixed rate of interest over a set period of time.

Bonds are like stocks in that they are both traded on secondary markets. Therefore, you can buy bonds after they were originally issued and sell bonds before they mature. Bond prices are subject to volatility in relation to market conditions.



Source: Globe HySales, January 1, 1980 to December 31, 2009, for the DEX Universe Bond Index (bonds) and S&P/TSX Composite Index (stocks). For illustration purposes only. Past performance is not indicative of future performance.



## CAN I LOSE MONEY INVESTING IN A BOND FUND?

Many people have trouble understanding how it is possible to lose money by investing in a bond fund. Here's how this could happen.

In general, interest rates rise and fall in response to economic developments, and a bond's yield can fluctuate based on these changing rates. If inflation is rising,

a central bank will raise interest rates. If you are invested in a bond fund at the time of the rate increase, the value of your investment will likely fall. The reason for this is because the bond market will now pay investors a higher rate of interest for the loan. If you wanted to sell your bonds in the market

## BONDS – A BROAD PALLET TO CHOOSE FROM

As suggested by the size of the global bond market, there are many different types of bonds to choose from. The following table provides a high-level summary of the different types of bonds that mutual funds frequently invest in and lists their general characteristics.

TYPE OF BOND	PRINCIPAL CHARACTERISTICS	LEVEL OF RISK FOR A GIVEN TERM TO MATURITY
<b>Federal government</b>	<ul style="list-style-type: none"> <li>Issued by the federal government</li> <li>Safe since they are backed by the government's ability to print money and collect taxes</li> </ul>	Very Low
<b>Real return</b>	<ul style="list-style-type: none"> <li>Issued by the federal government</li> <li>Designed to offer protection from inflation</li> </ul>	Very Low
<b>Provincial government</b>	<ul style="list-style-type: none"> <li>Issued by provincial governments to fund development</li> <li>Safe since they are backed by the government's ability to collect taxes</li> </ul>	Low
<b>Municipal government</b>	<ul style="list-style-type: none"> <li>Issued by municipal governments to fund local development</li> <li>Generally safe since they are backed by the government's ability to levy property taxes</li> </ul>	Low – Moderate
<b>Floating rate</b>	<ul style="list-style-type: none"> <li>Secured loans made by banks to companies</li> <li>The interest paid on the loans adjusts periodically, based on changes in widely accepted market reference rates</li> </ul>	Moderate
<b>Corporate</b>	<ul style="list-style-type: none"> <li>Issued by corporations to fund expansion and other expenses</li> <li>May pay higher yields to compensate for higher risk</li> </ul>	Moderate – High
<b>Foreign government</b>	<ul style="list-style-type: none"> <li>Issued by foreign governments</li> <li>Backed by that country's ability to collect taxes</li> <li>Higher risk since the value of the investment is subject to currency and sovereign risks</li> </ul>	Moderate – High
<b>High-yield</b>	<ul style="list-style-type: none"> <li>Issued by less stable companies to fund expansion and other expenses</li> <li>Typically pay higher yields than corporate bonds</li> </ul>	High
<b>Emerging market</b>	<ul style="list-style-type: none"> <li>Issued by foreign governments in emerging markets</li> <li>Backed by that country's ability to collect taxes</li> <li>Higher risk since the value of the investment is subject to currency and sovereign risks</li> </ul>	High

Note: Risk levels are approximations made for illustration purposes only.

after the increase, you would have to accept less money for your bonds since the market has adjusted itself to accept a higher rate of interest.

The opposite is also true. If a central bank decides to lower rates, the value of your investment would increase since your bonds would likely pay a higher rate of interest. To adjust for this, the market would pay a premium on the value of your bonds if you decided to sell.

Other factors that can influence interest rates beyond central banks include the bond market's expectations for inflation and future short-term interest rates, as well as the perception of investment risk. Also, supply and demand within the credit markets can influence prices.

## **BONDS FOR ALL SEASONS**

Choosing the right bond fund will likely depend on your financial situation and your investment objectives. Many investors fall into one of the following categories.

### **INVESTING FOR INCOME AND STABILITY**

If your priorities are to generate income and capital preservation, you may want to consider looking for mutual funds that invest in bonds that are issued by the Canadian government. By investing in securities denominated in Canadian currency, you won't have to worry about exposing your savings to swings in foreign currency values. Also, look for a fund that invests in short-term bonds, with less than one year to maturity. Short-term bonds can be less volatile than long-term or mid-term bonds if interest rates rise.

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## **OTHER FACTORS THAT CAN INFLUENCE INTEREST RATES BEYOND CENTRAL BANKS INCLUDE THE BOND MARKET'S EXPECTATIONS FOR INFLATION AND FUTURE SHORT-TERM INTEREST RATES, AS WELL AS THE PERCEPTION OF INVESTMENT RISK.**

---



### **INVESTING FOR HIGHER INCOME AND THE POTENTIAL FOR CAPITAL GAINS**

If you are looking to generate higher levels of income and willing to take on a bit more risk, consider investing in a high-quality corporate bond fund. Mutual funds that invest in high-quality corporate bonds are generally quite stable and typically pay a higher rate of

interest than mutual funds that invest in government bonds with similar terms to maturity.

### **INVESTING FOR HIGHER RETURNS**

If you are willing to take on even higher levels of risk, you may want to look at mutual funds that invest in high-yield bonds and/or emerging market bonds.

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## FLOATING RATE LOANS HAVE THE POTENTIAL TO OUTPERFORM TRADITIONAL FIXED-INCOME SECURITIES IN RISING INTEREST RATE ENVIRONMENTS.

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High-yield bonds are debts issued by companies that may be in financial difficulty or that operate in high-risk businesses. To attract investors, they often pay higher rates of interest.

Similarly, emerging market bonds may be considered higher risk than bonds issued by stable countries and may therefore pay higher levels of interest. There is also the potential to benefit from changes in foreign currency values. For example, a mutual fund that invested in U.S.-denominated emerging market bonds would rise in value if the value of the Canadian dollar fell relative to the U.S. greenback.

Bond fund managers who oversee high-yield and emerging market bond portfolios frequently trade these securities in anticipation of changes in interest rates and currency values. Trading these securities provides potential capital gains (or capital losses), which can increase the level of tax efficiency of your investment returns.

### **SPECIALTY BONDS**

If you are concerned that interest rates will rise in the near future, consider mutual funds that invest in real return bonds or floating rate loans. Real return bonds are issued by the government, and their rate of interest can change in response to changes in the Consumer Price Index (CPI). If inflation begins to rise, the government will increase the amount of interest paid by real return bonds to compensate investors.

Floating rate loans are secured loans made by banks to companies. The loans are called “floating rate” because the interest paid on the loans adjusts periodically, based on changes in widely accepted market reference rates. This adjustment mechanism enables floating rate loans to increase interest payments as interest rates rise. Therefore, floating rate loans have the potential to outperform traditional fixed-income securities in rising interest rate environments.

Determining which type of bond fund is best for you will depend on a number of factors, including your need for income, tolerance for risk and the role the investment will play in your portfolio. You may find that in order to meet your needs, you should consider investing in a diversified portfolio of bonds that includes government, corporate, high-yield and emerging market securities. •

### **SPEAK WITH YOUR ADVISOR**

To determine the best approach, please speak with your advisor. He or she can review your current portfolio of investments and recommend the types of bond funds that may be right for you.





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Thanks to a strong income portfolio management team, extensive global resources and broad fund lineup, Manulife's income-oriented mutual funds can take you further than traditional income funds. Funds like Manulife Strategic Income Fund and Manulife Yield Opportunities Fund can help you get the stability and consistent cash flow you're looking for. Just two of the many ways Manulife's income funds can help you be prepared for whatever lies ahead. How's that for added value?

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WANT TO BE  
DEBT-FREE?

## SIMPLE STEPS TO GET YOUR PLAN ON TRACK

When we think of financial goals, we often think in terms of how much we want to earn or how much we need to save for retirement. A financial goal that gets less attention, but that most of us share, is to be debt-free. In fact, a recent Manulife Bank survey of 1,000 homeowners<sup>1</sup> found that 84 per cent of them considered being debt-free to be a high financial priority (rating it 7, 8, 9 or 10 out of 10). One in three of them considered it to be their top financial priority.

**W**ith “being debt-free” pretty high up on most “to do” lists, you might think we’d be doing well, right?

Unfortunately, the same survey also found that 27 per cent of homeowners actually increased their debt over the past year. A further 17 per cent had the same amount of debt as they did 12 months earlier. The remainder did manage to reduce their debt, but 19 per cent reduced it by less than they had expected. In other words, almost two-thirds of homeowners surveyed are not achieving one of their most important financial goals.

### WHAT ARE WE DOING WRONG?

The results of the survey provide insights that suggest some fairly

simple steps we can take to get our plans on track with our goals.

#### FINDING #1:

**Sixty-five per cent did not shop around the last time their mortgage came up for renewal. Instead, they simply stayed with their current lender. Within this group, a third accepted the first offer that was presented to them.**

#### WHAT’S GOING ON?

Shopping around and negotiating require time and energy and, for some of us, take us outside our comfort zone. Consequently, many of us take the path of least resistance and keep doing what we’ve always done in the past. The problem is that with our debt, as in many areas of our life, the path of least resistance isn’t necessarily the best or most cost-effective.

Our mortgage is typically one of our largest financial obligations. Failing to shop around may end up costing us a lot of extra money in interest payments and keep us in debt much longer than necessary.

#### WHAT YOU CAN DO

If you haven’t shopped around recently, take some time to educate yourself about the different options available. Interest rates are important, but don’t forget to look at product features too, since your ability to become debt-free may be determined as much by the flexibility your mortgage provides as by the rate you receive.

When your mortgage comes up for renewal, remember to look at all of your options and choose the one that’s best for you.

<sup>1</sup>Source: Survey of 1,000 Canadian homeowners aged 30–55, conducted by Research House on behalf of Manulife Bank, April 2010.



## FINDING #2

Forty-three per cent had credit card debt that they didn't repay in full each month.

### WHAT'S GOING ON?

Credit cards can provide tremendous convenience in our day-to-day lives – allowing us to make purchases without carrying around much cash and even to earn reward points. The obvious downside is that they make it easy to spend beyond our means. And, if we don't pay our balances in full each month, we're charged interest at relatively high rates – often 20 per cent or more!

Carrying a balance on your credit card can cost you a lot of money over the long term and may make it more difficult for you to become debt-free.

### WHAT YOU CAN DO

Sit down and look at your credit card bills over the past few months and identify purchases that were “wants” rather than “needs.” If you haven't done this before, you may be surprised at how many items fall into the “want” category and how quickly these can add up. Understanding where your money is going is the first step towards bringing your spending back within your budget.

As for your existing credit card balance, make this your first priority when it comes to allocating extra cash because it's likely your most expensive debt.

## FINDING #3

Sixty-five per cent had two or more debts outstanding.

### WHAT'S GOING ON?

With investments, we often hear that diversification is key and that we “shouldn't put all of our eggs



in one basket.” This is good advice for investments. However, when it comes to debts, the opposite is true. Generally, when we have more than one debt, those debts are charged different interest rates. Ideally, we want to have all of our debt at the lowest rate. Anything else will keep us in debt longer than we need to be.

### WHAT YOU CAN DO

We sometimes associate the word “debt consolidation” with bankruptcy or someone in dire financial straits. In reality, it simply means combining all of your debts into one pool at the lowest possible rate – and it's one of the easiest ways to reduce the amount of interest you pay each month. There are a variety of products on the market that allow you to do this. Some of the most attractive

products combine your debts with your mortgage and generally allow you to access very competitive interest rates.

Being debt-free is a goal that most of us share but many struggle to achieve. These are just three simple steps you can take to help you become debt-free sooner. •

### SPEAK WITH YOUR ADVISOR

One additional step is to talk to your advisor. Your debt is an important part of your overall financial health and your advisor can help you find the tools and strategies you need to manage your debt more effectively and become debt-free sooner.





# \$48,496

## What's your Manulife One number?

Hi. I'm Bob, and this is my Manulife One number. It's the interest my family could save over the life of our mortgage.

By combining all our income, loans and savings into a single account we could be debt-free years sooner. This innovative money saving account comes with infinite possibilities. It could mean a better education for my kids, a few more relaxing vacations or some renovations we've always put off. It's not just my Manulife One number. It's my life in dollars and sense.

**Every homeowner has a Manulife One number, what's yours?**

**Discover it today at [manulifeone.ca](http://manulifeone.ca)**



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HOW TO BUILD A TAX-EXEMPT  
**LEGACY**



## INSURANCE AND INVESTING WRAPPED UP IN ONE SIMPLE PACKAGE

Mike and Sheila are ecstatic. At 55, they're the proud grandparents of Emma – their first grandchild. They're already planning the sleepovers and the trip to Disney. But Emma has got them thinking about something else...

**M**ike, a dermatologist, and Sheila, vice president of a public relations firm, earn very good incomes – and they pay a healthy amount of income tax too. Over the years they've worked with their advisor, Russ, to invest strategically. Careful money management has put them in a fortunate position and they have extra funds they want to use to build an inheritance for Emma – one that won't leave her with a tax burden. So Mike and Sheila have some planning to do, and who better to talk to than Russ? He's coming by their house later today.

### A STRAIGHTFORWARD, COST-EFFECTIVE SOLUTION

"Mike and Sheila, you're in a great position," says Russ. "I know you've

maxed out your RRSPs and you're taking full advantage of your TFSAs, so finding a place to put away extra money isn't an easy task – particularly since the goal here is to make sure the money is tax-exempt when it's passed on to Emma, to other family or even to a favourite charity. But I think I have a solution for you: universal life insurance."

Mike and Sheila are surprised. "Life insurance?"

Russ assures them he's serious and explains, "The beauty of universal life insurance is that it offers you insurance protection and the opportunity to invest and accumulate money in the policy without tax implications. But there has to be a balance between the amount of investments and the amount of insurance. If you don't have enough insurance in

relation to your investments, the balance is off and you may have to pay income tax on some of the investment growth."

Russ tells Mike and Sheila that some universal life plans take care of the balancing act for them by automatically adjusting the amount of insurance. This means they keep the amount of insurance low, while at the same time ensuring the policy stays tax-exempt. It keeps the cost of insurance in check too and makes for easy, hands-off insurance management that can allow Mike and Sheila to focus on their investment options.

"And there's more," says Russ. "How you pay for this type of plan is different from traditional universal life policies. Rather than paying a premium to cover the insurance costs, you're given a guaranteed

rate that's deducted from the posted interest rate of each investment account – it's called a spread rate. When the value of your investments increases or decreases, so does the amount you pay. The rate is based on factors such as your age and health and it's guaranteed to age 85. After that, it's not deducted anymore. And what I love about this design is that – again, unlike traditional universal

life policies – no matter how your investments perform, your insurance costs will always be covered.”

“So you think this plan is right for us? Right for what we want to accomplish?” asks Mike.

“This product has been designed for people like you,” says Russ. He

adds, “It can give you that alternative to taxable investing you're looking for and leave a tax-exempt benefit. Here. I always say a picture speaks a thousand words. Let's look a little closer at how it works.”

### DEPOSIT(S)

- Minimum initial deposit is \$25,000
- Deposits can be made up to the 10<sup>th</sup> policy anniversary
- A two per cent deposit load is deducted from each deposit to offset a provincial premium tax that the insurance company pays

### INVESTMENT ACCOUNTS

- Your deposit(s) go into an investment account or accounts you choose
- The availability of over 50 investment accounts helps ensure that your plan is customized to suit your specific investment profile, risk tolerance, etc.
- Your deposits earn a rate of return based on the performance of the associated accounts, minus the spread rate

### LIFE INSURANCE PROTECTION

- The amount of your initial deposit determines the initial amount of insurance you'll need to keep the policy tax-advantaged
- To pay the cost of insurance, a spread rate, which is determined when your policy is issued, is deducted from the posted interest rate for each investment account
- Each year, on your policy anniversary, the amount of insurance is adjusted to keep it at a minimum, while at the same time making sure it stays within government guidelines for tax-exempt policies

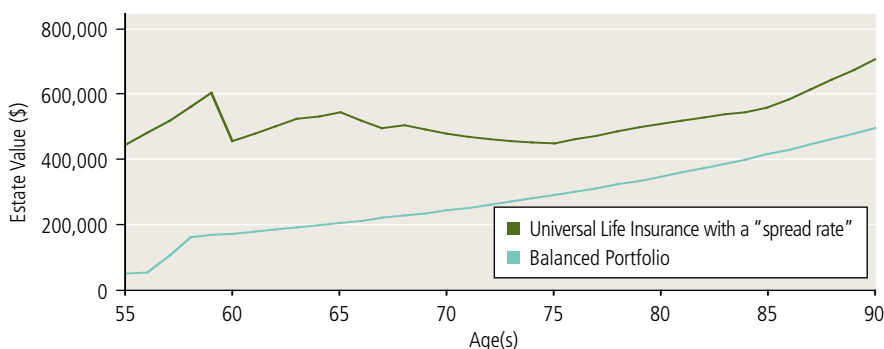
“Don't forget, this is life insurance so you'll need to be underwritten for the policy,” Russ reminds them.

Sheila and Mike both pick up on something Russ mentioned earlier – that this universal life insurance plan is a good alternative to a

taxable investment. They ask if he can show them just how good it is.

Russ has just what they're looking for. He shows them the Estate Value Comparison chart below.

### Estate Value Comparison



#### This example assumes:

- Universal Life Insurance with a “spread rate”: Joint last-to-die policy (one death benefit payable on the death of the last insured), clients 55 years old, Healthstyles 3 underwriting, spread rate is 0.38 per cent, rate of return of five per cent
- Balanced Portfolio: rate of return of five per cent, 30 per cent interest, 20 per cent dividends, 20 per cent deferred capital gains, 30 per cent realized capital gains

“Wow, I'm impressed,” says Mike. Sheila doesn't hesitate: “Me too. I'd like to know more.”

“Okay then,” says Russ, “let's get started.” •

### SPEAK WITH YOUR ADVISOR

For more information on how universal life insurance can fit into your financial plan, speak to your advisor today.





## We've got it covered

When it comes to protecting you and your loved ones, Manulife's got it covered.

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# A MOVING TARGET

## Exploring an investor's adjusted cost base

Investors who own non-registered investments in mutual funds or segregated fund contracts receive a capital gain (or capital loss), subject to tax, whenever a portion of the property is sold. The capital gain (or capital loss) is calculated as the difference between your sale price and your adjusted cost base (ACB).

**M**any investors believe their ACB is the amount they paid for their investment. However, there are other factors that will impact your ACB. Here are some common activities that will cause an adjustment to the ACB on your investments.

### PURCHASE PRICE

You may buy and sell the same investment at different points in time. Each time an identical property is purchased or sold at a different price, the ACB of your total investment must be adjusted.

This is because the cost of all identical properties must be added together to come up with an average cost for each property you own.

Here's an example:

Fred invested \$8,000 in XYZ Fund on March 2 and received 800 units. He made an additional purchase of \$22,000 on July 12 and received an additional 2,000 units. Because he is buying the same mutual fund, the amounts are added together to determine his ACB. This means that the ACB of his total XYZ investment is \$30,000 (\$8,000 + \$22,000) and his ACB per unit is

\$10.71 (\$30,000/2,800 units). If later that year he sells 100 units for \$15.00, his capital gain will be \$429 (\$15.00 – \$10.71 x 100 units).

### YEAR-END DISTRIBUTIONS AND ALLOCATIONS

It's common for mutual fund investors to receive distributions at year-end, with a corresponding tax slip. For segregated fund contracts, the year-end distribution is called an allocation.

What's important to know is that if the mutual fund distribution is reinvested or is received as an allocation from a segregated fund,



## INSURANCE COMPANIES SELLING SEGREGATED FUND CONTRACTS TRACK YOUR ACB FOR YOU AND REPORT ALL TAXABLE AMOUNTS ON YOUR TAX SLIP. NO FURTHER CALCULATIONS ARE NEEDED ON THIS TYPE OF INVESTMENT.

that amount is added to the ACB (or tax paid amount) of the investment because the amount is taxable.

Insurance companies selling segregated fund contracts track your ACB for you and report all taxable amounts on your tax slip. No further calculations are needed on this type of investment.

### OTHER CONSIDERATIONS

Other activities can also impact your ACB, including spousal transfers,<sup>1</sup> special elections, superficial loss rules and income from an investment where a portion is a return of capital.

While it would be difficult to discuss every single provision in our tax law that impacts an investor's ACB, keep this in mind: if it's possible to increase your cost for tax purposes by making adjustments to your ACB, you'll decrease a capital gain (or increase a capital loss), which in turn reduces the amount of tax you'll pay in the long run. It's all part of good tax planning.

Finally, obtain the advice of a tax professional if you have any questions about the ACB of any asset you own, and to ensure that your ACB is calculated properly. •

### EXERCISE YOUR BRAIN! SOLUTIONS (from page 35)

Puzzle by websudoku.com

6	7	3	4	1	2	9	5	8
9	8	4	7	5	3	2	6	1
2	5	1	8	6	9	7	4	3
1	2	8	6	9	4	3	7	5
3	9	6	5	2	7	8	1	4
7	4	3	8	1	6	9	2	5
8	1	7	4	2	6	5	3	9
4	6	8	1	5	7	9	2	3
5	6	9	3	1	8	4	2	7

Medium

Puzzle by websudoku.com

3	6	5	9	1	7	4	8	2
7	1	2	4	6	8	5	9	3
8	4	9	2	3	5	1	7	6
6	8	9	7	5	2	3	4	1
2	3	7	1	8	4	6	5	9
1	5	3	6	9	7	2	4	8
4	5	1	3	9	6	7	2	8
9	8	6	5	4	1	2	3	7
5	4	1	8	9	7	6	3	2

Easy

<sup>1</sup> Such transfer may be affected by the attribution rules and an expert should be consulted before proceeding with such a transfer.

An illustration on a textured, light green background featuring five stylized birds with brown wings and orange-red chests. The birds are arranged in a circular pattern, each with its beak open as if speaking. Red dashed lines connect the birds in a network, with small white hands pointing along the lines. The text "SOCIAL MEDIA" is written in a white, serif font, arched across the center of the image.

# SOCIAL MEDIA

JOIN THE CONVERSATION



“Social media” is all the buzz, with more and more individuals and companies embracing it as a way to communicate. But what exactly is it?



Although social media tends to reach a wide audience, it's not “mass media.” With mass media – for example, television, radio and newspapers – there are few opportunities for social interaction. A television show may let you vote for your favourite singer, a radio program may have a call-in show and a newspaper may have personal classifieds, but on the whole it's hard to jump in and have your say.

Social media, on the other hand, is all about social interaction. Using social media software and the Internet, anyone can broadcast a message. You don't even need to know how to code a web page. It's easy to join communities that share specific interests, read what others are posting and then post replies in real time.

Social media includes blogs, podcasts and Internet forums – but some of its most famous incarnations are Facebook, Twitter and LinkedIn. All three are accessible on both computers and mobile devices (such as smartphones), so they can travel with you wherever you go.

## FACEBOOK

Launched in 2004, Facebook (facebook.com) had its origins in a Harvard dorm room. The founders opened it up to Harvard students, then to students at other universities and, eventually, to everyone aged 13 and up. In six years, it has attracted 500 million users worldwide. It has

also inspired a movie, *The Social Network*, released in October 2010.

### PROFILE

Every Facebook user has a “profile,” where they can choose to share information about themselves, their education, work experience and interests, as well as photos.

### WALL

An important part of the profile is the “wall,” where you and your friends can chat back and forth about everything from world politics to the weather. You can also use the wall to post links to news stories and videos and comment on them. The default home page in Facebook is the “news feed,” where you can quickly skim through everything posted on your friends' walls.

### STATUS UPDATES

“What's on your mind?” is the question Facebook asks every user at the top of their wall. That's where you enter a “status update” that tells your friends (or, if you choose, every Facebook user) what you're thinking and doing. For more private communications, Facebook offers a “messages” feature that works more like email – sent only to the people you choose.

### FRIENDS

Facebook wouldn't be a “social media” site without friends. You can use a search tool to find out if your real world friends have Facebook profiles, and then send out friend requests. Once a friend has accepted your friend request (depending

on their privacy settings), you can access your friend's profile and post to their wall.

## TWITTER

A day of brainstorming at podcasting company Odeo led to Twitter's creation (twitter.com) in 2006. Today, this tool – originally developed as an internal service for Odeo employees – sees traffic of about 65 million tweets every day. That's 750 tweets every second. With more than 100 million users, growing rapidly, Twitter has also made headlines for enabling communication during significant political events, such as the 2009 election protests in Iran.

### TWEETS

Messages posted on Twitter are called “tweets” (or “retweets” if they're posted again by someone else) and they are limited to 140 characters in length. To help squeeze more information into that limited space, a number of websites (such as bit.ly and is.gd) have sprung up offering URL shortening services that enable people to tweet website links.

### FOLLOWERS

Friends, family, businesses and favourite celebrities may all have Twitter accounts. You can search for people and, when you find someone whose tweets interest you, you can become their “follower.” Their tweets will show up on your Twitter home page, with the most recent tweets appearing at the top of the list. In return, people can choose to follow your tweets.



## # AND @

Sometimes Twitter seems to have a language all its own. The # symbol followed by a topic is a way of indicating your tweet is about that topic. The @ symbol followed by a Twitter user name is the conventional way to refer to someone else.

## TRENDS

Check out topics that are currently being discussed by a large number of Twitter users in the “Trending: Worldwide” section of the home page. There’s also a new feature that lets you set your location and see “Local Trends.” Then – because Twitter is “social media” – you can join the conversation.

## LINKEDIN

Designed primarily for professional networking, rather than socializing, LinkedIn ([www.linkedin.com](http://www.linkedin.com)) was launched in 2003 and has more than 75 million registered users. The site allows its members to build a contact list of people they know and trust, and to introduce people within that contact list who may be interested in doing business together.

## PROFILE

A LinkedIn profile spells out the user’s credentials, including education, past and current positions and, perhaps most importantly, recommendations from other LinkedIn users. It’s designed to be a resource for employers looking for potential job candidates, so many profiles are as detailed and businesslike as resumes.

## CONNECTIONS

A contact on LinkedIn is known as a connection – and users are expected to invite only those they actually know to become their connections. Users are, however, encouraged to ask their connections for introductions to their connections – people one degree of separation away who may become useful business contacts. You can also join groups to expand your circle of connections – for example, alumni groups, groups maintained by professional organizations or groups of people with similar interests.

## JOBS

From a job seeker’s perspective, LinkedIn allows users to search job postings, review hiring managers’ profiles and find key information

about a company, including current employees and new hires they may be able to connect with through existing contacts – all free of charge. LinkedIn will even suggest jobs you may be interested in based on your profile. Employers can post jobs and engage LinkedIn’s more sophisticated hiring solutions – for a fee.

## NETWORK ACTIVITY AND INBOX

Like Facebook’s status updates, LinkedIn has network activity updates that enable you to share opinions and interesting links. And like Facebook’s messages, LinkedIn has an inbox that allows users to exchange personal messages.

## AN INTERACTIVE EXPERIENCE

Social media – whether it’s Facebook, Twitter or LinkedIn – is an interactive experience that enables you to engage in dialogue on any topic imaginable with people around the world. It’s a new way to renew friendships and make connections, for business or pleasure, and it truly is changing the way people communicate in the 21<sup>st</sup> century. •

## GADGET CORNER

Here are some gadgets for the techies on your gift list:

- **FreeLoader Portable Solar Charger** ([www.solartechnology.co.uk](http://www.solartechnology.co.uk)): Collect energy from the sun, store it and then use it to recharge cell phones and iPods.
- **SPOT Satellite GPS Messenger** ([www.findmespot.ca](http://www.findmespot.ca)): Send an SOS to emergency services in areas where cell phones have no signal thanks to 100 per cent satellite technology.
- **Metallic Lighter Secret Agent Spycam** ([www.thinkgeek.com/gadgets/security/dc78](http://www.thinkgeek.com/gadgets/security/dc78)): Imagine you’re James Bond with the first HD-capable spycam that looks like a cigarette lighter.
- **SafeDriver Wireless Vehicle Monitor** ([www.lemurmonitors.com](http://www.lemurmonitors.com)): Track your teens’ speed, distance travelled and sudden braking with this tamper-proof device installed in your car.

## FUN & FOOD

# Exercise your brain!

Sudoku puzzles are a great daily workout for your brain. They're fun, challenging and addictive – and good for you too! Here are two Sudoku puzzles – one easy and one at a medium level of difficulty.

To solve: Enter digits from 1 to 9 in the blank spaces. Every row, every column and every 3 x 3 square must contain one of each digit. Try to do it without peeking, but if you need help the solutions are on page 31.

Easy

					6	3	2	
	6					1		4
7			1	4	5			
		7		9			5	1
9		6	4		1	7		2
1	4			5		8		
			5	3	2			8
3		5					1	
	8	4	7					

Puzzle by websudoku.com

Medium

7							6	
6	8		5	7		2		
	3	5	6					
	9		1		3	5		
				2				
		3	4		6		2	
					8	1	5	
		2		5	7		8	9
	5							6

Puzzle by websudoku.com

# Carrot Cake Roll

## Carrot cake roll ingredients:

3 eggs + 1 yolk	2 tsp baking powder
2/3 cup sugar	1/4 tsp salt
1 tsp vanilla	1 tsp cinnamon
1 cup cake flour	1 cup carrot, grated
2 tbsp cornstarch	1/4 cup canola oil

## Filling and frosting ingredients:

1 cup cream cheese, at room temperature
1/2 cup butter, at room temperature
100 g white chocolate, melted
1 tsp vanilla
3/4 cup walnuts or pecans, chopped

1. Preheat oven to 350F and line 10"x 15" jelly roll pan with parchment paper.
2. Beat eggs, yolk and sugar over boiling water in double boiler on medium speed for 10 min until it's thick and pale. Add vanilla.
3. Sift flour, cornstarch, baking powder, cinnamon and salt over egg mixture and fold it in gently.
4. Fold in carrot and oil.
5. Turn batter into prepared pan, spread evenly. Bake for 15-20 min until springs back when touched.
6. Let stand on a cooling rack for a couple minutes and roll it up tightly.
7. Meanwhile beat cream cheese with butter until smooth, add white chocolate and vanilla.
8. Unroll the cake and spread 1/2 of filling over cake evenly. Sprinkle with 1/3 of nuts and roll up again.
9. Spread remaining filling over the top and sprinkle with nuts.
10. Chill until ready to serve.

\*This recipe is reprinted with permission from Personal Chef Lana Elizarov.



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