

YourWealth



Views and opinions
for the clients and friends of

Luke Luukkonen
Portfolio Manager
905-434-6166
luke.luukkonen@rbc.com

Mark Luukkonen
Associate Portfolio Manager
905-434-6140
mark.luukkonen@rbc.com

Debbie McDonald
Associate Advisor
905-434-6527
deborah.c.mcdonald@rbc.com

Luukkonen Partners
Wealth Management

Please visit us on the web at
www.luukkonen.ca

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



And the Oscar Goes to...

Once again it is time for the Academy Awards. In a break with recent tradition, this year the Academy has doubled the number of films nominated for best picture from five to ten. In keeping with this spirit of change we felt that the Academy should consider adding a new category to cover the wild times in the investment world. Let's call it the "Malice in Wonderland" award. Producers should consider our proposed films, all of which would be remakes, virtually guaranteeing success. Here we go:

Weekend at Bernie's: Families consider themselves extremely fortunate to be invited onto Bernie Madoff's yacht, the Ponzi. Trouble starts when Bernie admits he's run out of fuel.

Sgt Preston of the Mounties: The RCMP captures Earl Jones, a rotten apple in the Canadian investment industry. His punishment includes writing an essay on parliamentary prorogation procedures.

Akeelah and the Bee: Akeelah becomes spellbound when the tables are turned and she must define instead of spell. Acronyms include TARP, CDO, CDS, MBS and SIV.

The Bank Job: US bank CEO's go to Las Vegas. Some will lose their jobs, some will stay. The good news is that they all get bonuses.

Gentle Ben: Ben the Bear has a problem. Allan the Bear was in charge of the den but he gave away the honey. Now Ben has to find more before everyone realizes the honey is gone.

We are having our people talk to the Academy's people so that we can do lunch. We'll keep you posted as these blockbusters progress.

Certainly 2009 was a year of winners and losers in the investment world. In many cases simply avoiding schemes and temptation made you a winner. The year reinforced for investors the importance of asset allocation, diversification and income generation.

(CONTINUED ON PAGE 4)

Consolidation of Assets

Diversification is one of the golden rules of investing to reduce risk and boost your return potential over time.

Some investors believe that an effective way to diversify is to have multiple accounts of the same type, with different financial institutions and different advisors. But diversification is really about how you invest your money - not where you keep it. Investing through multiple accounts and multiple advisors instead of consolidating your assets with one trusted advisor may impede proper diversification and potentially expose you to greater risk.



By dividing your investments among multiple advisors, you actually make it more difficult to properly manage your investments. Since each of the advisors doesn't know what the others are doing, it often results in over-diversification, conflicting advice and needless duplication of your investments. Furthermore, it's difficult to know how your investments are performing overall by having your assets spread among more than one advisor. A better option is to

The benefits of consolidating your assets with one advisor:

- Reduced costs:** By consolidating your investable assets with one trusted advisor, your fees may be lower.
- Simplified administration and consolidated reporting:** With consolidation, you bring together all your investment accounts with one advisor, which makes it much easier to keep track of your investments and their overall performance. The paper statements you receive in the mail are minimized and the tax reporting related to your investment income and dispositions becomes easier to manage and more accurate. Your tax preparation fees may also be reduced since your accountant will be spending less time sorting through all the statements and determining the average cost base of identical investments.
- Easier estate settlement process:** Having investment and bank accounts spread among many different financial institutions will make your estate settlement process administratively

more difficult for your executor/liquidator and potentially more costly. By consolidating assets, you have peace of mind knowing that after you pass away, your surviving spouse or other beneficiaries will have one point of contact that you trust who will manage their overall assets to ensure they have adequate income.

- More efficient retirement income planning:** Consolidation also enables you to manage your investments more effectively, helping you structure your investments to generate the retirement income you need. In retirement, you will have many different income sources, such as government pensions, employer pensions, Locked-in Retirement Savings Plans, Registered Retirement Income Funds, non-registered income and part-time employment income. If you have one trusted advisor managing your investments, it's easier for that advisor to determine how and in what order you should be withdrawing from all the different income sources to maximize your after-tax retirement income.

consider consolidating your assets with one knowledgeable advisor who can provide you with a properly coordinated financial strategy.

A longer version of this article appears in our guidebook, *Family Wealth Management - Ten Strategies to Build and Protect Your Family's Wealth*. Please

EMAIL UPDATES

Two to three times a month we send out email updates highlighting wealth management topics that we feel would be of interest. If you would like to receive these updates please email Mark at mark.luukkonen@rbc.com or call us at 1-800-267-1522 with your email address.

Getting Ready for Tax Season

Each February thoughts of a pleasant holiday season begin to fade, unfortunately replaced by decidedly less happy thoughts of tax filing. While we are still a few months away from the April 30th filing deadline we feel that it might be helpful to outline what clients can expect to receive over the next few months. In addition to the tax information below, we have added a Tax Reporting Guide to our web site, www.luukkonen.ca. Please visit the guide for an in-depth overview of the upcoming tax season.

Sometime in mid-February you will receive a tax package for any RBC Dominion Securities investment accounts that you have. The initial tax package will include the following:

- If your non-registered account at RBC Dominion Securities earned \$50 or more in income during the year from a combination of stocks, bonds or interest on credit balances you will receive a **T5** slip and an accompanying **Summary of Investment Income and Expenses**. The T5 will detail dividends paid, interest paid on bonds and cash balances, accrued (but not yet paid) interest on compound GIC's as well as foreign income (for example, U.S. dividends) and withholding taxes paid.
- If you disposed of securities during the year you will also receive a **Statement of Security Dispositions**. This report will summarize the dispositions made during the course of the year and should assist you in calculating your capital gains and losses for 2009. The statement should also include daily exchange rate information to simplify the conversion of foreign transactions to Canadian dollars.



- If you earned income from mutual funds, income trusts, Limited Partnership Units or Split Corps you will receive a document called **Important Information Regarding Outstanding Tax Documents**. This document will list the securities in your account for which you may receive additional tax slips.

- If you paid investment management fees during the year a document will be included that outlines the total fees paid for 2009.

Beginning in late February and continuing into late March you may receive additional tax mailings. All tax information for mutual fund holdings will be mailed directly from the mutual fund companies themselves. These mailings may include **T5** and/or **T3** slips. If a tax slip seems to be very late in coming keep in mind that most mutual fund companies have a minimum threshold of between \$50-100 before they will mail out a T5 slip for earned income.

If you are an investor in income trusts or Limited Partnership Units there will be additional tax mailings of **T3** or **T5013** slips detailing your income for the year from those securities. The slips will be mailed to you by RBC Dominion Securities based on information provided by the companies. By law, the companies have until the end of February to file their data with us however many trusts choose to ignore their filing deadline. This can lead to delayed mailings of tax slips as we must wait until the trusts report to us before we can print and mail tax packages. It is important to refer to your **Outstanding Tax Documents** letter from your initial tax package to confirm that you have received all of the

expected slips.

If you contribute to an RRSP you will receive a RSP contribution receipt. One receipt is issued in January for all contributions made from March – December 2009. Additional slips are mailed throughout February and March for contributions made during the first 60 days of 2010.

If you withdrew money from an RRSP or RRIF during 2009 you will also receive a **T4RSP** or **T4RIF** outlining the amounts that must be included in your income for tax purposes.

RRSP Deadline

The RRSP contribution deadline this year is March 1. All contributions made prior to the deadline can be reported on your 2009 tax return. The contribution limit for 2009 is 18% or your 2008 earned income, up to a maximum contribution of \$21,000.

(CONTINUED FROM PAGE 1)

During the year many more clients began reaping the rewards of call option writing. Our RBC Dominion Securities Tax-Free Savings Account is an ideal way to begin this strategy of income generation. Before you make any commitment to other TFSA products please discuss this conservative strategy with us.

Fifteen months have passed since the credit crisis first put us over the edge, resulting in the greatest financial panic, liquidation and economic collapse since the Great Depression. Readers may recall our seminars in November 2008 and May 2009 at which we discussed stock market behaviour following major downturns. At these seminars we stated that in our opinion equity markets were about to mirror the 1973-1975 period during which markets rebounded 60-80% from their lows. Looking at current 2010 levels it is fair to say that this upturn has taken place. Now we must look ahead again.

Using the 1975-1982 time period as our guide it is our opinion that stock market advances from this point on will be modest at best, with significant volatility that will prove both frustrating and rewarding; frustrating to those who experience volatility with little financial



progress but rewarding to those who follow a game plan. Investors should have a focus on a lending ladder, income generation, call option writing and a modest level of trading. Going forward a full commitment to your desired level of stock market participation may not always be appropriate.

The problems of the 1975-1982 period were centered on high inflation, high interest rates and high unemployment. The result was reluctance on the part of

businesses and investors to commit funds for the long term. As for the present, we are now facing several years of personal deleveraging, modest consumer spending, higher taxes and growing government debt and deficits. Against this backdrop, many questions still need to be answered. How much of the recent worldwide growth is due to the trillions of dollars in government stimulus spending? Will higher interest rates burst the recent asset price recovery? Will changing demographics (we're all getting older) increase risk aversion? Will news from China disappoint?

We are certain of a few things. We will continue to see performance driven fund managers treat equities, commodities and other assets as tokens in a game. Computer driven trading will move markets, ignoring economic fundamentals. In turn, talking heads will rationalize and "explain" every single move. Many will continue to yell louder and louder.

We understand the game. We understand that we are all mortal. And to borrow a movie title, while we are here we want everyone to have A Wonderful Life.



This newsletter is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information

suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. This commentary is based on information that is believed to be accurate at the time of writing, and is subject to change. All opinions and estimates contained in this report constitute RBC Dominion Securities Inc.'s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Interest rates, market conditions and other investment factors are subject to change. Past performance may not be repeated. The information provided is intended only to illustrate certain historical returns and is not intended to reflect future values or returns. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member CIPF. ©Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2010. All rights reserved.