

YourWealth



Views and opinions
for the clients and friends of

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Welcome to those clients
who joined us this quarter
and thank you to those who
recommended our services.



The Banker Called – He Wants His Money Back

In early September 2008 the bankers called Lehman Brothers and wanted their money back. There wasn't enough. At 1:45 a.m. the firm filed for bankruptcy the largest in U.S. history. That event was the single greatest cause of the resulting worldwide credit crisis which in turn helped bring about the inevitable Great Recession. Too much money had been loaned to Lehman by investors large and small. For its part Lehman had done very irresponsible things with the borrowed money. Many of Lehman's investments had much less realizable value than the value of the original loans.

The public announcement of the bankruptcy was an alarm bell heard throughout the world. The alarm woke up bankers everywhere and they immediately threw up a blanket of distrust. No one trusted other bankers. Suddenly no one felt comfortable with the loans they had already made. Would the borrower repay? This immense fear resulted in phone calls to borrowers on the books, especially those whose loans were callable on demand by the banks. Cover your posterior just in case. The amount was in the

trillions of dollars. In order to pay back the bankers the borrowers had to sell assets. Governments and central banks had to provide liquidity for no one else wanted to lend money to anyone. This Great Liquidation in our opinion was the main reason for the collapse in equity prices as well as the final drop in real estate values.

How smart were the folks at central banks prior to September 2008? Not very. A reading of the minutes of the Federal Reserve demonstrates a complacent attitude regarding housing and the elevated levels of debt. Their foresight was no better than that of Captain Schettino of the Costa Concordia. Yet let's give credit where credit is due. Captain Ben Bernanke has steered our global financial ship successfully since hitting the shore. In his role as the world's most powerful banker his most effective instrument has been the use of quantitative easing. Some would call it printing money monopoly money. The figure will soon be three trillion dollars. Next step for the Fed was to keep the printed money for itself. The final step was to buy bonds and mortgages at higher (CONTINUED ON PAGE 4)

Putting Your Goals in Sight

As a client of RBC Dominion Securities, you are familiar with the investment management services we can provide. But there's another side to the story: professional wealth management service that can help to minimize overall taxes, safeguard your assets against undue risk or ensure you leave a legacy for your family and charity.

As your wealth grows, so too do the complexities associated with wealth. This is often the case for successful business owners, executives, large families and those enjoying or approaching retirement.

Your personal and financial goals are the baseline for wealth management. We will work with you to understand your personal goals, and collaborate with professionals from throughout RBC to present strategies that can help you reach those goals. We then build on these strategies with potential solutions to be implemented and coordinated with your own tax and legal professionals.

Financial planning: Clarifying your overall financial situation

The wealth management process normally starts with a comprehensive, professionally prepared financial plan. With this calibre of financial plan, you can address all aspects of your financial affairs, including cash and debt management, tax and risk exposures, investment management, retirement planning and estate planning.

Retirement planning: Ensuring your retirement lifestyle

With your retirement goals in mind, we look at strategies above and beyond maximizing your RRSP or RRI, including enhanced retirement plans such as Individual Pension Plans (IPPs) and Retirement Compensation Arrangements (RCAs), or tax-advantaged investment vehicles such as Tax-Free Savings Accounts (TFSA's). We may also consider insurance-based strategies utilizing tax-exempt life insurance, insured annuities,



and segregated funds, and ways to structure your retirement income to enhance your after-tax retirement income.

Taxation: Minimizing your tax exposures

In consultation with your tax and legal advisors, we consider strategies to manage or reduce your tax liabilities. These considerations include restructuring your personal and business assets, and legal ownership, holding companies, trusts and other strategies. It may also include income-splitting strategies to reduce your family's overall taxes, or tax-loss harvesting, tax-efficient asset allocation and tax-exempt investment vehicles.

Estate planning: Leaving your affairs neat and tidy

A major focus of wealth management is on protecting your legacy to your family, while making it easier for them to settle your estate. Working with your tax, legal, insurance and trust experts, we look at your overall estate plan, including major documents such as your Will, Powers of Attorney and Trusts. We then consider insurance-based strategies to enhance and protect your estate value, and estate settlement services, which can especially be useful when you have a more complex estate.

Identity Theft Update: Using eStatements to Decrease Risk

Many recent fraud attempts at RBC Dominion Securities have been traced back to the interception of paper statements in the mail. You can eliminate this risk by using DS Online account access to switch your statements from paper to electronic. While many fraud attempts ultimately occur online, identity thieves often use stolen paper statements as a foundation upon which to build their fraud. With a statement the fraudster knows names, addresses, account numbers, cash balances and holdings. From there they will either look to create a new online identity for the account owner or try to compromise an existing email account. With that amount of information they have enough detail to sound authoritative in an email. (And that is why we confirm all emailed instructions verbally!)

If you are already using DS Online the switch to eStatements can not only save trees but it can also reduce your risk of identity theft.

Insurance: Protecting what you've built

Insurance is an indispensable and very flexible wealth-planning tool that not only covers the major "what-ifs" in life but can also help build and protect wealth during your lifetime and when your estate is settled. Here we look at how you can ensure financial security for you and your family in case the unexpected happens, shelter your investment and estate assets from taxes and provide tax-free retirement income and tax-free death benefits.

Credit and lending: Using debt wisely

Working with an RBC credit specialist, we assess (CONTINUED ON PAGE 4)

Client Corner: Norma Tanouye & Tanouye's Treats

While we do enjoy surprise visits from our clients it is always a special treat when chocolatier Norma Tanouye drops by the office. By the time we are finished a meeting the Luukkonen team has most likely blown through our caloric budgets for the day – and in an oh-so-satisfying way...

For the last 16 years Norma has been running a specialty treat business, Tanouye Treats. In the beginning the business was more of a hobby for Norma: a way to relax and spend some time doing something that she loved while also making a bit of money. However after both Norma and her husband were laid off from their full-time jobs in 2008 within weeks of each other they decided to turn the business into a serious venture. Tanouye's Treats is now selling products all across Canada and which



can be found locally at White Feather, Archibald's Orchards and Van Belle Nursery. A significant part of the business is small-run, custom orders for events ranging from weddings to birthday parties and everything in between.

Now that the business is up and running Norma can look back and reflect on its early years. The task of turning a hobby into a full time business was both exciting and a little bit daunting for Norma. "Every day was a new challenge," Norma explained, "There was always something to do, from making the actual treats to talking to retailers about adding our products to their shelves. There definitely weren't enough hours in the day!" While being small meant that sometimes it was a struggle to compete with larger chocolatiers Norma quickly found that her small size was in fact one of her big competitive advantages. "Being able to offer one-on-one service to customers is very important when offering a premium product," Norma continued, "and that level of outstanding service is one of the ways in which we really differentiate ourselves." When asked what the biggest challenge growing Tanouye's Treats into a



full-time business was Norma quickly responded: "Having confidence in myself. There are so many challenges in running a small business and it is easy to become buried by them all. But once I realized that we make the finest product out there all the challenges became manageable. It was no longer 'Can I do this?' it became 'How do I do this?'"

While the business is still small, Norma has big plans for Tanouye's Treats. "One day we will have our own chocolate factory," she says. When asked if it will have a chocolate river, like Willy Wonka's, Norma smiles: "We'll just have to see."

Is Your Beneficiary Right?

For registered accounts, including TFSA, RRSP and RRIF accounts, it is possible to name a beneficiary. The default beneficiary is your estate however you can change that to one or more individuals. There are many advantages (along with a few considerations) to naming beneficiaries for registered accounts. If you have done so one important task is to periodically review your beneficiary designation. Circumstances change and what was an appropriate beneficiary when an account was originally opened

may not be the case years later.

Your current beneficiary information can be found on the first page of your monthly statement under the "Account Details" heading as shown in the picture.

If you need to update or change your beneficiary please contact us as soon as possible!

RBC Dominion Securities Inc.	
Statement of Your Account	MAR. 28
Advisor RRIF (Cdn \$)	2013
Page 1 of 3	
Your Account Number:	[REDACTED]
Trustee:	Royal Trust Company
Date of Last Statement:	FEB. 28, 2013
ACCOUNT DETAILS	
Your Plan Type:	Spousal
Your Beneficiary Information:	ESTATE

(CONTINUED FROM PAGE 1) prices in order to lower interest rates and in turn cause investors to accept further risk in order to earn a meaningful return. As a result performance pressured institutional investors have chased equity prices to record highs.

Eighteen months ago we envisioned a sea change in behaviour. The world would have no choice but to reduce debt and accept austerity. The consequence is obviously slow economic growth. That's the new reality and it is here for a long time.

Five years ago the investment world was awash in trillions of dollars of borrowed money as speculators tried to make money. When enthusiasm and complacency were replaced by fear and uncertainty the result was the greatest credit crisis of our time. So now we have a world awash in trillions of monopoly dollars continually being printed by central banks, led by the Federal Reserve. What are the risks?

Picture this scenario. Banker Bernanke calls bond market investors telling them that he wants to sell bonds because he wants his money back. What if the investors don't want to buy, now that Ben is reversing course? Fear may breed on fear with the result that interest rates



may spike up rapidly. Will this lead to liquidation of assets purchased with borrowed money? Will the economy collapse? We can all imagine the consequences. So can Ben Bernanke. Five years ago he had to be reactive. This time he is in charge. He can be proactive. When will he stop buying bonds? How many bonds and mortgages will simply mature? Will he actually be able to sell some bonds without causing interest rates to spike? We have sent him our email address but somehow we don't think we'll be the first to know. Fortunately the world is beginning to worry about the end of quantitative easing. This concern will grow. As you know we worry when no one else is worrying. The world has never been in this situation. When the banker calls will he have trouble getting his money back? If we think so we'll let you know.

(CONTINUED FROM PAGE 2) your credit and lending needs to reduce or eliminate unnecessary debt, restructure your existing debt so that the interest is tax-deductible wherever possible and consider the use of "good debt," such as a spousal loan strategy or non-recourse mortgage to potentially reduce taxation.

Charitable giving: Giving back and creating a legacy

To help you make the most of your charitable giving, we can help with tax-effective giving strategies such as donating stocks in-kind and establishing family foundations.

If you have not already taken advantage of our extensive wealth management services, please contact us today to learn more.



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