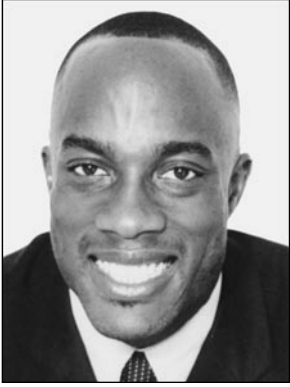




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The Francis Forum



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: (888) 870-4443

Well, the rush of RRSP Season is over and Carson is settling in nicely into a routine at home...eating, sleeping and crying. Again I want to thank you all for your well wishes and thoughts over the last few months, and thank you for bearing with me if I seemed tired...because I have been at times.

You may have noticed a new voice answering the phones when you call and I would like to welcome Joyce Levesque to the team. Joyce has extensive customer service experience and worked for almost 30 years with a large Telco...without naming any names. Joyce joins us to replace Vicki Laymann, who as you know worked with me and you for over 7 years, but who has decided to move on. I hope that you join me in wishing Vicki all the best in her new endeavours, as I know that I would not be where I am today without her help. Please though make Joyce feel welcome as she will be an excellent asset to you and my team as we move ahead in 2007 and beyond.

Tax season is approaching quickly so as you know we can prepare your returns 'in house' or I have several accountants that I work with who can assist you in tax preparation.

I look forward to talking with you all soon and as usual 'Please do not keep us a secret'!! We are always here to help.

Yours very truly,

Duane

FOCUS ON INVESTING



Managing income is boomers' next big thing

The first wave of baby boomers, born in 1946, have now passed their 60th birthdays and are rapidly approaching an important milestone — retirement. If you (or your parents) are among them, planning for retirement income might be a current priority.

First things first. When do you plan to retire? How much money will you need each year? How long can you reasonably expect to live? The better you can answer these questions, the easier it will be to construct a solid plan for tapping into your assets.

Your asset mix. For most, asset allocation will start to tilt towards fixed-income investments, which are normally less volatile than equity-based investments. But it's generally not prudent to convert all of your investments to fixed income.

Equity-based investments provide

growth potential, which helps to offset the effects of inflation. At just 2% a year, inflation would wipe out one-third of your purchasing power over 20 years. Without sufficient growth, you may run the risk of outliving your savings.

Every situation is different. The right mix depends entirely on your unique situation; your retirement plans will dictate how much money you will need, and when. Professional advice can help you determine which assets to draw on first (registered or non-registered) and help to ensure that you don't withdraw too much too soon.

With effective management and advance planning, your assets can provide the cash flow you need, attract as little tax as possible, and have sufficient growth to help ensure your income stream lasts as long as you need it to. ■



FINANCIAL PLANNING

Will your empty nest be empty for long?

Does it seem as if more adult children are living with their parents than when you were their age? Well, they are, according to Statistics Canada.

A broad survey found that today's young people take longer to leave home and are three times more likely to move back. The most common reason, cited by about 25%, was to continue or return to school. Financial concerns ranked a close second. Twelve per cent moved home when their job ended, and 10% had a broken heart.

If you have, or expect to have, "boomerang kids," your financial plan may need some fine-tuning, so that you can provide your children with the support they need — without compromising your own goals. ■

WHAT YOU NEED TO KNOW ABOUT...



The disability tax credit

Many people may be missing out on the savings associated with the disability tax credit, often because they don't realize that they may qualify. This oversight can be costly.

Q: How much is the disability tax credit worth?

A: The disability tax credit is worth \$1,028 in federal income tax savings in 2006. There are also provincial tax savings, which vary by province. The credit is nonrefundable, but if the disabled person is unable to use the full credit, the unused portion can be transferred to supporting family members.

Q: Who can claim the disability tax credit?

A: The qualifying criteria are fairly broad and open to interpretation. You may qualify if you are markedly restricted in any basic daily activity — walking, speaking, hearing, dressing, feeding, bathroom functions, and mental functions — and your restriction has lasted, or is expected to last, for at least a year. A doctor must certify the condition on Canada Revenue Agency form T2201.

Q: Can I claim a credit for medical expenses as well as the disability tax credit?

A: Medical expenses exceeding \$1,885 or 3% of your net income (whichever is less) in 2006 may be eligible for the medical expense tax credit. If you claim the medical expense credit for full-time attendant care, you cannot also claim the disability tax credit. If the attendant care is part time, however, the disability tax credit may still be available, at least in part.

FRAUD PREVENTION

Investment buyer beware

According to a survey conducted for the Canadian Securities Administrators (CSA), one in three Canadians has been approached with a fraudulent investment proposition. Just under half of the respondents felt that investment scams are common, and slightly more than half agreed that anyone could be a victim.

The CSA highlighted advertisements and newsletters touting high returns with little risk, and urged investors to do their homework before committing any money. The best way to make sure you don't get caught in a scam? Get a professional assessment of any investment you're considering. ■



INVESTMENT PLANNING

Paying RRSP fees? Act on your age

Many investors wonder whether it's better to pay the annual administration fee for a self-directed RRSP from within the plan or from their own pocket.

To help you make the right decision, consider this rule of thumb: If you're under 50, pay the fee from your own pocket to maximize the plan's long-term, tax-sheltered compounding. If you're older, there's less time left for compounding before you tap into the plan for income in retirement. So pay the fee from the plan's assets, effectively creating a tax-free withdrawal. ■



How and why bond funds are evolving

The face of bond funds in Canada is changing. Traditionally, conservatively managed funds relied heavily on federal and provincial bond issues. These days, core funds are making greater use of corporate bonds. The number of high-yield bond funds has also increased dramatically.

Here's what bond fund investors need to know about this subtle shift in focus.

Less debt, lower yields

There are two main reasons for the widespread change in holdings.

First, with huge budget surpluses, the Government of Canada doesn't have to borrow like it used to. So it is buying up existing bonds and issuing fewer new ones. The supply of "Canadas" began shrinking in 2001 and plunged by almost 12% from 2005 to 2006 (see chart).

Second, low interest rates make it more difficult for funds to cover expenses with earnings and still leave money for distribution to unitholders.

Filling the gap

Since corporate bonds typically offer higher yields than government bonds, they're an

obvious choice to fill the gap in supply. By choosing bond issues from highly secure chartered banks and large life insurers, fund managers can enhance yield without significantly increasing the fund's risk profile.

Since there are no longer any foreign-content restrictions on Registered Retirement Savings Plans (RRSPs) and Registered

Retirement Income Funds (RRIFs), bond fund managers are also turning to U.S. bonds. The market there is much larger and more active, and corporate issues play a huge role.

The search for higher yields

As they try to attract investors in an increasingly competitive marketplace, some funds are turning to high-yield bonds. In fact, Morningstar Canada lists more than three dozen

high-yield bond funds, a 50% increase from three years ago and twice the number from 2001.

These funds hold bonds that are rated below investment-grade, or BBB (see "What the ratings mean"). While these bonds are certainly less secure than government bond issues and A-rated corporate bonds, they are not necessarily high risk.

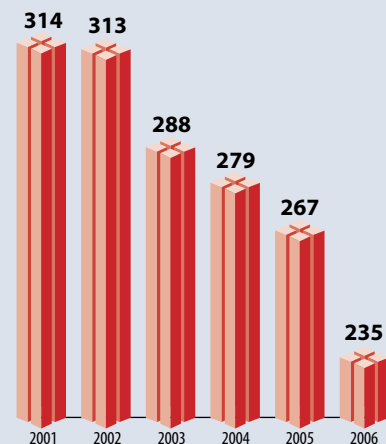
High-yield debt is issued by companies that present some sort of concern, which



Slim pickings for "Canadas"

Since 2001, the supply of Government of Canada bonds (Canadas) has been shrinking steadily.

Supply of Government of Canada bonds (Billions of dollars)



Source: Department of Finance
Based on fiscal years ending March 31

might be anything from a major change in upper management to a pending lawsuit to a possible takeover bid. These bonds offer higher yields than investment-grade bonds because the timely payment of their interest and principal is less certain.

While default is always a key concern, many high-yield bonds are issued by well-established companies. For an astute fund manager, these bonds may not only enhance yield but also offer an opportunity to generate capital gains should the debt rating of a once-troubled company improve. In addition, much of the risk can be offset by holding bonds from a wide range of issuers in different industries.

Understand what you're buying

For investors, the lesson to take away is that not all bond funds are alike. A fund's prospectus will detail its main holdings, the manager's approach, and the fund's objectives. As with any mutual fund investment, it's important that the fund's objectives and risk level be compatible with your own.

Professional guidance is the most effective way to find the bond funds that are most appropriate for your portfolio. ■

What the ratings mean

TO JUDGE THE safety of a particular bond, investors rely on independent companies that investigate how likely the issuer is to pay the bond's interest and principal in full, on time. These agencies examine objective factors such as the issuer's earnings and debt load, plus subjective factors such as quality of management and how well the issuer is positioned in terms of the economic outlook.

Usually applies to bonds issued by national governments and their agencies.

Often applies to provincial and municipal government bonds, or bonds issued by blue-chip companies.

These usually apply to corporate bonds. The rating given will depend on the corporation's creditworthiness.

Anything below this grade is considered non-investment grade or speculative.

This indicates that the bond is already in default.

Bond Grade	AGENCY RATINGS	
	Dominion Bond Rating Service	Standard & Poor's
Highest grade	AAA	AAA
High grade	AA-high	AA+
	AA	AA
	AA-low	AA-
Satisfactory	A	A
Adequate	BBB	BBB
Default	D	D

4 ways to pay down your mortgage sooner

Spring is normally a busy time for house hunting, which makes it a busy time for starting and renewing mortgages. Here are four ways to save money on what's likely to be your biggest lifetime purchase.

1. Use your tax refund. Most lenders allow homeowners to make a penalty-free prepayment of up to 25% of the original mortgage principal on the mortgage anniversary date or on any payment date throughout the year. The amount you can pay down will be outlined in your mortgage contract. If you're expecting a tax refund, or have received one, this is a great way to use it.

These prepayments go directly against the mortgage's outstanding principal. A \$5,000 prepayment made at the start of the fifth year of a \$100,000 mortgage at 6% will take more than two years off the 25-year repayment schedule and reduce the total interest cost by more than 12%.

2. Index your payments to your income. Many lenders will allow you to increase your regular mortgage payment by as much as 100% per year. So if you get a raise at work or reduce your household expenses, consider directing that extra cash flow to your mortgage.

Even small amounts make a big difference over time. For example, a \$30 increase in the monthly payment on a 6% \$100,000 mortgage clears the loan more than two years early and cuts the total interest cost by 11%.

3. Accelerate your schedule. If you currently pay monthly, consider switching to accelerated biweekly or weekly payments.

This strategy produces the equivalent of one extra monthly payment each year.

The effect is similar to compound interest, only in reverse. Each overpayment reduces the loan. That reduces the interest due for the next payment, creating even more extra money to pay down the outstanding balance. This powerful spiral can knock four years off of the normal 25-year repayment schedule and reduce the total interest cost by almost one-fifth.

4. Renew smart. When your mortgage comes up for renewal, you have the opportunity to pay down as much of the principal as you want, with no penalty. Consider the following strategies:

- **Shop around for the best rate.** Don't just automatically renew with the same lender and under the same terms. You may be able to get a better rate with a competitor or negotiate with your existing lender.

- **Reduce your amortization.** If your previous mortgage was amortized over 25 years, for example, choose a 20- or 15-year amortization. Your payments will be higher, but you'll pay less interest in the long run and be debt-free sooner.

- **Keep your payments level.** You may be looking forward to seeing your regular payments go down, since you're renewing for a smaller amount. Unless you really need the extra cash flow, try to keep your payments at their previous level — your debt will disappear more quickly.

Professional advice can help you determine the most effective way to pay down your mortgage sooner — freeing up cash for your other important goals. ■

Your RRSP can help to buy a home

ALMOST HALF OF the first-time buyers polled in a 2006 national survey used the RRSP Home Buyers' Plan (HBP). Here's a plain-language explanation of the basics.

How much you can withdraw. A qualifying home buyer can withdraw, tax-free, up to \$20,000 from his or her RRSP. That's \$40,000 for a couple — \$20,000 each.

Who can use it. You qualify only if you have not owned a home in the past five years (this stipulation is waived if the money is used to buy a more suitable home for a disabled person). The home must be intended for use as your principal residence.

Repayment. Repayments must be made annually over 15 years, beginning in the second year after the year of withdrawal. Missed repayments are taxed as income.

No quick withdrawals. You can access money only if it has been in the RRSP for at least 90 days. In other words, you can't make a contribution, claim the tax deduction, and then immediately make a withdrawal under the HBP.

The unseen cost. While withdrawals are tax- and interest-free, it's not free money. The cost is the RRSP growth sacrificed until the withdrawal is repaid. And because of the HBP repayments (which aren't tax-deductible), you may find it difficult to make your full yearly tax-deductible contribution.

Professional advice can help you build a sensible and realistic plan to help you buy a home. ■

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.

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