



## Office News

It's hard to believe that we are saying this so soon. It seems not that long ago since the last time, but here we go, **SEASONS GREETINGS.**

Yes, 2010 is drawing to an end and we will soon close out another year and decade of providing financial advisory services to you, our valued clients. For this we must once again give thanks to all of you for your continued loyal support and confidence in choosing us as your trusted financial planner.

Our holiday schedule will be as follows: We will close early on December 24 and remain closed until Wednesday December 29. We will again close early on December 31 and reopen for regular business hours on Tuesday January 4, 2011.

If we don't see you before the end of the month we look forward to catching up in the New Year. **Happy Holidays to everyone!**

## Year End Planning

As the year 2010 draws to a close our thoughts are turning toward the festive season, family and celebration. The year-end also brings another deadline well worth considering. With the exception of RRSP contributions and maybe a few other tax planning strategies, **you have until December 31 to take any final action related to your tax reduction plans for 2010.**

Here are some ideas that you may wish to consider before the end of the year.



1. Year end tax loss selling for non-registered accounts. You can trigger these losses and apply them against your gains. Capital losses can be used in the current year, carried back three years or carried forward indefinitely. We recommend you make these decisions before Friday December 19 in order for trades to be placed, settled and be eligible for use in 2010. Contact us if you would like more information.

2. Contribute to your Registered Education Savings Plan (RESP). For those who have never purchased a RESP and their child turned 15 in 2010, you have until the end of the year to

contribute at least \$2,000 and be eligible for a grant in 2011 and 2012. Missing this deadline you will not be eligible for any grants in the future.

3. Make your charitable donations before the end of the year. You may want to consider donating publicly traded securities including mutual funds. Any resulting capital gains on donated securities are not subject to tax and you receive a donation receipt for the full market value of the donated investment. It might make more sense, from a tax point of view, to donate securities rather than cash.

4. Purchase a new computer for your business. Income Tax Regulations were amended on May 13, 2009 with a 100-per-cent tax depreciation rate for eligible computers and software acquired after January 27, 2009 and before February 2011. This 100-per-cent write-off entitles the purchaser to write off the entire cost of the computer equipment purchased.

There are a multitude of ideas and strategies one can use for year end tax planning. So while you are mulling over your decision to go with turkey or ham for your holiday feasting, you may want to devote a little time toward tax planning. These and many other tax reduction strategies should be practiced year round, not just at year-end. Call us today to discuss your tax reduction strategies for 2010, before it's too late.

## Did You Know

If you name a **minor child as beneficiary of your life insurance policy** and you die before your child reaches the age of majority the proceeds must be paid to the court. And then the child receives the full amount plus interest when she turns age 18. To avoid the court seizing your insurance proceeds you should name a trustee for your minor child with provisions to disperse dollar amounts at certain ages or for certain events such as college. Speak to your lawyer on the best approach to handle minor beneficiaries.



## The Truth about Investing in Equities

The past couple of years have been a **reality check for equity investors**; those who invest in stocks or stock based mutual funds. It was very frightening near the bottom, March 2009. Those who sold off must still be wondering about the fantastic gains that equities provided since then.



Yet the volatility continues. After the unbelievable gains, from March 2009 to May 2010, equities have become choppy again bringing back concern for the future. Investors are again seeking a direction.

The key to understanding the emotional side of equity investing is to understand volatility. When investing in equities you must expect that your investments will occasionally go through a significant decline. This is not a promise but it is what history tells us.

The truth is that equity markets suffer a severe decline about once every four or five years. The average decline, historically speaking, is about 30%. Sometimes the decline was less severe and other times it was harsher.

It is during these periods of decline that will test the nerves of investors. Those who panic and flee the market will only set themselves up for disappointment and missed opportunity. Inevitably they will want back in when things improve maybe waiting until the market is at, or near the top. This is a recipe for financial frustration.

As an equity investor you must somehow overcome the urge to panic during market lows. Understand how equity markets behave, learn to embrace volatility and above all relax. Good quality businesses that are well managed, have expanding markets, pay dividends and have a history of rising share prices have historically rewarded investors many times more than guaranteed investments.

So the next time the equity market goes into decline remember that it's no surprise to you. In fact you were expecting it. You are emotionally prepared for it and you may want to seize the opportunity and buy low instead of selling. This is the only truth about investing in equities.

## New Year's Resolutions

It's not only a new year but the beginning of a new decade. Let's see if we can tackle a few **financial resolutions for 2011** that will benefit you for the next ten years.

**Write your goals down on paper.** It helps you visualize what you really want out of life. Then figure out what they will cost. It's true, not all dreams cost money, but many do. Money buys freedom to travel, retire early, start a business or change careers. Putting goals in writing gives you a formal starting point from which you can begin to establish your plan.

**Revisit your risk tolerance.** How do you feel about the last couple of years? Yes the market has recovered from the low of 2009 however it may be time to revisit how much risk you can comfortably handle. You will sleep better knowing that your investments are structured to meet your long-term goals without taking on more risk than you can emotionally handle.



**Live within your means.** The best way to do this is to track your expenses. It's the first step toward getting your personal finances in order and then living within your personal budget.

**Eliminate credit card debt.** Make this the year to do it. Inventory your balances, figure out if you can consolidate with the lowest-rate card, and resolve to pay off the balance within a certain time frame. Once card debt is paid off, make it a habit to never put more on credit cards than you can pay off the next month. Try going back to cash.

**Save more.** We encourage you to increase your savings amount each year. This is your personal dividend in yourself. Even a small increase is better than no increase. Can you increase your savings by 5 to 10% more and still live comfortably?

Now that you've started don't stop. Commit to your resolutions and stay on your personal financial path.

### Keep In Touch

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

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

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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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