



**RBC
Dominion
Securities**

THE Stanton

REPORT

Views & Opinions For The Clients & Friends
Of Investment Advisor
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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.

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A Word From Richard

I can't resist repeating a tale told to me last year by a business owner/client. The business he grew up in was a fine one, with a long-time record of leadership in its industry. Its main product, however, was distressingly glamorless. So several decades ago, the company hired a management consultant who—naturally—advised diversification, the then-current fad. ("Focus" was not yet in style.) Before long, the company acquired a number of businesses, each after the consulting firm had gone through a long—and expensive—acquisition study. And the outcome? Said my client sadly, "When we started, we were getting 100% of our earnings from the original business. After ten years, we were getting 150%."

Another quarter has past and we are gearing up for our second edition of "The Stanton Report." With the positive response from the first edition I'm glad we made the decision to go back to publishing our own newsletter.

My family and I had a great holiday in late February on the big Island of Hawaii (called "Kona" by the locals). My parents came along with us and got a chance to spend some quality time with the girls. We took a helicopter tour of the active volcano, drove through Hawaii Volcanoes National Park, swam with the kids, but most of all relaxed in the sun. I even managed to get in a couple of rounds of golf. We had dinner with clients who were gracious enough to invite all six of us to their "home away from home" for dinner and wine. They have a great house with a spectacular view and we enjoyed a perfect sunset with great company. It

was an awesome evening; thank you! It's always great to get away and come back to work refreshed and enthused.

I will be away April 28 to May 2 as Laura and I will be travelling to Omaha, Nebraska for the Berkshire Hathaway annual shareholders meeting. This is a yearly event and is attended by over 19,000 people from all over the world who come to hear what Warren Buffett, the most successful investor in the world, has to say. Bill Gates (Co-founder of Microsoft) will also be there as he was recently appointed to Berkshire's Board of Directors. This will be my fourth trip down and Laura's first so we are looking forward to this adventure together *sans* kids!

Golf season is quickly approaching and I am looking forward to hitting the course and getting out on Thursday nights with my friends and clients. As incoming President of my club this year I have lots of research to conduct...out on the fairways, of course. I'm sure I'll be seeing a lot of you out there.

As always my treasured assistants, Shauna and Natalie, do their jobs with precision and excellence. With their presence on the scene, I can safely say if you need anything at all or have any questions regarding your accounts you can depend on these two to help you out.

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

- ❖ Canadian Finance Minister, Ralph Goodale, eliminated the 30% foreign investment limit on all tax-sheltered investments including pension plans.
- ❖ The Bank of Canada left its interest rate at 2.5%

CONTINUED ON NEXT PAGE

A WORD FROM RICHARD

CONTINUED FROM PAGE 1

in order to help exporters who have been hit by the strong Canadian dollar.

- ❖ The Energy sector was the best performing sector in the market over the past quarter. Oil hit an intra-day all time high of \$58.20.
- ❖ After months of positive gains while its eponymous founder remained in jail, shares of Martha Stewart Living Omnimedia fell 18% upon her release.
- ❖ Foreign investment in Canada has almost tripled from 2003 to 2004, to \$53.2 Billion. The unemployment rate dropped to 7.1%, its lowest since 2001, while CPI was at 1.8%.
- ❖ The US Senate voted 52-46 in opposition of resuming imports of Canadian cattle.
- ❖ Canada and China have signed agreements to better develop their uranium mines and oil reserves in order to expand trade of these resources between the two countries.
- ❖ The S&P/TSX Index will now include income trust units as early as May.
- ❖ General Motors gave warning that it is now expecting to report a loss in the first quarter and has cut its earnings forecast for 2005. Yield spreads on GM's bonds widened sharply on the news; its debt is now rated just above junk status by many leading credit-rating agencies.
- ❖ The creation of the fifth-largest brewer in the world was successful as shareholders voted in favour of the Molson/Coors merger.

My quarterly travel/meeting schedule was sent out at the beginning of April and is filling up quickly – 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

RIF QUESTIONS & ANSWERS

Q: Can I have more than one RIF, or an RSP and a RIF at the same time?

A: Yes. You can set up as many RIFs as you like. And if you are younger than age 69, you can have both an RSP and a RIF at the same time.

Q: I've heard about the spousal RIF. Are the benefits the same as a spousal RSP?

A: Yes, they are. A spousal RIF is simply a continuation of a spousal RSP, which simply means the spousal RSP is in the name of one spouse, while the other spouse makes contributions. Most Canadians have a spousal RSP because it offers income splitting and tax saving advantages. Set up properly, the higher income spouse will receive the tax deduction for the RSP contribution, while the lower income spouse will be taxed on the income from the RIF at a rate that could be much lower than that of the contributing spouse.

Q: Can you combine your RIF with other sources of retirement income?

A: Yes, you can. In fact, most retired Canadians receive income from one or more public or private sources, including pension plans, self-employment, personal savings, etc. Your RIF can be used as a primary source of retirement income or as a supplement to existing plans.

Q: Are there specific times during the year I can withdraw funds from my RIF?

A: Again, the RIF is very flexible. You can make regular withdrawals every month, every two months, quarterly, semi-annually, or annually. You can also withdraw lump-sum amounts any time

during the year. Your funds will be transferred to your RBC Dominion Securities cash account, or we will be happy to transfer it to your bank or trust company. We can also issue a cheque or reinvest your funds in a non-registered account.

Q: I have income from my pension, so I don't need to withdraw funds from my RIF this year. Do I have to make a withdrawal, even if I don't need it?

A: Unfortunately, yes, you do. You must withdraw the minimum annual amount except in the year you set up your plan. If you don't need the income, we can help you reinvest the funds in a non-registered plan so it can continue to grow.

Q: I've heard I can lower my minimum withdrawal amount by using my spouse's age. Is this true?

A: Again, yes. Usually your minimum withdrawal is calculated based on the age of the RIF owner at the beginning of each year. You can, however, lower your annual minimum withdrawal amount by choosing to base this calculation on the age of the younger spouse. But remember you cannot change this amount after withdrawals have begun.

Q: How are withdrawals from my RIF taxed?

A: RIF withdrawals are taxable as income in the year they are received. The remaining funds continue to grow on a tax-deferred basis. Withdrawals beyond the required minimum amount are subject to a withholding tax deducted by RBC Dominion Securities and paid to Revenue Canada on your behalf. If you are 65 or older, RIF income is eligible for the \$1,000 pension income tax credit. RBC Dominion Securities will provide you with appropriate tax information and slips for your annual tax return.

GROWING GOOD TOMATOES

Tomatoes are enjoyed by more people than any other summer treat. That's why everybody tries to grow a plant or two, no matter how limited their garden space. So here are a few tips which can help to ensure plump, flavourful additions to the summertime table.

LOCATION

Choose a sunny, well-drained spot - six to eight hours of full sun is best. Good soil can be achieved by adding organic matter such as compost, shredded leaves, or grass clippings. Work the soil to a depth of 6-8 inches, mixing it well.

FERTILIZER

Ideally, soil should be somewhat acid. A 5-10-10 fertilizer is recommended (sometimes sold as "tomato food"). Even better is well-rotted cow manure or compost. In any case, don't overdo nitrogen fertilizer as this results in lush growth, with few fruits. Synthetic fertilizer can be laid down in a thin band in your trench, organic material in a thick layer. Cover with 2-3 inches of soil.

TOMATO VARIETIES

There are two main types: determinate (growing to a certain height and producing over a shorter period) and indeterminate (vines, which will require support, producing fewer fruits but for a longer period).

Flavour, not size, is the objective in growing tomatoes. Usually, however, the largest and the smallest varieties are the best-tasting, so Beefsteak and

cherry types are the good extremes. Typically, the varieties that take longest to mature have the right "tomato-ey" flavour. Select your tomato plants with a long-range goal in mind. Don't buy plants with small fruits or even blossoms on them; it is important to establish strong roots to get better tomatoes in the long run.

PLANTING

Wait until mid-May to plant, or you'll fret when early May nights turn too cold. Then plant late in the afternoon or on a cloudy day so bright sun won't scald the baby plants.

Many gardeners prefer a trench method of planting.

After the fertilizer is laid down, the trench is 3-4 inches deep. Pick off the lower leaves of the tomato plant and wrap a thickness of newspaper around the stem to prevent cutworms. Then lay the plant down horizontally in the trench, with just the top cluster of leaves showing. Cover the stem with soil and pack down lightly. Give the plant a good drink of water. Additional plants should be placed 3ft. apart in every direction and not crowded.

TO STAKE OR NOT

Determinate varieties usually don't need to be staked. Indeterminates don't have to be staked, either; but most gardeners would rather have them growing upward than sprawling around. With staking, you also get cleaner and larger fruits and greater ease in picking.



SPARE RIBS

1 medium onion, finely chopped
3/4 cup vinegar
1/4 cup soya sauce
1/2 tsp ginger
3/4 cup ketchup
3/4 cup sugar
1/2 tsp Tabasco sauce (optional)
2 oz butter
1 clove garlic, crushed
4 lb spare ribs

- ◆ Boil ribs in salted water for 20 minutes.
- ◆ Sauté onion and garlic in butter until soft. Add vinegar, ketchup, soya sauce, sugar, ginger and Tabasco sauce. Cook until slightly thickened.
- ◆ Rinse ribs off and place in a dutch oven. Pour sauce over ribs. Bake at 350 degrees for an hour.

Cook's Note: *Ribs are best when marinated for an hour or longer, and basted throughout baking.*

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



THINGS TO PONDER

Q: Did you ever wonder why dimes, quarters and half dollars have notches, while pennies and nickels do not?

A: The US Mint began putting notches on the edges of coins containing gold and silver to discourage holders from shaving off small quantities of the precious metals. Dimes, quarters and half dollars are notched because they used to contain silver. Pennies and nickels aren't notched because the metals they contain are not valuable enough to shave.

Q: Why do men's clothes have buttons on the right while women's clothes have buttons on the left?

A: When buttons were invented, they were very expensive and worn primarily by the rich. Because wealthy women were dressed by maids, dressmakers put the buttons on the maid's right. Since most people are right-handed, it is easier to push the left. And that's where women's buttons have remained since.

Q: Why do X's at the end of a letter signify kisses?

A: In the Middle Ages, when many people were unable to read or write, documents were often signed using an X. Kissing the X represented an oath to fulfill obligations specified in the document. The X and the kiss eventually became synonymous.

Q: Why is shifting responsibility to someone else called "passing the buck"?

A: In card games, it was once customary to pass an item, called a buck, from player to player to indicate whose turn it was to deal. If someone did not wish to assume the responsibility, he would "pass the buck" to the next player.

Q: Why do people clink their glasses before drinking a toast?

A: It used to be common for someone to try to kill an enemy by offering him a poisoned drink. To prove to a guest that a drink was safe, it became customary for a guest to pour a small amount of his drink into the glass of the host. Both men would drink it simultaneously. When a guest trusted his host, he would then just touch or clink the host's glass with his own.



OUT OF TOWN SCHEDULE

TERRACE

May 9, June 6 & July 11

HOUSTON

May 13, afternoon
June 10, afternoon
July 15, afternoon

BURNS LAKE

May 13, morning
June 10, morning
July 15, morning



"My broker says don't panic, I'm still young enough to recoup my losses."

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