The Francis Forum

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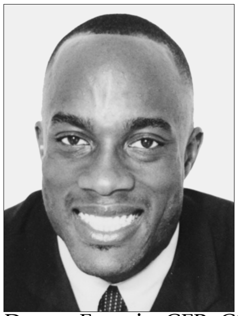

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2008 Budget "Perk"-A Tax Free Savings Account

The Conservatives 2009 Tax Free Savings Account (TFSA) may, at first glance, appear to be a small present. While the contribution limit of $5,000 per year per adult seems a small amount, 20 years down the road that $5,000 annual contribution can potentially allow a married couple to accumulate $490,854.27 using an average 8% return. $290,854.47 of the investments are sheltered from taxation and can be withdrawn tax free. The TFSA is being touted as an "RRSP for everything but retirement". It is similar to an RRSP in several ways:

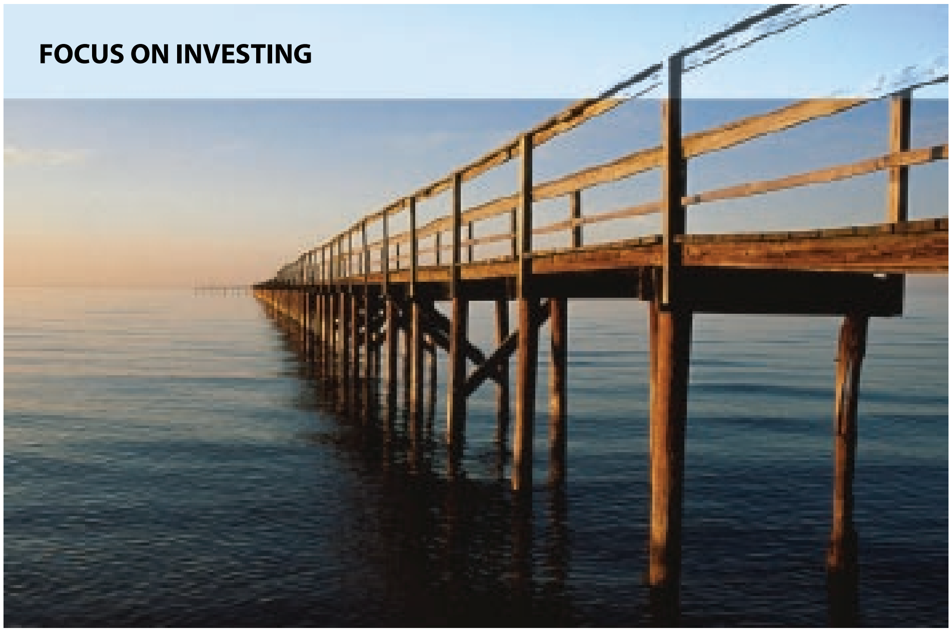
- It is a registered plan
- Investors must be Canadian residents 18 years or older
- Unused contribution room can be carried forward
- It is subject to a contribution limit of $5,000 per year
- Contribution limits are indexed to inflation
- The account can be transferred tax free to surviving spouse or common law partner

I look forward to talking to you more about this great opportunity and for more information about Tax Free Savings Accounts you can visit www.budget.gc.ca.

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

We are always here to help!!

Yours very truly,
Duane



Do you want to buy a summer home?

If you're dreaming of buying your own summer retreat this year, you're not alone. More Canadians than ever before are investing in recreational properties, whether a lakeside cottage, mountainside chalet, or resort retreat — and strong demand has hiked prices.

Knowing what you want out of a vacation property is the first step to fulfilling your vision of holiday bliss. First, consider how often you or your family will be able to enjoy it. Will it sit empty for much of the year? Do you expect to rent it out?

Owning a property outright has many advantages, including the equity that may build over time. But consider ongoing obligations such as property taxes and regular maintenance.

For a growing number of people who simply want to get away for a few weeks every year, an alternative to investing in real estate is to buy into a resort development or vacation club. These arrangements vary widely, but fall into two main groups.

Timeshares. You purchase the use of a property owned by a company, typically for one or two weeks each year.

Fractional ownership. You own part of a unit and the right to use it for a longer period than timeshares may provide — often five weeks a year.

These deals cost less than owning a property. Plus, they often let you swap time at your complex for time at others.

With professional advice, you can project how investing in a vacation retreat will affect your overall financial picture, including retirement savings and tax and estate planning. ■

The heart of your portfolio: core funds

The mutual funds you're most likely to see in the media spotlight are often narrowly focused specialty funds — especially in sectors that may produce eye-catching stories of dramatic results.

In contrast, well-diversified core mutual funds may not make the headlines, but are exactly the kind of investments financial professionals routinely suggest clients place most of their money in. Why?

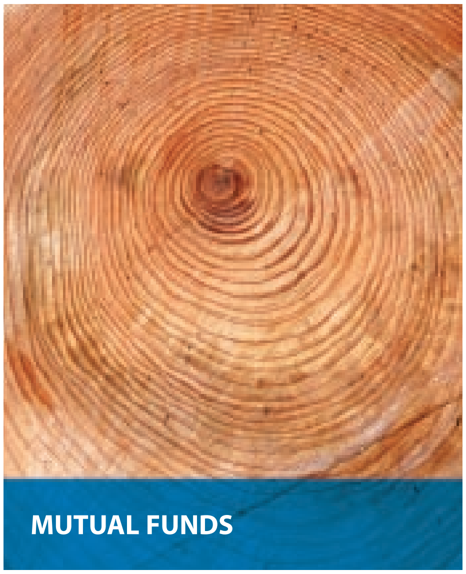
A stable foundation

Core mutual funds seek to mitigate the effects of volatility — the range between the highs and lows of investment returns. These mutual funds emphasize risk management along with capital growth. These funds are broadly diversified and invest primarily in the stocks of large, well-established companies.

Of course, this means core mutual funds may benefit less than a specialized fund when a particular sector or company stock takes off. But, conversely, they also are likely to suffer less when that sector or company "corrects."

Specialty funds produce breathtaking stories precisely because their returns are inherently more volatile. This volatility seems good when a sector is in favour; that's when you may see eye-popping, double-digit returns. But once a sector falls out of favour, you may just as likely see double-digit losses.

Consider this: if you gain 20% on a $100 investment, you have $120. But if you then go on to lose 20% from that $120, you wind up with just $96. That's less than you paid in the first place. The percentage change was the same each time — 20% — but the amount of loss was greater than the amount of gain.



Reducing volatility can produce superior returns over time, by helping protect your capital.

Dividing up the pie

While individual needs vary, many investors may hold as much as 80% of an equity portfolio in core investments, leaving 20% in more specialized mutual funds. For others, the entire portfolio may be in core funds.

Professional advice can help determine the most appropriate mix to suit your particular situation. Increasing core exposure can help add stability. It may also increase the flow of tax-advantaged dividends, since the large companies typically held in core mutual funds are more likely to pay dividends than the mid-sized and smaller ones often held by sector funds.

All-in-one approach

It's not unusual to have just one or two mutual fund holdings comprise a core investment, since there is such a wide array of mutual funds that seek to achieve long-term results while attempting to manage investment risks.

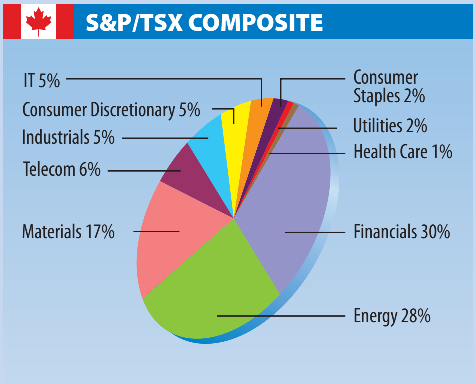
Some common all-in-one approaches include:

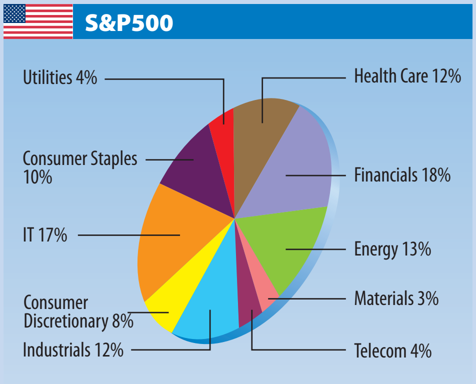
- **Balanced funds** that invest in both stocks and bonds; and
- **Asset allocation funds** that are invested across asset classes. Some hold to a set mix, while others may reserve extra leeway to alter their weightings based on market conditions.

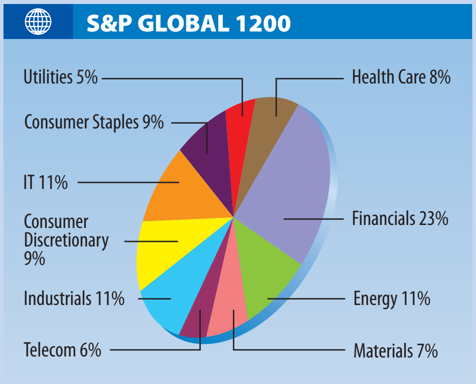
Whatever the approach, core funds can provide a broad-based, solid foundation for your portfolio. This can add stability when there's a market downdraft and help you weather more difficult economic cycles. Professional guidance can help you understand what kind of core mutual fund assets best suit your goals. ■

Investing globally helps you diversify by sector

YOU CAN SEE why it's important for Canadian mutual fund investors to diversify globally. Look at this example comparing the Canadian, U.S., and global market indexes by sector. Notice how concentrated Canada's market is? The financial and energy sectors make up almost 60% of the broad market — leaving relatively little exposure to sectors like health care and utilities. By contrast, funds invested in the U.S. and global markets offer greater diversification and choice across sectors, providing access to more buying opportunities in areas like consumer products and utilities.







Source: Standard & Poor's. All figures as of Dec. 31, 2007. Figures are rounded and may not total 100%.

The MONEY file

TIPS AND TACTICS TO HELP YOU GET AHEAD

RETIREMENT SAVINGS

Use 2007 refund to repay Home Buyers' Plan loan

One RRSP deposit can feel like the least satisfying to make since it's just a payback: the money you borrowed from your RRSP under the federal Home Buyers' Plan. So, if you just got an income tax refund, why not use it to reduce your HBP loan? The early repayment will be spread over the remaining portion of the 15-year payback period, so you'll owe less next year and each year thereafter. For details, see Canada Revenue Agency guide RC4135 at www.cra-arc.gc.ca. Meanwhile, your RRSP will put that money to work. Remember that an HBP loan is not free — you're giving up investment growth in your RRSP until you repay it. ■

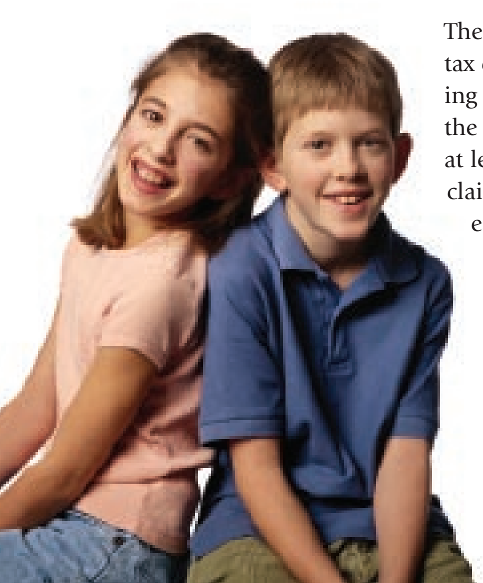
VACATION COSTS

Going overseas? Get tax back after your vacation

Heading overseas this summer? Some planning now can save you tax on any keepsakes you bring home. At least 30 countries refund value added tax (VAT) paid by tourists on goods for export. This tax is similar to our GST, but can be as high as 25% in some countries. For information on the refund process, check the official tourism website of each country you'll visit. To learn how much you can bring into Canada duty-free, go to the Canada Border Services Agency website (www.cbsa-asfc.gc.ca) and search on "I Declare." By the way, don't forget that any premiums you pay for out-of-Canada health insurance qualify as a medical expense for income tax purposes. ■

TAX PLANNING

Claim your credits when kids go to camp



The new children's physical fitness federal tax credit can help cover the cost of sending your child to camp this summer. If the camp offers supervised activities over at least five consecutive days, you can claim credit for up to $500 in fees for each child under age 16. For more details, search www.cra-arc.gc.ca for "fitness tax credit." Summer camp fees are also usually tax-deductible for the lower-income spouse as a child-care expense, providing that parent works or attends school full-time. But a sports camp for an older child might not qualify; check with the camp. ■

WHAT YOU NEED TO KNOW ABOUT...

Your credit rating

Whether you apply for a loan, sign up for a credit card, or request utilities service for a new home, someone is going to check up on your credit rating.

Q: What is a credit rating and who tracks it?

A: Two services — Equifax and TransUnion — compile your history of using credit granted by the various companies you deal with and score your reliability in paying it back.

Q: How does the information get collected?

A: The fine print in each loan or account application you sign authorizes that company to provide data to a credit reporting agency. The agency maintains a file that other vendors can check whenever you apply for credit. You're entitled to a free annual report that details the information on file and identifies the organizations that have checked your record. Call Equifax at 1-800-465-7166 and TransUnion at 1-800-663-9980.

Q: Why does my credit rating matter to my daily life?

A: Credit ratings are key to whether you can get a loan, rent an apartment, or open a utility account without posting a deposit. Your report will explain how to correct any inaccuracy. Even if adverse information is correct, you can add an explanation. While some companies claim they can "repair" a credit rating, they actually don't have any more sway than you do on your own. Search the federal consumer affairs website (www.ic.gc.ca) for "improving your credit score."

Give to children now, or leave an inheritance?

According to a national survey, more than 60% of boomer parents intend to give money to adult children during their lifetime together, rather than making a bequest through a will. There are both pros and cons to doing this.

Benefits can be immediate

The biggest benefit is that you get to see the money immediately put to use. This can be particularly rewarding if your gift makes it possible for your child to buy a home, start a business, go back to school, or achieve some other dream.

And your gift might make a particularly great difference once grandchildren are born; young families are often strapped for cash. Many grandparents fund Registered Education Savings Plans for their grandchildren, so that one gift helps two generations.

A gift is more private

Gifting also enables you to make unequal distributions, without having to disclose the matter to anyone. Perhaps one of your children has greater needs, or is simply more deserving, for instance. If you opt to make this same kind of unequal distribution through an inheritance, you run the risk of creating ill will since every beneficiary will be informed of the will's terms. Gifts made while alive remain private.

Another advantage of giving away money during your lifetime may be immediate tax savings, if the recipients can invest the money at lower tax rates than you can. Canada's income tax attribution rules don't apply to gifts to adults, so investment income on money you give to your adult children would not be attributed back to you and taxed in your hands. Reducing your own taxable investment income might increase your eligibility for income-tested government benefits and tax credits.

Consider later consequences

One of the biggest risks you take in giving money away to children today is that you might actually need that cash later on in retirement. Consider the impact of longer life expectancies and the effects of inflation: even assuming a low rate of 2% a year, goods and services that cost $100 today will cost $135 in 15 years' time.

Professional advice can help you factor in a gift's long-term implications on your own retirement savings and other goals.

There may also be alternatives to look at, such as providing the money through a no-interest, demand loan instead of a no-strings-attached gift. A demand loan would legally entitle you to reclaim all or part of your money should you need cash — but you don't have to call it in.

Think twice about giving money to a child whose marriage may not survive. You could find that the estranged spouse may be entitled to half the value of whatever is purchased with the gift.

Professional advice can help you analyze the options of giving money away to your family now, versus leaving it to them later. ■

Save with every paycheque

NEARLY 40% OF Canadians who took part in a recent national survey said they use the "pay yourself first" concept to build investment wealth.

By moving money automatically from a paycheque or bank accounts into an investment account, it's impossible to spend it before you save.

A common way to pay yourself first is through regular RRSP contributions. It's easier to invest monthly than to scramble for cash during the seasonal RRSP rush. Plus, monthly mutual fund purchases help you leverage the market's ups and downs — your money buys you fewer fund units when prices are high and more units when prices are low, or at a discount.

Reduce payroll deductions. If you make automatic monthly RRSP contributions, you can ask the Canada Revenue Agency (and Revenu Québec, if applicable) to allow your employer to withhold less tax from your pay.

Savings are out of sight. The greatest benefit of paying yourself first can be psychological. After a few months, you'll adjust to the lower cash flow, and won't even miss the money. As it accumulates — out of sight and out of your wallet — you'll build financial security in a meaningful way.

If payroll deductions aren't possible, authorize a transfer from your bank account to coincide with your payday. Professional advice can help you determine how much you can afford to put aside each month, and highlight any alternative savings programs available. ■