



Office News

Is it just us or are you sensing that **time is moving faster and faster every year?** We know that a year is made up of 365 days. We all live and experience the same number of days per year. Yet it seems like only yesterday that we were wishing you a Happy Holiday and here we are saying it again.

Alas, as we close the door on 2011, a new door swings open for 2012. May the New Year bring you much happiness and prosperity! Season's Greetings and Happy Holidays to everyone. We look forward to talking to you soon in 2012.

Is Volatility Making You Weary?

Volatility is defined as sudden and sharp movements in both directions. We are specifically speaking about the volatility of investment markets. As 2011 draws to a close it may prove to be one of the more volatile years in our history.

Market trends these days don't seem to last more than a day or two. Heck on May 6, 2010 we saw a "flash crash" that lasted just minutes. On that day at roughly 2:30 pm the Dow Jones Index lost 9% of its value, only to recover those losses in a matter of minutes.



Investors are seeking answers and direction on how to deal with all this volatility. The reality is that there just isn't an easy answer. It comes down to you, your investment personality, your time horizon and your ability to not be cajoled into making a mistake.

Yet both experienced and inexperienced investors are showing signs of fatigue. Whether it's the Greek or Italian debt crisis or the fear of an imminent recession, the markets cannot seem to settle down. The period from May to October 2011 was not pleasant for those with money in the markets. The trend was one day up and two days down. This was then followed by three days up and two days down. The result for some was gut wrenching and emotional.

Some have turned to market timing as a solution. Based on whatever current event is published in the daily press is how

investment decisions are being made. This boils down to pure speculation. The unwavering truth is that the market cannot be consistently timed correctly. It does not matter who you are or how much education or investment experience you have; market timing only works some of the time.

Others have adopted a "go to cash and wait for better days" strategy. This is just another form of market timing and speculation. Sell today, maybe at a loss, park money in cash at almost zero percent return and then wait for the market to go up (to some this is settling down) then reinvest into the market. The challenge is going to be timing your re-entry into the market.

If you are truly a long-term investor you may want to study what others, who have decades of experience and knowledge, are doing about the current market volatility. They know and understand the companies that make up the market. Warren Buffett, the greatest investor of all time announced in September that his company, Berkshire Hathaway Inc., would begin buying back stock. The price was too cheap. Buffett was not alone. Other major companies that announced buyback plans included Wal-Mart, Exxon Mobile and JPMorgan Chase to name just a few. These savvy investors are buying – not selling.

We ask you to look beyond the headlines, ignore the volatility (no correction – take advantage of the volatility) and think and invest like the pros. Do not succumb to the negative press. If your goals haven't changed then stay the course. Ask yourself how you would invest if today was the first day of making your investment. If your allocation would look the same as it does now then don't do anything.

RRSP Limits for 2011 and 2012

You have until the first 60 days of 2012 to make your Registered Retirement Savings Plan, RRSP, contribution and

deduct the amount contributed on your 2011 taxes. Look at your 2010 Notice of Assessment to find your RRSP contribution limit. Your 2011 RRSP contribution limit is 18% of your 2010 earned income or \$22,450, whichever is less. Your 2012 maximum contribution limit will increase to \$22,970.



Life Changes in a New York Minute

The phrase “**New York Minute**” is thought to have originated in Texas during the 1960’s. A Texan took a minute to do what a New Yorker did in an instant. Let us illustrate how a life changing event can occur in a “New York Minute”. Will you be prepared?



No one is ever fully prepared for a life changing event, especially one that occurs in an instant. The idea is to be as prepared as possible and thereby minimize the risk, both from a personal as well as a financial point of view.

Let’s set the stage. You are middle aged, extremely healthy, work out on a regular basis and have no health concerns at all. You are self employed earning a significant income from your work. Life is good. The only problem is that you have no company benefits and your income is dependent on your ability to work. You did look at your options when you decided on self employment. Because of your excellent health you decided to opt out and not take the disability insurance that was recommended. It was deemed to be too expensive and with your healthy life style you would never need it. It would be a waste of money.

You can probably guess what happens next. In a “New York Minute” your life is changed forever. It may be something as simple as falling off a ladder while cleaning the eaves trough, taking an unexpected hit while playing a pickup game of hockey with your buddies, being diagnosed with a life threatening illness or being the innocent victim of a serious car accident. Any of these occurrences have the potential to permanently change a person’s life.

Our once healthy person is now disabled and unable to work and earn a living. Treatment and recovery may take months or years, income stops abruptly and you are now relying on government programs and maybe the charity of family and friends to carry on financially. Some who have lived through such an event have called it a living death.

If any of this rings a bell with you then you may want to speak to us about disability insurance. Learn more about the options you have to protect yourself and your family against the hazards that can occur in a “New York Minute.”

Year End Tax Tips

Can you believe that it’s that time of the year again? Decorations, mistletoe, gifts and eggnog will soon be the topic of discussion. Then we will be facing a new year and all those promises to ourselves for a renewed life in 2012. Before it’s too late you may want to consider **some year-end tax planning tips**. These are critical and time sensitive ideas if you want to take advantage for your 2011 tax return.

Tax-loss selling occurs when you decide to sell an investment at a loss in order to offset capital gains. The trick to timing this transaction this year is to make sure that your sale occurs before Dec. 23rd to ensure your settlement falls in 2011. Otherwise your loss cannot be used until 2012. To avoid the “superficial loss” rule you must wait at least 30 days to buy back the investment that you sell.

Did you turn 71 in 2011? Registered Retirement Savings Plans (RRSPs) must be converted to a Registered Retirement Income Fund (RRIF) by Dec. 31 of the year you turn age 71. You cannot take advantage of the following year extra 60 days contribution rule in the year you turn 71. If you still have earned income you may want to consider making an over contribution to your RRSP before the end of the year. You will be subject to pay a penalty tax of 1% for the month of December however your new RRSP room opens up in January when your over contribution problem disappears.



Contribute to a RESP for a child who turns 15 in 2011. If you have never contributed to a Registered Education Savings Plan (RESP) and your child turns 15 this year, it will be your last opportunity to contribute at least \$2,000 and collect the 20% Canada Education Savings Grant (CESG). It will also open up the opportunity to contribute in 2012 and 2013. If you miss the deadline you will forego any CESGs in the future

Donate to Charity before December 31 to receive a tax refund on your 2011 tax return. Any unused donations can be carried forward for five years.

Keep In Touch

We welcome your suggestions, ideas, comments and questions by email at 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

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