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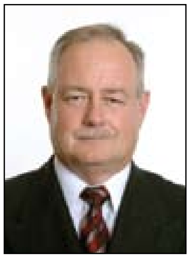

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MoneyWorks

Qtrade Asset Management

Put the growing power of your TFSA to work

Come 2011, you will be eligible to contribute an additional $5,000 to a Tax-Free Savings Account (TFSA), bringing your cumulative total to $15,000 since the account was introduced.

That $15,000 is a substantial amount of contribution room, which will still grow each year. This creates an opportunity for you to use your TFSA for multiple and substantial goals — no longer just for an emergency fund. Here are three possible alternative uses for your TFSA.

Goal 1: Saving for a specific goal or event with a known date. These goals could include, for example, paying for a child's post-secondary education or planning a once-in-a-lifetime trip. Your savings could be invested in bonds or Guaranteed Investment Certificates that come due as the occasion approaches. Withdrawal is tax-free.

Goal 2: Saving for retirement with dividends. The Dividend Tax Credit is wasted within a Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF), since all income will be taxed at your marginal rate when you withdraw it.

However, dividend-earning stocks and dividend mutual funds held within your TFSA will provide completely tax-free income in retirement — to complement your RRIF. In addition, you can reinvest dividends on a tax-free basis along the way.

Goal 3: Generating a substantial capital gain. Higher-risk investments have the potential to generate large capital gains, which will be tax-free within your TFSA. However, remember that there's no capital loss deduction either.

These are just some of the many ways you might use your TFSA, as contribution room grows. We can help you ensure that you're maximizing the use of this excellent savings vehicle to reach your goals. ■

How to harness the growth of emerging markets

As developed countries of the West work through their recessions, many emerging markets — shielded from the worst of the global financial crisis — are "emerging" as leaders of economic growth.

For a diversified, professionally managed way to harness that ongoing growth potential for your portfolio, consider mutual funds.

Who's emerging?

The rise of emerging markets is confirmed by the strength of the category's equity returns. Over 10 years, the MSCI Emerging Markets Index has risen 8.26%. The MSCI Canada Index has returned 2.39%.

Emerging markets embrace Latin America and the eastern rim of Europe, including not only the former communist states, but Turkey and almost all of Asia outside Japan and Singapore. South Africa is also numbered among emerging markets.

China and India are growing at rates of 8% or more — comparable to the rates experienced by developed nations in the 1960s. According to the World Bank Global Economics Report, the Gross Domestic Product (GDP) in the developed world is expected to increase by just 1.8% in 2010 and 2.3% in 2011.

While Canada is a member of the G-8, and therefore one of the largest economies in the developed world, some developing economies are as big as or bigger than Canada's. Among them are Brazil, Russia, India, and China.

Why they're growing

For the emerging countries, the biggest change is the movement of a growing population from the country to cities. In addition, economic development and globalization are creating a fast-growing middle class, which means that goods and services are increasingly produced for domestic consumers rather than for export. More of these consumers are demanding higher levels of service.

Unlike in Japan or Western Europe, the population is still increasing in many emerging countries. All of this creates a need for more housing, more goods and services, and more infrastructure: roads, railways, and energy plants.

For investors, what is crucial is not so much the level of industrial development, but the maturity of the capital markets, as well as the quality of the banking system and public finances.

In the late 1990s, emerging markets were viewed as a risky bet. But now, many have better balance sheets than the U.S., high foreign currency reserves, and high levels of consumer savings, which are recycled by the banks into lending.

Mutual fund opportunities

You can participate in the growth potential of emerging markets through a variety of mutual funds.

- **Emerging markets funds:** These funds hold stocks of companies operating in, or earning significant revenues from, one or more emerging countries.
- **Country/Region-specific equity funds:** These funds state the name of the country or region they invest in; for example, a Latin America Fund.
- **Broadly diversified international equity funds:** Most global equity funds will have a portion of their holdings in emerging markets.
- **Canadian equity mutual funds:** A number of these funds hold shares of companies that invest in, or benefit from the growth of, emerging markets. These include resources firms, engineering firms that are building the infrastructure in developing economies, and financial services firms, such as life insurers that are now entering Asia.

The volatility of the emerging markets means that they should be only a part of the equity portion of your portfolio. How much depends on your tolerance for risk, your time horizon, and your financial goals.

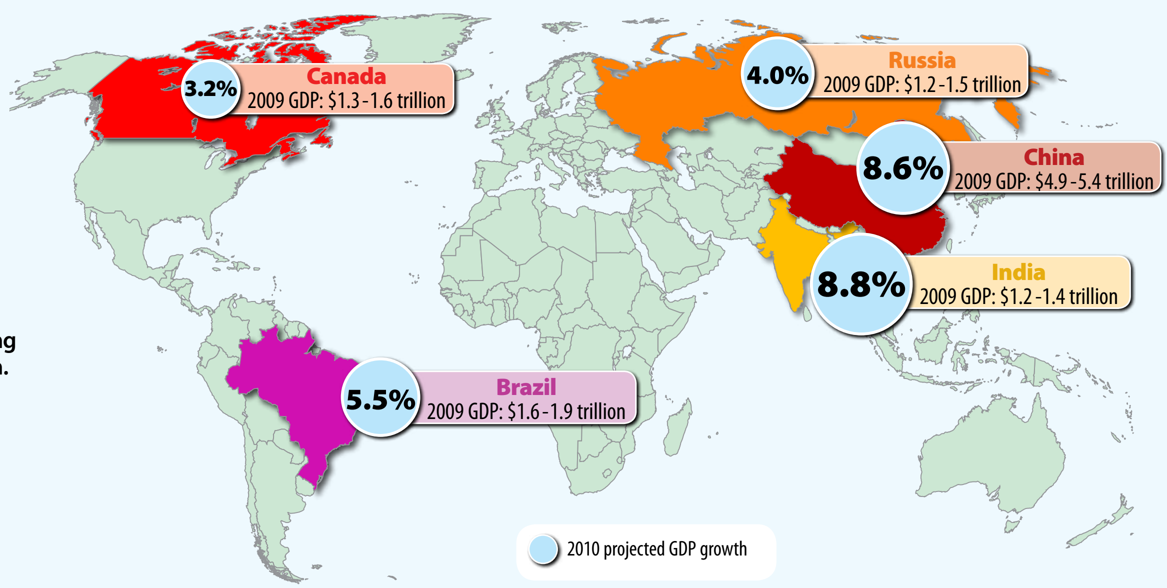
We can work together to explore how emerging markets could potentially add diversification to your investment portfolio. ■

Emerging markets lead world growth

While Canada is expected to post one of the highest rates of growth among developed countries, many emerging markets are forecast to see much stronger growth.

Consider how you might tap into this growth potential for your portfolio. We can discuss if exposure to emerging markets fits into your investment plan.

* Estimated. Source: International Monetary Fund, World Economic Outlook Database, January 2010.



PERSONAL FINANCES

Use your credit report to protect against identity theft

According to the Canadian Anti-Fraud Centre, Canadians lost almost $11 million last year to identity theft. What can you do to protect yourself? One of the most valuable tools available to you is your credit report.

Your credit report is important because it is an electronic snapshot of your financial health compiled and shared by credit granting agencies such as financial institutions and department stores. It provides a picture of your loan payment history and potentially negative data such as bankruptcies, judgments, and tax liens.

If you find anything untoward on your report, it could indicate that your identity has been confused with that of another person or stolen by identity thieves intent on using your good name for their own profit.

It's a good practice to check your credit report once a year to confirm the accuracy of your personal and financial information. You can view your credit report online with Equifax (www.equifax.ca) and TransUnion (www.transunion.ca) for a fee, or download a form to request a free report.

Mail in the completed form with photocopies of two pieces of identification, and you should receive a full report in the mail in about two weeks. ■

RETIREMENT SAVINGS

Got a refund? Think RRSP

If you anticipate receiving a tax refund, you may already be dreaming about how to spend it — maybe a trip or a plasma-screen TV. Here's a better idea: Use your refund to top up your Registered Retirement Savings Plan (RRSP) and enjoy a bigger nest egg when you need it.

If you contribute now for the current year, you will be putting your money to work almost a year earlier than those who wait until the last minute, and you will maximize the tax savings and tax-deferred growth that make RRSPs so attractive in the first place.

Let's say you're expecting a tax refund of $2,000. Putting that in your RRSP will give you a $2,000 tax deduction for 2010. Assuming a marginal tax rate of 35%, that represents tax savings of $700.

Even better, your contribution will begin to grow on a tax-deferred basis. Assuming you can leave it in your RRSP for 30 years and earn an average of 6% annually, your $2,000 will grow to almost $11,500.

For other effective ways to put your tax refund to work for you, give us a call. ■

FINANCIAL PLANNING

Self-employed? New EI changes give you benefits

One of the biggest risks faced by people who are self-employed has long been potential loss of income caused by illness, injury, having a child, or caring for a gravely ill loved one. Now, you can protect against that risk by making voluntary contributions to Employment Insurance (EI).

Starting Jan. 31, 2010, self-employed individuals who choose to contribute to EI will be able to apply for the same "special benefits" as salaried employees who contribute:

If you give birth, you may be eligible for up to 15 weeks of maternity benefits.

If you become a biological or adoptive parent, you may be eligible for up to 35 weeks of parental benefits (these may be shared between two parents).

If you are unable to work because of illness or injury, you may be eligible for up to 15 weeks of sickness benefits.

If you need to be away from work temporarily to care for a gravely ill family member, you may receive up to six weeks of compassionate care benefits (during a 26-week period).

You must have earned a minimum of $6,000 from your business in the previous calendar year in order to be eligible. Premiums must be paid for at least 12 months before benefits become available.

Self-employed residents of Quebec will continue to receive maternity and parental benefits through the Quebec Parental Insurance Plan, and will now be eligible to receive sickness and compassionate benefits through EI.

For more information, visit www.servicecanada.gc.ca and look for Employment Insurance. ■

RETIREMENT PLANNING

Ready for a long life?

With increasing life spans, many Canadians can look forward to spending 30 years or longer in retirement. A time horizon of that duration indicates a need to ensure that your retirement nest egg will be there for you in the long run. Here's why you need to consider this.

Canadians are living longer

According to Statistics Canada, a 65-year-old male has, on average, a life expectancy of 18 more years; a woman, 21 more years. For every senior who passes away prematurely, another will outlive the forecast. For a couple, there is every likelihood that at least one partner will beat the odds. Depending when you retire, your time horizon could be 20 to 30 years.

To prepare for such a long retirement, some exposure to equities, whether through mutual funds or individual stocks, can be an effective way to add long-term growth potential to your portfolio. With a retirement horizon of 20 to 30 years, you have an opportunity to benefit from this long-term growth potential, whether to increase your own retirement nest egg or leave a greater legacy for your beneficiaries.

Protection from inflation

Historically, equities have provided long-term returns that outpace inflation by the widest margin, compared with fixed-income and guaranteed investments.

Even modest inflation can significantly erode your purchasing power. Inflation of just 1.9% per year, Canada's average since 1995, will reduce the value of $1,000 to $828 in 10 years, to $686 in 20 years and to $568 in 30 years.

For most of the past 15 years, inflation has been modest by historical standards. And while we all hope that this will continue, there are no guarantees. In planning for your future financial security, it may be prudent to factor in an average inflation rate closer to 3%. Inflation of 3.13%, Canada's average since 1914, will reduce the purchasing power of $1,000 to $734 in 10 years, to $539 in 20 years, and to $396 in 30 years.

You can manage volatility

If you're concerned about the volatility of equities (and most retirees are), remember that diversification is the key to managing the markets' ups and downs. Equities are more volatile than fixed-income investments but, historically, they have produced the greatest returns over time.

By establishing a mix of equities, bonds, and cash instruments, you can achieve your goals for growth without losing sleep at night. Your fixed-income assets will generate retirement income and enable you to ride out cyclical downswings ,while your equities will prosper when the markets are buoyant.

We recognize that many investors become more risk-averse with age. We can help you to allocate assets in your retirement portfolio appropriate to your needs and risk comfort zone. ■

FINANCIAL PLANNING

Managing debt in retirement

MORE CANADIANS ARE carrying debt when they enter retirement, according to a recent Ipsos Reid survey conducted for a large national bank. More than one-fifth (22%) of retirees still have a mortgage on their principal residence.

Should you worry about carrying debt in retirement? Debt is not necessarily bad, but it needs to be factored into your long-term plan to ensure you have the income you need to live comfortably for the duration of your retirement.

In fact, access to credit can be useful in retirement to help balance income and cash flow, especially when interest rates are relatively low.

Mortgage debt, for example, has to be weighed against the value of the property, the long-term security of home ownership, and the cost of renting.

However, retiring with debt can make it more difficult to deal with the unexpected, whether it be a health crisis or a leaky roof. In addition, when markets turn, retirees generally no longer have employment or business earnings to fall back on.

Debt weighs far more heavily when every dollar needed to service a loan is a dollar less in income.

So while debt in retirement is increasingly becoming normal, it needs to be accounted for in your plan. If you are carrying debt in retirement, we can help you define a strategy that meets your long-term income and estate-planning needs. ■

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