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Money Wise!

CAQ Financial's Quarterly Newsletter

QUADRUS

Quadrus Investment Services Ltd.

Compliments of: Rick Irwin, CFP, CLU
Investment Representative

Markets at a glance

Hope this issue finds you well. Winter is finally over, though this has led to little more than complaining about the rain instead of complaining about the snow. The first part of the year has certainly seen several events, like the devastating earthquake in Japan and unrest in Libya, that have temporarily shaken financial markets but none of these have knocked the continuing economic recovery off track.

As for an outlook ahead, I recently attended a conference in Ottawa with Dynamic Funds where I heard from several of their top fund managers and their views have not changed. Overall, the outlook is still very promising for global growth, which is being driven by Emerging Markets. Canada, as a net exporter and rich in commodities, stands to benefit from this. One area that has shifted a bit is the near-term outlook for the U.S.; more managers have turned positive on the U.S. in recent months and have in many cases shifted into this market after being underweight for some time.

Despite the amazing opportunities for growth driven by the rise of the Asian consumer, expect a continued ying-and-yang in the media as there are still challenges ahead for developed markets like Europe and the U.S. As always, the best approach for volatile markets is to have a diversified investment strategy, with both opportunistic and defensive elements, and take a step back from all the short-term "noise."

Special points of interest:

- **Continuing Economic recovery**
- **A look at Mortgage Insurance**
- **Planing for next years taxes**
- **Canada votes**

Inside this issue:

Business Update

Well, we've survived another busy TFSA/RSP/Income Tax season and now that we are moving into the quieter part of the year (though Amanda and Melissa may beg to differ) we are looking at ways to enhance our team service offering. I am very fortunate to be backed by two strong individuals, who each bring complimentary skills to the table. In light of that, the format of the newsletter has changed slightly, with Melissa now contributing a column monthly about insurance matters and Amanda will be writing a column regularly about tax planning and personal finances. We're working towards establishing both of them as experts in these fields within my practice and I feel that the content of the newsletter should reflect that team approach.

It's been said that if you're not moving forward you're not just standing still, you're falling behind and with this in mind we are all embarking on continuing education programs to enhance our collective knowledge base. Melissa is soon to write her mutual funds exam (right, Melissa?) so she will be dually licensed for mutual funds and life insurance. She is then going to work towards achieving the Registered Health Underwriter (RHU) designation which is a specialization in living benefits and is the premier credential in the health insurance industry. Not to be out-done, Amanda has been working towards achieving her Certified Financial Planner designation despite Melissa's warnings of the high failure rate on the admittedly very challenging exam that follows two years of study. She has also started studying towards achieving the Distinguished Financial Advisor (DFA)-Tax Services Specialist designation, a course that will prepare her very well for the time when our office takes over the income tax preparation business. For my part, I will be looking towards completing a few specialized courses, such as the Elder Planning Counselor Course as well as some more specialized courses in wealth management. The goal is to deliver a stronger, well-rounded level of advice to our clients as well as personal growth. The race is on!

Life Insurance vs. Mortgage "creditor" insurance

If you have a mortgage on your house then chances are you may have mortgage insurance with the bank. I wanted to let you know a few things to be aware of on this type of insurance. According to a CBC marketplace study done in 2008 many of the individuals who sell mortgage insurance through the banks are unlicensed. In addition to not having a license many are not formally trained to explain the details and legalities of those insurance products. If you die while you have a mortgage and you purchased this insurance, the point is for it to pay out so your loved ones won't carry the burden at such a time of loss.

Several other disadvantages to purchasing the banks mortgage insurance are as follows:

* If at renewal you change the bank who holds your mortgage you lose your mortgage protection coverage and have to re-apply with your new bank. This means, new rates and new questionnaires. Typically, the maximum an individual locks in their rate for is 5 years on average so this means you could be looking to re-apply every 5 years. The fact this coverage is not portable is a big disadvantage.

* Your premiums remain the same but your coverage is always decreasing as you pay down your mortgage.

* If the insured dies while there is still a mortgage the mortgage gets paid off 100% of the time. Sometimes, the beneficiary would like the option to keep the mortgage going and they would have preferred to use the insurance for something else.

An alternate to this type of creditor insurance would be a personal term insurance policy.

Term insurance typically expires between the ages of 75 and 85 (depending on the carrier) and rates renew every 10 or 20 years (depending on the term you choose).

There are several advantages of owing a personal term insurance policy when compared to the banks mortgage insurance.

* The coverage will continue until it expires as long as your premiums are paid each month regardless of your health situation as most policies are set up to be guaranteed renewable and convertible. So even if you change banks you never have to worry about losing this coverage.

* Your death benefit remains level. For instance, if you have a policy for $250,000 and at your death your mortgage is only at $100,000 then the surviving beneficiary can decide to pay off the mortgage and keep the rest for other things.

* Your beneficiary may not even want to pay off the mortgage, it may make financial sense for them to continue it depending on their personal circumstances. The choice is theirs to make whether they use the money for retirement, for their grandchildren's education, many vacations, etc.

* Most term insurance policies have a built in conversion option. This option allows them to convert all or part of their insured death benefit to a permanent type of insurance down the road regardless of their health situation. Note, this option is typically built into most term insurance policies but does expire (typically at age 60 but all carriers are slightly different). Let's say 5 years into a personal term policy you get diagnosed with an illness that means you are uninsurable. This may change your outlook on life and you may want to purchase a small amount of permanent insurance to leave a loved one. With your conversion option, you can do this regardless of your diagnosis.

Pricing tends to be a large part of many peoples decisions when looking at these products as it is with most things in life.

It is my experience that many times a personal policy can actually cost you a little less then the bank's insurance and it has all of these advantages!

For some people, the bank's insurance may be their only option or it may be worth keeping. I personally would never recommend anyone cancelling existing coverage until they were approved with a new policy in their possession. If I felt your bank's coverage was better, I would tell you but I doubt that would be the case.

The bank will not tell you to shop for a personal policy or point out these advantages to you any many times people sign the dotted line on the coverage the banks offer as they feel they have to but that is not the case.

The same goes for all of those phone calls and direct mail outs you get from your credit card company, etc. You don't have to take that insurance. They make it sound very appealing giving you "3 months free" but you would be surprised to know how much all of those small premiums add up too each month.

If you would like more information on this or any other type of insurance product, please let me know. I would be more than happy to take your call:)

- Melissa

Tax Readiness 2011

As April comes to a close, so does the tax season for another year…. and while the thought of filing taxes is exciting for some it is also very scary for others. Whether you're filing your own taxes or submitting them to a tax preparer, the process can go quicker and easier with a better understanding of what is available to you and a good organization system in place.

Below you will find a few simple ideas I've put together to help with next years taxes…. NOW!

Create an organization system.
Take note of everything you included in this year's tax return: income T4s, investment slips, tuition forms, charitable receipts, medical receipts, etc. With this, you can create a filing system (paper or electronic) that will help you organize all of your paperwork throughout the year. Also, always remember to keep the previous year's tax return and Notice of Assessment on-hand, as you may need information from it next year.

Make a list of goals.
Do you want to contribute more to your RRSPs or a TFSA? Will you or your spouse be going back to school? Are you planning on completing a project that may offer a tax credit? Not only do goals change your budget but each may affect your tax return and should be considered when creating your organization system.

Save your receipts.
This is the most obvious tip but one that can easily be forgotten. Every time you get a receipt for a prescription, for a charitable donation, or a stub from a freelance job, immediately file it in your new system. This way everything you need them they will be ready and waiting, for the next tax season.

Visit the CRA website.
When was the last time you visited the CRA website? You can find information on credits that are available for tuition or medical expenses but also tax credits for children's fitness, first-time home buyers, public transportation, and even tradesperson's tools. Go ahead and research what credits may be available for you and your family.

Have a financial update.

This is also a good time to arrange a good sit-down with your financial advisor and figure out what you might do differently

next year. Some things we would consider looking at with our clients would you take better advantage of potential capital losses? Could you benefit from contributing or increasing contributions to a retirement account? These are the kinds of questions to ask now so that you can plan ahead for next year.

Reduce your tax at source

Under the Income Tax Act, it's possible to get your tax refund throughout the entire year, on every paycheque, instead of waiting until your return is filed the following spring. To apply, you simply complete Canada Revenue Agency's one-page form, the T1213, "Request to Reduce Tax Deductions at Source." On this form, you indicate the various deductions or credits that, if not taken into account, would otherwise result in a tax refund for the year.

Review your system quarterly.
Every few months, review your new organization system. This is the time when you can organize anything you may have forgotten to file, review your goals, and see if your system is working. If you find that you are not staying organized, ask yourself why. If you need a reminder, put a note in your calendar to review every three months.

Remember, a little work now will go a long way in making next years taxes a little bit less stressful!

- Amanda

NEW TAX RULES RECENTLY PASSED

I also wanted to give a brief overview of a few of the major changes that could benefit you:

Medical expenses:

Cosmetic procedures and related expenses qualify as a medical expense when occurred after March 4th, 2010, only if they are required for medical or reconstructive purposes.

Universal Child Care Benefit:

If you were a single parent on December 31st, 2010, you can choose to include all UCCB amounts you received in 2010 in the income of a dependent.

Self-employed?

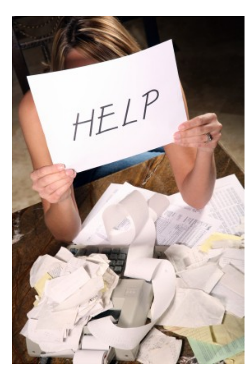
You may be able to enter into an agreement with the Canada Employment Insurance Commission through Service Canada to participate n the new Employment Insurance Measure for Self-Employed People, which provides benefits for maternity and parental leave, sickness and compassionate care.

Disabled people:

As of July 1st, 2011, the existing RRSP rollover rules will be extended to allow a roll-over of a deceased individuals RRSP Proceeds to the RDSP of the deceased individual's financially dependent child or grandchild.

For more information on any of these recently passed rules please contact our office or visit the CRA web-site

www.cra-arc.gc.ca



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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!

Election Day

Once again, Canadians headed to the polls and once again have spoken. While this particular election may be distinguished as much by who lost as who won, it certainly did mark a sea change in the political landscape. The aim of this article is not to talk politics but more so to highlight how this outcome may affect personal finances in the years ahead.

The stunning defeat of the separatist Bloc Quebecois and the election of a majority government, with a national party as official opposition for the first time, are generally viewed as positives and should be supportive to the markets. More of an impact to day to day life are some of the promises made by the Conservative government in relation to Tax Free Savings Accounts and income splitting. In regards to TFSAs the pledge is to double the annual contribution limit by 2013, which if it comes to pass will be a welcome development to many. Even more significant is the promise to extend income splitting -currently only permitted for couples splitting pension income-to all couples. If this materializes, it would be a huge benefit to many working families and could ease personal taxes potentially by thousands annually. Whether this actually happens is too soon to tell but it certainly would be a welcome development.

Other financial issues on the radar for the next few years are the push towards a national securities regulator, to streamline Canada's provincially fragmented securities regulation and the possible introduction of an optional Canada Pension plan, with contributions solely by employees, as a theoretical lower-cost way to help Canadians save for retirement.

So whether you were celebrating, or mourning the outcome of the election- or just plain indifferent - it certainly does mark a point of change from minority governments and coalitions and should hopefully allow government to get down to business. If that business means improvements to investing and personal tax, so much the better. We shall see.

Retirement Road Map

For many Canadians, what drives their retirement savings goals is driven by factors such as optimizing income tax savings, matching through an employer savings plan, or simply cash flow and what is left over at the end of the month. Approaching investing this way is like setting sail without having a clear vision of where you are headed.

This is where a financial advisor can come in. Together we can sit down and plot a roadmap for your financial future and determine how much is enough to save so that you can be able to retire by your desired age, taking into account inflation, pensions and government benefits and whether RRSPs, TFSAs, or some combination of the two, is the ideal method to achieve this goal. If this would be of value to you, do not hesitate to get in touch.

-Rick