Sandra Sparanese's

FINANCIAL FOCUS

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Views and opinions for the clients and friends of

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DEAR CLIENTS AND FRIENDS,

I would like to extend my warmest greetings and best wishes for a happy holiday season this year. I hope you have the opportunity to gather with friends and family to celebrate.

As I reflect back on 2015, this year has been a tough one for investors. It was all about fluctuations in the price of oil, news out of China (both good and bad), and when the U.S. will finally decide to start raising their interest rates. The swings in the pricing of stocks was confirmation that volatility is alive and well. While we do work hard to minimize short-term losses, our focus remains on making our clients successful in the long term.

Staying invested proved to be the best strategy during times of volatility in 2015 as short-term paper losses during August and September were quickly recovered during October and November. Investors that remained invested during this time were rewarded for their patience. It continues to remind me of Warren Buffet's famous quote, "If you're not willing to own a stock for ten years, then don't even think about owning it for ten minutes."

What will 2016 look like for financial markets? We still feel that the three issues causing market volatility during 2015 will continue to be in focus during 2016. The price of oil may continue to trade in the current lower range for quite some time as supply continues to outpace demand. News out of China will continue to drive markets – our resource-heavy Canadian economy remains at risk if China does not need our resources. When the U.S. finally does decide to start raising rates, we feel that it will be a positive event. Why? Because it signals that the growth in their economy is strong enough to support a rate increase, and it also removes the uncertainty in financial markets of when the rate increases will start. The new Liberal government in Canada will move forward with changes that will affect Canadians with increases in infrastructure spending, changes in personal income tax rates, lowering of the TFSA limit and eliminating some existing tax credits.

It is important that we continue to focus on the variables that are within our control and continue to be long term investors for our future financial success.

Best wishes for a safe and happy holiday season,

Sandra

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2015 Year-End Tax Planning

As year-end approaches, it is wise to take some time to review your financial affairs for any tax savings strategies. Here are a few strategies for your consideration, all of which should be reviewed with your qualified tax advisor to ensure they make sense for you.

Tax Loss Selling Opportunities

Year end is a great time to look for opportunities to make changes to your non-registered investment portfolio. It may be the time to move away from an investment that has not been performing well and potentially triggering a capital loss, which can be used to offset capital gains on other assets that you may have sold earlier this year, or may sell in future years. The capital loss that you realize on the sale of an investment (outside of RRSP, RRIF or TFSA) can be carried forward to offset capital gains in future years as well. The deadline to trigger a capital loss (or gain) for 2015 is December 24th to make sure the trade settles by December 31st. Capital losses can also be carried back 3 years to offset capital gains you have realized and already paid tax on (resulting in a tax refund for you).

Defer Realizing Capital Gains

Deferring a capital gain to next year is also a common tax planning strategy. As we approach the end of 2015, if you currently have unrealized capital gains you may want to consider deferring the realization of capital gains until 2016 for the following reasons: your marginal tax rate may be lower in 2016 compared to 2015, and if you wait until 2016 to sell a security with a capital gain, it defers the tax payable until April of the following year, 2017 (unless you are required to make tax installments).

TFSA Accounts

The Tax Free Savings Account allows you to earn tax-free investment income including interest, capital gains and dividends. You can make tax-free withdrawals any time, for any reason, and any amount you withdraw is added back to your available contribution room on January 1st of the following year. If you are thinking of making a withdrawal from your TFSA in the near-term, consider doing so before December 31st. This will allow you to recontribute the amount withdrawn as early as January 1st of 2016, rather than having to wait until 2017. New TFSA contributions for 2016 can be made on the first business day in January.

Keep More of your RRIF Sheltered

In the year you turn age 71, you must convert your RRSP to a RRIF by December 31st of the same year. The government then mandates a required RRIF income payment each year. The 2015 federal budget announced changes to the RRIF minimum percentage requirements to "better reflect more recent long term historical real rates of return and expected inflation". The new lower RRIF factor now starts at 5.28% at age 71, much lower than the previous 7.38% minimum RRIF percentage for age 71. The annual RRIF minimum percentage factors have been lowered for ages 71-94. You can now withdraw a lower amount based on the new rules even this year in 2015. If you have already withdrawn your annual RRIF minimum amount for 2015 based on the old rules, you are permitted (if you choose) to re-contribute the difference between the old rules (higher percentage) and new rules (lower percentage) back into your RRIF. The end result is lowering your taxable RRIF income for 2015, if it makes sense for you to do that with your tax planning. Clients over age 71 that are receiving minimum RRIF amounts during 2015 should expect their 2016 payment to drop (based on the new lower percentage). You always have the option to draw more than the minimum amount from your RRIF if you require the income to maintain your lifestyle.

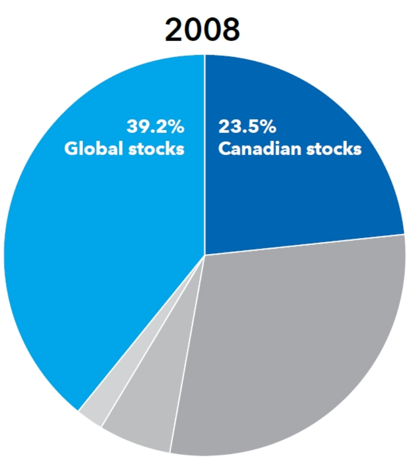
OH, CANADA!

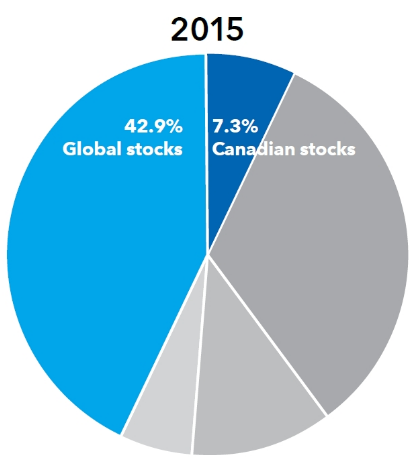
We love Canada. It's a great place to live, travel, have a career and raise a family. Because we love our country so much, I have found many individuals prefer to invest primarily in Canada. They believe that investing abroad will expose them to additional market, economic or political risk. This investment preference is called "home country bias", and it occurs not only in Canada, but around the world.

The Canadian stock market only represents around 4% of the overall global equity market. While there are many Canadian companies that are strong, there are thousands of global leaders that reside outside our country. Of the world's top 500 companies ranked by revenue, 487 of them (97.4%) are located outside of Canada. Canada's heavy concentration in just a few sectors can limit your ability to properly diversify your portfolio. Over 60% of the Canadian stock market is focused on energy, financials and materials which can limit your ability to build a well-diversified portfolio.

THE CPP EXAMPLE: GO GLOBAL

The Canada Pension Plan sets a compelling example for a diversified approach to investing. In recent years, it has made some changes to how its assets are allocated, specifically lowering exposure to Canadian equities from 23.5% in 2008 to 7.3% in 2015.





	2008 C$123 billion	2015 C$265 billion
Global stocks	**39.2%**	**42.9%**
Developed markets	37.6	37.0
Emerging markets	1.6	5.9
Canadian stocks	**23.5**	**7.3**
Fixed income	**29.5**	**32.6**
Real estate	**5.6**	**11.5**
Infrastructure	**2.2**	**5.7**
Total	**100.0%**	**100.0%**

Source: Canada Pension Plan Investment Board, March 31, 2008 and March 31, 2015 Annual Reports.

A diversified portfolio with a heavier weighting in global investments can help to reduce a portfolio's risk over the long term. Your investments are spread across various geographic regions and sectors that do not always move in tandem.

RISK AND INVESTING

Understand the role risk plays in your portfolio

It is essential to understand risk in order to plan for your financial future, because and risk and returns are intertwined – you can't have one without the other. In general, taking on more risk can provide the opportunity for both greater rewards and greater losses. It's important to note, too, that investment risks go beyond market ups and downs.

Some risks of "low-risk" investments

"Low-risk" doesn't mean "risk-free". Here are two examples of the risk associated with low-risk investments. The first is inflation; if your returns don't keep up with it, the purchasing power of your savings could be reduced even if you don't make any withdrawals. A good example would be investing in a GIC at 1.70% - yes, your principal is guaranteed, but if the current inflation rate is 2.00%, you are really not getting ahead. The second is the risk of longevity – the possibility that you could outlive your money if your investment growth does not keep up with what you spend. In any of our financial planning projections, we use age 90 as your life expectancy to make sure your money will last as long as you do.

Some risks of "high-risk" investments

And how about high-risk investments? It is all about market risk – the chance that you will lose some or all of your money if the market value drops substantially. The principal of your money may not be guaranteed, so you have to determine if the risk vs. reward is acceptable. There is also currency risk if you have to convert your Canadian dollars to another currency to buy a foreign investment – the risk that the new currency could decline versus our Canadian dollar and result in a loss.

Risks affect people differently, so it's very important to discuss your feelings with your Investment Advisor to design a portfolio to achieve your goals within your comfort zone. There are three strategies to help you manage risk, while alleviating the effects of market fluctuations:

Dollar Cost Averaging

Investing at different times lets you buy at different price points and average out the cost of your investments.

Diversification

Investing in different asset types (for example, stocks, bonds and GICs), sectors and countries can help reduce the impact of underperformance in any given category.

Keeping Pace with Life's Changes

Meeting regularly with your Investment Advisor and adjusting your portfolio as you move into different life stages can help keep your investments aligned to your time horizon and risk tolerance level.

It's important that you are comfortable with your portfolio, and that comfort can come from a better understanding of risk.