

QUADRUS

Quadrus Investment Services Ltd.

Developing countries now lead the way in many areas:

- The world's tallest building is in Dubai
- The largest oil refinery is in India (Venezuela is not far behind)
- The largest hotel is in Russia
- Boeing recently received its largest order ever from Indonesia
- China is the world's biggest car market and Brazil is fourth
- The largest casino is in Macau and the largest shopping mall is in China



Summer is finally upon us and hopefully you enjoyed the warm weather over the long weekend and took a few moments to reflect on the fact that we are very fortunate to live in such a great nation! That being said, and at the risk of sounding unpatriotic, the bloom seems to be off the rose somewhat for Canada right now, with a potentially overvalued real estate market, high levels of consumer debt, and weakness in both the energy & materials sector and financials, which together make up close to 80% of the Toronto market. While certainly not time to abandon Canada it is time to consider all the available investment options on the globe and look forward instead of back.

After a disappointing year like 2011, following on the heels of one of the worst financial crisis' in modern times in 2008/2009, many investors are wondering what they can put their money into to grow their purchasing power in a risk-adjusted way. Stocks slumped last

years, interest rates on bonds are at generational lows and headlines constantly bombard us with news on Europe's ongoing debt crisis.

So is anything growing? Absolutely. Emerging market economies are alive and well. These countries have relatively little debt, young populations, access to capital like they've never had before, governments that are committed to invest in infrastructure and the social safety net and a rapidly growing middle class. That's real growth potential.

Consider this: there are 5 billion people in the developing world and 1 billion in the developed nations. The UN predicts that, by 2020, potentially 2 billion people will have achieved middle class status in Asia alone; more than double the population of Europe, Japan and North America combined. This army of emerging middle class consumers will drive demand for corporations with global reach to new levels.

While there are many structural issues with much of the developed

world, a very large part of the world is more than just OK. The emerging markets are growing rapidly and the sheer number of people that this emergence represents is staggering.

This is not to suggest that the problems facing much of the developed world are not serious or easy to fix. But just keep in mind that the reality is that most of the world is actually growing, and growing rapidly, and a large number of the businesses inside the developed nations (Europe, the US) are seeing the majority of their profits from the emerging nations. While this isn't at all reflected in their current share prices, once the dust settles in Europe it quite likely investors will look at individual company fundamentals again and stock prices for these companies benefiting from the rise of the consumer in the developing world should rise accordingly. It's frustrating to see the markets so universally affected by events in Europe when the fundamentals for so many companies are so strong. But with patience we will ride through this latest rough patch and on to better times ahead.

CAQ Financial's Quarterly Newsletter



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

Markets at a glance

Special points of interest:

- **A wine for charity**
- **Over contributions into TFSA's**
- **New Mortgage Rules**
- **Socially Responsible Investing**

It is our goal to communicate relevant articles and video content a few times a week to keep you informed and present an alternate viewpoint from the headline press. To participate in this heightened level of communication you can

either "follow" us on twitter or join our facebook page (CAQ Financial Services Inc) or visit our website regularly as we will be posting much of the content there also.

Enjoy your summer!!!



Advantages of using an Insurance Broker



An insurance broker is typically contracted with numerous insurance companies and able to sell a wide variety of their products which is a huge advantage when shopping for rates as your broker should be working for you, and not just one company.

When working with clients I survey several carriers' prices and products to find a product that best suits the client's needs. Cost savings is a big factor in this decision but my recommendations also factor in the reputation of the companies who I recommend, their financial strength, whether or not they have a good reputation handling claims, etc... Like most things there is not one product or one company to meet all of our clients' needs.

Term insurance is one of the most basic comparisons but some carriers policies end

at age 75 and others at age 85. Most people don't want to carry term insurance that long as it becomes very expensive but it would be nice to have the option if you were left no other alternative. Different companies also have different conversion privilege options and expiry dates but the standard is age 65 for most companies.

Be careful when looking at disability or critical illness insurance policies and trying to compare costs as each company often designs their products a little different when it comes to covered conditions and definitions of illness, etc...

Insurance companies will always price their products a little differently as they choose which product/market they wish to be more competitive in but significant price difference should raise a red flag. A lot of times shopping on the internet for prices cannot be as good as it appears. Some agents/internet sights quote

preferred or elite rates for everyone to earn their business as the "lowest price" but in reality most applications that are not ratable receive standard rates so the rate goes up. In addition, some carriers will not automatically review you for preferred rates unless you (or your agent) asks.

I spend a lot of time researching the carriers I work with to ensure I understand the differences in their products. One of the things I love the most about what I do is laying out the options for our clients to make the decision that is best for them once they know all of their options.

I hope you too see the value of working with a broker.

- Melissa

A wine to feel good about...

I was recently at a lunch with a fantastic group of ladies whom I network with and was introduced to a new wine that I wanted to share with you.

The name is Colby Red and it's named after a 13 year old boy who at the age of 10 had back to back open heart surgeries. His family wanted to raise money for heart research to help others in Colby's situation and voila the wine was made and named after Colby.

As some of you know, my oldest son also has heart problems and required surgery when he was 2.

This is a cause which our family happily supports.

Any excuse for that second glass of wine;)

The winemaker has "blended five different grape varieties to make a red that's juicy and velvety-smooth, with rich fruit flavors and a soft finish"

Their web-site indicates that they have already raised over \$160,000 US since February 1st, 2011!!!

Although, the money raised goes to the United States all countries can benefit from the research done on heart health as we often learn from their research.

So the next time you're at the NSLC, think of Colby and try this California Red Blend and know you're supporting a good cause a portion from every bottle sold goes to charities that promote heart health.

I hope you can enjoy this wine with good company and cherished friends.

I wish you a safe, happy and healthy summer!

- Melissa



SUPPORTING CHARITIES
THAT PROMOTE **HEART HEALTH**

Tax Free Savings Account's: Beware of over contributing



The Tax-Free Savings Account (TFSA) was introduced in 2009 as a vehicle that would shelter investments from tax. We've all heard the basics of the program by now: You can contribute \$5,000 a year, any

income and growth is tax sheltered, and the money can be withdrawn tax-free at anytime. It all sounds pretty straight-forward.

However these days, a reported 70,000 Canadian tax payers are finding that instead of saving tax on investment returns, the TFSA is costing them money. These tax payers are being charged penalties to the tune of 1% per month for contributions to the TFSA accounts exceeding \$5,000. Here are some tips on how to avoid making a TFSA mistake:

1. Find out if you have a TFSA at a bank. We've heard cases where a person goes into their bank, the teller or

account manager sees their normal savings account, and kindly suggests that the money can be placed in a TFSA where it can benefit from tax-sheltering. The bank employee trying to help and doesn't know that the person may already have a TFSA elsewhere for investing purposes. Or the client may not realize this is the same type of account they already own elsewhere and in the confusion, they may end up over contributing.

2. Try to avoid having more than one TFSA account. Opening a high interest Tax Free savings account, a TFSA investment account and a TFSA vacation fund account makes keeping track of contributions and staying within your limits that much harder and may ultimately result in a mistake.

3. Should you make a withdrawal, remember that you only gain back that contribution room the following year. So if you take \$2,000 out in July 2012 for a vacation, you cannot put that \$2,000 back in until January 2013.

4. If you chose to transfer your TFSA

From one institution to another, make sure to go through all the proper transfer procedures. If you take all your money out of one TFSA, close the account, and place it in a new TFSA, it will result in an over contribution. Completing a transfer form with the institution where you plan to move the funds to will ensure we receive your TFSA money in a way that doesn't trigger a withdrawal and over contribution situation.

If you have recently received a letter from the CRA, please contact our office and we can look at it together.

-Amanda



Changes to Canadian Mortgage rules

On June 21st, Finance Minister Jim Flaherty announced changes to the Mortgage rules to take effect on July 9th 2012. The four measures were announced are as follows:

1. Reduce the maximum amortization period to 25 years from 30 years. The logic here being that it will reduce the total interest payments made on mortgages, thus helping build up equity in homes more quickly and having people pay off their mortgages sooner. This is the third reduction in amortization periods in 4 years. In 2008 we went from 40 years down to 35 years maximum, and in 2011 we went down again from 35 years to a 30 year maximum.

2. Lower the maximum amount Canadians can borrow when refinancing to 80 per cent from 85 per cent of the value of their homes. This will promote saving

through home ownership and encourage homeowners to prudently manage borrowings against their homes.

3. Fix the maximum gross debt service ratio (GDS) at 39% and the maximum total debt service ratio (TDS) at 44%. This is a change from 32% and 40% respectively. The thought being that this will better protect Canadian households that may be vulnerable to economic shocks or an increase in interest rates.

4. Limit the availability of government-backed insured mortgages to homes with a purchase price of less than \$1 million. Establishing a maximum allowable price will ensure that government-backed mortgage insurance operates the way it was originally intended: to help working families and first-time homebuyers.

Ottawa has said that it expects that

these changes will effect less than 5% of new home purchasers and that it will also mean that some people will buy a less expensive home or a less expensive condominium.

These adjustments will come into force on July 9, 2012. Exceptions would be allowed to satisfy a binding purchase and sale, financing or refinancing agreement where a mortgage insurance application has been made before July 9, 2012. Any mortgage insurance applications received after June 21, 2012 and before July 9, 2012 that do not conform to the measures announced today must be funded by December 31, 2012.

-Amanda



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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!

Taylor Asset Management fund launch

IA Clarington, a mutual fund company owned by Industrial Alliance, recently launched a new suite of funds managed by award winning Canadian value manager David Taylor. Mr. Taylor used to work for Dynamic funds but the funds he was running there had reached considerable size (\$8 billion) and he felt he

wasn't as nimble or opportunistic as we have liked at that asset level. He is starting up a brand new firm, Taylor Asset Management, that will be an exclusive sub-advisor to IA Clarington and the funds were just launched a few weeks ago. I view this as an amazing, rare, opportunity to get in on the ground floor with one of Canada's

best fund managers, while the funds are small and nimble and able to seize smaller-company opportunities or jump out of positions easily. If you'd like more information, please call the office or check out website where a video from Mr. Taylor is on the home page.



Socially Responsible Investing

When investing your savings, meeting your financial goals is clearly important, but to many, meeting them in a socially responsible way is equally important.

What is socially responsible investing?

"Socially responsible investing includes all of the financial decision-making processes that are a part of a prudent investment management process, but it also includes the selection and management of investments based on issues of sustainability or social responsibility" says the Canadian Social Investment Organization", a network of firms in the industry committed to Socially Responsible Investing (SRI).

In practice, SRI encompasses the following considerations, on top of typical financial analysis:

Positive and negative screening of environmental, social and corporate governance factors: in some cases, companies involved in gambling or tobacco may be excluded and in others companies that exhibit best-in-sector human rights, environmental policies or employee relations may be included

Community investment: investment of money into community development or micro-enterprise initiatives that contribute to the growth and development of communities, particularly vulnerable communities

Shareholder Advocacy: This relates to the process of using shareholder influence to help bring about positive social or environmental change in corporations

In this often cynical time many investors are looking to align their core values with their investment goals and Socially Responsible Investments are slowly gaining traction as a result. If you'd like to discuss further whether SRI funds should be a part of your portfolio, do not hesitate to get in touch.



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