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# The Francis Forum



Duane Francis, CFP, CSA, CIM, FCSI  
Investment Advisor  
Life Insurance Advisor

Berkshire Securities Inc.  
Berkshire Insurance Services Inc.  
610 – 1565 Carling Avenue  
Ottawa, ON K1Z 8R1  
**Telephone:** (613) 728-0101 Ext. 228  
**Toll-Free:** 1-888-870-4443

## An Exciting New Year!

I want to wish everyone a very Happy New Year and I hope that your holidays were joyous and that 2008 finds you safe, happy and healthy. I am extremely excited about what the new year has in store for us all as well revisit our financial plans and put plans in place to take advantage of the many opportunities ahead of us. Someone from our team will be in touch in the next few weeks to setup a time to discuss the direction ahead.

I am excited to announce that I have completed a client website and I invite you and your friends to visit it at [www.duanesmywealthpartner.com](http://www.duanesmywealthpartner.com). I want to thank Rob Garby of Kustum Websites for his hardwork in bringing this project to fruition. As in the past I will be continuing with seminars and events focusing not only on financial planning matters, but also on life matters. Come to the site and see what's upcoming in the months ahead.

Thank you all again for making 2007 a fantastic year and for your continued support and we are planning for even greater things in 2008. Please call either myself or Janet if we can be of service in any way.

We are always here to help!!

Yours truly,

Duane

**Our behaviour today will determine our history tomorrow!!**

## FOCUS ON RETIREMENT



# When should you convert your RRSPs into income?

**C**anadians planning for retirement now have some more time available — and a new question to consider. Under new rules, the federal government allows you to keep your Registered Retirement Savings Plans (RRSPs) in place until the end of the year in which you turn 71. Previously, the age limit was the end of the year you turn 69.

Since the best time to convert depends on your situation, it's essential to plan.

### Consider both income and expenses

Start by identifying all sources of income. These might include RRSPs, non-registered savings, company pensions, government pensions, and income from a business, part-time work, or a rental property.

Now consider your retirement expenses. If you'll have paid off your mortgage, costs may go down. If you'll be paying for a child's post-secondary education, they

may go up. Also consider your tax situation and your spouse's retirement date.

### The choices to consider

Your financial outlook will help you determine when to convert your RRSPs:

- **Converting upon retirement.** If your income from other sources won't be adequate, you may need to convert your RRSP as soon as you retire.

- **Converting a few years later.** You may have enough income from your savings, an inheritance, or downsizing your home, so that you can delay converting.

- **Waiting until the deadline.** If you don't need the RRSP money, it may be best to continue building tax-deferred savings as long as possible. If you'll still have earned income or unused contribution room, you can keep adding to your RRSP.

Professional advice can help you create a time frame for your RRSP conversion. ■

# Here are the types of funds to add stability to your RRSP

**G**iven current market volatility, you may be looking to add stability to your portfolio. Here are some mutual fund ideas that may provide an ideal defensive core — for your RRSP or non-registered investments.



## Consider bond funds

Because bonds are less volatile as an asset class than equities, they may add stability to your portfolio. Bond funds also may provide a steady stream of interest to cushion those times when equity values fall.

Here's what bond funds may add:

- **Diversification.** A large bond fund may lower default risk and boost income by

holding instruments from many issuers with different credit ratings. And it may manage market risk by holding securities with varied maturities. Most individuals can't invest enough to create the same scope.

- **A sizable advantage.** Bonds trade

privately between institutions and are not auctioned on an open exchange as stocks are. As a large trader, a bond mutual fund gets much better prices than a retail investor would.

- **Professional active management.**

Fund managers trade holdings to realize market gains, as well as income flow.

## A matter of choice

Here are other types of funds that can offer varying degrees of stability to your overall portfolio:

- **Money market funds.** While fixed-income funds tend to offer steadier returns over time than equity funds, their rates do fluctuate, and they don't offer absolute security. However, money market funds typically don't fluctuate at all. Their returns tend to be quite low, though, so they are best used for short-term parking, as opposed to long-term investing.

- **Global fixed-income funds.** These funds mainly hold bonds. Their returns may fluctuate more than Canadian fixed-income funds because foreign currency investments may vary when they are expressed in Canadian dollars.

- **Balanced funds.** These funds hold stocks and bonds, and may offer the potential for higher returns than bond funds — but with more fluctuation. Generally, the greater the potential return, the greater the potential volatility.

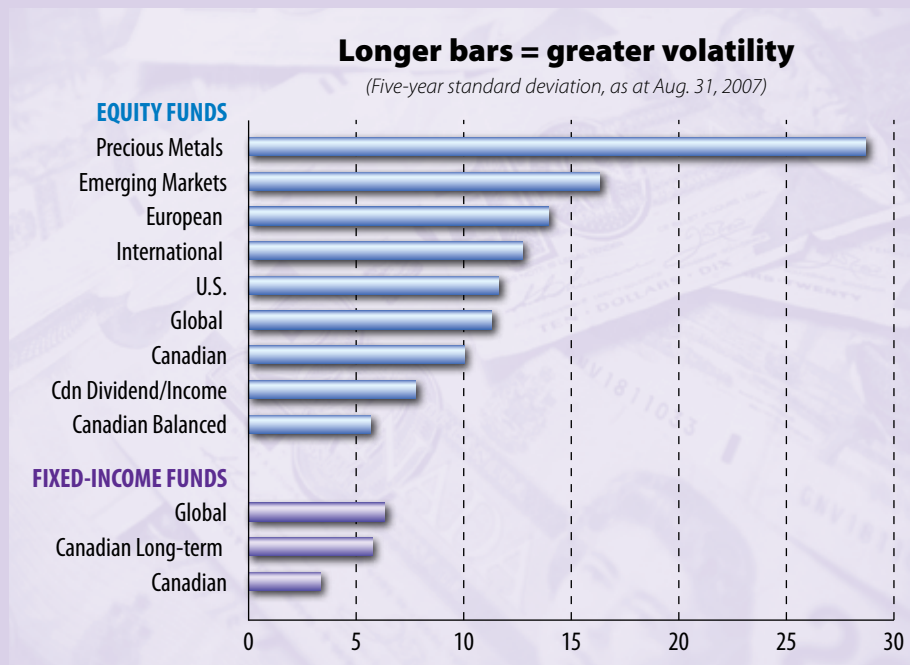
- **Dividend funds.** These funds hold primarily dividend-paying shares of blue-chip Canadian companies. To a lesser extent, they also hold bonds and income trusts. Most funds make distributions of dividend income, which, when held outside a registered plan, can benefit from the Dividend Tax Credit (dividends from Canadian corporations qualify).

- **Income funds.** The objective of these funds is to provide regular income, with stability. They may invest in Canadian government and corporate fixed-income securities, equities, real estate investment trusts (REITs), and royalty trusts and other high-yielding investments. They may also invest in lower-rated bonds and derivatives.

Professional advice is essential to determine the role of fixed-income funds in your overall portfolio. This way, you can identify the funds that offer the best combination of return and stability for your needs, your time horizon, and your risk tolerance. ■

## How volatile are various funds?

SOME TYPES OF mutual funds fluctuate much more in value than others. This chart shows the five-year standard deviation for the average fund in various major categories.\* Standard deviation measures how much a fund deviates from its norm — both up and down. The greater the volatility, the higher the number.



\* This graph is for illustrative purposes only. Mutual fund performance may vary and past performance may not be repeated in the future.

Source: Morningstar Canada/PALTrak

## SUCCESSION PLANNING

### Who is *your* company's next leader?

As a group, the owners of Canada's private companies are not well prepared for their next stage of life — or the life of their company. That's the warning from consultants PricewaterhouseCoopers. PwC reports that 54% of the privately held incorporated companies it canvassed did not have a succession plan. And that's despite the fact that 62% are run by a CEO aged 51 to 70, and one-third expect that person to retire within five years. Omnibusly, more than 70% of smaller companies — those with annual revenues of less than \$10 million — have no succession plans. If you don't have a succession plan, start working on one now. PwC cautions that it can take several years for a family business to develop a proper plan, especially if there is no heir apparent among the owner's children. ■



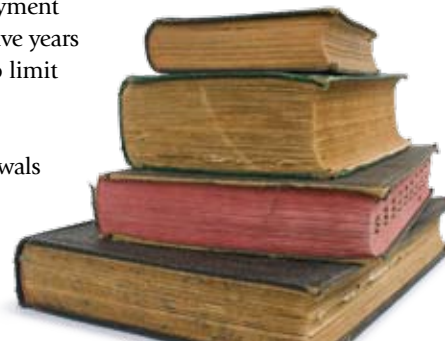
# The MONEY file

TIPS AND TACTICS TO HELP YOU GET AHEAD

## EDUCATION PLANNING

### Going to school, with help from your RRSP

Did you know that your RRSP could help finance your continued education? That's because of the Lifelong Learning Plan, a program that lets you use RRSP money to fund a return to school or job training for you or your spouse (although not your children). Under this program, the RRSP provides an interest-free loan of up to \$20,000, with an annual limit of \$10,000. It must be repaid within 10 years, but the first repayment can be delayed for up to five years in certain cases. There's no limit on usage — each time the RRSP is fully repaid, new Lifelong Learning withdrawals can be made. Details may be found at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). ■



## RRSPs

### Teach your children well — to save for retirement

The message is sinking in, because today's young people are more aware of the need to save for retirement than their parents were at the same age. Among Canadians aged 18 to 24 who were polled by Decima Research, nearly one-third said they have already established Registered Retirement Savings Plans (RRSPs). And the rate soared to more than 70% for those aged 25 to 34. By contrast, only 25% of the respondents who are now over 50 said they made

RRSP contributions during their 20s and early 30s. Despite the progress, however, many young Canadian adults still need some coaching. So make sure to keep the dialogue going about the need for retirement savings. ■



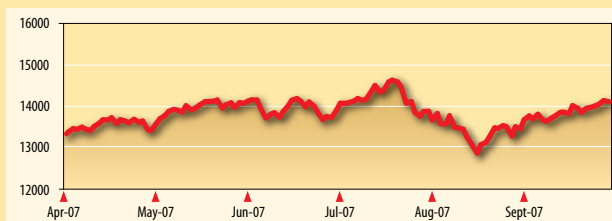
## EYEOPENER

graphic evidence of how investing works

### The ride is smoother over the long term

TODAY'S NEWS DOESN'T reflect the long-term results of stock market investments, as short-term volatility in market performance is smoothed out over time. Contrast the variability of the S&P/TSX Composite Index during a six-month period with the smoother returns over two years, and the upward trend over five years.\*

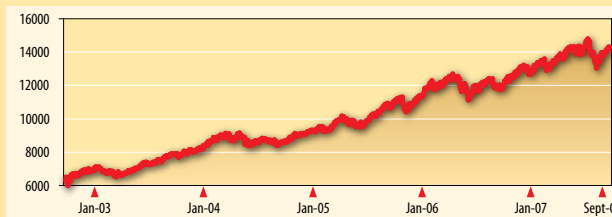
**6 months**  
S&P/TSX Composite Index  
(April 1, 2007, to September 30, 2007)



**2 years**  
S&P/TSX Composite Index  
(October 1, 2005, to September 30, 2007)



**5 years**  
S&P/TSX Composite Index  
(October 1, 2002, to September 30, 2007)



\* These graphs are for illustrative purposes only. Stock market performance may vary and past performance may not be repeated in the future.

Source: Yahoo Finance/Commodity Systems Inc.

# Bring the joy of work into your retirement

**A**s you prepare for retirement, it's important to find a focus and meaningful purpose for your post-career life. The average lifespan of Canadians is rising, making retirement another lifetime to be filled with stimulating challenges.

Start by thinking about the aspects of work that you enjoy most, and those that you don't. Make a list of pros and cons. Maybe you like socializing instead of working alone. Perhaps you prefer structure rather than open-ended directions. Do leadership opportunities and competition make the days fly by? Is it a sense of accomplishment, mental stimulation, status, or financial rewards you crave?

## Use your talents when making a plan

Incorporate the elements you like and would miss in a work setting.

Grassroots volunteer and community activities could create a teamwork environment — where organizing a fundraising event, or developing a community garden, would be a productive use of time with a tangible payoff.

If you enjoy being a mentor, consider becoming a tutor, or offering yourself as a part-time teacher in your specialty to a continuing education organization.

Need to exercise your competitive edge? Join a retirees' hockey team or compete with yourself by training for a 10-kilometre run.

## Find creativity in retirement

You do not have to retire from creativity. Non-profit arts or cultural organizations

embrace experienced managers who offer their expertise to help organize events like openings, conferences, or special dinners.

Volunteering in a museum or gallery to help visitors understand works of art may also be attractive. The role can be an exercise in communication, public speaking, and ongoing learning as you research the works and historical eras you describe.

If work was "hands-on," continue this by developing a hobby that involves fine craftsmanship and an artistic eye.

## If you're a leader

Sitting on a board of directors of a company, or an organization you want to learn about, can give you a different kind of hands-on activity, with status.

As a board member, you can tap into your skills for problem-solving and strategic thinking, without the daily headaches of full-time employment.

## Get paid for what you like to do

If financial reward is an element of retirement you desire, consider working part-time, consulting, or starting your own small business. Perhaps you can turn a hobby or an interest, such as book-binding or computer repair, into a business.

In retirement, it's important to focus on what makes you happy and then plan how to get there. Think about what you love to do and what gives you a sense of achievement.

Tapping into what fulfilled you in your career will help create a meaningful and productive lifetime in retirement. ■

# What will you do the day after you retire?

THE CONFERENCE BOARD of Canada once reported that executives who prepare for retirement handle the transition much better than those who do not.

So think about how you plan to spend your time after you leave your full-time career. A simple exercise is to ask yourself what you will do on the very first day when you don't have to show up at work.

You may want to take an extended trip — an African safari? a few weeks in eastern Europe? — to get a fresh perspective and launch your retirement.

Getting away from your everyday experiences, seeing how others live and talking to fellow travellers could open up unexpected possibilities for your retirement.

Some people undertake a major project, such as renovating their home or vacation property. First, this helps to exercise other parts of the brain and body through design and manual labour. As well, it could create an enhanced living space for your own enjoyment.

Others prefer to take a break of a few months or longer to explore different options at their own pace.

One trap to avoid is taking on too much too soon, so that you become even busier than when you were working. Retirement is not a void that needs to be overscheduled. Don't miss out on the opportunity to taste and savour your newfound freedom. ■

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