Perler Financial
Group Inc

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Financial Management
Sponsoring Mutual Fund Dealer

Vested Interest

Quarterly Newsletter · October 2010

MAIN FOCUS THIS QUARTER:

Segregated Funds

Source: CI Funds

As with any investment product, there are pros and cons. There definitely are some great advantages of segregated funds, but it is important to note that there are cons as well: the cost of segregated funds is much higher than other funds. Since there is a guarantee to this product, you do have to "pay the price" for such a benefit. If you are interested further in segregated funds, please do not hesitate to give Harry Perler a call.

That all being said, the article below provides a very good description of the pros segregated funds have to offer:

Like many Canadians, you are working toward your financial goals by investing your money in mutual funds. Whether it's investing for retirement or for any long-term savings goals, you have many options available to you.

Segregated Funds combine the growth potential of mutual funds with the security many investors want for themselves and their beneficiaries. A segregated fund provides the potential for superior returns with valuable insurance guarantees.

When you invest in a segregated fund, you are actually buying an insurance contract. The money from each contract is then invested in a segregated fund, which is actually a separate account maintained by the insurance company to hold the units of the underlying mutual fund. By law, only investors in the segregated funds have any rights to the assets of these accounts if anything should happen to the insurance company.

Benefits of investing in segregated funds

Like mutual funds, segregated funds offer growth potential along with the benefits of diversification and active management expertise at lower costs than you would pay if you invested individually.

But with segregated funds, you also have the advantage provided by insurance guarantees which state that you will receive the greater of at least 75% of your original investment or the current market value of your investment at the maturity date. Some segregated funds offer you the option of a 100% guarantee at maturity. In this situation, should you die before the maturity date, your beneficiaries will

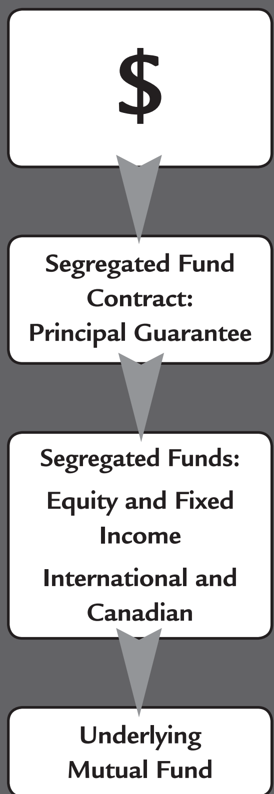
INSIDE:

Upcoming Client Appreciation Events:

Perler Financial Group Harvest Day – Saturday October 30th!
Join us for a fun-filled Harvest Day on Saturday, October 30th, at Pitt Meadows Heritage Hall, 10am to 2:00pm. See the enclosed invitation for further details. RSVP by October 20th by phoning Stefanie at 604-468-0888. Don't forget, we will also be collecting 'gently used' winter coats during this special event for those in need.

Perler Financial Group Movie Day – Saturday November 27th!
Be sure to check your mail box soon for more information on the upcoming Movie Day! This is a popular event that you won't want to miss!

Segregated Funds cont'd.



receive at least 100% of your original investment or the current market value at the time of your death, whichever occurs first.

You can buy and sell segregated funds at any time. However, if you sell prior to the maturity date – typically a 10-year term – you will receive the market value which may be less than your original investment.

Segregated Fund Benefits For You and Your Estate

Some segregated funds include a "reset" feature, which allows the investor to lock in investment gains and reset the minimum guaranteed amount at a higher level.

In addition to the death benefit that helps you preserve your investments for your beneficiaries, segregated funds can help you avoid costly delays that can affect the value of your investments as funds will flow directly to your beneficiaries, bypassing probate.

If you own a business, are self-employed or are the director or officer of a company, your savings can be at risk if creditors can claim your personal or business investments. However, as an insurance contract, segregated funds are out of reach to creditors if you name a spouse, child, parent or grandchild as beneficiary. The protection isn't foolproof, but should be effective if you don't try to use your segregated funds as an emergency asset shelter.

Who Can Benefit? You can if:

· Your objective is to maximize growth potential and minimize risk of principal

· You are new to the world of mutual funds or have lost confidence in them after the bear market

· You are developing an Estate Plan

· You are a Professional or Business owner looking for protection against Creditors.

Segregated Funds Give Investors Another Choice

· A broad range of investment alternatives and managers

· Security and peace of mind

A description of the key features of the applicable individual variable annuity contract is contained in the information folder. SUBJECT TO ANY APPLICABLE DEATH AND MATURITY GUARANTEES,ANY PART OF THE PREMIUM OR OTHER AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND IS INVESTED AT THE RISK OF THE CONTRACT HOLDER AND MAY INCREASE OR DECREASE IN VALUE ACCORDING TO FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE RELEVANT SEGREGATED FUND.

Reminder!

If you have not yet taken advantage of the Tax Free Savings Account this year, be sure to give Harry a call to get you organized to do so.

Any unused contribution room can be carried forward from one year to the next so start saving Tax-Free today!

Thank you!

A heartfelt thank you for your continued patronage and all your referrals. Your confidence in us is truly appreciated!.

Bonds explained: Government, Corporate, & Bond Mutual Funds

What is a bond?

In simplest terms it is a loan. When you purchase a bond you are lending your money to the person issuing the bond. This can be to any level of government (federal, provincial, municipal or government agency) or a Corporation. In return they promise to pay you a fixed rate of interest over a set period of time. You get a stream of income for lending out your money. At maturity you are also promised your original investment back.

However, there are still risks. These risks include but are not limited to: Inflation, Interest rate fluctuations, liquidity (you may not be able to sell your bond immediately at a reasonable price), credit spread, supply and default (there's a possibility that the issuer might not be able to pay you back - this is least likely with federal government bonds).

Bonds tend to have lower fluctuations in value than stocks. But they can still fluctuate in value. This fluctuation happens between when the bond was issued and the maturity of the bond. When interest rates rise, new bond issues will have higher interest rates than your bond. Therefore, if you sell your bond before maturity, you may have to sell it at a discount or lower price than the original face value. Conversely, when interest rates fall, new bond issues will have lower interest rates than your bond, so if you sell it before maturity you may receive a higher price or premium over face value. Because of this fluctuation you can end up with a capital gain or loss in addition to interest income.

Government Bonds:

A government bond is one where you lend your money to the government. They are usually considered to be risk-free, as the government is able to raise taxes & "make" money to fund the repayment of the bond at maturity. The government then typically uses these funds to pay for a variety of things. Including but not limited to: government services, construction projects, schools, hospitals, bridges, and airports.

Government bonds can be purchased for as short a time as 30 days to as long as 30 years. Bonds for 30 days to 1 year are referred to as Treasury Bills or T-bills. The shorter the bond the less risk there is involved and typically the lower the interest rate.

Government bonds also typically pay the lowest rate of interest because they are virtually risk free.

Corporate Bonds:

A corporate bond is a bond issued by a corporation. The corporation issues the bond to help raise funds to typically expand its business. Corporate bonds are typically 1 year or longer. Commercial paper is a term used for issues shorter than 1 year.

The corporate bond market offers a wide range of credit quality & interest rates to the investor.

Corporate debt typically falls into several broad categories:

- Secured debt vs unsecured debt
  - Is there any real estate, or other assets being held as collateral for the debt?
- Senior debt vs subordinate debt
  - Where does the debt issue fall in relation to other debt issues? Generally the higher one's position in the company's capital structure, the stronger one's claims to the company's assets in the event of default.

In the event of default or bankruptcy by the corporation bond holders have a higher place over stockholders and creditors and thus a better chance at getting their money back.

Corporate bonds generally have a higher risk of default than government debt. Corporate bond holders are compensated for this risk by receiving a higher rate of interest than government bond holders do.

Corporate bonds that have lower credit ratings than investment grade bonds are known as high yield or junk bonds. They typically need to pay an even higher rate of interest to get people to invest. The higher rate of interest helps compensate the investor for the higher risk of default.

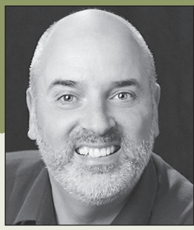
Tis the Season!

Summer has just ended, and already we are looking at the Christmas season ahead of us!

Last year was the first year, instead of sending out calendars to each of you, we had decided to donate the funds to selected charities in your honor. We received such positive feedback, that we are planning to do the same this year. Last year we donated to the following charities:

- The Salvation Army
  www.salvationarmy.ca
- Vancouver Rape Relief and Women's Shelter
  www.rapereliefshelter.bc.ca
- Covenant House Vancouver
  www.covenanthousebc.org
- Vancouver Humane Society
  www.vancouverhumanesociety.bc.ca

We would love to have your input again this year. If you would like to see the funds donated to one of the above, or if you have another in mind, please forward your suggestions to info@perlerfinancial.com. We will select the top four recommendations to donate to in your honor.



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Mutual funds provided through Worldsource Financial Management Inc.

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Bond Mutual Funds:

It is a Mutual Fund that invests in bonds and other debt securities. They are a more conservative investment & the aim of the fund is to protect the principal invested while paying out regular income.

A bond fund can hold any of the above mentioned types of bonds. But the mix of the holdings will depend upon the type of fund and the choices of the fund manager managing the fund. Investors typically invest in a bond fund for the income and instant diversification (you get many different bonds in one investment). Bond funds tend to pay out higher dividends than money market or savings accounts, and they usually pay out dividends more frequently than individual bonds.

Bond funds offer diversification, liquidity & professional management. They are considered low risk, but that does not mean risk free. They are still subject to the same credit and interest rate risks as regular bonds.

Be sure to speak with Harry Perler about which investments are right for you.

Retirement Money Matters

Have you worked out your budget?

What you are able to do in retirement can be limited by your income. Retirement usually means a drop in income, so you may find that you need to be more aware of your expenses in order to keep your finances under control. Drawing up a budget lets you keep track of your expenditures, and can also highlight areas where you can cut back or make savings. Remember to regularly check that you are receiving all the benefits you are entitled to.

Taking advantage of the many discounts and concessions available to retirees can also help make your money go further.

Are you getting the most from your pension fund?

If you have a Defined Benefit pension plan with your employer the main decision you will have to make is what to do with any lump sum benefit you may receive. If, on the other hand, you have contributed to a Defined Contribution or money purchase plan, one of the key decisions that you will have to make when you retire is how best to withdraw the money built up in your pension fund.*

You may be able to withdraw some or all of the proceeds as a lump sum, which is fully taxable. Or you can choose to convert your pension assets to an annuity or a Registered Retirement Income Fund (RRIF).

An annuity provides a guaranteed income for the rest of your life. How much you receive depends on the type of annuity you choose, as well as the rates in effect on the date you decide to buy.

As an alternative to buying an annuity, you may opt for a RRIF. A RRIF provides for periodic income, while continuing to tax-shelter the remaining capital. You can continue to invest your RRIF assets in different types of investment vehicles.

The decisions you make about how to disburse your pension funds will affect your standard of living for the rest of your life. Speak to a financial advisor before making any major financial decisions.

* Pension plan money is subject to provincial pension legislation.