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Together We Will Sail These Rough Waters
Market volatility, companies going under, government bail-out packages...when will the waters be still?

Now more than ever, we must keep an even keel. Some of the strategies that can be implemented to ensure that we reach port safely include:

- A portfolio review meeting to ensure that your investments are appropriately diversified across asset classes (fixed income and equity), regions and sectors. Diversification can help smooth out performance extremes.
- If you are currently investing monthly, keep doing so. Your contributions are buying more units that will translate into handsome gains when the markets recover.
- If you are not currently contributing to investments, you should consider a monthly investment plan or an investment loan.
- Stick to your written financial plan and ensure it is being updated to reflect current market conditions and goal updates.
- Stay Invested!

I encourage you to visit Fidelity's client friendly website to explore the various past market downturns and the rewards that followed. It's an interactive site that is easy to use and will provide comfort during the storm. The website is www.fidelity.ca/volatility. Now more than ever is the time to get good advice and actual full service wealth planning, not just investment advice. Who do you know that is in need of a second opinion or who does not have a written plan in place? We are always able to take the time to help answer your and your colleagues/families' questions should concerns arise. Please do not keep us a secret!!

Thank you all again for your continued support and please give us a call if you require anything at all.

Yours very truly,
Duane

FOCUS ON INVESTING



Factor inflation costs into your retirement plan

The inflation monster has woken after a 16-year slumber, as Canadians have seen prices edge up on fuel, food, and other commodities reminiscent of the late 1980s. It's also a wake-up call that a rising cost of living can be one of the biggest constraints on your retirement plans, unless you factor it into your savings.

The most widely used measure of inflation — the consumer price index (CPI) — has risen an average of 2% a year since 1995, when the Bank of Canada and the federal government adopted 2% as their target rate.

But the country now faces inflationary pressure from a range of factors including soaring prices for energy and food as well as heavy demand for resources from developing economies.

Factoring in the future cost of living is one of your retirement plan's most critical elements.

For instance, goods and services that cost \$1,000 today will cost more in 15 years, given different inflation rates:

- At an average inflation rate of 2%, you would need \$1,346 for the same purchasing power.
- At a rate of 2.5%, you'd need \$1,448.
- At 3%, you'd need \$1,558.

Planning for inflation means saving more, aiming for higher returns, or modifying your goals. With professional advice, you can project your retirement plan using different economic assumptions about such variables as interest rates and inflation.

You already have a cushion, since the Canada/Quebec Pension Plan benefits and Old Age Security are fully indexed, so they'll match the rate of inflation. Some employer pension plans are also indexed. ■

INSURANCE

Set a realistic deductible to save on insurance

Are your insurance deductibles lower than what you'd pay to avoid making a claim? Increasingly, drivers and homeowners try to avoid big jumps in their insurance cost by not filing claims when they can cover the loss on their own. Marketing researchers have dubbed this the "pseudo-deductible" and suggest it means people sometimes pay more than they have to for coverage. Suppose your insurance has a \$500 deductible, but you'd cover a \$1,000 repair yourself. Why not boost the policy's deductible to \$1,000 and thereby reduce your premiums? The researchers found that going from a \$500 to \$1,000 deductible could potentially reduce home insurance premiums by as much as 10% to 15%, for instance. ■



gussed far too low, figuring as little as 20% of total income would be enough. ■

HOUSEHOLD FINANCES

Don't underestimate monthly costs when buying a house

Are you or someone in your family thinking about buying a house or condo? Have you looked into how much of your income should be allocated to cover the mortgage, property taxes, and heating? Nearly half the Canadians asked about that in a national survey guessed either too high or too low. Those expenses, plus half the monthly maintenance fee on a condo, form the "gross debt service" ratio that lenders consider in granting mortgages. The Canadian standard is that this ratio not exceed 32% of total pre-tax household income. More than a quarter of respondents

FINANCIAL CLASSROOM

your guide to the basics and how to benefit

Tax-loss selling

This year has been a difficult one for mutual funds, but some strategies let you benefit by selling stocks or mutual funds that have lost money, so that you can reduce capital gains tax on winning investments.

What it is

How it works

Why it matters

Tax-loss selling takes advantage of the tax rule that lets capital losses offset capital gains.

Suppose you have a \$2,000 paper gain on one mutual fund and a \$2,000 loss on another. If you sell both, the loss offsets the capital gains tax due on the gain. But there's added flexibility. A capital loss first offsets capital gains from the same year. But any remaining loss can be used to recover capital gains tax paid in the past three years, or be carried forward to save tax on future gains.

Recovering tax eases the pain of a tough year and provides cash for new investment. And carrying forward unused losses can build up substantial credits to make future gains tax-free.

Be careful. If you or your spouse purchases an identical property in the 30 days preceding or following the sale and still owns that property 30 days after the sale, your capital loss will be denied. Professional advice can help determine if the investment decision to create a capital loss is suitable for you.

RETIREMENT SAVINGS

Are you leaving 'free' RRSP money on the table?

Hundreds of thousands of Canadians are giving up free RRSP money, according to two recent studies, typically leaving \$900 on the table each year by not taking full advantage of "free" money from their employers. These are people who participate in a group RRSP program at work, but who don't contribute enough to get the maximum matching contribution offered by their employer. The studies reviewed records at two major financial companies that administer group plans. At one, only 46% of those participating in group RRSPs sought matching RRSP contributions from their employers. The participation rate at the other measured just 37%, suggesting that well over half were potentially missing out on money for their retirement. ■





MUTUAL FUNDS

BRIC investments aim to catch a rising nation

Imagine if you could turn back the clock and invest in North America's great companies when they were just getting started and millions of workers in the U.S. and Canada were enjoying a dramatic rise in living standard.

That appeal is what many investors see today, as they watch the emergence of the BRIC economies — Brazil, Russia, India, and China. Today, investors can participate in these countries' growth potential through mutual funds, although it's important to also acknowledge the risks.

BRIC represents 25% of the world

The four BRIC nations represent one quarter of the world's land and 40% of its people. Already among the largest economies, they are expected to experience more powerful growth in the coming decades. India now dominates service outsourcing, Brazil and Russia have vast energy and mineral resources, and China continues to grow as a manufacturer to the world.

In some ways, the BRIC economies are playing catch-up. Previously, economic growth has suffered from inefficient state control of industry and widespread poverty. But a renewed focus on economic expansion is now creating jobs and educational opportunities and improving the lives of the middle class.

In creating new infrastructure, these countries are leapfrogging the developed world. China and India, for example, now rank first and second in per-capita world cellphone ownership, bypassing the need for landlines.

Watch for pitfalls

As great as the potential is, BRIC investing also carries risks that may influence your decisions as an investor. These are emerging markets and their entrepreneurial growth has far outpaced the development of accounting standards, corporate governance, and stock market regulation. There is also substantial political risk, as governments wield great powers. All four countries are vulnerable to political instability,

currency fluctuations, and economic problems like inflation.

China and Russia face ongoing criticism about human rights. India and neighbouring Pakistan continue to mistrust each other, and both are armed with nuclear weapons. In the past, Brazil tended to build up investors' expectations, only to fall through on delivery.

As well, all four consume a huge amount of energy and face pressure over relatively lax environmental policies.

Mutual fund managers help weigh risks

Mutual funds offer a convenient, prudent way to invest in these promising yet challenging markets. Professional analysts apply diligent standards when assessing companies and try to objectively weigh factors such as political, currency, and

environmental risks. Fund managers can access far-flung regional markets and expertise that would be difficult for individual investors to obtain on their own. And portfolio diversification reduces risk.

Some funds invest only in the four BRIC countries, by actively selecting individual stocks or using one of several established stock market indexes. Others include neighbouring countries such as South Korea and those in Eastern Europe. Most, if not all, emerging markets funds have some BRIC exposure. So do global and international funds, though to a lesser extent, through their holdings in multinational corporations that also benefit from BRIC growth.

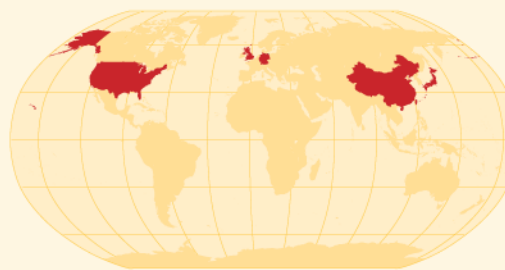
Professional advice can help you review the role of international investing in your portfolio and explore opportunities you may be interested in. ■

A new world order is on the horizon

The BRIC countries — Brazil, Russia, India, and China — are expected to be four of the world's five largest economies in 2050, according to *The Economist* magazine. Also notice how today's powers are expected to decline while Canada, Italy, and Spain get pushed right off the list.

The largest economies today...

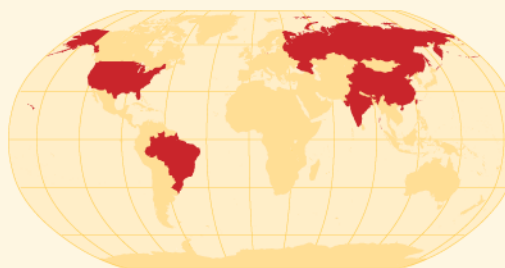
1. USA
2. Japan
3. Germany
4. China
5. UK
6. Brazil



7. France
8. Italy
9. Spain
10. Canada
11. Russia
12. India

In 2050...

1. China
2. India
3. USA
4. Brazil
5. Russia
6. Mexico



7. Indonesia
8. Japan
9. UK
10. Germany
11. Nigeria
12. France

Update your plans as you reflect on the year

The holiday season is usually a time to think about family and friends and reflect on all that has happened over the past year. It's also an ideal opportunity to review your plans for taking care of the people and charities you care about most.

A plan for those you love

Ensure you have all the basic documents in place: a will that governs what happens after your death and powers of attorney (mandates in Quebec) to authorize others to handle your affairs if you become incapacitated. Powers of attorney can cover property and medical decision-making. Professional guidance can be helpful to create or modify these documents, as required.

Update beneficiary designations

Here's a checklist to help you make sure your documents are up-to-date.

- ❑ Has there been marriage, divorce, or death among those named in your will? Are there new family members or friends whom you would like to add?
- ❑ Are there any new children in the family? Are any expected in the coming months?
- ❑ Have any friends or family members encountered medical or financial problems? Are those problems serious enough to warrant the creation of a trust to provide long-term support? Conversely, can any existing trusts be wound up because they were created for children who are now adults?

❑ Are the executors named in your will and the decision-makers in your powers of attorney still willing and able to do the job? Do they still live nearby?

❑ Who is named as guardian to look after your minor children?

❑ Have you updated your will since selling or acquiring property that may be meaningful to someone you care about?

❑ Have you sold off any assets specifically mentioned in your will, such as a business interest or family heirloom?

❑ Make sure you don't inadvertently burden a loved one with unexpected debts. Is additional insurance required to settle debts on your estate, including capital gains tax due at death?

❑ Are beneficiary designations up-to-date for life insurance, RRSPs, RRIFs, and RESPs? You must update your beneficiary designation when converting an RRSP to a RRIF, even if you name the same person.

❑ If you've moved out of province, do your will and powers of attorney meet that jurisdiction's requirements to recognize your beneficiaries? For instance, you might need separate documents for property in the United States or other countries if your intention is to pass it on to a family member or friend.

❑ Will your beneficiaries be able to find all the paperwork they need to avoid paying unnecessary taxes? For instance, are records readily accessible for tax events in the past? ■

Clock is running on year-end tax tips

AS 2008 WINDS down, here are a few ideas to help get you started on your tax planning.

Get your credits and deductions.

Make the following payments by Dec. 31 to qualify for your 2008 return: investment carrying charges such as management fees, loan interest, and safety deposit box rent; political contributions; tuition fees; and professional designation fees.

Give to charities. Charitable donations must be made by year-end to generate a 2008 tax credit.

Pay medical expenses. The medical expense credit can be claimed for any 12-month period, not just the calendar year. To maximize the credit, the lower-income spouse can report all of the family's eligible expenses. If you expect a major medical bill early next year, consider paying now to include it in your 2008 total, since the tax credit is based on the payment date, not the delivery date. Private health insurance premiums qualify for the credit, including out-of-Canada medical coverage.

If you're age 71. If you turned 71 this year, Dec. 31 is the deadline to convert your RRSP to an income vehicle, although you don't have to withdraw anything until the end of next year.

Get set for tax-free savings.

Don't forget that the new Tax-Free Savings Accounts (TFSA) become available Jan. 1. Every Canadian 18 or older can invest \$5,000 a year with all earnings tax-free. ■

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus carefully before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The information contained herein was obtained from sources we believe to be reliable, but we do not guarantee its accuracy. The objective of this publication is to provide information on current developments, not to provide legal or accounting advice. As each situation is different, you should consult your own professional advisor for advice based on your specific circumstances. This publication is not an offer to sell or a solicitation to buy any of the securities mentioned.

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