

Money Wise!

CAQ Financial's Quarterly Newsletter



Quadrus Investment Services Ltd.

*Compliments of: Rick Irwin, CFP, CLU
Investment Representative*

Special points of interest:

- **Market Commentary**
- **Should you get travel insurance?**
- **When to expect your tax slips!**



Markets at a glance

Most investors will not be sorry to see 2011 draw to a close. The year was marked by continued widespread volatility as many of the major

developed nations of the world struggled to come to grips with their massive debt levels. It's been said that the first step towards solving a problem is acknowledging that there is a problem. Governments in Europe and to a lesser degree the US have had little choice but to acknowledge the problem. It's the solution part that is proving tricky and political dysfunction around this issue is wearing heavily on the markets.

There is no rocket science to how the debt overhang can be reduced. The solutions in fact are obvious: cut spending and/or raise revenue. Cutting spending may mean a reduction in entitlement programs as well as cutbacks in government spending in a variety of areas. Raising tax

revenue can take the form of tax increases (such as our much-maligned GST which was introduced to stave over similar debt-related problems in our own country some time ago) or can come from increased economic activity due to government stimulus in the economy. Aside from the last option, most of the above are unpleasant politically. Solutions will eventually be achieved. It will take perhaps many years to fully "right the ship" after many years of excess debt accumulation. Once there is a clearer path to how things may evolve, a lot of the uncertainty should dissipate.

It's important to remember that these challenges are not faced by the whole world; and not all the companies inside a country facing these challenges is necessarily affected to a great degree.

If we take a step (or two) back from all the media hype around Greece, the US debt ceiling debate etc we see that a very large part of the world's population is becoming middle class rapidly and, in the process, becoming voracious consumers of resources and consumer goods. The

developing parts of the world (Asia and Latin America) have massive young populations with low levels of debt and high levels of unmet needs and, for the first time in generations, the ability to financially achieve these wants and needs.

Countries like Canada that supply these rapidly developing markets with the resources they need, and global consumer and electronics companies that are providing the citizens with the goods and services they desire, stand to reap enormous benefits. From time to time there will be a temporary disconnect between company fundamentals (which are fantastic in many cases due to the profits coming from the developing world) and share prices, which are lower due to perceived economic uncertainty. Eventually the dust will settle and fundamentals will matter again and the share prices of those many companies that had no reason to be driven down should rebound quickly. It's been a frustrating period, but it too will pass.

Business Update

It's the time of year where we are our busiest but we truly enjoy what we do everyday so being busy is a blessing. I am now working with Rick and Amanda 4 days a week and the plan is to be here full time

in the Fall which is great!

Rick, Amanda and I continue to participate in sessions offered by various insurers and fund companies to keep up to date on

products we offer in addition to our continued education at home for courses we are enrolled in.

- Melissa

Are you heading somewhere warm this winter?



I hope you had a wonderful holiday with your family and wish you all the best in 2012. As I type this our roads are covered with snow and I think winter has officially hit us here in Nova Scotia...I have been dreaming of beaches

for the last few days and my travel desires got me thinking about this article.

You may be counting down the days until a big trip somewhere warm BUT are you really prepared for your well deserved vacation?!

Emergencies happen all of the time, even while on vacation and although your provincial health plan will offer some out of country coverage for emergency purposes it is very limited and you are strongly recommended to purchase additional health insurance every time you leave Canada.

The United States is said to have the most expensive health care in the world and a hospital visit could drain your bank accounts.

If you have employee benefits through your work, it's a good idea to check your benefit booklet to confirm the travel insurance benefits before purchasing a stand-alone policy. The typical group insurance contracts will insure members for short trips but you should be aware of the process and who to contact should an emergency situation arise. I would recommend purchasing a stand-alone policy on top of that coverage if you feel you need additional coverage or are planning to take a medium-long term trip (example: snow birds going to Florida).

Travel insurance can typically be purchased for a single trip or multiple trips a year for those frequent travelers and depending on your age and health situation it can be very inexpensive.

In a nutshell, many of the policies available on the market to choose from typically include emergency medical, trip-cancellation/interruption, baggage (loss, delay, etc.) and accidental death/dismemberment. Applications for this coverage can be done via a simple questionnaire and paid with a credit card. Keep in mind, standard travel insurance policies exclude pre-existing medical conditions. If you have a medical condition that you are concerned about and you want to have it insured, please let your agent know. They will most likely have you complete a detailed health questionnaire and submit it to the insurer for their review to see if they are willing to accept the risk and let you know the costs/parameters of the insurer's offer.

I have seen clients coming back from trips to the US with \$30 - \$40K in hospital bills for visits to a hospital for conditions that were not even considered "life-threatening". They had to pay the bill up front, then go through their province and employee benefit plans to try and get reimbursed. The whole process can be overwhelming especially when you are not aware of how things work, who to call, and what to expect.

This type of coverage can also be considered for visitors to Canada so your relatives and or/friends living abroad can come to Canada with peace in mind that they are covered here.

A few other things to consider when traveling summarized below. I realize these things are often done but it's always good to have a friendly little reminder!

- Check your driver's license; passports, credit cards, etc...renew anything that is slated to expire when you're gone prior to leaving on your trip. It will save you a lot of hassle and calling toll-free numbers that don't work in the country you are in!
- Contact your home insurer to let them know you're away and see what requirements they have if something happens in your absence
- Have a neighbor pick up your flyers, clear your snow, etc...be sure to buy them something nice when you're away to say thank you!
- Install timers for your lights so no-one knows you are away
- Never report you're away on any networking sites
- Give loved ones emergency numbers and ensure someone has a copy of your passports, wills, insurance summaries, etc...

I'm sure there are a lot more to be added but these are just a few of the ones that popped into my head.

If you have any questions on travel insurance, please let me know.

Cheers, Melissa



Teaching Kids About Money



The idea for this article comes from a situation that occurred recently in my own household and one which I think many of you can relate to. Before the Holiday's my son asked me if I could take him to the book fair at his school. As

we arrived at the school I said to my son that he had \$20 to spend. I told him he could buy whatever books he wanted but that I was not going to be giving him any more than the \$20. We headed into the school where the book fair was set up and eventually had 3 books picked out. Together we looked at the prices of the books and he didn't have enough for all three. He chose two and went up to the cash to pay for them. When he was done he had \$3.50 left so he bought a few little things, a small poster and a pencil if I remember correctly. He was happy as could be.... but I felt guilty. As I looked around, parents chatted with each other as kids grabbed books and stacked them in their parents' arms. I couldn't help but feel like I was a bad parent for not letting my son get all the books he wanted and left feeling a little down.

I went home and mulled this over for a while and when I did I realized that I wasn't a bad parent at all. My son got his books and was happy as could be, but I was also able to teach him a lesson about money. So this brings me to the point of my story which some of you may have guessed, is some lessons for teaching your children, or grandchildren about money.

It Takes Money to Make Money

This tried-and-true saying is often even more applicable to young investors than it is to their parents. After all, few teenagers can expect to be granted stock options or issued an equity stake in a start up company.

So, if your child is looking to get that new video game, buy a bike or get a ticket to the prom when the bank of

mom and dad is all tapped out, it's time for junior to learn how to earn.

You Need a Goal

It's been said many times by many people - nobody plans to fail, but many fail to plan. This basic rule of thumb applies to children as well as to adults. It starts by setting a goal and then developing a plan to reach that goal, whether that goal is buying a car or a new mp3 player. Either way, once the desired item has been identified, your budding young labourer can put a price tag on the impending acquisition and set a time frame for achieving the goal. Next, it's time to come up with a plan to get the cash. Your little man or woman with a plan now has a clear-cut objective and a strategy for getting the job done.

Income Counts

Beyond the tales of fantastic wealth and private islands in the sun inherited from one generation of the wealthy to the next is the more common type of wealth: money generated through employment. Going to work every day is the first step to affluence for the vast majority of investors. It's also a lesson in reality for kids.

Junior's first job is likely to be something basic, such as selling lemonade, baby sitting, pet walking, cutting grass, raking leaves or shovelling snow. The job itself isn't all that important - the connection between work and goal achievement is the basic point of the exercise.

If the kids are too small to work, consider an allowance. Doing chores at home is another way to build responsibility and prepare the kids for the future. From one generation of the wealthy to the next is the more common type of wealth: money generated through employment. Going to work every day is the first step to affluence for the vast majority of investors. It's also a lesson in reality for kids.

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Rewards Feed Motivation

After the appropriate amount of capital has been raised, a purchase can be made. It's time to spend and enjoy! Of course, it's also time for a quick chat about saving and investing.

Work Leads to Reward

Teaching the kids about the connection between work and the obtainment of goods and services does more than help them buying them a new toy. It also teaches them valuable life skills that will last far longer than any material object they purchase. They will come to understand that it takes effort to make money. They'll also gain perspective on the value of planning and goal setting. This exercise is the first step toward building a strong work ethic and teaching children to have pride in a job well done.

The Bottom Line

The last lesson is all about the ability to make choices. From choosing the goal to choosing the job to choosing whether to spend or save, the multitude of experiences provide great opportunities for you to teach your child about all of the challenges and opportunities that life presents. Remember, it's not the amount of money your child earns, but the lessons they learn that count in the long run.

- Amanda





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A referral is the best compliment that a client can give. Many thanks to all our clients who have referred us over the past year!

2012 Income tax slips

I wanted to let you know that Quadrus has estimated the following dates to mail out all RRSP receipts and tax slips for the 2011 calendar year:

- RRSP receipts for contributions between March 1 & December 31, 2011 should be mailed out the week of Jan 28th, 2012
- RRSP receipts for contributions between January 1st to March 1st, 2012 will be mailed out on a weekly basis starting February 6th.
- T4RSP & T4RIFs will be sent between February 21st and 29th for Quadrus consolidated investment plans

If you do not receive your income tax slips by March 1st, please contact our office and request a duplicate copy to be generated. Please note, duplicate copies will not be generated until after original's are mailed out. If you have recently moved and have not updated your address, now is a good time!

Changes to CPP

This year marks several changes to the Canada Pension Plan for those at or near retirement age. In light of this, I thought it might be a good idea to do a short refresher course. Note: these changes do not impact retirees who began collecting CPP payments prior to December 31, 2010, providing they stay out of the workforce.

Removal or work cessation test : before 2012, in order to begin to receive a CPP retirement pension before age 65, you had to essentially stop working for a period of two months. Now you can apply for, and start to collect CPP payments, without any interruption in employment.

Introduction of the Post-Retirement

Benefit (PRB): The PRB is a new life-time benefit that increases the CPP retirement income of those who are drawing CPP already but remain in the workplace. Beginning in 2012, if you decide to receive CPP while still working, you can, depending on your age, chose to continue to contribute to the CPP. If you are between 60 and 65 there is not choice: you (and your employer) have to make CPP contributions. Between 65 and 70 further contributions are optional. Whatever you contribute goes to your Post Retirement Benefit, gradually increasing your retirement income even if you are already collecting the maximum CPP benefit at the time you started to draw. Any contributions you have

made to your PRB enhance your CPP automatically the following year.

Changes to early/late CPP: Previously if you chose to take CPP early your benefit was reduced by 0.5% for each month you took it early (30% for age 60). Similarly, if you chose to take it later you received a 0.5% per month enhancement to age 70. Under the new rules, the penalty for drawing early increases by 0.02% per year starting this year and for the next four years, for a new early withdrawal penalty of 0.6%/month by 2016. For those who chose to take CPP later the benefit will gradually increase to 0.7%/month by 2013. This doesn't mean it's not still a good idea to take payments early, just that the decision should be revisited in

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