THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

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Spring has sprung at last, and in the spirit of renewal and fresh starts, consider setting up an intuitive system for organizing bills, receipts and statements, either on your computer (be sure to always back it up!) or on your paper files.

You might also consider taking this opportunity to review the Notice of Assessment you've received from the Canada Revenue Agency after filing your income tax return. If you'd like, we can review it together to chat about how you might run your financial life with a little more efficiency, tax-wise. I'm always here to help.

FOCUS ON INSURANCE

Why you should safeguard your high-value assets

At death, most assets can pass from the deceased spouse to the surviving spouse without incurring a tax liability. But on the death of the second spouse, those assets will be deemed to have been sold at their current market value. Any taxes incurred will be due with the final tax return.

In the case of a family cottage or a large registered investment account, the income and capital gains taxes could cripple the estate and shut out the beneficiaries. Sadly, in many cases, valuable assets end up being sold, often at fire sale prices, just to cover the hefty tax bill.

Fortunately, it's easy to prevent this from happening. Many families opt for "joint-and-last-to-die" permanent insurance as a cost-effective way to cover taxes and keep the estate's precious assets intact.

With this type of policy, you insure your life and your spouse's life on the same policy. This makes it substantially cheaper than two individual policies and ideal for estate planning, because it only pays out after the second death, when the taxes are due.

The proceeds are completely tax-free (subject to certain limits) and, with proper advance planning, can pay off the taxes and even leave some extra for your beneficiaries. Some children even pay the premiums on behalf of their parents.

We would be pleased to help you estimate the potential worth of your high-value assets and implement a fail-safe strategy to preserve your estate and your peace of mind. ■

Is it time to revisit U.S. equity funds?

Investors can be forgiven for thinking that March this year has come in like a bull, rather than the usual lion, with the Dow Jones Industrial Average hitting record-after-record high.

But does this bull have legs or just horns? While only time will tell, it's worth looking at U.S. equity funds as a category and the role they might be taking in your portfolio.

The U.S. economy has faced some big challenges, but U.S. investments still offer lots of long-term benefits to Canadian investors. And qcepce_rcb funds are an excellent way to invest in our neighbour and largest trading partner.

Big by every measure

The U.S. has the world's largest and most dynamic economy. The same goes for its stock market — the world's largest, most diverse array of companies, large and small. Many of the world's leading multinational corporations are U.S.-based. By investing there, you're actually obtaining exposure to economic growth and currency diversification all over the globe.

The U.S. is also a world leader in stock market regulation and corporate disclosure. And its individual stock exchanges — mainly the New York Stock Exchange and Nasdaq — lead in trading volume.

As a result of the recession, U.S. business practices have undergone a genuine metamorphosis. U.S. companies have gone to great lengths to lower their debt levels and increase their financial strength by reducing costs and trimming fat.

The wider and deeper make up of the U.S. market is especially important for Canadians since our own stock market is heavily concentrated in just three sectors: financial services, energy, and raw materials. We have little to choose from in such areas as technology, consumer goods, and manufacturing.

Including U.S. investments in your portfolio also helps to protect you from the possibility that the U.S. dollar will gain value against our loonie. While the Canadian dollar is very strong now, historically it's been subject to lots of ups and downs.

Since it's almost impossible to make accurate long-range predictions about future currency movements, it may be beneficial to hold some U.S.-dollar-denominated investments — especially if you travel frequently to the U.S. or are perhaps planning to retire there.

Why qcepce_rcb funds?

Investing in the U.S. through qcepce_rcb funds offers many advantages:

- Professional selection. Picking winning investments from the thousands and thousands of listed companies in the U.S. is no easy task. Professional qcepce_rcb fund managers have access to vast research resources. Many rely on proven, disciplined approaches to find the best potential performers.
- Economies of scale. Because of their size, qcepce_rcb funds typically pay far less than individual investors for currency conversion and brokerage fees.
- Convenience. Qcepce_rcb funds are easy to invest in. Many are available with initial investments as low as $100. And you don't have to worry about the complexities of the U.S. withholding tax on investment earnings — the fund does that for you.
- Liquidity. Most qcepce_rcb funds offer daily redemptions at the unit price at the close of trading for that day. With stocks, on the other hand, you might have difficulty selling at the price you want, or even selling at all, if the stock is not widely traded.

Are you already there?

If you're considering bumping up your portfolio's exposure to U.S. investments, first take into account how much you may already have. Many "Canadian" equity funds hold some foreign content, which might include U.S. companies, and certain Canadian-based companies have large operations south of the border.

Working together, we can determine the optimal U.S. allocation for your portfolio and the best qcepce_rcb funds to provide it. n

You be the judge

Is this a good time to invest in U.S. equities and equity funds? Here are some of the leading indicators.

- **Manufacturing.** The Institute for Supply Management (ISM) manufacturing index expanded in February for the third consecutive month. Meanwhile, the overall U.S. economy grew for the 45th consecutive month.[1]
- **Construction.** Since reaching a low in January 2011, the construction industry has added 296,000 new jobs. That led to 14,000 new jobs for residential specialty trade contractors in January 2013 alone.
- **Housing.** U.S. housing starts rose almost 24% between January 2012 and January 2013.[2]
- **Consumer confidence.** The U.S. Consumer Confidence Index hit 69.6 in February 2013, up significantly from its all-time low of 25.3 in February 2009 (the lowest measure recorded since the index was first launched in 1967)[3].

1. http://www.ism.ws/about/MediaRoom/newsreleasedetail.cfm?ItemNumber=23473
2. http://www.census.gov/construction/nrc/pdf/newresconst.pdf
3. http://www.tradingeconomics.com/united-states/consumer-confidence

TAX PLANNING

Sending the kids to camp? Keep your receipts!

As the end of school approaches, many parents scramble to get their kids signed up for as many activities as possible — in part to keep them active and, let's be honest, in part to stave off the summer chorus of "I'm booooored."

Summer programs are great for kids and there's a benefit for parents, too. The cost of many camp-type activities may qualify for a tax break. Overnight camp, art or music classes, and sports lessons may all be eligible as either a childcare expense or as part of the children's fitness or arts tax credit.

Canada Revenue Agency's determining factor here is the "degree of child care" being offered. So a week at sleepover camp for your 10-year-old would likely qualify as childcare, while your 15-year-old's stint at an elite hockey school probably would not. But that's okay, because you can almost certainly claim the hockey camp under the Children's Fitness Credit.

Our advice? Save your receipts and call us for more information, or visit the CRA web site: www.cra-arc.gc.ca. ■

CREDIT MANAGEMENT

Debt threat?

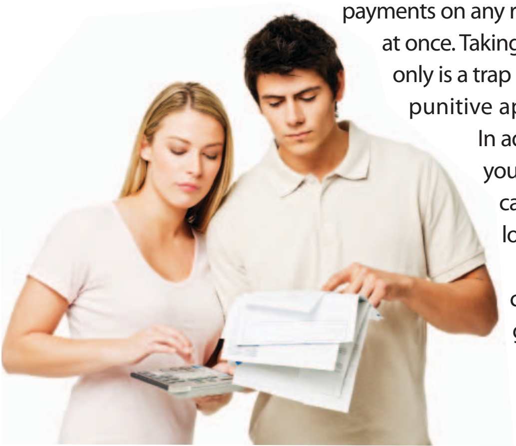
According to TransUnion, one of Canada's two credit bureaus, the average Canadian's consumer debt (i.e., non-mortgage debt) rose by more than $1,500 to a record $27,485, between 2011 and 2012. As ugly as that is, the numbers don't tell you the other insidious aspect of debt: that it robs you of your investable dollars and threatens your future goals. That's because every dollar you pay to service your debt is one less dollar you have to invest.

What kind of debt are you carrying and what is the interest rate? It's important to understand the difference between "good" debt and "bad" debt. Good debt includes borrowing for items that are likely to increase in value, such as your home, or borrowing when the interest is tax-deductible (for example, when you borrow to generate taxable investment income). Bad debt is usually high-rate consumer debt for items that have no long-term value — for example, using your credit card to pay for a vacation down south when you know you don't have the funds to pay the bill in full when it comes in.

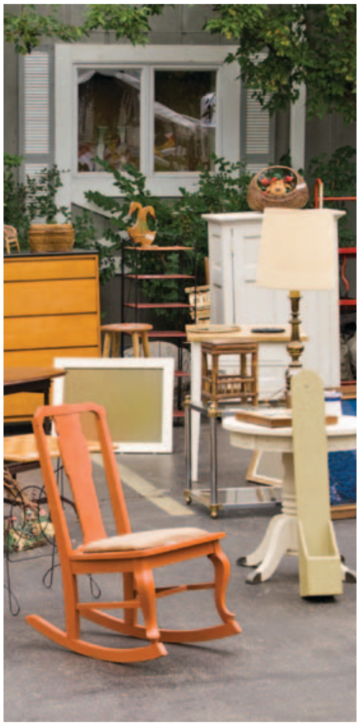
To funnel more money toward your future dreams and less to your past expenses, always try to pay more than just the minimum required monthly payments on any regular bill that you can't pay all at once. Taking care of the minimum payment only is a trap and is the slowest, most punitive approach to paying off debt.

In addition, look at amalgamating your debts — especially your credit card balances — with a single, lower-interest line of credit.

If you'd like to chat about debt consolidation strategies, please give us a call. ■



Spring clean for the Cure?



Don't just throw out your used furniture, old clothes, or clunker car. You may be able to turn those castoffs into a charitable tax receipt.

Many charities, including the United Way, the Furniture Bank, and the Canadian Diabetes Association will accept a variety of items and even provide a tax receipt for furniture and automobiles.

Yard Sale for the Cure is another option. Sponsored by the Canadian Breast Cancer Foundation, you host a garage sale (hopefully a big one in tandem with your friends and neighbours), then donate the proceeds to the Foundation. In return, you get a charitable tax receipt. There's lots of information, advertising ideas, and sales tips at www.yardsaleforthecure.com.

Need to get rid of a derelict vehicle? Car Heaven at www.carheaven.ca will tow away your jalopy, recycle or sell the parts, and you choose a charity for the proceeds. Receipts are usually a minimum of $200 to $300. ■

Lifetime income solutions: What you need to know

There's tremendous peace of mind in knowing exactly how much income your investments will provide, especially during times of market volatility.
If you are starting to think about your retirement income options, you may want to consider the merits of annuities.

Choice of features

You might be thinking annuities are too old-fashioned for today's retirees. Not so!

Along with guaranteed income for life, today's annuities can offer a variety of additional features that can make them even more attractive.

Guaranteed income for life, lives, or a specified number of years. One of the old negatives about annuities was that your heirs would receive nothing in the event of your premature death. These days, annuities can be configured so the income lasts for the duration of your life, the lives of both you and your spouse, or for a specified number of years.

Know, to the penny, what your income will be. The exact amount of your annuity payments will depend on how much you invest, interest rates, and actuarial factors. But you will know, from the get-go, how much you'll receive each month.

No decision-making. You never have to worry about your investment mix, re-balance your holdings, or question your tolerance for risk when the markets are seesawing.

On-going tax relief. If you purchase an annuity with money from your Registered Retirement Savings Plan, the payments themselves will be taxable, but the balance of your money (still in the annuity) remains tax-sheltered. If the annuity is purchased with non-registered funds, your payments may be largely tax-free.

Worried about inflation? There's an annuity for that, too. You can choose to have your annuity payments increase by a certain percentage each year. Note, however, this feature means you get less income in the early years in exchange for more income later on.

Interest rates.

Your payments will be based on interest rates in effect at the time you purchase your annuity. Obviously, a lower rate means lower payments. However, you can ladder your annuities, much as you would with bonds or Guaranteed Interest Certificates. For example, you could purchase an annuity at age 60, 65, and 75. Even if interest rates stay low and you start each one with the same amount of money, the payouts on each will be higher because you're older.

We can help you assess whether this makes sense for your situation.

Please note: Once the annuity has been established, there's no changing it. It's not a liquid investment that you can tap into should you have a cash flow emergency. We can ensure you have other funds earmarked for contingencies. ■

Got debt? Get protection

For most of us, our single largest debt is our mortgage and we're careful to insure it (with either life insurance or creditor insurance). This way, in the event of our premature death, our loved ones aren't at risk of losing the family home.

Unfortunately, our other debts are often less obvious and so we don't think to safeguard our families from them. Here's what we mean.

According to TransUnion, one of Canada's two credit bureaus, in 2012 the average Canadian's non-mortgage consumer debt load hit $27,485 — the highest it has ever been. Car loans and "instalment" loans (money we borrow to buy electronics, for example) are the biggest culprits, followed closely by credit card debt (which alone averaged $3,637).

So, basically, you can take what they say about death and taxes and add debts into the equation, too. Because if you're not around to pay them, your estate will be responsible.

If you have not factored your debts into your insurance plan, it's an exercise that's overdue.

We can help you assess the amount of credit you're carrying — including credit cards, car loans, consumer purchases, and business debt — and determine if your insurance coverage is adequate. Fortunately, there are a variety of affordable options to protect both your family and your assets. ■

This newsletter has been written (unless otherwise indicated) and produced by Ariad Communications.