Compliments of: **Howard B. Murphy, B.Comm., CLU, CH. F.C. Financial Advisor**

THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

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I am committed to helping my clients achieve their financial goals for themselves and their families by providing successful strategies for asset accumulation, preservation and transfer.

Specializing in:
- Retirement Planning (RRSPs)
- Estate Planning
- Life Insurance
- Employee Benefits
- Tax-Advantaged Strategies
- Disability Insurance
- Financial Planning
- Seminars
- Buy/Sell Agreement Funding
- Key Person Insurance

FOCUS ON INVESTING

The cheque is (almost) in the mail

According to the 2006 Canadian Inheritance Study by Decima Research, boomers and Gen-Xers are set to inherit $1 trillion over the next 15 years. Both those inheriting funds and the ones leaving the money behind need to consider several issues to help ensure an orderly transfer of wealth from one generation to the next.

Communication is essential

While it's an uncomfortable topic to broach, talking about the future transfer of wealth will help the younger generation be prepared, mentally, for the responsibility of managing a significant sum.

For the older generation, it's an opportunity to make their wishes clear and explain their motivation. This can help prevent family squabbles about "what Dad (or Mom) would have wanted."

Put it in writing

Of course, expressing your wishes verbally doesn't have the power of law. For that, you need a properly prepared (so it's legally enforceable) will. Your will outlines the distribution of your assets and assigns a representative to carry it out.

You may also want to consider the use of one or more trusts, rather than leaving assets directly to beneficiaries. A trust enables you to retain some control over how your assets are used even after you pass away.

In the meantime

If you're hoping to leave a significant financial legacy, you'll want to take steps to preserve your wealth during your lifetime. Through a combination of guaranteed investments and appropriate asset allocation, we can take steps to provide the level of growth you're comfortable with while helping to ensure there will be a substantial legacy for you to pass on. ■

A balanced approach to global opportunities

INVESTMENT STRATEGY

From an investing perspective, Canada is kind of like that famous photo of our star-filled Milky Way with the arrow saying, "You are here."

Of the top 500 companies in the world, only nine are Canadian, and none ranks higher than 276th.[1] All told, Canadian investment opportunities represent just 5%[2] of the global marketplace. In other words, we are a very small fish in a very big pond.

And while we should definitely support the domestic economy with our investment dollars, "home country bias" (having too much of your portfolio invested in the local economy) can seriously dampen your long-term prospects. This is especially true in Canada, where some 75% of our equity market is concentrated in just three sectors: materials, resources, and financials.[3]

There's a whole world of opportunity beyond our borders, and global balanced funds can offer a one-stop solution to explore it.

The best of all worlds

Global balanced funds give you a prudent way to broaden your portfolio's horizons, create a foundation for other, more tactical international investments, and enhance your portfolio's growth potential.

They achieve this using a number of different strategies. First, they can cherry-pick their holdings from the world's most potential-rich economies.

Access to such a broad investment universe is one of the benchmarks of successful long-term investing. Consider that over the 30 years from 1983 to 2012, there were 14 different countries that took a turn as the investment world's top performer (see Table). Canada's all-time best showing was 1987, when it finished second to Japan.[4]

Diversified on many levels

In addition to geographic diversification, global balanced funds are diversified by asset class (they can hold both equities and fixed income), sector, and currency. Not only that, but fund managers may have the flexibility (depending on the fund's mandate and objectives) to significantly alter fund weightings to take advantage of different sectors, currencies, and asset classes.

Here's a statistic that may surprise you: Since 1980, global bonds have actually delivered slightly higher returns than global equities.[5] While past returns cannot be presumed to indicate future returns, that's still an impressive 33-year track record.

Along with the potential for capital appreciation, international bonds provide important diversification across domestic interest rates. The reality is that high-grade domestic bonds tend to move in tandem with domestic equities because they are influenced by many of the same factors (monetary policy, economic climate, inflation, etc.). So even a good mix of domestic bonds and equities isn't as diversified as it might appear.

Choosing funds for your portfolio

A given fund's specific balance between bonds and equities will depend on its mandate. Some take a very strategic approach and are weighted more heavily toward equities while others are more neutrally balanced.

Whatever your preference, these funds give investors of almost every stripe the opportunity to participate in the global economy. As always, we would be pleased to help you choose the global balanced fund that best reflects your needs and objectives and complements the existing funds in your portfolio. ■

[1] *Fortune*, "Global 500," 2013
[2] MSCI (Developed) World Index as at December 31, 2012
[3] Rob Carrick, *The Globe and Mail*, "Beware the limitations of buying the index," May 11, 2012
[4] Bloomberg data
[5] Credit Suisse Research Institute, *Global Investment Returns Yearbook, 2013*

A world of potential

International balanced funds are a great way to participate in markets that are doing well, and to be insulated from ones that are underperforming. As this table shows, countries, like asset classes, have good years and not-so good years and no single economy stays on the top (or the bottom) for long.

Top performing country, calendar-year basis

2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Belgium	Ireland	Denmark	Singapore	Israel	Hong Kong	Singapore	Japan	Austria	Israel
2002	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**
Austria	New Zealand	Israel	Finland	Finland	Portugal	Spain	Italy	Norway	Hong Kong
1992	**1991**	**1990**	**1989**	**1988**	**1987**	**1986**	**1985**	**1984**	**1983**
Hong Kong	Hong Kong	Hong Kong	Norway	Denmark	Japan	New Zealand	New Zealand	Hong Kong	New Zealand

Source: Bloomberg data, top-performing countries on a calendar year basis.

TAX PLANNING

Your year-end tax-planning checklist

'Tis the season to take care of some year-end tax planning. A little effort before the New Year could save you a bundle when April rolls around.

Let's get together soon to discuss whether any of the following year-end activities might be beneficial to your tax situation.

• **Tax-loss selling.** If you have realized capital gains in 2013, we should review your non-registered portfolio and take a closer look at any holdings that are in a loss position. Selling before the end of the year would generate a loss that you could use to reduce the tax on your gains. To be eligible for the 2013 tax year, your trade order would have to take place no later than December 24 for Canadian-listed securities and December 26 for securities listed on a U.S. exchange.

• **RESP contributions.** To get the maximum Canada Education Savings Grant for 2013, contribute at least $2,500 per beneficiary to a Registered Education Savings Plan (RESP) by December 31.

• **Contributions to charity.** If you want to claim a charitable donation tax credit for 2013, make your donation on or before December 31.

New for 2013: the First-Time Donor's Super Credit (FDSC). If you and your spouse haven't claimed a charitable donation tax credit since 2007, you may qualify for the FDSC. It adds 25% to the existing federal tax credits on donations up to $1,000. The FDSC is available only for cash donations made after March 20, 2013.

• **Deductible expenses.** Be sure to make payments for tax-deductible spousal support, child support, and childcare by the end of the year. Businesss owners may be able to benefit from the year-end purchase of capital assets (such as computer equipment or furniture). You can deduct a year's worth of depreciation even if you've had the item for only a few days or weeks.

Before implementing any tax strategy, remember to review it with your tax advisor first to make sure it's appropriate for you. ■

EDUCATION PLANNING

All in the family? Key differences between family and individual RESPs

Type of RESP	Individual	Family
Beneficiaries	• One named beneficiary • No age limit • Beneficiary does not have to be related to you	• Can have more than one beneficiary as long as they are related to you (children, grandchildren, siblings) • Beneficiary must be under 21 when named
Contribution limit	$50,000 per beneficiary over the life of the plan	$50,000 per beneficiary over the life of the plan
CESG	Maximum $7,200 lifetime per beneficiary	Maximum $7,200 lifetime per beneficiary
What happens if the beneficiary chooses not to attend post-secondary school?	• New beneficiary can be named, but if not related to the original beneficiary, the CESG will have to be repaid	Plan earnings and CESG contributions (max. $7,200 per beneficiary) can be used for remaining beneficiaries
	• May be able to transfer up to $50,000 to your RRSP if you have sufficient contribution room	• May be able to transfer up to $50,000 to your RRSP if you have sufficient contribution room

If you have more than one child, you have the option of opening a family Registered Education Savings Plan (RESP) or having individual plans for each of the kids. While both types offer core benefits (such as eligibility for the Canada Education Savings Grant), there are some fundamental differences. This overview may help you decide which one is better for your family.

If you're having trouble deciding which type of plan is better for you, give us a call. We can go over the advantages of each and help you make the decision that's best for your family. ■

An elixir for financial vitality

You wouldn't check the air in just one of your tires. And yet, holding your investments across a variety of different accounts under different managers is a lot like that. Just because one account seems to be okay, doesn't mean the others are. Or that they couldn't all be doing better if they were actually calibrated to work together.

Putting your holdings together, under one organization, helps ensure that the individual components are sound and compatible with each other and your objectives. And while amalgamation isn't quite the fountain of youth, it is a formula for financial vitality that you can reap for years to come.

Over time, many of us end up with a truly rag-tag collection of investment accounts. Maybe you moved or changed financial institutions but haven't transferred your holdings. Maybe you received an inheritance or insurance payout and the money is still invested with that institution. Maybe you have investments through your employer or professional association. Whatever the reason, the job of managing all of those different accounts becomes ever more onerous and the odds of its costing you time, money, and lost opportunity become ever more likely.

Amalgamation is a highly effective way to streamline your investments and maximize their potential. When you consolidate, you tap into a whole range of benefits, such as the following.

Bespoke asset management. With the ability to review and manage all of your holdings, we can make more strategic decisions about your sector weightings, international holdings, and overall asset allocations. The long-term potential of this cannot be overstated.

Tax-efficiency. Taking advantage of tax-loss selling can be more straightforward in an amalgamated portfolio where all of your assets (and their tax implications to the overall portfolio) can be assessed and apportioned in the most tax-efficient manner. Similarly, with a clear view of all your holdings, we may be able to maximize the tax-sheltering benefits of your Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA) and implement any applicable income-splitting strategies with your spouse or children.

Reduced risk. Amalgamation reduces the risks associated with under- and over-diversification and oversight. It also greatly reduces the chances you'll inadvertently over-contribute to your RRSPs or TFSAs and face the stiff penalties that invokes.

More efficient use of time. Spend less time calculating your overall performance and rebalancing your holdings. Take a breather from cataloguing the endless stream of transaction reports and statements. And fewer tax slips and reduced income reporting obligations may make tax-filing next April less onerous for you and your accountant.

The next time we meet, let's make sure we review all of your accounts — your own, your spouse's, and any you have through work or perhaps with an insurer — and take a look at the potential benefits of consolidation. ■

The 3 R's of investing

We're all familiar with the 3 R's of education: reading, writing, and 'rithmetic. Then there are the 3 R's of environmental responsibility: reduce, reuse, recycle. Where investing is concerned, the 3 R's become: reduce (risk), rebalance, and reinvest.

Reduce risk. We strive to reduce risk by spreading your investable assets across a range of asset classes and more than one currency. This helps to protect your overall portfolio from the effects of temporary declines in any one asset class or currency.

Rebalance. Over time, outperformance in one investment, fund, or asset class may result in its representing an undue proportion of your portfolio. Rebalancing, by investing new cash to the underweight areas or selling some of the overweighted assets, will help to bring your asset allocation back into alignment with your investor profile.

We monitor your portfolio regularly to make sure that your asset allocation is where it should be. Where rebalancing is needed, we always take into consideration any tax implications or redemption fees that could affect your returns.

Reinvest. To the extent possible, it's a good idea to put your investment profits back to work for you immediately. When you invest in mutual funds, this happens automatically, as any earnings are automatically reinvested in additional fund units. Where you hold individual stocks, dividend reinvestment plans (DRIPs) accomplish the same objective, with the added benefit that your purchases are commission-free.

By working together and practising the "3 R's," we can help you reach your investment goals. ■
