

# 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.



## Steady as She Goes

As you board your cruise ship anticipating a wonderful week ahead it is only natural to have a few expectations. You never take things for granted so prior to buying your tickets you did your research. What did the travel experts say? How did the previous passengers enjoy the cruise? You became comfortable with your assumptions about the food, the accommodation and the activities. Not for one second however did you think it necessary to consider the competence of the captain. You had no reason to question his character. Surely no one in a position of such significant responsibility would be unaware of all potential risks. Experience would certainly determine any required action. In the event of a mishap he would surely provide instant and clear communication, with passenger safety the top priority.

Occasionally we learn that such complete and unfettered confidence in leadership can have tragic consequences. Marine catastrophes are not always the fault of the

captain but the facts surrounding the most recent accident more than suggest total abdication of responsibility, lack of communication and completely wrong decision-making.

Basic assumptions. Yes, we make them in all aspects of our life, especially when we believe that our leaders are aware of the conditions that impact our welfare. In that vein it was completely disconcerting to read the recently released reports of the US Federal Reserve Board meetings in 2006. As you know that year saw the top of the housing market and the peak of mortgage fraud. The Federal Reserve is the most powerful player in the world. It consists of the seven members of the Board of Governors and 12 regional bank Presidents. The influence of the Chairman is massive. Originally given a dual mandate to control domestic inflation and maintain full employment its influence is now global. Assuming new powers it has turned to unprecedented financial market operations as a willing world seeks a leader to prevent  
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# Creating Your Own Pension

Many Canadians are fortunate to have an employer provided pension that gives them a regular income stream in retirement. For people who do not have such a defined benefit pension plan it is possible to replicate one using a something called an annuity.

An annuity is an insurance product that guarantees a fixed regular income for life in exchange for a one-time payment. As with a pension it is possible to structure an annuity to make regular payments for the lifetime of either an individual or a couple.

For many people knowing that there is a regular source of income that they can count on is very important. While the stock market and interest rates may fluctuate their annuity payment will not. This allows people to arrange for a comfortable level of income to meet most of their day to day living expenses. Because an annuity is guaranteed for life it also ensures that people do not outlive their income.

Much like a pension however an annuity is a very inflexible option. Once purchased it is not possible to get out of the annuity or to change the terms of the annuity contract. This means that an annuity must

be structured to meet someone's needs both today and in the future. If those needs change unexpectedly the annuity may no longer be able to meet them.

Because the annuity is purchased with an upfront payment it also means that the funds used to purchase the annuity are not available for other uses. If in the future a need for cash arises other investment assets could be sold to raise funds but from the annuity only the regular payments would be available.

The way in which annuities are structured can also provide significant tax benefits. In most cases receiving an income stream from an annuity in place of interest income from bonds or GIC's is considerably more tax efficient and the older that an individual is when purchasing an annuity the more tax



efficient it will be.

Annuities offer many advantages and but also come with several disadvantages. Conservative investors wishing to guarantee a certain amount of retirement income can benefit from them. If you are interested in learning more about annuities please contact Mark.

## Understanding Your Legal Documents

While it hopefully will not happen for many years eventually all of us will die. Some of us will also unfortunately become incapacitated at some point in our lives and be unable to manage our own affairs. It is important that we all have our legal affairs in order to both ensure that our wishes are carried out as well as to simplify things for those that we care about. There are three key legal documents that everyone should have: a Will, a Power of Attorney for Property and a Power of Attorney for Personal Care. Each document would be used in a different situation:

- Will: Provides instructions on how your estate is to be disbursed after you die. The Will also appoints an Executor to execute your instructions. As long as you are alive

the Will is not used.

- Power of Attorney for Property: Allows you to appoint someone to manage your property and financial affairs on your behalf. The document is only in effect while you are alive – once you die your property and financial affairs are handled by your Executor.

- Power of Attorney for Personal Care: Allows you to appoint someone to make health care decisions for you while you are alive but incapacitated.

It is important to ensure that not only do you have these documents but also that they are up to date. Life events and changes can mean that what was appropriate twenty years ago may not be so any longer. You should review

your legal documents every few years to make sure that they still properly express your wishes. On an ongoing basis you should also ensure that when something does happen to change your wishes you update your documents. While it is certainly possible to create and maintain these documents on your own we strongly advise the use of a lawyer. The importance of your Will and Power of Attorney papers, which govern the stewardship of your health and assets as well as the provision for your family's support upon your death, is likely to justify the expense of having them prepared professionally. If you are in need of a lawyer we would be happy to provide a referral.

## Client Corner: Jim Branton and the Build a House Program

For most people, high school was spent in classrooms sitting at desks. Thanks to Jim Branton and the Build a House Program high school students in Durham have the opportunity to get a more hands-on experience. The program has been around for the last twelve years and Jim has been the instructor since the inception. In this unique program a group of students build a house from start to finish. Beginning with nothing but blueprints the students start at the framing process and work on the house right through to the interior finishes.

Taking place at the Winfield Farms construction site of Tribute Homes in north Oshawa the students work from 9 a.m. to 3 p.m. every school day. Over the course of one semester the students earn four credits and get to experience almost all aspects of residential construction. From plumbing to bricklaying to cabinet making they have the chance to try just about everything. "The students mostly come into the program with no construction experience," says Jim. "They all finish it with practical, real-world skills that will be useful whether or not they choose to pursue a trade."

As part of a real construction site, the students work side by side with experienced tradespeople. In addition to trade skills the students learn this



mentoring also allows the students to gain confidence and maturity. As the construction progresses the students develop a sense of pride in their work. "At the end of the semester the students can point to the house and say 'I built that,'" says Jim. A highlight for Jim is when students bring their parents to the site to show off their work.

For Jim, the best part of the program is watching students learn about themselves. Some come into the program knowing that they want to work with their hands. Many of those students discover new career possibilities. "For a lot of kids today, the skilled trades have not been on their radar as a career option. After spending time working with different

trades some kids find out that that not only do they enjoy a trade but that they're good at it too." For those that choose to learn a trade demographic trends are in their favour. With recent reports indicating that the age of the average construction worker in Ontario is over 50 the shortage of skilled trades workers could reach a million jobs within the next 10 years.

The program is open to all high school students of either the Durham District School Board or the Durham Catholic District School Board. While the minimum age for the program is 16 the only other requirements are a good attitude and a willingness to learn.

### Did You Know?

- Getting married usually invalidates your Will.
- A capital loss can be carried back up to three taxation years in order to offset previous gains.
- The RRSP contribution limit is 18% of your previous year's income. The 2012 contribution limit is capped at \$22,970.
- Naming a surviving spouse as beneficiary on your RRSP/RRIF allows it to pass to them without tax consequences.
- You can rollover an eligible retiring allowance into your RRSP, even if you do not have contribution room.

### Community Corner: The Purple Woods Maple Syrup Festival

The 37th Annual Purple Woods Maple Syrup Festival starts March 10th. Open everyday for March Break (March 10 to March 18) and then for the weekends of March 24/25 and March 31/April 1 this annual festival is a celebration of "sugaring off."

Running from 10:00 am until 2:30 pm, the Festival is filled with events for the whole family. A trek into the sugar bush will lead to the sugar shack where visitors can watch maple syrup being made. Production

methods from 400 years ago right up to modern methods will be shown. After that, visitors can relax on a horse-drawn wagon ride through the forest before heading to the Heritage Hall for a delicious plate of pancakes.

The Purple Woods Conservation Area is located at the north end of Oshawa at the intersection of Simcoe Street North and Coates Road. You can find more information about the Maple Syrup Festival at [www.cloca.com/msf/index.html](http://www.cloca.com/msf/index.html).



(CONTINUED FROM PAGE 1) financial and economic collapse. Ben Bernanke, as head of the Federal Reserve, is charged with finding solutions to the problems created by the Great Recession. The ship is indeed on the rocks. What can be done for the passengers?

In early 2006 the retiring captain was Alan Greenspan. In our opinion he had been generally successful in his goal of confusing everybody. His leadership as well as his actions were seldom questioned but now history is beginning to have second thoughts. When Bernanke was appointed captain all crew members (the board) applauded the retiring Mr. Greenspan and his stewardship. All agreed the ship was in great shape and the chosen course was perfect. No troubled waters ahead. No need for action.

How wrong they were. The chosen course steered the economic ship to the edge of disaster.

In as much as the board at the time had access to all of the most up to date economic and financial data how could they not know how close the ship was to the rocks? Despite outside reports that the overheated housing market was vulnerable one board member referred to the coming correction as “healthy.” Others laughed off the beginnings of the crisis in Iceland. One individual made a joke about the condo market’s similarity



to casinos. Even member Timothy Geithner, present day Secretary of the Treasury was totally unaware of the mortgage fraud and the Wild West lending practices when he said “we believe that, absent some large, negative shock to perceptions about employment and earned income, the effects of the expected cooling in housing prices are going to be modest. Of course, this view may prove optimistic.” In other words we might hit the rocks but in the meantime “full speed ahead”.

So there you have it. The most powerful banking body in the world got it wrong. So very wrong. The result? The Great Recession. Why do we now comment on this post-mortem? It’s a warning. Some day when the world once again has total confidence in the captains of industry, finance and government you can be sure we will actually be getting closer to the rocks. Their misjudgements will be the result of complacency, ignorance, self interest and performance pressure.

When economic ships are once again setting records do yourself a big favour. Find out where the lifeboats are. Better still, disembark at that next port of call. Too many captains and too many “experts” will not be attentive to the nearby rocks and icebergs.

In the meantime we remain optimistic. You will recall that our newsletter last fall was entitled the End of the Beginning. We wrote “the road ahead is long and filled with many potholes but the journey will be profitable and you will reach your financial destination. The world’s journey forward begins with the acceptance of austerity and a realization that debt can be the most painful bubble of them all.” Fortunately equity markets have risen significantly since that time. The media is offering you many explanations for the strength. There is in fact just one correct answer. World economic and financial markets are slowly improving as deleveraging and sustainable consumption take hold. The lenders of the world have lost a lot of money. They don’t want to do it again. Speculators will not have easy access to borrowed money. Austerity measures will impact on everybody. Eventually however people will begin to think positively about the future. Confidence, not earnings growth, will put equity prices higher. Stay on board. Enjoy the cruise. Steady as she goes.



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