

INVESTED INTEREST



Mutual Funds provided through FundEX Investments Inc.

Rick Sutherland, CLU, CFP, FDS, R.F.P.

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Office News

The snow has melted, the flowers are blooming and even the equity markets are cooperating as we write this edition of our Newsletter. **Better days are definitely ahead.**

Thank you to everyone who entrusted us with the preparation of their taxes. And a very special thank you to everyone who stayed the course with their investments through the turbulent times we saw over the past year. Both the Toronto and New York indexes are up almost 30% from their lows in March. Barring any new crisis you should all see a major improvement on your June 2009 investment statements.

Vacation season is upon us and we wish you all a safe and happy summer holiday.

practiced throughout his youth and carried on and developed into adulthood.

As a boy he would purchase a six pack of Coca Cola for 25 cents. He then sold them to the neighborhood children for 5 cents each, making a profit of 5 cents on each six pack. Eventually he took on two paper routes. With the money earned he purchased a pin ball machine. Thereafter, the money earned from the first pin ball machine was used to purchase over a dozen more, until he generated enough cash to afford him the ability to purchase a Rolls Royce for which he used to rent out and generate more income. By the end of high school Warren managed to secure a substantial savings for his time.

After attaining a Master's degree in economics, he worked in his father's brokerage firm and then joined the firm of Graham-Newman Corporation. He found himself out of a job two years later when Graham-Newman disbanded. This led Warren now in his mid-twenty's to start his own financial firm. Nine years later, by 1965, the company was thriving with \$26 million in partnership assets.

The Warren Buffett Story

During volatile markets it is often difficult to stay focused and confident. But it is important not to lose sight of the greater picture, and sometimes that requires a mentor. One such person to keep in mind is Warren Buffett. **He is often referred as "the World's Greatest Investor."** Many books have been written about his investment style. He does not care what the stock market has done recently. He invests in businesses that have become a temporary bargain. Buffett's approach focuses on the intrinsic value of a business rather than its current market price.



Buffett is a living example of what the stock market has to offer. It is the reason why he is one of the wealthiest people on earth. Bill Gates and Warren Buffett jostle for this position - day in and day out. Most of us know the Bill Gates story so let's take a closer look at the development of Warren Buffett and see how his cleverness, natural ability and keen sense of finance made him what he is today.

Warren Buffett was born in the thirties in Omaha, Nebraska. His father was a local stock broker who gave stock market books to Warren at an early age. By the age of eight it became evident that Warren had a natural inclination with numbers and mathematics. At eleven he had purchased his first shares and began mastering the concept "compounding profit". It is this concept that he

By this time Buffett had acquired substantial share ownership of Berkshire Hathaway, a textile manufacturing firm and his namesake company. His reputation continued to grow as more people asked him to manage their money. The textile business was floundering but Berkshire Hathaway was quickly becoming a diversified holding company of many businesses.

Eventually Buffett became the central influence within the company and was able to take control. In doing so, he managed to increase the share price and value of the company by turning it into an investment vehicle.

The Warren Buffett story holds many examples of businesses in which Buffett recognized intrinsic value when others couldn't. Buffett looked below the surface. His investment success was dependant upon a willingness to be patient with an understanding of how equities behave irrationally at times and having emotional fortitude during times of short-term violent fluctuations in the market. Warren Buffett is living proof that investing in equities can build substantial wealth.

For more on the Warren Buffett story read the book, "The Warren Buffett Way" by Robert G. Hagstrom, Jr.

The Home Renovation Tax Credit

The 2009 Federal Budget announced a new non-refundable tax credit available for your 2009 income tax return. **The Home Renovation Tax Credit (HRTC) applies to expenditures of more than \$1,000 but not more than \$10,000.** This gives a possible tax credit of \$1,350, [(\$10,000 - \$1,000) x 15%].



An eligible dwelling must be owned and used personally, and includes your home or cottage. The credit is family based and can be shared between spouses up to the limit. Expenditures must be an alteration or renovation to an eligible dwelling or land that forms part of the eligible dwelling but must be of an enduring nature and an integral

part of the dwelling. The eligible expenses must be incurred after January 27, 2009 and before February 1, 2010.

Examples for eligible expenditures include: Renovating a kitchen, bathroom or basement, new carpet or hardwood floors, building additions, decks, fence or retaining wall, a new furnace or water heater, interior or exterior house painting, laying sod, labour costs, professional fees, building materials, fixtures, equipment rentals and permits. Examples of products, services and expenditures which are deemed ineligible include: furniture, tools, carpet cleaning and maintenance contracts (furnace cleaning, snow removal, lawn care, pool cleaning etc).

Giving an Allowance to Children

It is important to keep your goals in mind when giving your child an allowance. Eliminate your biases about money. Let your children learn from this experience. **Good money management is a life skill that will last forever.**



An allowance can be used to teach children how to manage money responsibly. To sharpen these skills children, like adults, need a regular income. It will train them on cash flow management skills, including how to plan ahead for specific

expenditures. Items that cost little can be purchased immediately. Other more expensive items will involve saving a little bit out of each allowance until enough is accumulated to make the purchase.

Children will learn how to set short- and long-term goals and how to achieve those goals with disciplined money management. The allowance can also be used to teach lessons on borrowing and lending. A small advance today can be repaid from the next allowance. Encouraging charitable giving will show the importance of considering those less fortunate.

Few of these skills are taught in school. It's up to parents to ensure that their children grow up with a mature attitude about money.

Your Unintended Heir

Have you written your will? "...and to the Taxman I leave half of my retirement savings." **Did you intend to leave anything to the government? Most don't, however many Canadians do just that.**



With only a few exceptions your registered retirement savings plan will be added to your final income tax return and taxed at death. So how can you leave more to your family or favourite charity and less to an unintended heir?

One way is through the use of a Permanent Life Insurance. Unlike term life insurance, permanent insurance is designed to last a lifetime. Insurance proceeds become an integral part of your wealth-planning strategy. As long as you pay your premium, it can't be taken away from you, and it never expires.

As long as there is a named beneficiary, the proceeds do not pass through your estate and the death benefit is paid tax free to your beneficiaries. You can't avoid paying tax but with insurance proceeds you can preserve and possibly enhance the value of your estate.

Depending on your age, health and smoking status, the premium for permanent insurance tends to be a fraction of the face amount of coverage. Some policies have cash values that grow tax free. Contact us today for more information on how to mitigate your unintended heir.

Keep In Touch

We welcome your suggestions, ideas, comments and questions by email at rick@invested-interest.ca.

You can also contact us at: 1276 Wellington Street, Ottawa, Ontario K1Y 3A7.

Phone us at 613-798-2421 or fax us at 613-798-2427

Don't forget to check our website for interesting articles, new links and updates at www.invested-interest.ca

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