# Briefings

**VANCOUVER SUN** JUNE 8, 2012

SENIORS AIM TO KEEP RISKS MINIMAL

We've been asking readers for financial questions. Here's one we received recently:

We are seniors living on a pension and rein-vesting approximately $100,000 each year. My question is what is the best way to invest this money with a minimal amount of risk? We have been using five-year term deposits up until now but interest rates are very poor.

Personal finance reporter Tracy Sherlock posed this question to certified financial planner Kevin Gebert. Here's what he said:

A saying that you may have heard of in the past is "no risk = no gain." Risk (high, moderate or minimal) means different things to different people, especially given the market volatility we are experiencing. From a financial planning perspective I would start by defining an investment objective for your $100,000 that would match your desire for a "'minimal amount of risk." If you have two or three goals for the money (i.e. trips in the future, estate planning, gifting) then you would have investment objectives tied to each goal. Everybody thought for sure that interest rates would be going up (and would bring potential higher guaranteed investment certificate rates) in the near future but given what's happening in our economy we could have to wait awhile longer. Any money that someone needs in the next six to 12 months I always suggest putting it in a "cashable" GIC-type investment (with Canada Deposit Insurance Corporation guarantees) regard-less of return potential because you will need the money and don't want any risk associated with it.

It is good to utilize your Tax Free Savings Account (TFSA) depending on your remaining room available this year. This way any interest you earn will be free of tax (giving a better tax effective return) and not affect any clawbacks that you may get from Old Age Security, for ex-ample. Some institutions have given higher rates of interest in the past for TFSA-only accounts, which is like a bonus in this continuing low interest rate environment.

You could look to a "laddered GIC" approach where you spread your $100,000 over one, two and three-year terms, for example, so that an amount is coming due each year and you can therefore take advantage of possible higher rates in the future. Unfortunately, with a low risk tolerance the investment landscape is limited.

Have you thought about the money you have saved by being in term deposits instead of more risky investments over the past five years? Hindsight is always 20/20 but it is something to think about.

We'd love to hear from you, and seek out advice for your personal finance questions. Send your question, along with contact information, to Tracy Sherlock at tsherlock@ vancouversun.com