

Money Wise!

CAQ Financial's Quarterly Newsletter



Quadrus Investment Services Ltd.

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

Special points of interest:

- **Market Volatility**
- **Combination Insurance**
- **Summer tax tips**
- **US debt Ceiling**



Markets at a glance

Hopefully this issue finds you enjoying summer (or four months of May as it's also affectionately known). Take time to enjoy it; it's gone before you know it!

So far this year the markets have been fairly volatile, as they deal with the debt crisis in both Europe and the US. Overall, they have absorbed the issues fairly well. The crisis in the US was, in the near term, mostly self-imposed though the real underlying issues need to be addressed in the medium term. There was little doubt that the US government would reach an agreement to raise the debt ceiling (see article on page four);

the real issue is what cuts are they going to make to achieve an agreement and what is the longer-term implications of getting their massive debt under control. The problems in Europe are more front and centre, with Greece the country at the eye of the storm, and investors are waiting to see where the next shoe might drop; Belgium? Ireland? Spain?

Despite the issues facing much of the developed world, growth remains on check in the much-more populous Emerging Markets, driven by the emergence of a new middle-class consumer. Remember: the markets are driven by the profits and growth of companies, not countries, and companies in both Europe and the US are benefiting enormously from their respective low currencies and the seemingly insatiable demand from consumers in the developing world

for their products. At times like these it's important to step back and look at the entire world opportunistically. It's a time to be selective; to invest in companies or themes that are going to benefit from the massive ranks of the emerging middle class in countries like China and India.

At this time, fund managers can play both offense and defense; moving funds to cash to ride out the storm or rebalancing as they see new opportunities unfold. This time last year markets were in the same state, driven by the same underlying issues, and ended up rebounding strongly later in the year. If you do have concerns about your portfolio and the impact current world events may have, do not hesitate to get in touch. Overall, the fund managers I have spoken with see more opportunity than risk. - Rick

Inside this issue:

- Manulife's New Combination Insurance** 2
- Passing down the cottage** 3
- 10 Year round tax tips** 3
- Clock Ticks on Raising of US Debt Ceiling** 4
- Franklin Templeton launches "Frontier Markets" fund** 4

Business Update

The summer weather has arrived (finally!) and we are hoping everyone is enjoying the nice weather mother nature has offered us over the last few weeks and has taken some time with friends and family to get out and enjoy it! Because of the nice weather I (Amanda) have taken it upon myself to kick Rick out of the office and do the business update myself!

An update to last newsletter, we are excited to report that Melissa Allan has successfully completed her Canadian Investment Funds Course, and is now registered to

sell mutual funds in the province of Nova Scotia.

And with keeping education in mind, last month I was able to attend the Operations Team learning seminar at our Quadrus Investment Services head office in London, Ontario. While there, I was able to meet people from coast to coast who work in similar roles and had a great opportunity to share ideas. As well, I was able to learn from some of the best in the business with sessions on insurance, shared leadership and Providing Superior Support and Service.

We've also got the upcoming Fall season packed with learning. Rick and I will be attending an AGF conference in September and in early October Rick and Melissa will be attending 2011 Congress insurance and investment strategies conference.

I also wanted to mention as well that the quarterly statements from Quadrus have been delayed in mailing however you should see these very soon.

On that note, I wish everyone a safe and happy summer!

- Amanda

Manulife's New Combination Insurance



Last month I attended a session at Manulife Financial to discuss an exciting new product that they recently launched called Synergy. Simply put, this product combines life insurance, disability insurance, and critical illness insurance under one umbrella for an easy to manage affordable solution!

This product is unique as disability insurance and critical illness insurance are considered to be living benefits and often hard to qualify for as they take into account your family history among many other things. Synergy is the first product of its kind offered in Canada. What really intrigued me about this product is that if you are considered a standard risk for life insurance, you should qualify for Synergy. This product is designed for people ages 18 to 50 and the coverage will only take you until age 65 (like your typical disability insurance contracts). It is not intended for long term, estate planning purposes and it does not have all of the bells and whistles that stand alone products have. Many people simply cannot afford to own a personal disability insurance policy, critical illness insurance policy, and life insurance policy. They like the concept and idea of the products but at the end of the day we don't want to be insurance poor. This is where Manulife's new product could help you!

Let's say you are a 40 year old, non-smoking male. According to Manulife's research, you have a 34.7% chance of becoming disabled

prior to age 65 and a 27.8% chance of getting diagnosed with a critical illness. Your chance of death is only 7% before age 65 however, many people only have life insurance when statistically speaking; it's the disability and critical illness insurance that they need most!

This 40 year old non-smoker male could purchase an initial amount of insurance between \$100,000 and \$500,000 which they can use in the event they become disabled. The monthly disability insurance benefit would be 0.5% of the Synergy amount of insurance and the critical illness insurance amount would be 25% of the Synergy amount of insurance. The term life insurance benefit is 100% of the available amount of insurance. * For instance, a \$250,000 benefit would give you \$1,250 in disability insurance and \$62,500 in critical illness insurance. Let's say you had this coverage and you did make a claim for a critical illness. Your new amount of coverage is now \$187,500 (\$250,000—\$62,500).

There are many built in benefits to this product such as an early intervention benefit, conversion options, recovery benefit, etc.

I would like to emphasize that stand alone policies are more comprehensive, however the Synergy product is designed to be 30-35% cheaper than buying the products separately.

I feel this product is most beneficial to those individuals who work in manual labor trades such as painters, mechanics, etc... Many of these people need disability insurance and the price of this product is based on your occupation. A mechanic has a lower occupation class then a massage therapist as their occupation is more likely to result in a disability due to the nature of the business they are in. The beautiful thing

about Synergy is that Manulife designed their pricing based on a 2A occupation class (an example would be a massage therapist). If you are a mechanic you are going to have an A occupation class as you have a higher claim rate history. This means that prior to the Synergy product if a massage therapist and a mechanic apply for the exact same coverage; the massage therapist gets the better rate. Synergy benefits these manual labor trade individuals who often have a hard time qualifying for disability insurance due to their occupation!

Consider this insurance in addition to your group insurance coverage. If you have mortgage insurance with the bank, consider using this coverage vs. their policy to enhance your overall benefits.

If you have to make a claim (and statistically speaking some of you will) you could use this money to replace lost income, pay off debt, establish an education fund for your children or grandchildren, etc...

Please let me know if you would like further information on this product and how it can be beneficial to you and your loved ones.

Cheers!

Melissa



Disclaimer: Permission granted to use Manulife product name. This information is for information purposes only, intended to show the relative risks of different life events. The percentages shown are based on a mixture of incidence rates from studies of both the insured and general population, which do not necessarily represent the same critical illness covered conditions as contained in the Synergy disability policy and the Synergy critical illness policy and are not necessarily representative for any given insured. Factors that may contribute to an individual's risk of critical illness, disability or death include family history, lifestyle, and environment.



Passing down the cottage

Family cottaging is a great Canadian tradition - one that many people inherit from their parents or even grandparents. If you are in line to inherit a family cottage, you should be talking to your parents now about their intentions and your desires. Passing down a family cottage or vacation home to children can become very complicated and, if not handled properly, can lead to sibling rifts and family breakdowns.

Cottage owners need to get professional financial, tax and estate advice to ensure their wishes about

the cottage are handled cost-effectively and as fair as possible to all the beneficiaries. If you are hoping to inherit the family cottage, you should be going to the meetings with your parents' advisors to ensure all these issues are covered:

1. Taxes

If the cottage is a second residence your parents' estate will have to pay taxes on any gain in value on the cottage when it passes down to you. With skyrocketing prices of vacation homes across the country, the tax payable could be huge, eating up a good portion of any remaining estate value.

2. Insurance

One way to potentially offset some of that tax payable could be through a life

insurance policy covering the taxes when your parents pass away. You may want to get together with your siblings to discuss paying for the insurance policy premiums. It may be a way to share costs and minimize the tax payable when the property is transferred.

3. Transfer of Ownership

Who should the cottage go to? Do all the children use it equally? Will some of the children prefer to receive the proceeds from the sale, while others have a huge emotional attachment to it? An advisor can help set up an estate plan that will be fair to you and your brothers and sisters and ensure your parents' wishes are fulfilled.

Remember, as with most financial issues, the key to success is early planning and open communication.

- Amanda

10 Year round tax tips

You may be vacationing at the cottage or headed off to the beach but I wanted to take a minute to talk about some ideas to help you make the most of your tax deductions all year. Here are 10 year-round tax tips to keep in mind.

1. Open a TFSA

The Tax Free Savings Account allows Canadians to save and invest \$5,000 a year and earn tax-free income and gains for life. Withdrawals aren't taxed and they do not negatively affect your eligibility for government benefits. The TFSA also has carry-forward room, meaning if you haven't contributed to a TFSA you can invest \$15,000 in 2011.

2. Maximize your RRSP contributions

A Registered Retirement Savings Plan is an investment vehicle that allows you to save for your retirement on a tax-friendly basis. Funds you contribute are not taxed until you withdraw them. RRSPs also offer carry-forward room. Check your previous year's Notice of Assessment to see the carry-forward room you may have.

3. Set up a spousal RRSP

The primary benefit of a spousal RRSP is that funds withdrawn can generally be taxed in the hands of a lower-income spouse.

4. Open RESPs for your kids

Contributing to a Registered Educational Savings Plan lets you take advantage of the Canada Education Savings Grant, which is free money from the government. You may also be able to catch up on missed grants from prior years.

5. Explore pension splitting

If you've received pension income in the year, be sure to investigate whether splitting up to half of that income with your spouse or partner makes sense when you file your tax return.

6. Double check your return

Before you send in your tax return, check first for accuracy. Make life easier and use tax software, an online service or have a tax professional complete your return to ensure your numbers add up properly. Avoiding simple mistakes can help your return get through quicker.

7. Report all income

Make sure you've reported all the money you've received. If you forgot something, CRA will eventually find it as they get a copy of all information slips you receive. This can slow down the return process or cause the need for an adjustment.

8. File a tax return

Some people argue that the only way to ensure your tax return doesn't get audited is to not file a tax return. Non-filers risk getting caught and getting hit with interest and penalty fees.

9. Don't cheat

The CRA has identified industries with a higher incidence of cheaters, such as construction, subcontractors, unregistered vehicle sales, auto repair, direct sales, childcare, cleaning and restaurants. If you work in one of these industries, you are more likely to hear from the CRA so take extra care to ensure accuracy. Also, be aware of your online musings as the CRA may be watching those online forums to look for cheaters.

10. Review your organization system

Last newsletter I talked about having an organization system to keep your tax information together. Now is a great time to sit down and make sure you're still on track and that nothing is missing or lost thus far. And don't worry, I'll remind you again next newsletter.

- Amanda





CAQ Financial



1095 Bedford Highway
Bedford Nova Scotia B4A-1B7
Phone: 902-835-1112
Fax: 902-835-3663
Toll-Free: 877-404-1112
Email: rick@caqfinancial.ca
Website: www.caqfinancial.ca

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!

Clock Ticks on Raising of US Debt Ceiling

"Winston Churchill had a saying; "the US will invariably do the right thing, only after exhausting all of the other options." He may have been referring to the recent stalemate over the government's inability to reach an agreement about raising the debt ceiling, until the 11th hour. The debt ceiling was established to restrict the US government's borrowing and at \$14 trillion and counting the US reached its limit on August 2nd. If the two parties had not agreed (in the final hours) to raise their credit line, the US would have been unable to meet some of their debt financing obligations and would

have technically be in default...not a good sign for the world's largest economy.

Raising the debt ceiling is hardly unprecedented; in fact, it has happened many times throughout the nation's history. This time proved to be no different, once the political posturing subsided. (at least for now.) Both sides agreed that the debt ceiling had to be raised; the disagreement was in how to tackle the growing problem of the mounting US debt.

The Democrats wanted phased in spending cuts and tax increases as their solution to the growing prob-

lem, while the Republicans wanted large spending cuts up front and no talk of raising taxes.

While worrisome, the recent "crisis" over the debt ceiling should not have been a serious concern for investors. Longer term, the US must enact policies to deal with the massive and growing debt which may be a drag on growth. The underlying issues must be dealt with as otherwise, the debt ceiling will have to be raised by trillions again in a few short years. A trillion here, a trillion there...after a while it starts to add up!" -Rick



Franklin Templeton launches "Frontier Markets" fund

Mutual fund company Franklin Templeton recently announced the launch of a "Frontier Markets" fund for Canadian investors that will invest primarily in the most emerging of the emerging markets; nations like Bangladesh, Sri Lanka, Azerbaijan, Romania, Jordan and Kenya. Led by emerging markets

expert Mark Mobius, the fund will seek out investment opportunities in the fastest-developing regions of the world; countries that are at the stage that China and India were 20 years ago. Over the last decade, frontier markets represented 9 of the 10 fastest-growing economies and offer tremendous growth potential as these regions continue to develop and expand. These

early-stage countries will be volatile in their own right but are very different from each other and may make a good compliment to an investors portfolio.

- Rick



Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to the tax legislation and interpretations may affect this information. This newsletter contains general information only and is intended for informational and educational purposes provided to clients of Rick Irwin, CFP, CLU. While information contained in this newsletter is believed to be reliable and accurate at the time of printing, Rick Irwin does not guarantee, represent or warrant that the information contained in this newsletter is accurate, complete, reliable, verified or error-free. This newsletter should not be taken or relied upon as providing legal, accounting or tax advice. Prospective investors should review the offering documents relating to any investment carefully before making an investment decision and should ask their advisor for advice based on their specific circumstances. You should obtain your own personal and independent professional advice, from your lawyer and/or accountant, to take into account your particular circumstances. Quadrus Investment Services Ltd. and design, Quadrus Group of Funds and Fusion are trademarks of Quadrus Investment Services Ltd. Used with permission.