



Finance Forum



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A new calendar year marks "back to business." And when it comes to your financial plan, the first order of business is topping up your RRSP — well before March 1. So call us soon to arrange this. Also, think about how you envision your retirement. Then let's get together to determine the financial implications of your vision, and make sure your existing retirement plan takes them into account.

FOCUS ON MUTUAL FUNDS



Bissett Canadian Balanced Fund: Maximum diversification

Mutual funds are a great way for investors to access a variety of different securities in a single investment. Typically, however, mutual funds focus on a single geographic region, asset class, sector, or market capitalization. This can limit a fund's ability to serve as a complete investment solution on its own.

Some funds diversify

To provide diversification within one investment product, balanced mutual funds hold a number of individual holdings. Balanced funds are portfolios with a mix of asset classes — including equities and fixed-income securities. For most balanced funds, the level of diversification ends there.

Bissett Canadian Balanced Fund, on the other hand, provides investors with an ideal opportunity to maximize the

diversification of their investments.

This "fund of winners" invests directly in several top-performing Bissett Funds, to offer the potential for above-average returns with lower risk.

This fund fires on "seven cylinders"

Most balanced funds offer "two-cylinder" diversification, but the Bissett Canadian Balanced Fund is different. The Fund invests in funds that hold Canadian micro cap, Canadian small cap, Canadian mid-to-large cap, global equity, international equity, U.S. large cap, and public and corporate bond securities. This "seven-cylinder" strategy makes the Fund an ideal one-stop shop for diversification.

Speak with your investment advisor today to discuss all the benefits of Bissett Canadian Balanced Fund or visit franklintempleton.ca. ■

Big U.S. market is impossible to ignore

The U.S. economy has faced some challenges over the past year or so, but U.S. investments still offer lots of long-term benefits to Canadian investors. And mutual funds are an excellent way to invest in our neighbour and largest trading partner.

Big by every measure

The U.S. has the world's largest and most dynamic economy. The same goes for its stock market — the world's largest, most diverse array of companies, large and small. Many of the world's leading multinational corporations are U.S.-based. By investing there, you're actually obtaining exposure to economic growth and currency diversification all over the globe.

The U.S. is also a world leader in stock market regulation and corporate disclosure. And its individual stock exchanges — mainly the New York Stock Exchange and Nasdaq — lead in trading volume.

Of note for Canadians

The wider and deeper make-up of the U.S. market is especially important for

Canadians since our own stock market is heavily concentrated in just three sectors: financial services, energy, and raw materials. We have little to choose from in such areas as technology, consumer goods, and manufacturing.

Consider currency

Including U.S. investments in your portfolio also helps to protect you from the possibility that the U.S. dollar will gain value against our loonie. While the Canadian dollar is very strong now, historically that hasn't been the case.

Since it's almost impossible to make accurate long-range predictions about future currency movements, it may be beneficial for you to hold some U.S.-dollar-denominated investments — especially if you travel frequently to the U.S. or are perhaps planning to retire there.



Why mutual funds?

Investing in the U.S. through mutual funds offers many advantages:

- **Professional selection.** Picking winning investments from the more than 6,000 listed companies in the U.S. is no easy task. Professional mutual fund managers have access to vast research resources. Many rely on proven, disciplined approaches to find the best potential performers.

- **Economies of scale.** Because of their size, mutual funds typically pay far less than individual investors for currency conversion and brokerage fees.

- **Convenience.** Mutual funds are easy to invest in. Many are available with initial minimum investments as low as \$100. And you don't have to worry about the complexities of the U.S. withholding tax on investment earnings — the fund does that for you.

- **Liquidity.** Most mutual funds offer daily redemption at the unit price at the close of trading for that day. With stocks, on the other hand, you might have difficulty selling at the price you want, or even selling at all, if the stock is not widely traded.

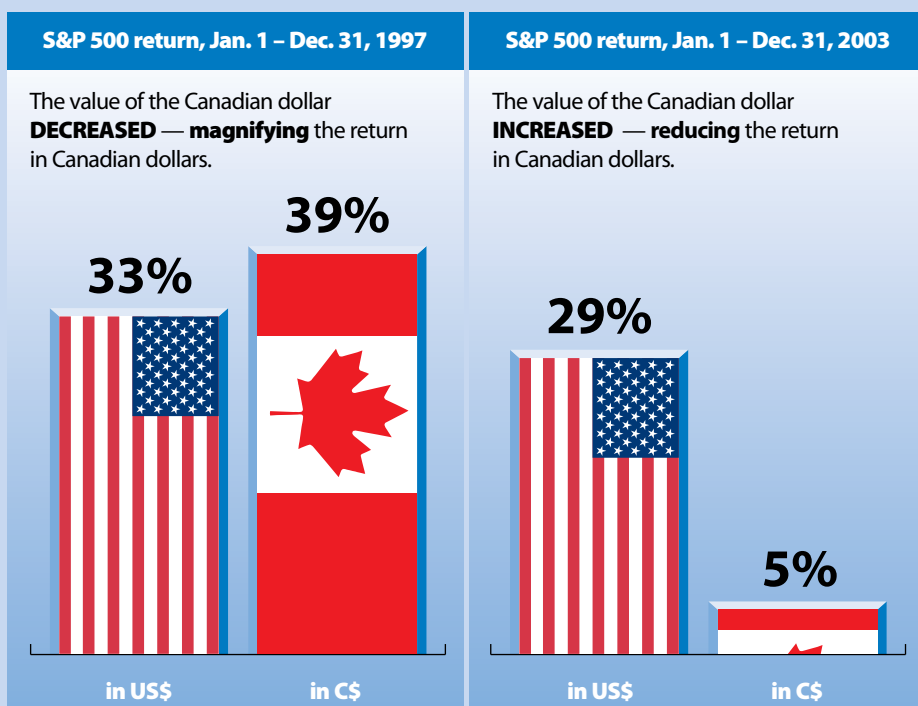
Are you already there?

If you're considering bumping up your portfolio's exposure to U.S. investments, first take into account how much you may already have. Many "Canadian" equity funds hold some foreign content, which might include U.S. companies. And certain Canadian-based companies have large operations south of the border.

With professional advice, you can determine the optimal U.S. allocation for your portfolio and the best mutual funds to provide it. ■

The currency effect

WHEN YOU INVEST outside of Canada, two key variables will affect your return — whether the price of the security goes up or down, and whether the Canadian dollar gains or loses value in relation to the currency in which the security is denominated.



Source: Bank of Canada, S&P, Morningstar Canada

RETIREMENT PLANNING

Could this new rule boost your retirement savings?

Alberta recently changed its legislation to allow people with Life Income Funds (LIFs) and Life Retirement Income Funds (LRIFs) under its jurisdiction to unlock up to 50% of their money and roll it into a regular Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF). Registered plans offer more flexibility in terms of investment choice and withdrawal decisions.

This is an emerging trend among the provinces. Saskatchewan, Manitoba, and New Brunswick also allow unlocking. Ontario, Quebec, Alberta, Newfoundland, and Nova Scotia have special provisions that permit extra withdrawals for low-income retirees and those experiencing financial hardship. Those who've left Canada can unlock federal, Alberta, British Columbia, New Brunswick, and Quebec plans if they qualify as non-residents for tax purposes. ■



FINANCIAL PLANNING

To do: your RRSP checklist

Contributing to an RRSP is one of the easiest ways to save for retirement. This short checklist can help you maximize your RRSP contribution for the year.

✓ **Deadline.** March 1, 2007, is the last day to make a contribution you can claim on your 2006 tax return.

✓ **Contribution limit.** You may contribute up to 18% of the income you earned in 2005 to a maximum of \$18,000, plus any previously unused room, and less any pension plan contributions.

✓ **Your personal limit.** Your personal RRSP contribution limit is shown on your 2005 federal Notice of Assessment. ■



ESTATE PLANNING

Ensure your estate plan protects your RESP

A Registered Education Savings Plan (RESP) is a special gift to build for a child or grandchild. As a parent or grandparent — and the RESP sponsor — you'll want to make sure that gift is passed on as intended in the event of your death.

When two spouses are joint subscribers, the surviving one will take over the RESP. But what if there is no joint subscriber? In that case, the subscriber's will should name a replacement and specify whether contributions already made should go to the estate or be used for the child's education. Otherwise, anyone can become the replacement subscriber simply by contributing to the plan. ■



FINANCIAL CLASSROOM

your guide to the basics and how to benefit

Source deduction waiver

Why wait a year or more to reap the tax benefits created by a Registered Retirement Savings Plan (RRSP) contribution or other tax breaks? Consider requesting a source deduction waiver.

What it is

With every paycheque, your employer is required to deduct a certain percentage and remit it to the Canada Revenue Agency (CRA), or Revenu Québec, towards your income tax for the year. But when you also have significant tax deductions, such as RRSP contributions, sizeable charitable contributions, deductible investment loan interest, rental losses, or child-care expenses, the amount deducted may not accurately reflect what you'll actually owe by the end of the year.

If you can demonstrate to the CRA or Revenu Québec that you are, in essence, overpaying, it will issue a source deduction waiver that permits your employer to deduct less tax.

How it works

To apply for the waiver, submit form T1213 to the CRA (www.cra-arc.gc.ca) and, if applicable, form TP-1016 to Revenu Québec (www.revenu.gouv.qc.ca/eng). You can download the forms from their Websites.

If your tax account is in good order, officials calculate the projected tax savings and authorize your employer to reduce your withholding by that amount. Note that you have to apply for the waiver annually; it doesn't carry over from one year to the next.

Why it matters

While you might enjoy getting a tax refund, what it really means is that the government has had the use of your money — interest free — throughout the year. With the money in your pocket instead, you can put it to better use, such as contributing it to your RRSP, paying down debt, or investing.

Choose the right fund mix for your RRSP

Your Registered Retirement Savings Plan (RRSP) is the perfect tax shelter. Not only do you receive a tax deduction for the money you contribute, but you don't have to pay any tax on your investment earnings as long as you leave the money in the plan.

This combination gives you a good deal of freedom in the types of investments that you can hold within your RRSP. But as you would expect, some investments have more to offer than others.

Equities for the long term

Depending on your age, your RRSP could be in place for 50 years or more. This makes it the ideal candidate for long-term, growth-oriented investments — in other words, equities.

Equity mutual funds cover virtually all of the world's main industries, economies, and currencies. They range from relatively stable "blue chip" and dividend funds to high-risk/high-reward emerging markets or technology funds, and offer everything in between, too.

To balance your RRSP's growth potential with an acceptable degree of risk, it's a good idea to diversify into several different equity funds. At a minimum, you should consider both a Canadian and a U.S. equity fund, while considering a broadly diversified international fund to round out the mix.

Fixed income for balance

Although equities are your RRSP's big guns, it's essential to balance them by including fixed-income investments.

As with equities, not all fixed-income holdings offer the same benefits or growth potential. So balance within this side of your portfolio is equally important.

For capital preservation and modest growth potential, you may want to consider a mortgage fund or shorter-term income fund.

Then, for some additional growth potential, look into longer-term bond funds. These types of funds offer capital gains potential as well as interest earnings. International bond funds are another good choice for capital appreciation and diversification.

High-yield income funds are also becoming a popular choice. However, keep in mind that these funds often invest in riskier bonds.

Remember the big picture

Ultimately, it's not the individual holdings but rather your overall investment mix that will help you to achieve your investment goals.

Professional advice can help you establish the right mix for you and make regular adjustments to ensure that you meet your retirement goals. ■

Caring for every generation

TO KEEP YOUR financial plan on track, you need to review it anytime there's a significant change in your life. Here are five developments you may encounter.

1. Job changes. A new job with higher pay may mean you should review your insurance coverage for income re-placement and the contributions you're able to make to your investment portfolio. A decrease in pay may require some short-term financial planning and budgeting.

2. Changes in marital status. When you get married, you'll probably want to review your will, insurance policies, pension plan, and Registered Retirement Savings Plan or Registered Retirement Income Fund. The same applies if your marriage ends because of separation, divorce, or death. Getting married also means there may be spousal tax-saving strategies you can now use.

3. Major life events. Having a child means new responsibilities and expenses. You'll need to review your whole financial plan, especially your insurance needs. Other major life changes include buying a home, starting your own business, retiring, or becoming disabled.

4. Economic changes. If the economy is heading for a shift, for example, a recession, you need to be prepared. A financial plan review is in order.

5. A shift in your investor profile. As you get older, you need to take a more conservative approach to investing. It's important to review your financial plan regularly to ensure it's appropriate for the type of investor you are today, not the investor you were five years ago. ■

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