# Can you take on more risk to achieve higher rates of return?

During a recent review of the University's pension plan, we noticed that you are investing in some of the most conservative investments available:

- Guaranteed funds
- Money market fund

These funds can play a key role in your pension portfolio. However, if you direct all or a large portion of your portfolio to these conservative investments, you may be at risk of not achieving your retirement savings goals.

Take some time today to review your pension account, together with any investments you have outside the University's pension plan, to consider if your total current investment mix will help you achieve your retirement savings goals. You may find that you need a more diversified mix of asset classes with different risk levels.

## What is diversification and why is it important to me?


Diversification is an important strategy to minimize risk when selecting your pension investment options. You may be familiar with the saying **"never put all your eggs in one basket"**. In the context of pension investing, this means having a mix of asset classes in your pension portfolio to help you earn investment income, while at the same time protecting your pension portfolio from market fluctuations.

For example, if you have your entire pension portfolio invested in guaranteed investments, you will be earning a small amount of interest. However, you would likely not have sufficient investment earnings over time to offset inflation rates. In this case, increases in inflation rates will reduce or eliminate the small amount of investment income you do earn and this may not be sufficient.

When deciding how to invest your pension contributions, consider the asset classes available to you in the University's pension plan. Understanding the relationship between risk and reward is a key piece in choosing how to invest your retirement savings. The general rule is that **"the more risk you take, the higher the potential reward you may earn."** Ask yourself: "Am I comfortable taking on more risk to potentially earn a higher rate of return on my investments?" "How many years do I have until I want to retire?"

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The University's pension plan offers the asset classes and funds listed below:

| Lower risk (Lower reward) | |
|---|---|
| **Asset class** | **Funds available** |
| Guaranteed | SUN LIFE ASSURANCE 1-YEAR GUARANTEED FUND<br>SUN LIFE ASSURANCE 3-YEAR GUARANTEED FUND<br>SUN LIFE ASSURANCE 5-YEAR GUARANTEED FUND |
| Money market | SUN LIFE FINANCIAL MONEY MARKET SEGREGATED FUND |
| Fixed income | PH&N CORE PLUS BOND SEGREGATED FUND |
| **Higher risk (Higher reward)** | |
| Canadian equity | BEUTEL GOODMAN CANADIAN EQUITY SEGREGATED FUND<br>BEUTEL GOODMAN SMALL CAP SEGREGATED FUND<br>CC&L GROUP CANADIAN EQUITY SEGREGATED FUND<br>FIDELITY TRUE NORTH® SEGREGATED FUND |
| U.S. equity | BLACKROCK U.S. EQUITY INDEX SEGREGATED FUND (REGISTERED) |
| International equity | BLACKROCK EAFE EQUITY INDEX SEGREGATED FUND<br>MFS INTERNATIONAL EQUITY SEGREGATED FUND |
| Global equity | MFS GLOBAL EQUITY SEGREGATED FUND |
| Foreign equity | MFS RESPONSIBLE GLOBAL RESEARCH SEGREGATED FUND |

Different asset classes (stocks and bonds in particular) and geographical regions perform well at different times. Since no one can predict exactly when one type of investment will outperform the others, or lose strength and begin to decline, an effective approach is to hold a diversified mix of investments.

**Creating your investment mix** – the percentage of cash (i.e. money market funds and guaranteed investments), bonds (i.e. fixed income funds) and stocks (i.e. equity funds) that you hold in your portfolio – is the first level of diversification. You also want to think about having a globally diversified portfolio. This lets you take part in growth opportunities in other regions, which can also protect your portfolio from downturns in the Canadian market.

**Target date funds** – the target date funds offered in your plan (e.g. BlackRock LifePath® Index 2030 Segregated Fund) are a diversified fund option as they invest in different asset classes. Each target date fund diversifies differently across some or all of the asset classes mentioned above.

It is a good idea to review your investments from time to time. You may need to update your investments along the way to stay on track to meet your retirement savings goals and in response to changes in the investment markets.

## How to diversify your investments

Consider how much risk you are comfortable with and which asset classes are appropriate for you.

By completing the **Asset allocation tool**, it will give you an idea of how much risk you are willing to take, and how much of your savings to invest in each asset class.

Sign in to **mySunLife.ca**. From the **Home** page, select **my financial centre** > **Resource Centre** > **my money tools** > **Asset allocation**.

## Learn about your investment options

Learn about the funds in your plan through **Morningstar®**, a leading provider of investment news and analysis. From the **Home** page, select **my financial centre** > **Accounts** > **Investment performance**.

## Update your investments

From the **Home** page, select **my financial centre** > **Requests** > **Change investments**, or call us at the number below to learn more.

## We are here to help

**Go mobile:** Check your balances and see how your funds are doing. Download the **my Sun Life mobile app** on Google Play or the Apple App Store.

Call us at **1-877-908-0301** Monday to Friday 8 a.m. to 8 p.m. ET

Visit **mySunLife.ca** for tools, articles and webinars. Sign in and select **Chat live now** to get live support.

Consider speaking with a financial advisor (registered as a Financial Security Advisor in Quebec) of your choice to get personalized advice about your plan.

## The University can help too

You can also contact Mary Steele in the University's Human Resources Department at mary.steele@uoit.ca or (905) 721-8668 ext. 2025.