



Office News

The year 2010 got off to a slow start. It appeared that the markets were digesting the huge gains made in the last half of 2009. It was inevitable that there should be a set back. Markets cannot sustain 50% moves in either direction without pausing and turning around. We are very optimistic for

equity investing for the future. Money Managers tell us that equity valuations are low to reasonable, many companies are reporting positive earnings and paying dividends in the 3-5% range and as the economic situation continues to improve that should be the perfect set up for growing equity prices. We trust you share our optimism.

REMINDER – April 30th 2010 is the deadline to file your 2009 income tax returns.

Transition from Disability Insurance to Long Term Care Protection

As we mature **our needs for insurance protection will change**. During our income producing years we purchase disability insurance to provide financial peace of mind knowing that your monthly income will continue in the event of a long-term illness or disability.

Later in life our focus will shift to retirement and the need for disability protection becomes less important. At that time however a more relevant need emerges. The need to protect assets from the high cost of long-term care becomes a reality. Whether received in your home or in a care facility, all expenses are not covered by the government. The extra costs can add up ... quickly.

Wouldn't it be great if you could simply convert your disability insurance policy to a long-term care policy? Well now you can. The Future Care Option is a new feature of certain Manulife disability insurance policies. This feature is now available to all new Proguard or Venture Series disability insurance plans and the really great news is that it will be offered to most existing disability policy owners as well. This option allows you the opportunity to exchange your Disability Coverage for Long Term Care Protection when you need it. You can take care of your income protection needs today and plan for your future care needs – all within one plan.



No matter what your stage of life you will know that your wealth and family are taken care of in the time of need. When it's time to make the change; you simply submit a request form, which includes a brief questionnaire to help determine your eligibility. No lengthy application, medical report, interview or tests are required.

If you already own a Manulife disability policy or if you are interested in this insurance concept you can contact us for more information. We're with you every step of the way.

Segregated Funds Vs Mutual Funds

Segregated funds (seg funds) are **similar yet very different** from mutual funds. They are offered exclusively through life insurance companies. A segregated fund is a variable insurance contract. Seg funds offer some advantages, as well as some disadvantages over mutual funds.



Most segregated funds guarantee 75-100% of the principle invested at the end of a 10 year maturity date, or at death. Mutual funds offer no guarantee. At maturity or death the value paid to the investor or beneficiary is either the market value or the guaranteed value, whichever is higher. Seg funds also have a reset feature where you can lock in gains, however the clock is reset for another 10 years.

Many mutual funds are offered as seg funds. The management expense ratio is always higher on the seg fund to cover the extra cost associated with its guarantees. The extra cost can be as high as 1% which is added to the management expenses of the fund.

There are no probate fees on seg funds. Seg fund assets pass directly to the named beneficiaries and avoid costly estate fees. Seg funds are also creditor protected if the named beneficiary is a spouse, child, grandchild or the beneficiary is named "irrevocable." This feature is valuable to business owners who may be exposed to legal liability because of their business or profession.

Like mutual funds, seg funds are liquid and can be cashed any time. The main consideration on cashing seg funds is that the guarantee is reduced proportionally.

We offer our clients both options so the decision on whether to invest in seg funds or mutual funds can be made on the importance of guarantees, and costs. Contact us today for more information on differences between these two popular investment options.

Rear View Mirror Planning



Let's start with a metaphor. **Your financial strategy is a bit like driving your car.** You have a destination; let's call it Retirement City. You plan your route. This is your savings and investment strategy. You know there will be traffic, bumps, stop lights, highways and maybe a detour. These are uncontrollable factors much like economic and financial events and life circumstances. Knowing your driving skill, you are confident you will arrive safely.

Can you imagine making this journey looking only into your rear view mirror? It doesn't take much imagination to know that you would not attempt to make this journey. Yet many investment decisions are based on recent past events. The assumption being that what happened recently will surely happen again.

During 2008 and 2009 we saw enough bumps on the road to last a lifetime. Investors were tempted to sell. Using short-term trends to support a long-term investment strategy could be a mistake. No one knows what's coming over the next hill or can predict the future. By making investment decisions based on recent short-term performance you could find yourself selling and applying the brakes, only to determine later that you should have been doing exactly the opposite, accelerating and buying.

You've heard the disclaimer "past performance does not guarantee future results." This becomes clear when we look at a Lipper study of the top performing large cap US equity mutual funds from 1998 to 2002. The study followed these funds over the following four years. Only 19% stayed top quartile. Another 25% slipped to second quartile. While the remaining 56% of those top performing funds fell into third and fourth quartile.

You can't control every aspect of your journey to Retirement City, just like you don't know how the economic or financial markets will behave. We're here to provide the road map to navigate you through the hazards. We coach you to avoid taking short cuts and stay on course so that you will arrive safely at your ultimate destination, financial independence. This requires discipline and self control over your emotions. You don't want to become a traffic casualty. Commit to your financial strategy that is crafted to meet your long-term needs and goals. Don't try to drive to Retirement City by looking in your rear view mirror.

Registered Disability Savings Plan

The Registered Disability Savings Plan (RDSP) was introduced in the Federal Budget 2007. **It is a tax deferral arrangement** intended to help Canadians with disabilities to save. If you are a Canadian resident under age 60 and eligible for the Disability Tax Credit (DTC), then you are eligible for a RDSP. Parents can open a RDSP for a minor child.

While contributions to a RDSP are not tax deductible, income earned in the plan will grow on a tax-sheltered basis. Amounts withdrawn the RDSP are taxed at the beneficiary's tax rate.

RDSP deposits qualify for the Canada Disability Savings Grant (CDSG). The Government will deposit additional money into the RDSP valued up to 300% depending on the amount contributed. The maximum grant is \$3,500 per year with a lifetime maximum of \$70,000.

The RDSP program may also qualify for additional payments under the Canada Disability Savings Bond. Lower-income families may be eligible for annual payments of up to \$1,000 per year with a lifetime limit of \$20,000.

The RDSP has a lifetime maximum contribution limit of \$200,000. Deposits can be made in lump sum or by way periodic payments until the year the beneficiary turns age 59, deceases, is no longer a Canadian resident, or no longer qualifies for the DTC.

Money can be withdrawn at any age however withdrawals must begin at age 60. Grants and bonds must stay in the plan for a minimum of 10 years. Whenever money is withdrawn all grants and bonds that have been in the plan for less than 10 years must be paid back to the government. Withdrawals are deemed to occur when the plan is closed, the beneficiary loses eligibility for the disability tax credit or the beneficiary passes away. All other money including private contributions, investment earnings, and grants and bonds that have been in the plan for more than 10 years will be paid to the beneficiary or the beneficiary's estate.

Visit the HRSDC web site
<http://www.hrsdc.gc.ca> for more information.



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

The foregoing is for general information purposes only and is the opinion of the writer. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call Rick Sutherland to discuss your particular circumstances.

Commissions, service and management fees/expenses may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual Funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer. There can be no assurances that the fund will maintain its net asset value per security or that the full amount invested will be returned to you. Fund values change frequently and past performance may not be repeated.