

# Well-Advised



Shawn J. Purcell, BA  
Senior Financial Planner  
Branch Manager

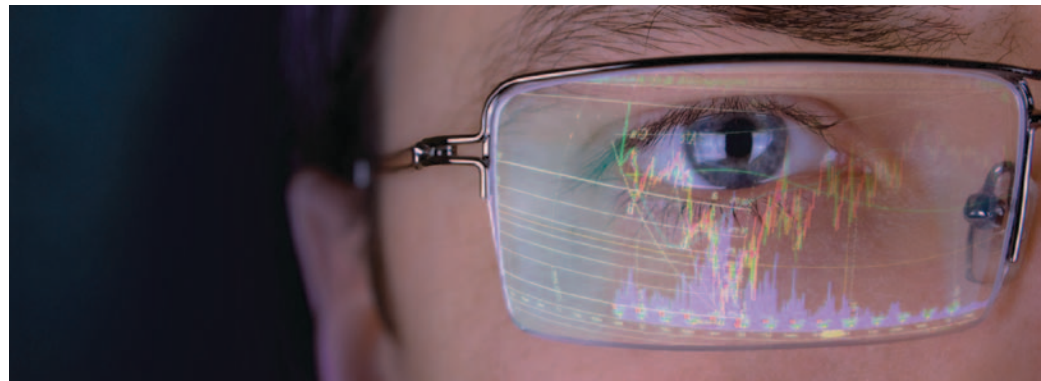
Assante Capital Management Ltd.  
1600 - 800 West Pender Street  
Vancouver, BC V6C 2V6  
Telephone: (604) 685-2214  
Fax: (604) 602-0211  
E-mail: [spurcell@assante.com](mailto:spurcell@assante.com)

We hope you and your family enjoyed a fun and relaxing holiday season.

Now that "RRSP season" is almost upon us, it's a great time for us to get together and discuss your strategy for the contributions you made over 2011. Market volatility over the past few months may have moved your asset allocation off target. We can take the necessary steps to get it back where it belongs.

Call soon to make an appointment.

## Wondering what to do when markets are uncertain?



**T**he European debt crisis has sent tremors through global financial markets, the U.S. economy continues to underperform, and markets remain volatile. Some economists warn that we are headed for a recession. Others say we are merely in a soft patch of the recovery stage of the business cycle.

What is an investor to do? Investment experts generally agree on two key principles during periods of market uncertainty – stay invested and continue to build your portfolio.

### Stay invested

Some investors who have seen their portfolio drop in value may be tempted to sell certain holdings for fear it will keep dropping.

But as a general principle of investing, experts advise to be patient. Selling at a loss locks in the loss. Waiting for the market to recover gives your investment time to regain its original value and the opportunity to grow.

When markets are down, many individ-

uals put their regular investment plan on hold and park new investment dollars in low-interest money markets. Of course it's a safe choice, but it's also a missed buying opportunity. Sitting on the sidelines in cash means missing out on the recovery. Not only that, but when you do buy back in, you'll be investing when prices are higher.

### Build your portfolio

Instead, why not embrace volatility? Broadly based market declines tend to bring down the prices of all stocks, including stocks with strong fundamentals. Purchasing quality companies at low prices can lead to profit when the market recovers.

If market volatility has you worried, please talk to us. Each investor is unique, and your investment objective or risk tolerance may have changed. Either way, we can help you understand the factors behind the current situation, assess the outlook for the future, and help you make the decisions that are best for you. ■

# Prepare to enjoy a long and happy life



Not too long ago, retirees could place their savings in fixed-income investments and have few worries about their standard of living for the rest of their lives. That isn't the case today, but it's not only because of our lower interest rates. It's because Canadians are living longer than they did even a generation ago, thanks to medical advances and healthier lifestyles.

According to Statistics Canada, the average 65-year-old Canadian will live to age 85. So if you leave the work force at age 60, your nest egg needs to generate sufficient income for 25 years. And that's assuming you're not concerned about supporting your surviving spouse or leaving a legacy for your children.

## A new approach

Today's retirees need a multi-faceted retirement portfolio. It still includes income-producing investments, but the income is tax-smart. The retirement portfolio is customized to meet your needs, but typically includes an equity component for continued growth and instruments that help ensure that you

won't outlive your savings.

Inflation still plays a key role. At an inflation rate of just 2%, an investment's value is eroded by approximately 40% after 25 years. To stay ahead of inflation, you need growth-oriented investments – in other words, equities.

## The evolution of your plan

With retirement spanning perhaps 25 or 30 years, your investment goals and time

horizon are likely to change along the way, necessitating modifications to your portfolio and overall financial plan.

Many people take retirement in phases. For example, after retiring from your permanent job, you might work part-time as a consultant or launch your own business. After that, you might take on volunteer work or travel overseas.

These phases – which, of course, differ for everyone – have distinct income requirements. A retirement that unfolds in phases needs a dynamic financial plan that changes over the years.

## Effects of longevity

Living longer also affects your estate planning decisions. In the past, an estate plan typically focused on the legacy left to children. Today, you might also want to name your grandchildren as beneficiaries of your estate.

To help ensure you can leave the estate you want, consider that your health may be an issue. It's a good idea to set aside resources to cover expenses or purchase long-term care insurance to cover the cost of care at home or in a facility.

Retirement planning is different today. Talk to us and we'll tell you about the various products, concepts, and strategies that will enable you to enjoy retirement to its fullest. ■

## Life expectancy in Canada

How long will you live? No one knows for sure, but it makes sense to plan for the best-case scenario. Consider the following:

Robert and Helen Taylor are both aged 65.

Robert has a **50%** chance of living to **83** and a **25%** chance of living to **89**.

Helen has a **50%** chance of living to **86** and a **25%** chance of living to **92**.

As a couple, there's a **50%** chance at least one spouse will live to **90** and a **25%** chance at least one spouse will live to **94**.

Source: Canadian Institute of Actuaries.

# Take action now to pay less tax next year

**W**ith income-tax filing just around the corner, we are aware of taxation's bite. But you can lessen its effects by implementing tax-saving strategies now and throughout the year. Here are five tax strategies that are often overlooked.

## 1. Help the lower-income spouse to invest

Many couples choose to split their expenses 50/50 and invest anything that's left over. Usually, that means the higher-income spouse is the one doing the investing.

Instead, switch it around. Have the higher-income spouse pay all the bills – even the other spouse's income tax. That way, the lower-income spouse can use his or her earnings to make non-registered investments, and any investment income will be taxed at the lower-income spouse's marginal rate.

## 2. Spread the wealth

You can give money to your adult children to invest without attribution back to you. If your child is in a lower tax bracket than you, this will result in a lower family tax bill.

Furthermore, if you invest for a minor child, either directly in the name of the child or through a formal or informal trust, there is no attribution on any capital gains generated. If the investment generates income or dividends, the investment income will be attributed to you until the year the child turns 18.



## 3. Tax-loss selling

If you have investments that are in a loss position, selling them will realize a capital loss that can be used to offset any capital gains you realize in 2012. Any excess capital losses can be used to reduce capital gains realized in the three preceding years or carried forward indefinitely to a future year. Note, however, that this strategy should be driven primarily by investment reasons and not taxation.

## 4. Use a spousal RRSP

Several years ago, the federal government introduced pension income-splitting rules that allow you to split up to half of your eligible pension income with your spouse. However, there can still be benefits to contributing to a spousal Registered Retirement Savings Plan (RRSP).

For example, the pension income-splitting rules generally don't allow splitting Registered Retirement Income Fund (RRIF) payments before age 65. If you retire before age 65, you can use a spousal RRSP to split income.

In addition, your spouse can make withdrawals from the spousal RRSP at any age and pay tax at his or her lower rate provided you have not contributed to a spousal RRSP in the year of the withdrawal or the two preceding calendar years.

## 5. Keep all medical receipts

The medical expense tax credit applies to medical expenses that exceed 3% of your net income or \$2,052 in 2011 (whichever is less). Either spouse can claim the entire family's expenses. Claiming them on the return of the lower-income spouse may allow a higher claim.

Eligible expenses include the cost of private health care plans and medical coverage for foreign travel; eyeglasses, contact lenses and laser eye surgery; orthodontics, dentures and other dental work; and attendant care expenses and medical practitioners' fees. Expenses can be claimed for any 12-month period that ends in the calendar year of the tax return.

Tax planning is a complex area. To ensure that these or any other strategies are properly implemented, we recommend that you consult with your personal tax advisor. ■

# How to keep your New Year's financial resolutions

With a new year under way, chances are a lot of people will be making New Year's resolutions and no doubt some of them will be financial in nature. However, resolutions often go unfulfilled: You plan to lose 10 pounds, or get more exercise, or put money in your Registered Retirement Savings Plan, but by the third week in January, you've perhaps given up.

So what can you do to make this year different and to keep your resolutions – at least your financial ones – all year long? Here are six tips that may help.

## 1. Make it personal

The resolution needs to be something that is essential to you. We can't offer a checklist because you need to choose something personal, a specific item related to your financial life. For example, start a Registered Education Savings Plan (RESP) for your child, start saving for a vacation property down south, or provide seed money to a budding entrepreneur.

## 2. Make it achievable

While we all have financial aspirations, try to keep your resolution realistic. If you resolve to be mortgage free by the end of the year and your mortgage is \$400,000, you may not be able to achieve that target without making significant sacrifices in your lifestyle.

## 3. Break it down into steps

Like any kind of goal, a resolution is easier to achieve if you break it down into a number of smaller steps. For example, suppose your resolution is to make a will. Step 1 might be to take inventory. Make a list of all your assets and all your debts. Step 2 would be to

identify your beneficiaries and how you want your assets distributed to them as part of your estate. Step 3 might be to choose your executor and Step 4 to call your lawyer and make an appointment. For each step, set a deadline and enter it on your calendar.

## 4. Be persistent

If you miss a deadline, don't beat yourself up. Try again or at least try to accomplish some of your target. For example, if your resolution is to "put \$500 a month into a spousal RRSP" you might only be able to put \$200 or \$300 in some months. But so long as you're putting something aside, it's a step in the right direction. Remember, people who successfully quit smoking often make two or three attempts before they finally make it.

## 5. Make it concrete

Whatever your resolution is, be as specific as you can. For example, instead of resolving to "save more and pay less taxes" you might resolve to "contribute \$400 to my Tax-Free Savings Account every month." An easy way to make sure you keep that resolution is to set up a pre-authorized contribution plan.

## 6. Celebrate successes

Financial resolutions aren't about giving things up or not spending money on things you like to do. They're about choices – making different choices today so that you'll be in a better position, financially, tomorrow.

As your financial advisors, we're here to provide you with support and guidance to help you achieve your 2012 resolution, whatever it may be. ■

# Getting back your insurance premiums

Did you know that if you purchase critical illness insurance or disability insurance and don't make any claims you can get your premiums back? It's true. The return-of-premium feature is added on to a regular policy by some insurance providers in Canada. There's an additional cost, but it may be worth your while.

## How it works

Details vary by provider, but a typical critical illness insurance policy will refund 100% of your premium dollars at maturity (usually age 65 or 75) or on surrender if you haven't made a claim. A disability insurance policy offering the feature will typically refund 50% of your premium dollars if minimal or no claims are made after a specified period, such as every seven years.

Is it worth it? It depends on the policy and your personal situation.

## What's best for you?

Looking at the potential financial cost versus the potential financial benefit is one approach. It involves comparing the cost of the return-of-premium feature with what you could earn by investing that amount annually in a conservative investment for the number of years until you would qualify to get back your premiums. If the amount of the refunded premiums is likely to be higher than the projected amount of the investment, then choosing the return-of-premium feature may be a good idea.

The return-of-premium option is just one factor to consider in formulating a comprehensive protection plan for you and your family. We are committed to working with you to find the solutions that meet your needs and also fit your budget. ■

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