

YourWealth

Views and opinions
for the clients and friends of

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The First Edition

A new year is a time of resolutions and new endeavours. This year we too are undertaking something new. This is the first edition of Your Wealth, our personal wealth management newsletter. We will try to make these newsletters timely and interesting, touching on issues that may affect many of you, like Mark's current article on the new tax rules allowing pension income splitting and Debbie's update on the firm's new address change policy.

We are the most experienced investment advisory team in Durham Region and many of you have relied on us for guidance for decades. Over the years however the depth of services that we are able to provide has been expanding. The

investment process is but a part of wealth management. Many of you make use of these other services, ranging from retirement planning to estate planning to charitable giving. If you have not been using them please know that they are available if you need them.

The last piece of the wealth management puzzle was filled late last year when Mark completed his insurance licensing requirements and we are pleased to be able to assist you with your insurance needs.

So please read on and we hope you enjoy our first edition!

Luke, Mark & Debbie

Investment Conditions

It is no doubt an understatement to say that uncertainty and concern have returned. You will recall our long held apprehension regarding both the rising level of debt throughout the world as well as the creation of investment vehicles that yield-hungry investors gobbled up without really understanding the risks.

Bill Gross is one of the world's most respected credit market authorities and he refers to the credit world promoting "a chain letter, pyramid scheme of leverage, based in many cases on no reserve cushion whatsoever." If the pyramid collapses the losses will be felt by the borrowers who can't pay, the lenders who don't get their money back but also by the investors who have equity in the lending institutions.

The addiction to debt by consumers and investors has turned the world upside down but the resulting hangover will result in a slow return to normalcy. Debt will once again be thought of as a problem instead of a solution. Risk will play its proper role in the investment world. The hangover will be long however.

As you know we believe every client should choose an asset allocation that is reflective of their risk tolerance and cash flows. Within any commitment to equities there must be both industry sector and geographic diversification. The fixed income portion should focus on a lending ladder of term investments of the highest quality.

These tenets of diversification and risk management have never been more important. The generation of income, as always, is key for any portfolio. Let your money work for you.

Recent business headlines and stock market reports on television have re-introduced us to emotions that were long absent from the world of investing. Once again we have doubt and fear. My career as an investment advisor goes back to January 1974, which by the way turned out to be the worst year since the Depression (welcome to the exciting world of investments young fellow!). So I've been down this road before.

What should an investor do?

- Do not buy or sell because of emotion.

- Forget the belief that stock prices always reflect corporate conditions.

- Do not believe that stock and commodity markets are always logical.

- Do believe that speculators and leverage are a potent combination that will inflate a bubble whose existence is then "explained" by the business media which is thus reporting fantasy as reality.

- Do increase the level of income from your stock market participation.

- Do review your asset allocation with us. It should reflect your situation and your temperament. Don't let leveraged speculators playing with other people's money determine your level of acceptable risk.

The current world-wide stock market downturn and coming recession will come to an end but the absence of easy money will defer recovery for a long time. It was easy money that got us into this mess in the first place. Someone once said patience is a virtue. When it comes to investing it is a necessity.

Income Splitting In Retirement

In June of last year tax rules were changed to allow for the splitting of pension income between spouses. This means that starting with the 2007 tax year spouses can share up to 50% of their eligible pension income with each other on their tax returns. For spouses with uneven pension incomes this could result in significant tax savings.

The rules specify that a couple can only split "eligible" pension income. For most people this means the taxable part of a pension from an employer (OAS and CPP are not considered eligible) and RRIF payments.

There is an important catch with the eligibility of RRIF payments: they are only eligible if you are age 65 or older during the year.

If you were fortunate enough to retire early you need to wait until you are 65 in order to split your RRIF payments. Income from employer pensions can however be split at any age. Note that the rules do not apply to RRSP payments, regardless of age -- any withdrawal from an RRSP must continue to be declared as income by the spouse making the withdrawal.

If you are over 65 and expect to be making RRSP withdrawals you may want to consider converting to an RRIF to take advantage of the income splitting opportunities.

There is an exception to the age 65 and RRSP eligibility rule. Payments made out of an RRSP or RRIF are considered eligible in the event that they were received by virtue of the death of a spouse.

Not only does pension income splitting provide the chance to save money by [\(continued on page 4\)](#)

Client Corner

Bill & Valerie Cranmer: Habitat for Humanity Durham

Many of our clients are active in community organizations while others have interesting life stories to tell. In each edition of the newsletter we plan to highlight the experiences of one client. In this issue we profile Bill and Valerie Cranmer and their involvement with Habitat for Humanity Durham. Habitat for Humanity is an international non-profit organization that is dedicated to helping to ensure that everyone has a safe and decent place to live. The organization has built over 225,000 homes in 100 countries. Each local chapter works to build affordable housing in its community.

The Durham chapter of Habitat for Humanity was started in 2004 and in 2005 completed the construction of its first house in Uxbridge. This spring the organization and its more than 200 volunteers will be starting construction on a new house in Oshawa. The foundation set up by Argo's coach Pinball Clemons along with the Canadian Auto Workers have helped to fund the construction of the new house, slated to be built on a lot donated by the

City of Oshawa. Those of you who watched the Grey Cup may have seen the actual home on display. During the Grey Cup festivities Habitat volunteers along with CFL players and CAW members helped to construct the exterior of the Oshawa building outside the Roger's Centre. The house is now in storage and will be rebuilt on its Oshawa lot in just a few months.

The Cranmers have been involved with Habitat for Humanity since the Durham chapter made its first public call for volunteers. Valerie sits on the organization's board of directors while Bill helps with the construction of the houses. Valerie is currently very busy in her role as Chair of the Family Selection and Partnering committee trying to identify a suitable Oshawa family for the house.

The Cranmers were attracted to the organization because of its belief in providing a helping hand but not a free hand. While Habitat provides affordable housing to partner families through no-interest mortgages each family is expected to put in hundreds of hours of "sweat equity" into the construction of what will become their home. "Through Habitat we can work with families and

help them to literally build a better life," Valerie said. The Cranmers also like the fact that through Habitat they can see something positive in their own community. "We don't have to take it on faith that our time and efforts are making a difference to something. We can look at the new house and say that we did that," said Bill. "It's there because of our efforts."

With the spring build in Oshawa just around the corner, things are getting very busy at Habitat for Humanity Durham. The organization is gearing up for construction and is looking for volunteers to help with the build. If you'd like to swing a hammer for a good cause or learn more about the organization you can call the Durham office at (905) 852-5888 or visit them online at www.habitatnorthdurham.com.



Community Calendar

Purple Woods Maple Syrup Festival

The annual Maple Syrup Festival will take place at the Purple Woods Conservation Area this March. The festival will be on for the week of March 8-16 and for the following two weekends, March 22-23 and March 29-30. Admission is \$2.00 per adult and \$1.00 for children 12 and under or \$5.00 for a family pass.

Take a trip into the sugar bush and watch maple syrup being made the old fashioned way in an authentic sugar shack! You'll have the opportunity to learn all about maple syrup production through the ages, from production methods used over 400 years ago to the modern methods of today.

Then after learning about maple syrup be sure to enjoy some on a stack of hot and delicious pancakes. Fresh pancakes will be available daily from 9:30 am until

3:00 pm. While paper plates and utensils are available visitors are asked to be green and bring their own reusable dishes if possible!

With horse-drawn wagon rides and free face painting for children there's sure to be something to entertain everyone.

For more details please see the festival website:

<http://www.cloca.com/msf/index.html> or call the Conservation Authority at (905)579-0411.

For Your Information...

Are You Moving?

DEBBIE McDONALD

If you move don't forget to let us know!

We want to make sure that you continue to receive all of your RBC Dominion Securities statements along with future issues of this exciting newsletter.

In the past we have been able to handle address changes with a quick phone call however in an effort to reduce the risk of identity theft, as of January 1, 2008 RBC Dominion Securities now requires that address changes be confirmed with a signed letter.

So please be sure to mail or fax us (sorry, no emails!) with any address changes:

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Attn: Debbie
P.O. Box 705
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Income Splitting in Retirement

(continued from page 2)

exposing the income to a potentially lower marginal tax rate but assuming that only one spouse receives a pension it also provides the opportunity for both spouses to claim the pension income amount of up to \$2,000.

Let's take a look at a simplified example: an Ontario couple with one \$50,000 pension and no other income. Ignoring all potential deductions but including the \$2,000 pension amount, having the pension taxed in the hands of one spouse would result in a tax bill of about \$10,000 for an average tax rate of about 20%. Splitting the pension in half (and with each spouse using the full \$2,000 pension amount) now results in a tax bill

of about \$3,300 per person or \$6,600 for the family and an average tax rate of around 13%. Obviously this example is very simplistic but it does demonstrate that the potential tax savings can be significant. When it comes time to file your taxes this April be sure to take advantage of these new rules if you can!

If you want to know more about pension income splitting please give us a call or check out the page of frequently asked questions about it on the Canada Revenue Agency website at <http://www.cra-arc.gc.ca/agency/budget/2007/pension-e.html>.



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