Volume 8, Issue 1

Winter 2011

Money Wise!

CAQ Financial's Quarterly Newsletter

QUADRUS

Quadrus Investment Services Ltd.

Compliments of: Rick Irwin, CFP, CLU
Investment Representative

Special points of interest:

- **The Markets in 2010**
- **Long Term care: Are you ready?**
- **Canada speaks on Debt priorities via Manulife survey**
- **Changes to Canada Pension Plan for 2011 and forward**

Inside this issue:

Markets at a glance

First of all let me extend my warmest regards to you and your family. Hopefully you had a wonderful holiday season and best wishes for a prosperous and happy new year.

As we enter 2011, it is time to look back and consider the events and happenings of the past year. As 2010 opened the recovery from the international economic crisis continued, although the situation was and is somewhat fragile depending on the country being considered. The stimulus packages instituted by central banks around the world were a great incentive for growth but questions remain about what will happen in these nations once this unprecedented stimulus is removed.

Overall, it was a less-than-stellar year for Canadians investing in global equity markets as the rise of loonie ate into foreign currency returns and as a result, overall, global markets delivered mid-single digit returns for Canadian investors. The Toronto market did much better, averaging nearly 13%. Some sectors such as gold and other precious metals had a banner year. However, we are likely not fully 'out of the woods' just yet. Those government stimulus packages also served to dramatically increase the debt loads of most governments and materially delayed the chances of governments running balanced budgets: deficits are now the norm. We are beginning to see the belt tightening effects in the budgets of most levels of government around the world, including Canada and particularly in some of the countries in Europe such as Greece and Ireland.

This year is quite likely to bring more of the same, as certain sectors perform disproportionately well, and certain geographic regions with better economic fundamentals perform much better.

Specifically, we can look to emerging markets, and the rise of the middle class in these nations, to drive global growth in the year ahead even as conditions potentially weaken in the developed nations.

Many questions lay before us. Can gold continue its stellar rise, driven by Central Bank purchases in the emerging nations? Will the Canadian dollar continue to gain ground against the US dollar, possibly rising

several cents above parity for the first time in decades? Will the European nations continue to be able to stick-handle through the sovereign debt crisis' of some of the peripheral countries?

Of course, we can't know the answers to these questions. The coming year will reveal its hand to us. In the meantime, diversification is key.

We are committed to the concept that every client is unique and that an ideal portfolio can be constructed that will meet the client's personal circumstances and achieve their goals. The ongoing turbulence in the markets-and conflicting opinions in the media- has made it strikingly evident that creating and maintaining this ideal portfolio is essential to provide you with the understanding and patience to emotionally weather these sorts of storms.

Have you given Long-Term Care much thought?

Have you thought about what your future will be like if you are not able to take care of yourself? It is not something we think about often but the reality is that if we live long enough some of us will end up in either a nursing home or retirement residence in our later years.

"More than (51%) of Canadians are afraid of becoming a burden on their family. And an overwhelming (90%) believe that preparing for their own long term care needs is the responsible thing to do." - Source: Manulife Financial 2007 study.

I know personally, there will come a time when my parents may require long term care. I hope our government is able to contribute to this need but at the same time, I worry that even if they do, will it be enough to maintain the lifestyle that they are used too? What happens if both of my parents enter a facility close to each other? Will my brother and I have to dip into our retirement savings to help pay this cost? As a parent, I don't want my children worrying about these things! Nor do my parents, so they are now working on their own long term care plan with the help of their favourite daughter of course!

Many sources show that the leading reason to enter assisted living is Alzheimer's. Most of these studies were completed in the United States where Long Term Care insurance has been available for over 30 years.

The average 2010 cost of nursing home care in Nova Scotia is $94.75 a day including meals and accommodations. On the other hand, a private room in a retirement residence could cost anywhere between $1,705 and $4,300 monthly.

Our government could help subsidise this cost if you meet the qualifications after a financial assessment. This test is based on your previous year's tax return and investment income from your portfolio is included in this calculation. If you are married and have dependents this is taken into consideration and spouses are able to keep 50% of the joint family income and control of the families assets.

Having said that, with so many baby boomers heading into retirement we wonder how much our government will be able to contribute when they need assisted living. With the Canadian population aging, there will be an even further strain on our health care system. Statistics Canada also released a 2007 study indicating "For the first time in Canadian history, more than 4 million Canadians are over the age of 65, and the proportion of seniors is expected to double in the next quarter century".

Many of you reading this have worked your entire life to save for your retirement and hope to pass on your estate to your children when you pass away.

Did you know that females have a higher long term care need from a statistical point of view? We also have a longer life expectancy but tend to need long term care more often than males.

Long term care insurance was introduced in Canada approximately 10 years ago. It has an approximate 30 year history in the United States so most of our claims information/carriers pricing is based on the US statistics.

Long Term Care is designed to provide income for either a registered facility or home care. Receipts are typically not required and when you qualify for benefits you can use your payment as you see fit. In order to qualify, most policies require that you cannot perform two of the six regular activities in daily living which are: eating, bathing, dressing, toileting, transferring, and maintaining continence. Cognitive impairments such as Alzheimer's disease are normally included in most contracts as well.

I have spent many hours over the last month researching various carriers products and the pros and cons of each carrier and feel that I am very prepared to offer advice on which product would best serve the needs of our clients.

I realize this information can be overwhelming but I feel it is our obligation to let you know there are options to plan for this type of care whether through an insurance vehicle or an investment strategy. Either way, you should have a discussion with a loved one about this need and what your plan is.

If you would like further information on this topic, please let me know. I would be more than happy to send you product or statistical material.

- Melissa

Manulife One/Manulife Bank Debt Survey

On December 7, Manulife Bank released the results of their most recent homeowner Debt Freedom survey. Some of the key findings include:

- 76% consider being debt-free a high financial priority (8, 9 or 10 out of 10) and 30% consider it to be their **top** financial priority (10 out of 10).
- Only 49% have less debt than they did 12 months ago
- 70% planned to set a spending budget for this past holiday season, but 60% of those acknowledge they may not stick to that budget

In other words, the survey suggests that many Canadian homeowners want to be debt free, are struggling to achieve this goal and could probably use some professional advice.

Manulife One is a new way of banking that combines your debts with your savings and income to make every dollar you have work more efficiently to save you interest and help you become debt-free sooner - you may have seen their "What's your Manulife One Number" commercials on TV.

I think this is something that could really help you with your debt - some clients find they can save thousands in interest and be debt-free years sooner simply by banking more efficiently.

If you're interested, I'd like to refer you to my local Manulife Bank contact. She is a Manulife One expert and can explain how the account works and what it could do for you. There's no obligation but I think this is something that could work for you if your mortgage is up for renewal in the next year or so. Even if it is not, this could be something to consider down the road.

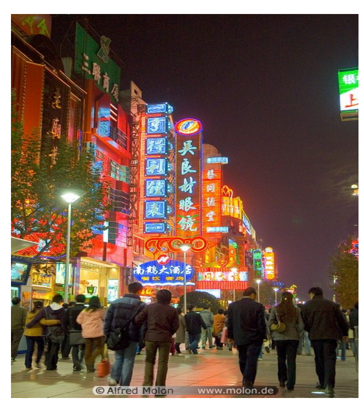
While Manulife ONE is a great product, we recommend that you do not take the creditor insurance that comes with it-or any creditor insurance for that matter-and instead consider looking at term insurance. Often, term insurance can cost you less and give you more!

AGF Emerging Markets wins fifth time at Canadian Investment Awards

Patricia Perez-Coutts, who has captained the helm of the AGF Emerging Markets fund since 2002, recently won top honors in the Emerging Markets category for the fifth time at the Canadian Investment Funds Awards. This fund invests in the developing nations of the world, such as Brazil, India, China, Korea, Turkey and Indonesia. These nations, while historically more volatile than Western developed markets, have considerably better fundamentals today due to their extremely large, young, working population with low levels of debt, moving rapidly into middle class.

Her team consists of seven portfolio managers and analysts, who hail from four different continents and speak a total of 10 languages (and counting). They have all had experience living or working in an emerging market country. This gives them a broader depth of understanding of these high growth local markets.

More recently, in November AGF launched the first balanced fund in North America to focus on Emerging Markets, also run by Perez-Coutts and her team. This fund is designed to be a lower-risk way to capitalize on the growth in Emerging Markets, since the fund is divided between stocks and bonds. Unlike the West, where rising interest rates will put pressure on government bonds, Emerging Markets bonds look to be a very attractive place to invest in their own right. If you'd like more information on this new fund, or how it might complement your portfolio, I'd be more than happy to discuss. - Rick



Note: Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Compliments of: Rick Irwin, CFP, CLU
Investment Representative

CAQ Financial

1095 Bedford Highway
Bedford Nova Scotia B4A-1B7
Phone: 902-835-1112
Fax: 902-835-3663
Toll-Free: 877-404-1112
Email: rick@caqfinancial.ca
Website: www.caqfinancial.ca

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!

Age CPP Begins	Previous Adjust-ment	Adjustment: 2011	Adjustment: 2012	Adjustment: 2013	Adjustment: 2014	Adjustment: 2015	Adjustment: 2016
60	-30.0%	-30.0%	-31.2%	-32.4%	-33.6%	-34.8%	-36.0%
65	0%	0%	0%	0%	0%	0%	0%
70	-30.0%	34.2%	38.4%	42.0%	42.0%	42.0%	42.0%

Changes to CPP begin in 2011

Beginning in January of this year, the first of the changes to Canada Pension Plan begins. Most of the changes actually don't start until 2012; for 2011 the only development is that this is the first year that there will be an increase if you defer taking your pension beyond age 65.

The main changes can be broken into four categories:

1. Adjustment for early/late withdrawals. As stated above, this year is the first year that the enhancement for taking CPP later than 65 will be increased. The new increased penalties for drawing earlier than 65, however, do not start until January 2012. **This means that this is the last year that you are able to draw CPP under the old reduction rules.** After this year, the penalty to take CPP early will increase. The early withdrawal reductions (and late withdrawal enhancements) are due to be phased in as per the above chart. **If you are over 60 this year and not currently drawing CPP you should consider it, if work conditions permit.**

2. Work cessation test: Under current rules, in order to qualify to begin drawing CPP prior to age 65, you are unable to earn more than $900 in the month the CPP pension is due to start, and the previous month. This stipulation is to be removed in 2012. **Starting in 2012, you will no longer have to stop work to be eligible to draw CPP.** This is a positive development as not everyone is able to arrange for a leave of absence.

3. Additional CPP contributions required prior to age 65-under current rules, once you begin to draw CPP prior to 65 you can continue to work and do not have to, in fact are not able to, contribute to CPP if you remain employed. Starting in 2012, if you are employed or self-employed and under the age of 65 **you and your employer (you twice if you are self employed) will have to pay into CPP until age 65, even if you are already drawing CPP.** The additional payments will increase your CPP income from 65 on, to a maximum of 2.5% per year.

4. Change in calculating Average Career Earnings-the calculation for CPP uses your average earnings over your career but there is a provision that allows you to "drop out" up to 15% of your working career. (about 5 years of a 35-year career.) This drop out is to compensate for years where you may have been out of work due to a weak job market, going back to school or staying at home to raise children. Starting in 2012, the drop-out percentage will increase to 16% and 17% starting in 2014 (about 6 years in 35). While minor, this increase should be of some benefit to some who had a fairly sizable interruption in earnings.

If you have any questions about the changes to CPP and how they might affect you, or what you should be doing in light of these, do not hesitate to get in touch.

-Rick