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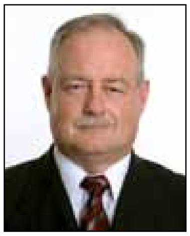

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Qtrade Asset Management

FOCUS ON RETIREMENT

Plan your retirement together

Retirement is something that couples often look forward to enjoying together. Yet, strangely, many partners fail to discuss key financial elements that contribute to successful retirement and estate planning. It's a communication gap that can complicate planning for the future.

Each partner must fully understand the other's financial position and wishes to create an accurate plan. If you don't know about your spouse's debts or financial obligations, you'll have no idea what to expect in the future. You might be surprised to find that your spouse has debts that could curtail your retirement plans; or you might face unexpected claims from creditors when your partner passes away.

Couples behaving badly

A recent study of high-net-worth clients by a major U.S. financial institution found that some 30% of high-net-worth investors had never discussed income needs in retirement with their spouses, one-third hadn't talked about debt and financial obligations, and 40% had not shared their estate plans.

There's no reason to believe that Canadians behave differently. A Canadian poll revealed that 31% of Canadian couples have never discussed life insurance.

There are many reasons couples don't talk about financial issues and estate planning. Financial matters — especially surrounding death — are often sensitive. Some fear giving up control. Others may not want to disclose negative information.

Working together

We can help bring you together. Often couples are more open to discussing finances in the presence of unbiased, third-party experts. We'll discuss why it's important to plan together, answer your questions, and be part of the conversation. Then we can ensure your retirement plan will take you forward, together. ■

Build up core strength

Anyone with a penchant for fitness has probably heard about how important a strong "core" is to overall body strength. What's true for your body is true for investments. Just as you pay attention to your body's core, you need to take care of your core mutual fund investments. They need to be strong enough to support your investment goals.

Every mutual fund portfolio should have a nucleus of broadly diversified funds. This core is crucial to the strength of your portfolio because it provides stability. It can help your long-term investment returns grow and ease the anxiety caused by financial market volatility.

Core holdings are long-term "buy and hold" investments of low to moderate risk that we can consider leaving in your portfolio for as long as you invest. They are generally less volatile than other types of investments, at the same time offering the potential for attractive long-term investment returns within your risk tolerance.

Diversify across asset classes

Just as your overall mutual fund holdings should be well diversified, so should your core holdings.

Equities. Equity core holdings often consist of "large-cap" equity funds that invest in blue-chip stocks. These funds may not always win the performance race, but they have good long-term track records and may fare better in difficult times.

Fixed income. The fixed-income core of your fund portfolio should consist of moderate-risk, solid investments such as funds that invest in government bonds. We should consider funds that focus on intermediate bond maturities, since these are typically less volatile than longer-term bonds.

Global funds. The changing shape of world markets may also call for non-Canadian investments to form part of your core. With Canada representing only a small percentage of global equity and bond markets, foreign equity or fixed-income funds may be good candidates for a portion of your core holdings.

How much is enough?

How much of your total portfolio your core should represent varies with factors such as individual financial objectives and risk tolerance. For many investors, 70% to 80% is not unrealistic.

The types of funds that constitute your core will depend on your personal investment characteristics. Funds that can be considered core holdings for one investor may not be suitable as a core for another investor.

Even if you already have a series of core investments, it's a good idea for us to review your holdings from time to time to ensure they're meeting your needs and expectations, and that the positioning continues to make sense for your goals.

Let's talk

Now is an excellent time for a core assessment. Financial market volatility in recent months may have thrown your mutual fund asset allocation percentages out of balance, including your core investments. For example, the 2011 stock market events may now mean you have a lower percentage of core equity fund holdings and a higher percentage of fixed-income funds than your original target.

Just as a strong core for your body helps you to run further, hit harder, and play longer, a strong mutual fund core can help you tackle bigger challenges. For example, with the support of a strong core, we can focus part of your portfolio on more aggressive, less mainstream investments that are generally riskier and more volatile but have the potential to add higher returns.

These might include small-capitalization and mid-cap equity funds, funds that invest in riskier securities or geographical markets, and fixed-income funds that invest in high-yield corporate bonds or higher-potential securities.

Let's get together to talk about the structure of your mutual fund portfolio. We'll ensure you have the right balance of core and non-core funds to meet your financial objectives. ■

The MONEY file

TIPS AND TACTICS TO HELP YOU GET AHEAD

FRAUD PREVENTION

Protect yourself from identity theft

Identity theft is a growing problem. If you have a good credit rating, you're at risk of identity theft that can cause big problems in your financial and personal life. You could suffer financial losses, emotional stress, and a huge drain on your time as you try to set things right.

A study by Hamilton's McMaster University found that almost 70% of Canadians are concerned about identity theft. In the year prior to the poll, 6.5% of those surveyed were victims of identity theft. These findings suggest that some 1.7 million Canadians may be victims every year.

Protecting yourself from identity theft can save more than money. It can save you from the stress and effort required to put your life back in order. On average, identity theft victims spend more than four working weeks undoing damage to their credit.

While many people think of identity theft as credit card and debit card fraud, many cases go well beyond that, involving social insurance fraud, mail theft, hacked bank accounts, embezzlement, mortgage fraud, and a host of other life-rattling crimes.

The best way to avoid becoming a victim is to be defensive. Your first step should be to obtain your credit report at least once a year. Often identity theft isn't discovered until a credit check reveals something is amiss.

To keep your personal information safe, follow these simple steps:

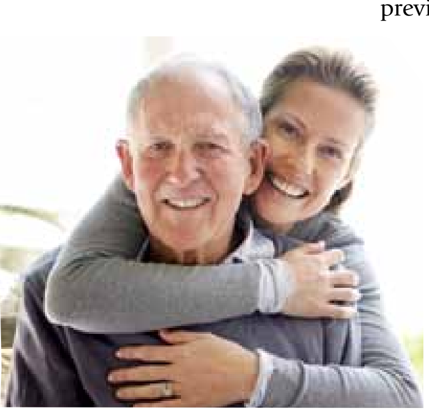
- Be cautious about sharing personal or financial information online or over the phone.
- Remove any unnecessary identification from your wallet or purse and keep it in a secure location instead.
- Be careful with passwords and PINs. Don't give them out and make sure they are as strong as possible.
- During transactions, swipe or insert your card yourself. If this isn't possible, watch your card closely and always shield your PIN.
- Review your credit card statements and other financial records regularly and report any discrepancies immediately to the appropriate institution.
- Use a paper shredder when disposing of personal information or documents. ■

TAX PLANNING

Family caregiver tax credit

As more Canadians find themselves looking after disabled family members, it's good to know that new, increased tax relief is available to help offset the often considerable expenses caregivers face.

Effective January 2012, a new family caregiver tax credit provides a 15% non-refundable income tax credit on expenditures of up to $2,000. This provides up to $300 in annual tax relief for caregivers of infirm dependent relatives, including spouses, common-law partners, and minor children.



In its last budget, the federal government also lifted a previous $10,000 cap on the medical-expense tax credit, which allows taxpayers to claim medical and disability-related expenses incurred by financially dependent relatives. Caregivers who incur extraordinary medical and disability-related expenses will benefit beginning in the 2011 tax year, so be aware of this change when filing your 2011 tax return. ■

WHAT'S NEW

New CPP rules

Here's some good news about Canada Pension Plan benefits. As of this year, you no longer have to stop working to draw CPP. You can simultaneously receive and accrue CPP benefits between the ages of 60 and 70, which means you have increased potential to improve your retirement finances.

Beginning January 1 of this year, you can continue to work while collecting CPP benefits. The old rules stipulating that you had to stop working to collect early CPP benefits no longer apply.

If you're between 60 and 65, employee and employer contributions to CPP will still be required. However, if you work between the ages of 65 and 70, contributions will be optional. If you want to continue to contribute to CPP as an employee, your employer must also continue to contribute.

For residents of Quebec, similar rules apply under the Quebec Pension Plan (QPP). QPP allows for "phased" retirement between the ages of 60 and 65. To collect QPP before age 65, your estimated employment earnings for the first 12 months during which a pension is paid must not exceed $12,075 in 2011 (other conditions apply). You will continue to contribute to the plan, which will provide you with a retirement pension supplement the following year.

Talk to us before making any decisions about early retirement and collecting CPP/QPP benefits. We can help you make the choices that will work best for your financial future. ■

Why your debt should retire before you do

The less debt you have, the more you can focus on saving and investing. In other words, getting rid of debt is one of the best things you can do to help save more for retirement.

Yet there is evidence that many Canadians aren't making the connection between paying down debt and accumulating retirement wealth. A recent poll by a major Canadian financial institution showed that just one in five baby boomers aged 45 to 64 sees a connection between paying down debt and saving for retirement.

And while 42% see debt as an obstacle to achieving their financial goals, one-third of baby boomers 55 or older have not paid off their mortgage and three-quarters carry debt.

Even more disconcerting is the increasing trend to carry debt into retirement. A survey by a different financial institution found that 44% of retired Canadians are carrying debt, up from 39% the year before.

The benefits of retiring debt-free

The sooner your debts are eliminated, the more your savings can be accelerated. If you choose to carry debt into your pre-retirement and retirement years, you face a number of potential risks:

- You may be compelled to delay your anticipated retirement date.
- You may find you have to return to work, whether full-time or part-time, in order to cover your expenses, including debt repayment.
- You might have to sell assets to free up the cash flow you need to live on.
- You might have to alter your retirement lifestyle, in order to reduce spending.

Retiring debt-free can help you enjoy greater financial security by relieving you of the stress of debt repayment — a stress that increases anytime interest rates rise.

Where to start?

Unless the interest costs are tax-deductible, your highest-interest debts should be the area you target first. These typically include credit card balances and unsecured personal loans or lines of credit. These debts are costing you the most on an annual basis, so paying them off first will have the greatest effect.

If you aren't carrying any high-interest-rate consumer debt, we might look at your mortgage next. It is typically the largest debt Canadians carry and poses a barrier to maximizing retirement savings for many.

Although mortgage rates are low today, they could rise in the future, meaning higher payments and a reduction in retirement savings potential or a less comfortable retirement. Think of it this way: Every dollar put toward your mortgage is a dollar that could be used to finance your retirement. Paying off your mortgage can free up significant cash that can be funneled into your Registered Retirement Savings Plan (RRSP) each month to build tax-deferred savings for your retirement.

Regardless of your level of debt and proximity to retirement, we can recommend a plan to pay it and help ensure a comfortable, worry-free retirement for you. ■

How to tap your funds for more retirement income

IF YOU ARE looking for tax-advantaged income and hold mutual funds outside of Registered Retirement Savings Plans (RRSPs) or Registered Retirement Income Funds (RRIFs), you need to know about tax-efficient systematic withdrawal plans, or T-SWPs.

These plans involve creating a monthly stream of tax-advantaged income by investing in special versions of popular Canadian mutual funds designed for this purpose.

How it works

Basically, the tax magic of a T-SWP stems from the fact that income is a combination of the return of some of your original mutual fund investment capital and the returns earned by your investment.

Given the reduced tax, a T-SWP may provide more income, after tax, than you would get from many guaranteed investments. We can even structure your T-SWP to help you avoid the "clawback" on Old Age Security (OAS).

More flexibility

Unlike Guaranteed Investment Certificates (GICs) or term deposits, T-SWPs aren't locked in. You can change the level of income or redeem your fund holdings if your financial requirements change.

Let's discuss your income needs and how tax-advantaged systematic withdrawal plans can help meet them. ■

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