

## Maximize return on your investment

In these times of high taxes, low interest rates, and uncertain politics, maximizing your return on investment is important. Although we would all like to be able to choose the best mutual fund, stock, bond or GIC at the right time, this is not the most reliable way to achieve better results.

Better results start with choosing the optimal proportion of stocks, bonds and other investments in your portfolio. Strategic asset allocation has a far greater long-term impact on returns than the selection of specific funds or securities at the right time. Studies have shown that 92% of an investor's return comes from being invested in each asset class in the right proportion over the long term.

Fidelity's Magellan Fund in the United States had an average compound annual return of approximately 20% per year over 15 years, but when calculating the average return earned by each investor over that period, it was found to be -1% per year. Rather than employing a buy and hold strategy, many investors felt they could improve on the performance, and so tried to buy low and sell high on a number of separate occasions. Obviously, market timing does not work.

In the past, it was up to your financial advisor to suggest a portfolio mix based on information that he

or she had gathered about you. Obviously this would involve a large degree of subjectivity. While one person may consider equities to be high risk, another may deem them necessary to counter the risk of inflation.

Having explored a number of software packages available including Mackenzie's INFOMAC, AGF's MAP Asset Allocation software and Talvest's Asset Allocation Analyst, I prefer the Talvest software. Asset Allocation Analyst provides the objectivity of a computer program with the flexibility needed for the unique situations that come up.

The Asset Allocation Analyst software makes use of the "Efficient Frontier." This is the exact proportion of asset classes that can maximize your return, while reducing your risk. Although an equity is generally considered to be higher risk than say, a mortgage fund, combining that equity with the mortgage fund in the correct proportion can effectively reduce the overall volatility because the individual investments perform differently in different economic climates.

At the same time, over the long term the portfolio provides a higher return than would be achieved by each investment individually.

— By Melissa DeBrouwer, Donaldson Bourgon Financial Services, Milton

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## Starting a pre-authorized savings plan

If you're like most people, every year about this time you start thinking of New Year's resolutions. And, if you are really like most people, by the time the first of February rolls around, your resolutions are as much a part of history as the old year.

If one of your resolutions for 1996 is to start a savings plan to improve your financial health, here are some tips that may help you keep your resolve.

First, the sooner you start the better. Consider the case of the 23-year-old and the 31-year-old who each decide to start saving \$100 per month. The 23-year-old keeps doing it for nine years and then stops, having a total of \$10,800 which is left invested until age 65. The 31-year-old keeps putting aside \$100 a month until age 65, saving a total of \$42,000.

Despite the perseverance, the 31-year-old never does catch up with the 23-year-old. Assuming both earned an average annual return on their savings of 8%, at age 65 the 31-year-old's \$42,000 has turned into \$229,400. The 23-year-old's \$10,800 has turned into \$236,800. Obviously the sooner you start the better.

Whatever age you start at, however, they other key is regularity. A pre-authorized savings plan can be set up to put aside a fixed amount at regular intervals. This can be quarterly, monthly, weekly or whatever interval fits your situation. By making your saving regular it's easier to keep that resolution.

Another secret is to get your money invested as soon as possible and keep it invested. A good approach is to use your pre-authorized purchase plan to make regular contributions to a family of mutual funds. You can do this for as little as \$25 per fund which allows you to allocate your savings into several different types of investments to match your own personal financial objectives.

So if you want to keep your financial resolution this year: start now, save regularly, stay invested and allocate your savings. For assistance in getting started with a pre-authorized savings plan, talk to your banker, feel free to call the TD's Investment Hotline at 1-800-268-8166 or visit TD's Internet site at:

<http://www.tdbank.ca>

— Submitted by Kathy Rowntree,  
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