



## Office News

So ends another “RRSP Season.” **We thank all our clients** who invested new money over the past few weeks. We also thank those who stayed the course. You are opportunists taking advantage of the low prices we are currently seeing in mutual funds and you stand to benefit greatly as the recovery continues.

Our clients have opened many new Tax Free Savings Accounts since the beginning of the year. Over time we expect this new tax shelter will become a significant aspect to Canadian’s asset base and financial well being. If you have not opened your account yet please call and we will discuss the best option to meet your short- and long-term needs and goals.

## Equity Markets – Where Do We Go From Here

**Nobody knows for sure**, but we can look back at history to give us some ideas on how similar events unfolded in the past. As the media continues to report “Bad News”, today we suggest to you that there is reason to be optimistic about the future. But let’s set the stage for our discussion. The S&P/TSX Canadian stock market index reached an all time peak of 15,073 on June 18, 2008. It then began a swift decline to 7,724 on November 20, 2008. That’s almost a 49% drop.



The magnitude of drop was almost identical for the broad based S&P Index in the USA. However the peak was reached almost a year earlier on October 12, 2007, and the trough occurred one day later than the TSX on November 21, 2008. The story is similar for stock indexes around the world.

There is no question that the significant drop in the market is among the worst the world has seen. Some purport it is similar to the depression of the 1930s. Other than the stock market decline, there are major differences between the Great Depression (1929 – 1932) and today. Unemployment was 25% then whereas it is about 7% now. Hundreds of banks failed and there was no deposit insurance during the depression. There have been 25 banks that have failed and governments have increased deposit insurance today. During the depression the US government responded by decreasing money supply and increasing taxes. Now they are injecting massive liquidity cutting interest rates and recapitalizing the financial system. The global response during the depression was to increase tariffs and stifle world trade. Now

there is a unified global response to rescue the banking systems around the world.

Yes, anyone who owns units of stock-based mutual funds saw some decline on their year-end account statement. But through diversification and carefully balanced portfolios we were able to mitigate the decline.

Now for the Good News – The media tends to report what is happening now, while markets tend to predict the future. In late November 2008 the stock market was pricing in the bad news of today. The headlines we are seeing now, job losses, bankruptcies, shut downs etc. were being calculated in the price of businesses last November. By the time the headlines report the recovery is under way the stock market may be up 20, 30 or even 40% from where it is now. The stock market will have priced in that good news weeks or months before the events are reported by the media. You may be too late to capture the enormous profit potential that exists in the market today. Great businesses are trading at significant discounts right now. Have courage and faith in our free enterprise system. Invest some of your long-term cash or begin making monthly deposits now.

Unless your objectives or circumstances have changed, we recommend everyone to stay invested. Do not alter your asset allocation unless things have changed. Veterans of the industry are predicting this current market to possibly be one of the great investment opportunities of the century. You don’t want to look back and regret not being there when the market makes its next move up.

## Beware of Headlines

**The last banking crisis was in 1990.** The stock market hit bottom in October 1990. The media saturated us with doom and gloom about unemployment statistics as unemployment continued to rise until the middle of 1992. However, by the time unemployment reached its peak, the stock market was up about 30% from the bottom of 1990. Unemployment figures are not a good predictor of stock market performance. Prepare yourself as we expect the coming months to be a media blitz on deepening unemployment figures.



## Budget 2009



**The 2009 Federal Budget was tabled by Finance Minister James Flaherty on January 27, 2009.** It was intended to be a budget to encourage lenders to lend, consumers to consume and businesses to invest. Although the budget contained measures directed at government spending and corporate taxation, we will focus our comments here on the personal tax credits and incentives.

**Tax Rates and Tax Credits** – The effective tax rates for 2009 and corresponding tax bracket thresholds are shown in the following table. Effective January 1, 2009, the amount of income that an individual can earn before federal income tax applies will be set at \$10,320. The 2009 budget proposes to increase the age credit for those 65 years of age and over by \$1,000 to \$6,408, effective January 1, 2009.

Taxable income range	Tax rate
\$10,320 - \$40,726	15%
\$40,727 - \$81,452	22%
\$81,453 - \$126,264	26%
\$126,265 or more	29%

**Real Estate** – The budget proposes a new non-refundable income tax credit of \$5,000 for first time home buyers. There was also a tax credit for home renovations. The credit will apply to expenditures in excess of \$1,000, to a maximum of \$10,000. The Home Buyers Plan also received an increase to \$25,000. This is the amount holders of RRSPs can borrow against their plan to purchase a new home.

**RRIF Minimum Withdrawals** – The government intends to proceed with the proposal to reduce the minimum RRIF withdrawal for 2008. Seniors will be permitted to re-contribute up to 25% of their minimum RRIF payment received in 2008.

**Estate Planning** – In recognition of current financial market conditions and an existing anomaly under the *Income Tax Act*, this budget proposes to allow post death decreases in the value of a deceased's Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF) to be carried back and deducted from the year of death RRSP/RRIF income inclusion.

## Estate Planning for Pets

**Are you a pet owner?** Some people regard their pets as precious as their children. It is estimated that more than 20% of pet owners include their pets in their wills. People magazine has reported that Tobacco heiress Doris Duke left a trust in the amount of \$100,000 to her dog and that Oprah Winfrey's will mandates that her cocker spaniels live out their lives in luxury. Here are a few points to consider for your beloved companion.

A pet cannot be designated as a direct beneficiary in a will or as a beneficiary of a trust. However, you can designate a person as the beneficiary of a sum of money in your will, on the condition that they agree to care for your pet. It's important to communicate to the proposed pet caregiver to ensure that they are agreeable and the amount of money designated is reasonable. Some may even top up the bequest as a thank you to the new owner as a gesture of appreciation.

Be cautious not to indicate in your will that you will give a certain sum of money to anyone who agrees to take your pet. This has potential to prompt unethical individuals to agree to take the pet for the money but not ensure the pet's well being.

Some SPCA organizations in the USA have been set up as an animal's caretaker after an owners passing. For a minimum bequest the pet will be placed with a loving family and given lifetime monitoring and health care.

Tell your friends and neighbors the contact information of the person who has agreed to become your pet's caregiver. It's also a good idea to post a notice that would be visible to emergency respondents. Include the type and number of pets in your home.



Pets have feelings and needs. They must be cared and provided for in the event of an untimely death or illness. Careful consideration must be exercised in planning for such an occurrence. Please take precautions to ensure all your loved ones, including the furry ones, receive the care and the means necessary to provide a happy and healthy life after your passing.

### Keep In Touch

We welcome your suggestions, ideas, comments and questions by email at [rick@invested-interest.ca](mailto:rick@invested-interest.ca).

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Don't forget to check our website for interesting articles, new links and updates at [www.invested-interest.ca](http://www.invested-interest.ca)

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