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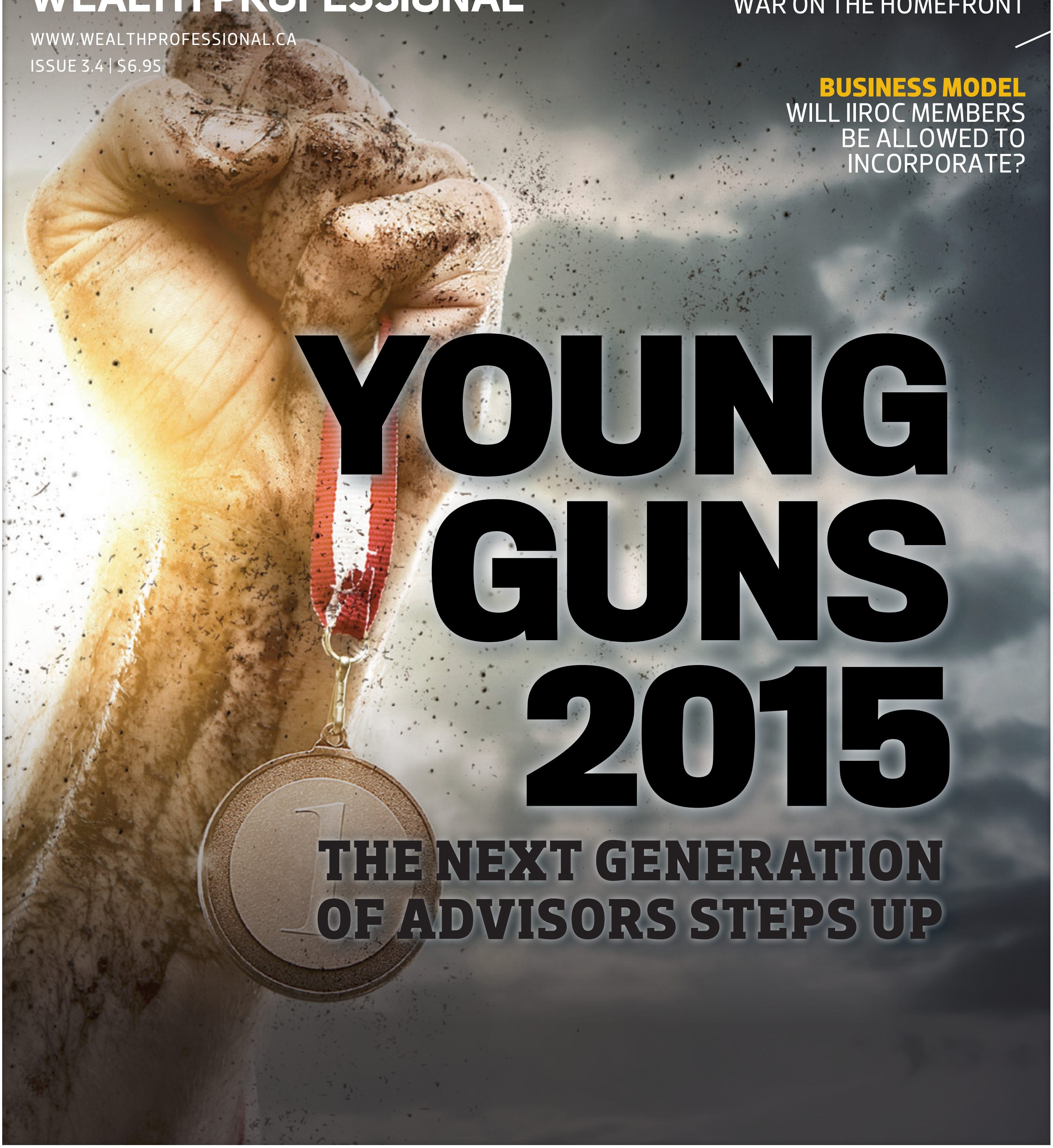
SUN LIFE AT 150
DEAN CONNOR SPEAKS OUT

AFGHANISTAN VETS
FIGHTING THE FINANCIAL WAR ON THE HOMEFRONT

BUSINESS MODEL
WILL IIROC MEMBERS BE ALLOWED TO INCORPORATE?



YOUNG GUNS 2015

THE NEXT GENERATION OF ADVISORS STEPS UP

ETF PORTFOLIO CONSTRUCTION WORKSHOP

Wealth Professional's monthly look at building a better ETF porfolio

This is *Wealth Professional*'s very first ETF portfolio construction workshop, the first in what we hope will be a regular feature tapping the plans and the thoughts of Canada's biggest providers and the most succcessful advisors.

Sponsored by Invesco PowerShares, this month's feature combines the chartered financial planning experience of Karin Mizgala, CEO of Money Coaches Canada, a national network of advice-only professionals, with John DeGoey, a financial advisor at Burgeonvest Bick Securities in Toronto – one of the earliest adopters of ETFs in Canada.

Mizgala brings to the workshop a client case study: a Vancouver couple, both working and in their mid-forties. They have two children aged five and seven, and hope to retire by age 65.

Using on the couple's profile, Mizgala has provided the appropriate asset allocation for her clients based on their current goals and desires for the future. DeGoey will provide

It's not just about finding the right ETFs for a portfolio; it's doing so with an acceptable level of risk

INVESTOR PROFILE

Jennifer and Mike (not their real names) own a home valued at $600,000 with a mortgage of $380,000. In addition to equity in that primary residence, the couple has a combined $258,000 in RRSPs, $62,000 in TFSAs, $28,000 in taxable investments and an RESP balance of $38,000. In addition, Mike has a defined benefit pension plan. The couple has three major goals:

1. Retire by the age of 65 – Mike is 43 and Jennifer 44
2. Continue to contribute to their children's education
3. Buy a small used boat (value $15,000) within two years

The couple has done a good job maxing out their TFSAs since the account's introduction in 2009. It's possible that the money required for the boat purchase will either come from one of their TFSAs or their joint non-RRSP account.

In terms of their investments, Jennifer's risk tolerance and investment knowledge is medium to high, while her desired level of involvement with investment management is low. Mike's risk tolerance is medium, while his investment knowledge and desired level of involvement in investment management is extremely low.

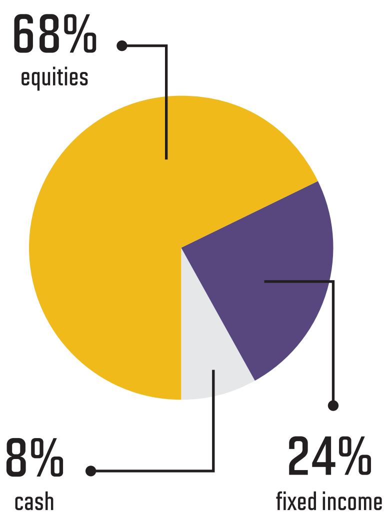
ETF recommendations based on the allocations below.

Asset allocation

While Mizgala provided *Wealth Professional* with asset allocation recommendations for both Jennifer and Mike, in the interest of space, we've presented her recommendations in one overall package. Generally, though, financial advisors would address a couple's situation both separately and as a whole. Because Mike's financial acumen isn't nearly as proficient as his wife's, the overall allocation won't be as equity-based as it would be if Jennifer's situation were presented alone.

Mike and Jennifer have total investment assets of $386,000. Mizgala recommends an weighting of 68% in equities, 24% in fixed income and 8% in cash.

RRSPs – Mike and Jennifer have combined RRSP assets of $258,000. Mizgala recommends a weighting of 68% equities, 27% fixed income and 5% cash.



TFSAs – Mike and Jennifer have combined TFSA assets of $62,000. Mizgala recommends a weighting of 55% equities, 25% fixed income and 20% cash. Remember, there's a boat to be paid for, hence the higher cash allocation.

Joint non-RSP – Mizgala recommends that 100% of the $28,000 here be invested in equities.

POWERSHARES CANADA

PowerShares Canada's ETFs provide advisors with a suite of low-volatility ETFs, which may be a smart choice in periods of equity market volatility. PowerShares' low-volatility ETFs are built on an easy-to-understand index methodology that's transparent by nature and uses smart beta investment strategies to potentially generate benchmark-beating returns.

The company's philosophy boils down to the belief that you can't beat the benchmark by following the benchmark. The smart beta product line reflects this belief and is designed to provide investors with a smarter way to access the markets. By partnering with next-generation index creators, PowerShares Canada delivers ETFs that go beyond market capitalization weighting, seeking to manage risk and enhance returns.

PowerShares Canada is a registered business name of Invesco Canada Ltd.

ETF PORTFOLIO CONSTRUCTION

Portfolio breakdown

20.9%	iShares Short Term Strategic Fixed Income ETF (XSI)	While a bit too aggressive for some, this new product offers diversification across a number of income mandates
15.6%	Vanguard FTSE Developed ex North America Index ETF (VDU)	Offers wide exposure to the world outside of North America (relatively rare among most people) at a reasonable cost
13.6%	Vanguard S&P 500 ETF (VFV)	A vanilla way to get access to US large-cap stocks at a ridiculously low cost
12.3%	iShares MSCI World Index ETF (XWD)	A great option for small accounts because it offers instant global diversification as a single-ticket solution
6.8%	PowerShares S&P 500 Low Volatility Index ETF – Hedged (ULV)	Low-volatility exposure to US large-cap stocks with historically higher yields than the S&P 500
6.8%	PowerShares S&P International Developed Low Volatility Index ETF – Hedged (ILV)	Low-volatility exposure to international assets – e.g., US stocks with historically higher yields than the MSCI
5.4%	First Trust AlphaDEX Emerging Market Dividend ETF - Hedged (FDE)	A 'factor' approach to investing in emerging markets, an asset class that is under-owned by most people
5.4%	Vanguard FTSE Canada All Cap Index ETF (VCN)	Broad exposure to Canadian stocks, including mid-cap and small-cap companies that often perform better over time
2.5%	PowerShares 1-5 Year Laddered Investment Grade Corporate Bond Index ETF (PSB)	Short-duration, investment-grade corporate exposure that offers balance to RESP portfolio
2.0%	BMO Low Volatility US Equity ETF (ZLU)	More conservative investors like Mike might prefer a low-volatility exposure to equity investments
1.2%	Vanguard FTSE Canadian High Dividend Yield Index ETF (VDY)	Canadian dividends as a surrogate for income – dividend yields are higher than bond yields
7.5%	Cash	

"It's about bringing together different sub-asset classes to produce reasonable returns in most every … economic climate"

RESP – Mizgala recommends 65% of the $38,000 go into equities, 25% into fixed income and 10% into cash.

Portfolio construction

John DeGoey has been constructing and deconstructing investment portfolios since 1993. He knows a thing or two about ETFs and how best to utilize them in a client's portfolio. Given the asset allocation provided by Mizgala, John's has provided us with the appropriate portfolio construction.

The process involves organizing Jennifer and Mike's investment portfolio in a logical, organized manner where all the pieces fit together so that the couple is able to achieve most, if not all, of their investment objectives and by extension, their major life goals.

It's not just about finding the right ETFs for a portfolio; it's doing so with an acceptable level of risk. It's not just about providing diversification; it's about bringing together different sub-asset classes to produce reasonable returns in most every investment and/or economic climate — in good times and bad.

Conclusion

This balanced strategy should give Mike and Jennifer the portfolio they need to achieve their goals – both now and in the future. WP