A&Q Update

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In the Spirit of the Season...

It is hard to believe that another year is drawing to a close. We hope that this Christmas season finds your family happy and in good health. At a time of year when commercialization seems to bombard us from all sides, it is hard to put forth a heart felt greeting without sounding artificial or tired, but in the next few lines that is what I hope to do.

Over the past few years we have found that the human contact our business brings is indeed the brightest side of our working lives. Getting to know our clients and dealing with them over a period of years allows us to develop a depth of relationship not often seen in the business world. As an added benefit, we learn at least as much from our clients as they from us. On days when technological difficulties plague us, administrative mix-ups try us and market volatility rattles us, it is the satisfaction we get from working with you that makes it all worthwhile.

This season gives us a special opportunity to express our sincere appreciation. We realize that any success we experience is a direct result of the support we receive from you.

Our hope for you and your family at this time of year is that you experience the peace and joy that is the true spirit of the season, regardless or your faith or ethnic background. We hope that you have the fortune of spending time, or at least being in touch with, the people you care about.

Merry Christmas and a Happy New Year from my family and the entire staff at Armstrong & Quaile.

John Armstrong

An Enjoyable Event at The Ice Park!

Thanks to all who attended our skating party at The Ice Park in Cambridge. We had a wonderful afternoon of skating and socializing. The Ice Park provided some nice refreshments after the skating, giving us a chance to catch our breath. Those of us who hadn't skated in a while discovered a few muscles we'd forgotten we had! Stay tuned for future client appreciation events.

Inside this issue:

Worthwhile stops on the information highway...

www.didyouknow.com

A fun site featuring trivia on a wide range of topics.

radio.cbc.ca/programs/thismorning/wantedwords/

This area of the CBC Radio Site asks visitors to suggest new words to describe things or situations not yet named. Looking at the clever responses or developing your own words can be very amusing.

Year 2000 RRSP Contributions Give Excellent Value

As a result of changes to future income tax rates, it makes sense to take advantage of any unused RRSP contribution room in the 2000 tax year rather than waiting.

Because income tax rates will be lower after this year, the tax refund generated by a contribution made between now and the end of February will be larger than that generated by the same contribution in future years. This is assuming that your yearly income stays at about the same level.

If money for the contribution is not readily available, you may want to consider an RRSP loan. One strategy involves using a loan to cover your shortfall for this years contribution. In this case, the tax refund is used to pay down a substantial portion of the loan immediately.

A second strategy is to take a loan to 'catch-up' on unused contribution room from previous years. The larger loan is then paid back over a longer period of time.

We would be happy to examine your situation to determine what benefits this may have for you. RRSP loans can also be arranged through our office.

What are the Advantages of Labour Sponsored Funds?

Investing in Labour Sponsored Funds (LSFs) is another good way to reduce your tax bill. The federal and provincial governments have combined to give a 30% tax credit to anyone investing in an LSF. The maximum credit is $1,500.00, therefore many people only invest $5,000 per year.
Example: A $5,000 deposit into an RRSP by an individual in the 35% tax bracket creates a $1,750 tax refund. If the $5,000 was also in an LSF, there would be an additional $1,500 tax saving. The total tax saved would then be $3,250.

What is the catch? LSFs invest in start-up companies and are therefore very risky. Also, the money must be invested for 8 years. If redeemed early, the tax credit is forfeited.

Labour sponsored funds offer a tax credit of up to 30%. This is above and beyond the regular benefits of an RRSP contribution.

Labour Sponsored Funds held in a self-directed RRSP have the added benefit of allowing the plan holder to increase their foreign content holdings by up to three times the LSF investment amount, to a maximum of 45% for the plan as a whole.

There are some excellent Labour Sponsored Funds available. Here are a few ranked by their 3 year return numbers.

	Fund Name	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr
1	Working Opportunity Balanced	1.43	11.99	31.26	37.32	23.16	17.41
2	Dynamic Venture Opportunities	4.91	-2.97	13.97	48.62	22.32	11.04
3	VenGrowth I Investment Fund Inc	-6.99	-0.73	34.19	31.81	22.02	16.82
4	Capital Alliance Ventures	-8.87	7.66	67.59	35.09	18.74	12.48
5	B.E.S.T. Discoveries	-3.19	-3.85	48.1	28.21	14.12	-
6	Centerfire Growth Fund Inc.	-2.73	-5.79	22.8	25.17	12.19	-
7	Canadian Sci. & Tech. Growth	-4.4	7.08	34.79	16.27	11.52	-
8	Triax Growth	-24.06	-12.15	-3.13	17.8	10.22	-
9	Working Ventures Canadian	3.62	9.76	18.61	15.03	10.16	6.48
10	Covington Fund I	-12.73	-16.68	14.7	12.32	8.29	8.63
11	Canadian Medical Discoveries	-5.84	4.31	33.11	10.83	3.8	2.96
12	Retrocom Growth	-0.44	1.38	2.81	2.46	3.06	3.05
13	Crocus Investment Fund	-3.28	-0.74	-1.93	-0.74	2.95	5.56
14	DGC Entertainment Ventures Cor	-1.89	1.38	4	3.64	2.5	4.39
15	First Ontario LSIF Ltd.	1.49	-3.12	0.66	-0.13	1.72	2.1
16	Workers Investment Fund Inc.	0	0	0	0	0	-
17	New Millennium Internet Balanced	0.92	0.93	-	-	-	-
18	New Millennium Internet Venture	2.02	1.46	-	-	-	-
19	First Ontario LSIF Ltd. (Growth)	-2.88	-7.63	-	-	-	-
20	Working Opportunity Growth	-5.14	10.59	-	-	-	-
21	VenGrowth II Investment Fund In	-1.98	1.3	-	-	-	-
22	Covington Fund II	0	0	-	-	-	-

Investment Distributions

With the calendar year-end near at hand, we must make mention of year-end mutual fund distributions that may have tax implications for our clients. Because these distributions are considered income in the year they are made, it is important to have a strategy in place for paying the resulting tax bill. This is only a factor if the funds are held in an open investment account. If held in a registered plan such as a RRSP or a RRIF the distribution remains tax sheltered within the plan and has no tax implications in the current year.

In the case of small distribution amounts in an open investment account, the investor may feel comfortable paying the taxes from existing cash flow. In this scenario, the distribution amount remains invested and continues to grow.

If the distribution is a larger amount, it may be necessary to redeem a portion of the investment in order to pay the tax bill triggered by the distribution income. Planning this well in advance will allow you to look at the implications of redeeming from the various funds held in your portfolio.

These distributions will be communicated to you via your fund company account statements for the period ending December 31, 2000. A T3 slip will also be issued for income tax purposes. Please give us a call if you have any questions on your particular situation.

Some fund companies have published **estimates** for their year end distributions. The following lists a few of the funds expecting distributions **in excess of 10% of the Net Asset Value**. This list is by no means exhaustive. Further distribution information will be published by the fund companies as we get closer to December 31st.

Trimark Canadian Fund	11.0%
Clarington Global Small Cap Fund	19.6%
Clarington US Smaller Co. Growth Fund	16.7%
AGF Aggressive Grwoth Fund	20.3%
AGF Canadian Aggressive Equity Fund	27.1%
AGF European Asset Allocation Fund	13.7%
AGF International Value Fund	13.5%
Fidelity True North Fund	13.4%
Fidelity Canadian Growth Company Fund	12.3%
Fidelity Canadian Large Cap Fund	21.1%
Fidelity Focus Technology Fund	11.3%
Fidelity Small Cap America Fund	22.5%

What should I do with my increased after-tax income?

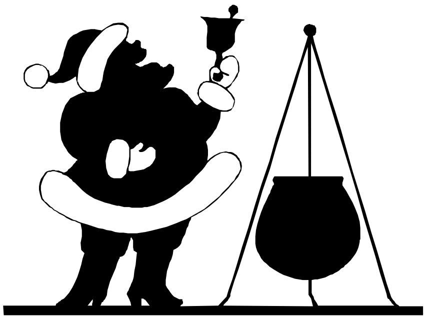
With the government being given a new mandate, there will be a reduction in the amount of income tax we pay. The following chart will give you some idea of the tax savings you can expect. The chart assumes the spouse is working and there are no RRSP contributions or other deductions.

What can you do with the tax savings?

Income	Tax Payable 2000	Tax Payable 2001	Savings
$35,000	$ 8,676	$ 8,059	$ 617
45,000	12,073	11,180	893
65,000	19,790	18,031	1,759
80,000	26,753	24,196	2,557

It would be wise to take some time and decide what you want to do with the additional money now available. Here are a few possibilities:

- Increase lifestyle. You may decide to increase you personal spending.
- Give to charity. You may wish to give back to your community through financial contributions.
- Reduction of personal debt. Retiring debt is always a good idea.
- Long term investing. Of course I cannot forget to mention the possibility of investing for the long term.
- Tax Advantaged Savings. If you have the contribution room, an RRSP deposit will further increase your tax savings.
- From a financial planning perspective, the ultimate way to make the most of the tax savings is to use the tax savings to make interest payments on an investment loan. This will save taxes, while giving your money the opportunity to grow in a non-registered account.



- A combination of several of these strategies may strike a good balance for you.

Armstrong & Quaile

ASSOCIATES INC.

"Providing Sound Financial Direction"

John Armstrong is a Certified Financial Planner. Financial planning and financial planning education are his key areas of interest and expertise.

Achieving balance in our lives is critical; a balance between work and family, a balance between living for today and planning for the future. Because we all have competing goals, striving for balance influences many decisions in our day-to-day lives. One thing is certain, the juggling act we do requires a long-term view. Sometimes we need to take a step back to put things into perspective.

It may sound cliché, but having a plan in place goes a long way in helping to achieve both our long and short-term goals. Simply put, planning assistance is the service we provide. We are committed to helping you find that long-term view for the good of today and tomorrow.

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A Lesson in Diversification

We all know that 'the markets' have been volatile this year. Let us have a look at this in more detail. AGF International Value and BPI Global Equity are two international mutual funds with a five year track record over 18% per year compounded. The AGF International Value Fund from Jan 01, 2000 to the end of October, 2000 is up 24%, while BPI Global Equity Fund is down 13% over the same time frame. These two managers employ very different styles. These management styles are in favour at different times. BPI Global Equity is heavily weighted in technology stocks, while AGF International Value is not. If you have both funds in your portfolio you will have a smoother ride on the road to long term results. Diversification is a great strategy for smoothing out the ride.

Santa negotiating a volatile market.

I would be happy to review your portfolio at any time to help you understand any volatility that has taken place.

Mackenzie Introduces 'Enhanced Cash Substitutes'

There is a new cash management account that will increase your after-tax rate of return without adding any risk. The product is from Mackenzie and they refer to it as an 'Enhanced Cash Substitute'.

The fund is called Mackenzie Canadian Managed Yield Capital Class. This fund pays a return the same or slightly higher than the interest rate paid by a money market account. The key difference is that the fund pays the interest as a capital gain. Yes, this is legal. You can increase the after-tax rate of return by 40% without increasing your risk.

Who should use this account:

- Non-registered investors with short-term horizons, or capital preservation concerns.
- Tax-sensitive, income-oriented investors.
- Clients wishing to move out of equity funds during periods of market uncertainty, without realizing capital gains in the process.
- Parents wishing to transfer property to a related minor. The investor can avoid having returns attributed back to them, as would be the case with interest income.
- Corporate investors seeking relief from capital tax costs applying to fixed-income instruments.

	T Bill Fund	**Mackenzie Canadian Managed Yield Capital Class**
Pre-tax return	5.0% (Interest)	5.3% (Capital Gain)
Tax % Payable	2.25% Fully Taxable	1.45% (50% inclusion rate)
After-tax Return	2.75%	3.85%