RBC Dominion Securities

THE Stanton REPORT

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Views & Opinions For The Clients & Friends
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If you know anyone who would like to receive a copy of this newsletter or be added to our mailing list, please contact **Shauna Peterson** at (250) 847-6680. Please contact Shauna Peterson if you would like secure internet access to your accounts. Use our toll free number 1-888-834-3311 from anywhere in North America.

A Word From Richard

November 1st, 2005 was my first day as the President of the Smithers Golf & Country Club. It is turning out to be a very challenging yet educational experience. Fortunately the Board of Directors are a good bunch who have plenty of depth to their experience with operations of the course and they are happy to help me out. If any of them are reading this I just want to say "***Thank you***".

In November, I went down to the Grey Cup with a couple of clients. The first half of the game was fairly uneventful and then in the second half the lead kept on switching back and forth. The energy and excitement around us was like something I have never experienced before.

Christmas was busy at the house this year as we had both sets of family over for Christmas Day. The girls, who are now three and five, had a good time opening all their presents from Santa. Laura cooked a tasty turkey for 15 and the evening was full of festive games, conversation and good company.

Olivia got on skis for the first time this winter. We signed her up for a lesson and she was able to make four runs by the end of the day.

Regular readers know that I frequently use this newsletter to shamelessly lavish praise on my assistants Shauna and Natalie. They make sure things at the office run smoothly and I am grateful for their knowledge and support.

Looking back on the second quarter of 2005 here are few of the highlights:

- **Wendy's** Canadian doughnut chain, **Tim Hortons**, will sell $600MM in shares in an IPO in mid March.
- **The Canadian dollar** rose to $0.8695 (US) on December 13th, the highest level in fourteen years.
- **Barrick Gold** will buy rival, Placer Dome, for $10.4B – becoming the world's largest producer of gold.
- After 13 consecutive increases, an end may be in sight: during the December meeting, the **Federal Reserve** raised interest rates another quarter point to 4.25% but omitted some familiar watchwords. There was no mention that monetary policy is accommodative, perhaps suggesting that rates may be nearing neutral territory.
- For the first time **PepsiCo's** market value overtook that of rival **Coca-Cola**. PepsiCo has diversified its brand over the years with beverages such as Gatorade and Tropicana so that it now relies on carbonated soft drinks for 20% of its revenue, compared to 80% for Coca-Cola.
- Standard & Poor's cut it's credit rating for **General Motors** by two notches and gave its bleakest warning that the troubled carmaker may eventually file for bankruptcy protection.

CONTINUED ON PAGE 3

The Demographic Wave

How is an aging population changing the way you plan for retirement? Retirement isn't what it used to be. Today, people are living longer, and leading healthier, more active lifestyles. These changing demographic trends, coupled with several economic factors, have dramatically changed the way you need to plan for your retirement.

LONGER LIFE SPANS

One of the biggest demographic factors affecting how you plan for retirement is your increased life expectancy. Thirty years ago, people generally only lived for a few years after retiring at age 65. Men typically lived four more years, while women lived another 11 years.

These shorter life spans meant that government benefits, coupled with some modest savings, were sufficient for more retirees to cover basic living and healthcare costs. But now, people can expect to live nearly 19 years after retirement at age 65, meaning their retirement nest eggs will need to last that much longer.

Longer life expectancies aren't the only demographic factor changing how you plan for retirement. The generation currently approaching retirement – the baby boomers – is much larger than the two generations on either side of them. As they age, they will be putting more demands on government benefits and health-care than the previous generation, while relying on the smaller generation coming up behind them to pay a greater share of the taxes.

If you are a baby boomer, defined as someone born between 1947-1966, this "demographic wave" will undoubtedly affect how you plan for retirement. Not only can you expect to live longer, which requires a bigger nest egg, you may also be increasingly responsible for picking up a greater share of your retirement and health-care costs, as the government's resources come under strain.

Yet another demographic phenomenon is affecting how you plan your retirement – changing lifestyle expectations. Today's retiree is not only living longer, they're also living life to the fullest – and spending more in the process. This trend is expected to continue as the baby boomers retire.

HOW MUCH MORE WILL YOU NEED?

Given the various demographic and economic factors, how much more will you need to save to live the retirement lifestyle you want? As a rule of thumb, many financial planners suggest you will need approximately 80% of your annual pre-retirement income to maintain your lifestyle. So if you earn $100,000, you will need $80,000 during retirement. Assuming you live for 19 years after retirement, you may need more than $1.5 million in total income.

For most people, even those earning a high income, that's a lot of money. But you don't necessarily need to save exactly 1.5 million. Depending on when you start saving, you may only need to save a third or half that amount. Your retirement savings should grow over time – and the sooner you start saving, the more they should grow. To determine how much you should save, it's a good idea to complete a retirement savings projection.

THE ECONOMIC SQUEEZE

Changing demographic circumstances are just one reason why you need to consider saving for retirement. Economic factors like taxes, inflation and interest rates are also putting the squeeze on your retirement savings.

In the past, you could count on safe, interest-bearing investments like GICs and government bonds to provide the retirement income you need. But now, interest rates are mired at historic lows, barely keeping ahead of inflation. Factor in the eroding effect of taxes and you may need to save more than you thought.

CONSIDER YOUR ALTERNATIVES

Given all these demographic and economic factors, it's important to consider investment strategies that can help you maximize your retirement income.

When selecting investments for your retirement portfolio, you can choose from three basic asset types – stocks, bonds and cash. Using history as a guide, stocks provide the highest returns over time. But the road is bumpy, and there can be extended periods when they're down. Bonds

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THE DEMOGRAPHIC WAVE ...
CONTINUED FROM PAGE 2

and cash, on the other hand, are much more stable. It may not be much, but you basically know what you're getting.

Earlier in life, when you're building your retirement savings, you have enough time to "smooth out the bumps in the road" by investing more in stocks than bonds and cash. But when you retire, the common wisdom is that you should put all your money into guaranteed investments like bonds because you no longer have the luxury of time.

But changing demographics mean you may have more time than you think. As a result, it's increasingly important to retain a portion of your retirement assets in growth-oriented investments like stocks that will increase the longevity of your savings.

STRATEGIES TO MAXIMIZE YOUR RETIREMENT INCOME

- Don't play it too safe by investing only in guaranteed investments like government bonds. Instead, increase the longevity of your retirement savings by investing in a balance of stocks and bonds. The key is finding the right balance to get the growth you need, while keeping risk in check.
- Focus on your after-tax returns. Different types of investment income are taxed in different ways. Interest income is fully taxable at your marginal tax rate, while capital gains, Canadian dividend income and returns of capital receive more preferential tax treatment. Consider including some investments in your portfolio that offer higher after-tax return potential, like income trusts, insured annuities and Canadian dividend paying stocks.
- Maximize the tax advantages offered by your RIF. Within your RIF, assets continue growing on a tax-deferred basis. If possible, withdraw only the minimum required from your RIF, while getting the income you need from other sources, like your personal investment accounts. That way, you leave more assets within your RIF growing on a tax-deferred basis, enhancing your future income.
- Take a coordinated approach. Finding the right balance of assets to enhance your retirement income is much easier when you have a good grasp on your overall financial situation. Bring together your retirement assets into one coordinated plan to ensure you've got all the angles covered.

A WORD FROM RICHARD *CONTINUED FROM PAGE 1*

› In December Finance Minister, Ralph Goodale, opted **not to implement a new tax on income trust funds** and to raise the dividend tax credit from 13% to 19%.

› **The European Central Bank** raised its key interest rate by 25 basis points to 2.25%, the first increase in five years.

› The price of **gold** continued to rise, breaking $540 an ounce for the first time since 1981.

My quarterly travel/meeting schedule appears on Page 4. If you haven't booked a review and would like one, please call the office at 1.888.834.3311. I am looking forward to meeting with you over the next quarter.

Thanks for reading,

Richard

Bruschetta with Tomato and Basil

INGREDIENTS:

- 1 pound ripe tomatoes, peeled and seeded
- 2 tablespoons extra virgin olive oil
- ½ teaspoon salt
- 2 medium garlic cloves, minced
- ½ teaspoon coarsely ground black pepper
- 3 tablespoons finely chopped fresh basil
- 4 ounces fresh Asiago cheese, shredded
- 1 tablespoon finely chopped Italian parsley
- sliced black olives

BREAD:

- 1 medium baguette, French or Italian bread cut into ½ inch slices
- 2 large garlic cloves, peeled
- 2 tablespoons extra virgin olive oil
- freshly ground black pepper

PREPARATION:

Dice tomatoes into ½ inch pieces; drain over a bowl for 30 minutes to remove excess liquid. Combine all relish ingredients except the asiago cheese in a small non-aluminum bowl. Stir well and taste for seasoning.

Prepare grill for medium-hot grilling, or preheat broiler. Place the bread on the grill; grill or broil each side just until marks of the grill or broiler pan appear. Remove and place on serving platter. Rub the toasted bread pieces on each side with cut surfaces of the peeled garlic cloves. Add cheese to the relish; spoon mixture over each bread slice and then drizzle the remaining 2 tablespoon extra virgin olive oil over top. Sprinkle with freshly ground black pepper and serve.

Makes 6 servings.

We encourage our clients and readers to submit their favourite recipe. E-mail any suggestions to shauna.peterson@rbc.com.

Kids Corner

Learning the Value of Money

5-10 YEAR OLD

Young children love to collect and save pennies. They rarely learn to understand their value until they get toward the older end of this age range. To help them out, families can talk about the family's budget together. This doesn't mean worrying children about bills or making them feel guilty for costing you so much. What it does mean is explaining that there is a certain amount of money that comes into the household and that there are some expenses, such as food, utilities and clothing that must be paid for from that money.

There is also a set amount (you don't need to say how much) that must be saved for emergencies and future expenses. By setting up a "family piggy bank" you can illustrate what it is to save for something fun for the whole family.

Children who get an allowance should have it explained to them what they will be required to use it for. You can teach children to always put 10% of their allowance in savings, another amount toward a charity, and the rest is for spending. Let the children see when they earn interest on their bank accounts too.

11-15 YEAR OLD

Children in this age group may have more opportunities to earn some money. If they are asked to feed the neighbor's cat and earn $10, teach them again to put a percentage away into savings.

If the habit of putting money into savings each time they are paid is established early, then it will be more likely to become a lifelong way of managing money. Allowances may or may not be tied into chores, but it is important that children this age understand the importance of "earning" their incomes just like Mom and Dad do. The allowance can also be approached as their share of the family's income. Again it should be explained what they must buy for themselves from this income – music CDs, movie tickets, extra unnecessary clothing, etc.

16 AND OLDER

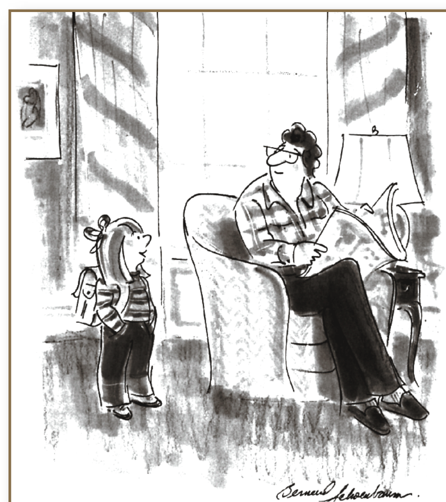
Many teens have part-time jobs and can really understand what it means to earn a living. They will also be introduced to the concept of paying taxes. Have your children file their own tax return as soon as they have a job that results in a T4. This will give them a more 'personal' view of income taxes and build up room for future contributions to an RRSP. Further their credit education by co-signing for a credit card in their name with a low limit. Carefully monitor its use and instill in your children the importance of paying credit card payments monthly to maintain their good credit rating and avoid high interest or late fees. Use monthly credit card statements to discuss their spending patterns and best uses of their purchasing power.

OUT OF TOWN SCHEDULE

TERRACE
February 13
March 13
April 18

HOUSTON
February 17 *(afternoon)*
March 17 *(afternoon)*
April 21 *(afternoon)*

BURNS LAKE
February 17 *(morning)*
March 17 *(morning)*
April 21 *(morning)*



"I need some short-term economic stimulus."

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