

A&Q Update

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A Good News Story

In a world dominated by so many 'bad news' stories, we take pleasure in opening this edition with a very 'good news' story! During the months of August and September, Heather Phillips, a Compliance Officer with Armstrong & Quaile Associates, raised money for cancer research while donating 20" of her strawberry blonde hair for wig production. Heather works out of the Armstrong & Quaile Kitchener office and was able to raise over \$5,000.00, with donations coming from friends, family and co-workers across Canada.

Heather had her hair cut on September 20th. Her new look represents both a

dramatic change and a significant sacrifice. When asked about this Heather stated "I have not had short hair since I was 6 years old. That is 35 years ago! Throughout my life I have been told 'What beautiful, thick, strawberry blonde hair you have!'", I felt it was time to use my renewable resource for the good of someone who needs it more than I do." Wigs are provided at a substantially reduced cost to individuals who have lost their hair while undergoing chemotherapy.

Last spring the idea of donating her hair occurred to Heather. A friend then directed her to a website that gave details on how a donation can be made.

"My original objective was to raise \$2,000.00. I considered this to be a lofty goal, but the generous support of many people has helped to far exceed my original expectations."

Heather would like to dedicate her efforts to family members and friends who have fought their own battles with cancer. Memories of these people put a human face to her cause and added deep personal satisfaction to her efforts.

Cancer has impacted many of our clients either directly or indirectly. We thought many people would take some inspiration from Heather's contribution. Any-

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one interested in supporting this cause can call our office for further details.

Taking a Team Approach

As many of you are aware, we believe in taking a team approach to servicing clients. This approach provides quicker response times to client inquiries and allows staff members to specialize in areas most appropriate to their skill sets. It also allows John to focus on his primary area of expertise, spending time with clients on financial planning and investment issues.

Rich Weiler assists

John with investment product research, product selection and portfolio development. He is also responsible for client communication programs like this newsletter.

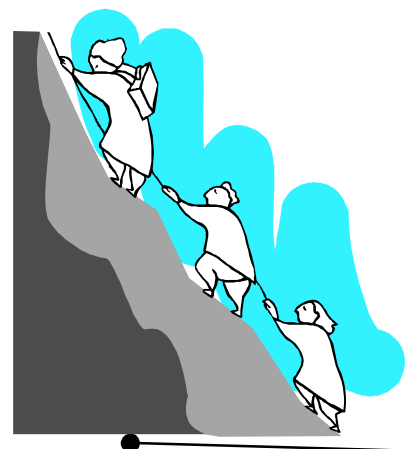
Sharon Ogilvie acts as John's personal assistant. She is the person to speak to regarding appointment scheduling and client events.

Cindy Ratelle is responsible for account ad-

ministration, transactional details, and quarterly account statements.

Joe Shumka is the regulatory compliance person for our branch. He ensures that all paperwork etc. has been processed appropriately.

Please feel free to contact any member of our team!



Centre for Family Business

Small business owners face a number of unique financial and personal situations. Operating a business with the involvement of other family members offers some very special opportunities, but it also presents some complex challenges.

Business succession planning is of key importance to individuals who have spent all or part of their career building a family business. Most often, business owners want to ensure their own financial security while at the same time promoting a successful transition of the business to new ownership, often another family member or key employee. Estate freeze procedures and the use of holding companies are the type of legal and financial tools we are dealing with here.

This is an example of one of the 'hard issues' that must be dealt with by the business owner. Often overlooked are the many 'soft issues' that surround the operation of a small business, factors like the dynamics of family relationships and the impact these dynamics have at both a personal and a business

level. Because the human factors involved here are key, these issues can in fact be far more complex than some of the 'hard issues'.

I have recently become a member of the Centre for Family Business in Waterloo. My attraction to the centre is



at two different levels. Firstly, many of our clients are small business owners or work in a family business. Secondly, I myself operate my own business within the framework of a larger family owned business. The centre has been set up as a resource for both family members oper-

ating in small business, and for professionals who actively counsel family business owners. I fall into both categories.

I am currently enrolled in the 'Family Business Advisor' course offered through the centre. In a nutshell, the course is "designed to increase consulting tools and techniques leading to greater effectiveness for professional advisors serving family businesses." In particular, the information provided here on the 'soft issues' will compliment my existing knowledge on the more tangible financial planning issues surrounding the unique needs of the small business owner and his or her family.

The topics covered in the course to this point have been extremely interesting. They have been very helpful in gaining additional insight into the needs of my family business clients. The added scope provided by this course will help me to offer even further value to my clients, adding a new level of expertise to an already strong part of my financial planning practice.

I invite anyone interested in additional information on the Centre for Family

Carry Forward Capital Losses

When investors crystallize losses in their non-registered investment accounts either by redeeming investments for income purposes or by selling one investment to purchase another, it is important to take advantage of the capital loss incurred by the transaction. This capital loss can be used to offset capital gains, therefore reducing income tax payable on investment earnings.

Upon sale of the investment, the capital loss amount can be used to offset capital gains in the current tax year or,

can be carried forward to offset capital gains in future tax years. In the case of the carry forward scenario, the carry forward loss must be indicated on the tax return for the current year. This amount is then registered with Canada Customs & Revenue Agency and will be available to offset gains in later years.

In order to calculate the capital gain or loss you must first establish the adjusted cost base of the investment (ACB). This information should be indicated on your year end statement from

the investment company. For our clients, this information is also readily available through our office.

Please note that 'T' slips are only issued for distributions made by the financial institution. Capital gains/losses resulting from the sale of investments will not be indicated on these tax slips. Once again, capital gain/loss considerations apply only to non-registered accounts, as registered investments grow tax sheltered.

On Recovering Equity Prices

Investors holding equities will notice that balances on their third quarter statements are up significantly over the end of last quarter. A number of key factors are leading many analysts to believe that this upward movement in stock prices will continue. North American stock markets are all up sharply year to date, the most dramatic being the NASDAQ which is up over 40%.

Where is this increase in stock prices coming from, and more importantly, will it continue? Because the United States represents such a huge portion of the world's economy, any recovery will certainly be reliant on recovery there. It is therefore important to look to the current situation in the U.S.

A presentation recently made by Portfolio Management Associate Jay Aizman of Standard Life Mutual Funds (considered by many to be a very conservative investment firm), cited the following rationale for their positive expectation for equities in the near future.

Monetary and fiscal stimulus are helping to increase consumer and corporate spending. Put simply, lower taxes and lower interest rates are making more dollars available for individuals and companies to spend. Refinancing by consumers in the U.S. is also playing a sig-

nificant role in increasing spending.

Consumer and business confidence are also on the rise, further bolstering spending. This increased spending ultimately increases company earnings which in turn help to increase stock prices. We are indeed starting to see more and more companies meeting or exceeding earnings expectations. Good news stories from the business community are not nearly as rare as they were a year ago.

In general, inventories in the United



States are at very low levels. Orders to replace depleted inventories are helping to re-ignite the economic cycle, once again increasing current earnings. At the same time, capital spending, much of which was delayed in response to the slowing economy, is also on the upswing. This capital spending can play a major role in leading a strong recovery.

One piece of the puzzle still not in place is job growth in the United States. A positive spin here is that production efficiency is now at a very high level. This efficiency combined with the stimulus mentioned earlier will encourage the economic growth that will ultimately result in job creation and lower unemployment.

The primary threats to the recovery remain things like increasing oil prices, the inability to create job growth, and terrorism (because of the impact it has on confidence both business and consumer).

For the above reasons the Standard Life Mutual Fund Managers are optimistic about equities over the next 6-18 months.

Another point worth noting is that the appreciation of the Canadian dollar against the U.S. dollar has a negative impact on the returns of mutual funds priced in Canadian dollars but holding U.S. equities. In other words, the growth indicated in U.S. equity indexes has not been reflected in these funds. Many fund managers feel that over a period of time the Canadian dollar will normalize at somewhat lower levels, thereby providing this unrealized return to investors in the form of increased unit prices in Canadian dollars.

The Expansion of Guaranteed Products with Equity-like Returns

In the last issue of this publication we featured alternative investment products that carry principal guarantees while offering the potential to produce equity-like returns. Over the past few months several additional products of this nature have become available.

These vehicles are sometimes referred to as 'absolute return' investments. Their objective is to produce a stated rate of return, as opposed to produc-

ing a rate of return 'relative' to a particular market index.

The performance of these investments often has a low correlation to traditional asset classes like stocks and bonds. In other words, their market values do not tend to move in step with the markets. For this reason, they can be used as a tool to provide additional diversification to an investment portfolio.

The product expansion in this area will provide additional investment choices, but because these products are less regulated than mutual funds, the 'due diligence' process used in determining the appropriateness of the investment becomes very important.

Many clients have already had exposure to these products with pleasing results. We see alternative investments taking an increasing role, and feel that a target allocation of 5-15% is appropri-



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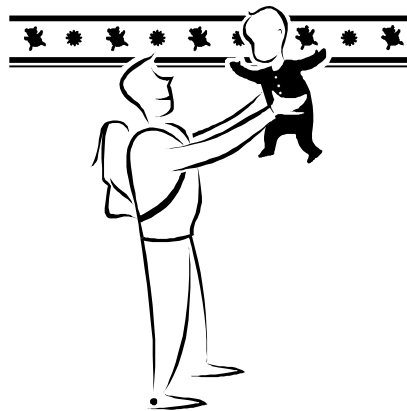
Achieving balance in our lives is critical; a balance between work and family, a balance between living for today and planning for the future. Because we all have competing goals, striving for balance influences many decisions in our day-to-day lives. One thing is certain, the juggling act we do requires 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.

Introducing Alexander Armstrong...

The staff of Armstrong & Quaile Kitchener would like to congratulate John & Kelly Armstrong on the arrival of Alexander Armstrong.

Alexander was born on July 7, 2003 with a full head of hair and weighing over 9 lbs. Four-year-old Gemma Armstrong is very excited to have a new little brother. She enjoys helping her mom



and dad take care of him. Kelly and John are both enjoying the fact that his eating and sleeping patterns are like clockwork.

Best wishes to the whole family!

Financial Planning for Non-investment Clients

The majority of our clients work with us on both a financial planning and an investment planning basis. In other words, they take full advantage of the financial planning expertise we offer while also working with us on the management of their investment portfolios.

Because the two types of planning are intertwined, there are some significant advantages to working with the same professional for both services. Most importantly, a full understanding of the client's current and future financial situations allows the planner to develop the appropriate investment policy

guidelines for that client.

We do however, provide financial planning services to non-investment clients on a fee-for-service basis. This service can include development of a comprehensive financial plan or consultation on specific financial planning issues. A few examples of these issues include: retirement timing, long-term savings targets, pension options, business succession planning, company pension plan options, and mortgage renewal options.

We understand that some people are pleased with the long-standing relation-

ships that they share with their investment advisor, but that they are looking for more financial planning direction than is currently available to them. It is in these cases that the fee-for-service planning is appropriate.

As many of you are aware, the growth of our business comes primarily as a result of referrals from existing clients. We would like to thank all clients who suggest that friends and relatives contact us regarding our services. Your support is much appreciated. Our goal is to provide the quality of service worthy of your recommendation.

Note: Mutual funds are sold by simplified prospectus only. Before investing, obtain a copy of the prospectus and read it carefully. Unit values and investment returns for mutual funds will fluctuate. Funds are sold through Armstrong & Quaile Associates Inc.