



**PLATINUM**  
FINANCIAL

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At a certain point in every downturn, signs of optimism will appear. Would you and your portfolio be ready for growth?

Whether market recovery happens sooner or later, equip yourself with information regarding your complete financial situation. This includes your investment portfolio, your assets and savings, as well as your debt.

If you have any questions about any aspect of your financial life, please give us a call at your convenience.



## FOCUS ON INVESTING



## Understanding the risks of playing it too safe

**I**n today's market environment, many investors are drawn to cash, money market funds, and other "safe" investments. That's understandable, but if you're investing for long-term goals, playing it too safe can cost you. Here's why:

- **Insufficient growth potential.** While cash, savings deposits, and other secure investments do protect capital, they won't yield the healthy returns you may need to reach your long-term financial goals, especially after inflation and taxes eat away at your modest returns. Equity-based and fixed-income-based investments offer significantly higher growth potential over the long term.

- **You'll miss out on the recovery.** A market downturn is an opportune time to invest in equities because prices are low. If you're sitting on the sidelines in cash

investments, you are likely to miss out on the gains of the recovery.

- **Success is in the mix.** A portfolio that includes an appropriate mix of secure, income, and growth investments can help protect you from volatility, while providing you with enough growth potential to reach your long-term goals. While the proportion of each asset class you hold will vary, being over-invested in one asset class, or leaving out another altogether, can hurt the long-term growth prospects of your portfolio.

Don't let fear rule your investment behaviour. There are many high-quality investments that offer good growth potential. Professional advice can help you unlock low-yielding cash investments and achieve the best balance between risk and return. ■



## FINANCIAL PLANNING

### Tax-shelter severance payments

If you've held the same job for many years, you may be able to take advantage of a little-known tax break that was eliminated in 1995. The "retiring allowance" rollover permits you to transfer some or all of any severance you receive into your Registered Retirement Savings Plan. The maximum you can roll over is \$2,000 for each full or partial year of service before 1996, plus \$1,500 for each year before 1989 that you did not belong to the company pension plan. These contributions are over and above your regular RRSP contribution limit. For more information, see Canada Revenue Agency interpretation bulletin IT-337, available at [www.cra.gc.ca](http://www.cra.gc.ca). If you are eligible, we can determine how to take advantage of this tax break. ■

## BUSINESS PLANNING

### Budget changes benefit small-business owners

If you own an incorporated company, you should know about several federal budget changes that could save you money this year and beyond. Among them:

- ▶ The amount that qualifies for the lower small-business tax rate has been increased to \$500,000 from \$400,000.
- ▶ Computers purchased in 2009 qualify for a full one-year write-off.
- ▶ The limit for government-guaranteed small-business loans has been raised for the first time in 15 years — to \$350,000 from \$250,000, and up to \$500,000 for loans made for acquiring real property.
- ▶ It will be easier for a "Canadian controlled private corporation" to keep its CCPC status — and potentially qualify for the \$750,000 capital gains exemption available on shares of a small business when sold. ■

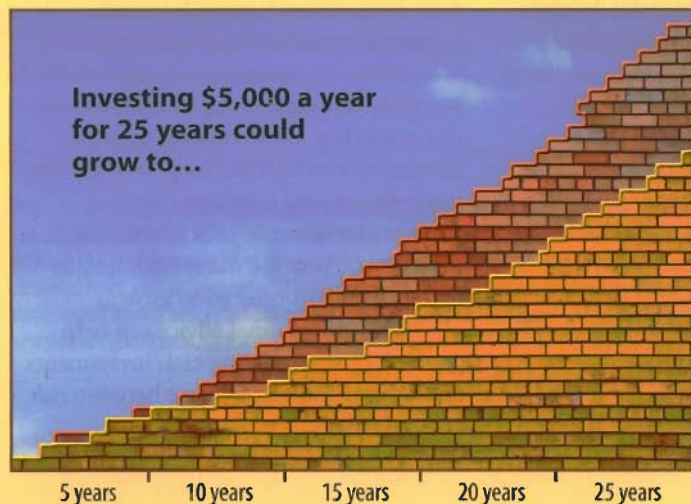


## EYEOPENER

graphic evidence of how investing works

### A TFSA can help build your savings

THE INTRODUCTION OF the Tax-Free Savings Account (TFSA) was the best news investors have heard in a long time. The reason? You pay no tax on the income or growth generated by the investments within your TFSA, which means it can bring some significant long-term gains over investing outside a TFSA.



**\$290,781.91**  
Inside a TFSA

**\$204,465.39**  
Outside a TFSA

Based on \$5,000 contributed at the beginning of each year at 6% compound growth annually and with a marginal tax rate of 40%. For illustrative purposes only. Actual tax rates and annual returns may vary.

## TAX PLANNING

### Is it your child's last summer before college?

If your child will be attending a university or college more than 40 kilometres from home and plans to work part-time during the school year, be sure to keep all receipts related to his or her moving expenses. Why? Because moving costs are deductible if you move to start work at a new location. As a result, your child's moving costs are generally deductible from income earned while at school. Similarly, if your child moves back in the summer,

those costs are deductible from his or her summer earnings. ■





MUTUAL FUNDS

## Consider the opportunities in today's healthcare sector

**T**he gigantic baby boom generation is aging. Early-stage boomers are now in their 60s, and those born at the peak are in their late 40s and early 50s. Meanwhile, average life expectancy for a 65-year-old in Canada has increased to 84.5 years, according to Statistics Canada.

This large, aging demographic requires a higher degree of healthcare, ranging from pharmaceuticals and mobility aids to services and long-term-care facilities. It's no surprise that the global healthcare industry is growing in response.

### Why invest in healthcare?

Healthcare stocks have performed relatively well for several reasons besides changing

demographics. They're considered defensive in that people still need healthcare during economic downturns.

The sector is dominated by well-capitalized companies that pay healthy dividends. And there's a merger-and-acquisition trend under way, which could help push up share values among large pharmaceutical companies.

### How to invest in healthcare

While Canada has few publicly listed healthcare companies, more than a dozen specialized mutual funds offer an easy way to access this sector. These funds invest primarily in the U.S., where the industry is centred, but also globally.

For a narrow investment focus, the U.S. stock market offers a number of broad and specialized healthcare exchange-traded funds. Some focus on companies specializing in cancer research and treatment; others concentrate on companies making inroads in heart disease, orthopedics, ophthalmology, and a variety of specialties.

### Professional management can add value

The professional expertise of active fund managers is especially valuable in this sector because of the risks involved. For example, medical research — especially pharmaceutical and biotechnology — is costly and takes years to develop.

Getting government approval for medical research can also be a lengthy and complex undertaking. Professional fund managers are familiar with the rules and regulations and have the industry connections necessary to conduct meaningful research into the investment possibilities.

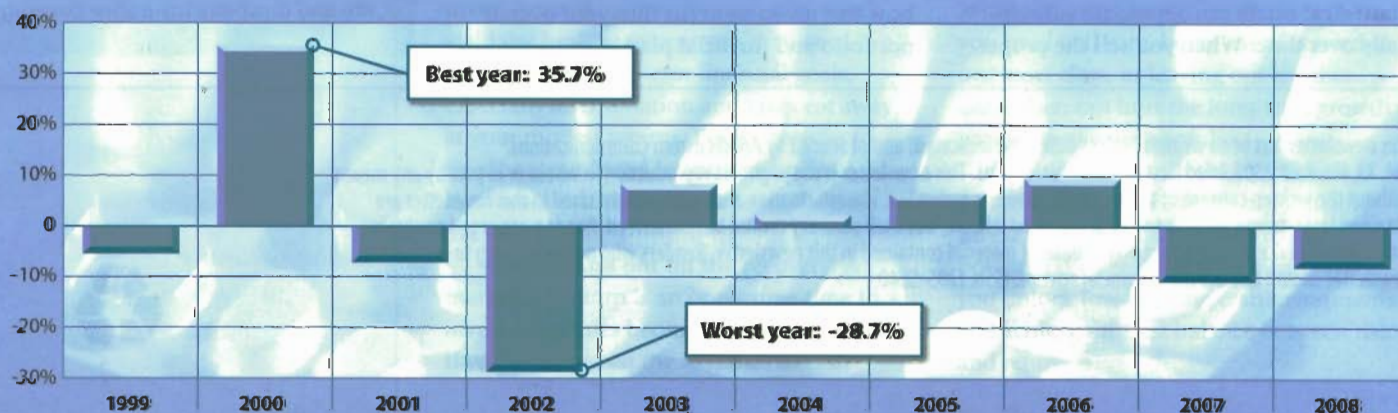
### Moderation advisable

While the potential opportunities are undeniable, it's important to remember that healthcare funds can be volatile (see "The ups and downs of healthcare sector funds" on this page). This volatility is due in part to the risks of medical research, regulatory intervention, and product liability.

If you'd like to explore the opportunities in healthcare further, we can help determine how much exposure to this sector is appropriate in light of your investment goals, time horizon, and tolerance for risk. ■

## The ups and downs of healthcare sector funds

**WHILE HEALTHCARE SECTOR** funds do offer good potential for growth, they also come with a higher degree of risk than broad-based equity funds.



Source: Morningstar Canada Healthcare Index; reflects the aggregate return of all healthcare funds offered in Canada, weighted to reflect the greater influence of larger funds.

# Is that summer property a tempting bargain?

**F**or the first time in years, prices for much-sought-after recreational real estate have dropped, making the dream of a lakeside or mountain retreat more attainable. But buying a recreational property has a variety of implications. Before you purchase, be sure to consider the following questions.

**How will you finance your purchase?** It can be more difficult and costly to mortgage a recreational property than a principal residence. You may find that it's more efficient to borrow against the equity in your primary home and use those funds to pay for your cottage or cabin.

**How will it affect your cash flow?** Tally all of the expected new expenses — such as mortgage payments, insurance, property tax, utilities, and a maintenance budget — to get a realistic picture of the costs involved. With professional advice, determine how devoting this cash flow to a leisure property will affect your long-term goals, especially saving for retirement and your children's post-secondary education. Consider whether you'll spend enough time there to justify tying up your cash flow.

**Will you be renting out the property?** Many people who own recreational property rent it out when they're not using it themselves. Remember that you must report this income on your tax return, although you can deduct expenses relating to the rental.

**What will the effect be on your estate plan?** Real estate can appreciate substantially over time. When you sell the proper-

ty, or if you leave it to your children in your will, any increase in its value over what you paid will be taxable as a capital gain. You may want to consider purchasing sufficient life insurance for you and your spouse to cover the tax liability and preserve your estate for your heirs.

Do you have access to a knowledgeable real estate agent and lawyer? Once you've decided on a specific locale or property, make sure you find an experienced real estate agent and lawyer. These professionals can help you navigate your way through any relevant regulations, restrictions, and other considerations that could affect your purchase, such as:

- Are any highway upgrades planned? These may affect access to your property and how often you're able to use it.
- Are there any applicable zoning or building restrictions? If resale value is a consideration, you'll want to find out if you can enlarge or replace the structure.
- Is there adequate telephone/cell phone, Internet, and TV service? These services will be important if you plan to rent out the property.
- If it's lakeside property, who governs it? Several public agencies may be involved and you'll need to know which ones.
- Who maintains (and ploughs) the access road, and is there a cost involved?

Even at today's more affordable prices, a recreational property still involves a significant financial commitment. Professional advice can help you determine how this investment fits into your overall portfolio and financial plan. ■

## Review your insurance after a major purchase

**IF THERE'S** A positive side to the economic downturn, it's that falling prices have created a buyer's market. Property values are down, car prices have dropped, and interest rates are at historic lows. So if you've been planning to make a big-ticket purchase, such as a recreational property, a backyard pool, or a major home renovation, there's no better time to do so.

But whenever you take on additional debt in a substantial way, it's important to review your insurance needs, including liability, property, and life coverage. You need to properly insure your new purchase, and provide coverage for your family so they can cover the debt if something should happen to you.

**Property insurance.** If you've purchased a vacation home, consider whether your cottage should be covered by a separate policy or as an addition to your home policy.

**Liability insurance** protects you from a lawsuit if you or a family member cause an injury to someone outside your home. It's a must for a boat, a vacation home, or if you install a pool.

**Life insurance.** When you take on new debt, you may need to adjust your coverage to ensure your family won't be forced to dip into insurance benefits that are planned for other expenses, such as your children's education.

Professional advice can guide you in reviewing and updating your levels of life and disability insurance coverage. ■

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