

Well-Advised



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Fall can be an ideal time to get your financial affairs in order.

Is your current financial plan keeping up with your needs and wishes? Could it do with a review?

Some points to think about include making the most of your retirement savings, paying down debt, protecting your family with enough insurance coverage, and saving strategically.

I can help you with all of these matters, and more. Please call me today so we can meet to review your financial strategy.

How to keep emotions out of investment decisions



Following your heart may be desirable when choosing a life partner, making a career decision, or picking a holiday destination. But in the world of investing, letting your emotions rule can prove dangerous.

At market highs, for example, many investors are moved by euphoria and recklessly buy hot stocks, sectors, or funds. However, past performance does not guarantee future results. Not only do investors sometimes buy a security at its most expensive, many purchase it just before a drop, then sell in a panic and take a loss.

Establish your priorities

During market lows, many investors experience feelings of fear. Letting it get the best of you could force you to stop investing. However, you could be missing out on opportunities to purchase high-quality investments at a lower price, which would position your portfolio for gains when markets inevitably rise.

What would the voice of reason say? Continue investing in a diversified port-

folio with an asset allocation that reflects your risk tolerance and time horizon.

Stay on track

To maintain your asset allocation, rebalancing is key. Say your asset mix is targeted at 60% equities and 40% fixed income. One year, a stock market gain boosts your equity holdings to well over 60%. The emotional response might be to pour more money into the rising hot stocks, pushing the asset mix even further off target.

Instead, if you rebalance by selling a portion of the overweight classes and reinvesting in the underweight classes, not only do you keep your allocation on track, you systematically sell high and buy low.

It's normal to be euphoric at market highs and feel disappointment when markets slump, but we're here for you to talk to. We can provide an informed perspective on the markets and help you keep your investments on track with your long-term goals through all the ups and downs. ■

Need a solution to provide for your family? Consider a trust

The term “trust” may conjure images of mansions and well-to-do families that have been enjoying a life of leisure for generations. But trusts are not the sole domain of the very wealthy. In fact, a trust can be a useful solution for anyone who wants to preserve money or assets for the ongoing support of a loved one or charity.

You can establish a trust that takes effect during your lifetime, called an *inter vivos* trust or living trust, or you can make a trust part of your estate plan taking effect upon your death, known as a testamentary trust. In either case, you appoint a trustee to manage the funds in the trust (which may consist of cash, real property, or investments) on behalf of the beneficiaries, and in accordance with your wishes.

If any of the following situations apply to you now or in the future, a trust could be a solution you may want to explore.

You want to ensure that family members are properly cared for.

Looking after the welfare and interests of loved ones is a key function of living and testamentary trusts. For example, trusts can be used to:

- Provide capital and income for your spouse during his or her lifetime, with remaining assets going to children from a previous marriage.
- Manage trust assets on behalf of a spouse, child, or other relative who may not be able to handle financial matters.
- Transfer assets to children or grandchildren only when they have attained a certain age.
- Ensure that a family member or relative with a physical or intellectual disability receives proper care for life.

You wish to provide for a child’s education. A living trust can be established to provide for education costs of one or more beneficiaries. Through the

trust document, you can ensure that the money is not used for any other purpose, unlike an informal or “in-trust” account, which the beneficiary would control upon reaching the age of majority.

You want to control the transition of the family business. With a living trust, you can gradually transfer control of your business to children or grandchildren.

You want to make sure your recreational property stays in the family. A living or testamentary trust can be used to establish rules involving future ownership and how decisions regarding the property are made.

You wish to provide for a favourite charity. A testamentary trust can be established to provide beneficiaries with income during their lifetime while the remaining trust capital is donated to a favourite charity on their death.

You want to maximize the legacy your heirs receive. If you are leaving an income-producing inheritance to a loved one, putting it in a testamentary trust can result in a lower tax bill than giving it directly to your beneficiary, especially if the beneficiary is in a high tax bracket. Income retained in the trust is taxed at the trust’s tax rate (a trust is a separate entity for income tax purposes, and an annual return must be filed for it) while income distributed to the beneficiaries is taxed at their individual rates. The trustee can be given the discretion to distribute the income so as to minimize total taxes payable.

We can provide you with more information on trusts and how they might be useful in your circumstances. Before establishing the trust, be sure to also get legal and tax advice. ■



Three great ways to save for your kids' education

According to Statistics Canada, the average tuition for a four-year undergraduate program in Canada costs approximately \$20,000. Add books, student fees, residence, and other living costs, and the total can be staggering.

To help you save, you'll want to make the most of tools available to you. These include Registered Education Savings Plans (RESPs), Tax-Free Savings Accounts (TFSA), and informal "in trust" accounts, each of which has unique advantages when it comes to saving for post-secondary education.

RESPs bring you up to \$500 annually

The education savings vehicle most Canadians think of first is the RESP, where your contributions grow and compound on a tax-deferred basis. An RESP has a total lifetime contribution limit of \$50,000 for each beneficiary.

RESPs come with a unique benefit – the Canada Education Savings Grant (CESG). The CESG matches 20% of up to \$2,500 contributed each year, granting a maximum of \$500 annually per beneficiary and a lifetime limit of \$7,200.

What happens to the RESP if your child decides not to pursue post-secondary education and you don't have an alternate beneficiary? In that case, you would have to pay back the grant money. You'd get the capital back (the amount you contributed) tax-free, but the earnings would be taxable and would also trigger a 20% penalty (12% in Quebec). However, if you have sufficient Registered Retirement Savings Plan (RRSP) contribution room available, you can transfer up to \$50,000 of the earnings into your RRSP tax-free.

TFSA provide flexibility and tax-free income

Compared with an RESP, a Tax-Free Savings Account (TFSA) gives you flexibility: You can use the accumulated funds as you wish, whether or not your child attends college or university.



Contributions are limited to \$5,000 per year and you must be over 18 to have a TFSA. Savings grow tax-free and withdrawals are tax-free. In addition, any amounts withdrawn can be recontributed in a subsequent calendar year.

Informal trusts: In trust for your child

With an in-trust account, or informal trust, you set up an investment account "in trust for" your child. There is no limit on how much you can invest

annually. The original interest and dividend income would be taxable to you, but reinvested interest or dividends — and capital gains — would be taxed in your child's hands. The downside? The child would gain complete control of the account upon reaching the age of majority and could use the accumulated funds for any purpose.

Using the vehicles in combination

By using all three of these vehicles strategically, you may be able to make the most of each. For example, you might contribute enough to an RESP to trigger the maximum annual CESG and then contribute additional funds to a TFSA or in-trust account for added flexibility. In the case of an in-trust account, the RESP could hold the fixed income portion of a balanced program while the in-trust account holds equity funds whose growth is taxed in the child's hands.

Talk to us to discuss which investment vehicle or combination of vehicles suits your situation and preferences. ■

Why college kids should file tax returns

If your child in college or university has too little income to owe tax, technically he or she doesn't need to file a return. But even if your child has no income, filing a return offers several benefits:

- Any student 19 or older must file a tax return to qualify for the GST/HST credit and receive this tax-free quarterly payment.
- If your child had a summer job or will be working part-time, filing a return builds RRSP contribution room that can be used in the future.
- If income tax was withheld from your child's paycheque, he or she can file to get a refund of the deducted amount.
- Your child can carry forward the unused portion of tuition fees, education and textbook amounts to generate a tax credit the following year or transfer the amount to an eligible family member, including a parent, to claim on his or her tax return.



Are you protecting your greatest asset?

Quick, what's your greatest asset? Your home? Investments? For most people, their greatest asset is what pays for everything — the ability to earn an income.

Consider these scenarios. A dentist, married with three children, suffers from a herniated disc and is unable to practise for almost three years. A married father of two school-aged children is killed in a car accident. A single mom with two children is diagnosed with breast cancer. Each case involves lost income that can be replaced through proper insurance coverage.

Create an instant estate

Life insurance, in the event of premature death, replaces your future income. Moreover, it comes in the form of a tax-free lump sum, so in fact it creates an instant estate.

If you already have group life insurance through your employer, the benefits may not be enough. Ideally, you'll want sufficient coverage to maintain your family's standard of living, enable them to stay in the family home, provide for your children until they are self-supporting, and provide for your spouse.

We can assess the needs of your family to determine how much coverage you and your spouse would require.

Coverage if you cannot work

How would you cope financially if an illness or injury prevented you from working for an extended period, say a year or more? Disability insurance is designed to replace a portion of your income until you are fit to return to work full time.

If you have disability insurance through your employer, it's very important to find out the coverage details. The monthly amount or maximum benefit

period may be inadequate, or the definition of disability may be less than ideal — some plans pay benefits only if you are unable to work at *any* job.

If your group coverage is insufficient, or if you're self-employed, you can purchase a personal disability policy to provide the protection you need.

Protection if you are critically ill

Nearly one in four Canadians will contract heart disease and one in three will develop some form of cancer. If it happens to you, wouldn't you want to know



your income is covered while you receive treatment and recuperate?

Most critical illness insurance policies cover cancer, heart attack, stroke, and coronary artery bypass surgery. Comprehensive policies typically cover about 20 medical conditions. After diagnosis of a covered condition, you receive a tax-free lump-sum benefit that you can use however you wish, for home nursing care, child care, to provide an extended recuperation — it's all up to you.

Let us find out if you have any gaps in your life, disability, or critical illness insurance coverage. We'll review the details of your group and personal coverage, assess your needs, and make sure you and your family are fully protected from the risk of loss of income. ■

Early signs of disability provide a warning

In Canada, the two main sources of disability claims are musculoskeletal problems and mental health issues. Other claims result from cardiovascular conditions, cancer, accidents, gastrointestinal conditions, respiratory ailments, and nervous system disorders.

Musculoskeletal and back problems

Typical musculoskeletal disorders include back pain, carpal tunnel syndrome, tendonitis, and various types of arthritis. The most common symptom is pain at the injury site, but other signs include numbness, burning, and a "pins and needles" sensation. You could also experience joint stiffness, muscle weakness, and difficulty holding objects.

You should see your health care provider if pain is severe, symptoms last more than a few days, or symptoms recur. If you allow the injury to reach a late stage of development, the injured area will hurt or feel weak even at rest and treatment becomes more difficult.

Mental health issues

Most mental health disability claims result from depression or anxiety. Depression may have many symptoms, including withdrawing from family and friends, feeling pessimistic and having trouble concentrating or making decisions. It's primarily identified when you're feeling down most of the day nearly every day, it's negatively affecting your work and relationships, and it lasts for more than a couple of weeks.

Feeling anxious now and then can be normal, but if anxiety causes enough distress that it affects your ability to work, socialize, and manage everyday tasks, then it needs to be addressed.

For any health concern, physical or psychological, seeking help when symptoms first appear can prevent a condition from becoming a disability. ■

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