

A&Q Update

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So where are we now?

In preparation for writing this newsletter, I am in the habit of revisiting past issues to review topics covered previously. As I read the market update from the newsletter we published last July, it struck me that very little has changed since then in terms of volatility considerations and market uncertainty. This is not to say that nothing has changed over the last twelve months, things are constantly changing, but the dominant themes of last summer continue to dominate today.

Energy and resource prices continue to be the main movers on any given day, both up days and down days, and interest rate concerns continue to be front of mind for investors. Will the central banks raise interest rates in order to slow the economy and quell inflation? If so, will this instigate a global slowdown?

The first quarter of 2006 was a period of volatility, but generally the good kind of

volatility—the kind that drives markets up. The second quarter has been considerably less rosy, with the downward volatility taking hold in early May. At the time of writing, markets are modestly positive for the calendar year.

With the majority of the growth in the last year coming



from the energy and resource sectors, we remain cautious in these areas. Although it is hard to deny that there are many factors favouring growing value in these sectors (factors like the growth of China and other global supply issues), we feel that the potential for downward volatility is

very real. Exposure to energy and resources is good; over-exposure to these areas may not be.

This brings us to geographic considerations. In terms of equity investing, we feel that over-exposure to Canada may be a problem for some investors. While we continue to believe that Canada is a good place to invest, because of the growth experienced over the last couple of years, valuations in Canada may not be as attractive as in some other markets. Investment in other equity markets continues to be very important.

Once again, our boring mantra—diversification is key. While we continue to feel that there are reasons for economic optimism, it is likely that the remainder of the year will continue in the current environment of uncertainty.

Inside this issue:

Raising Financially Literate Teens	2
Frequently Asked Questions	2
A Retirement Dream Update	3
Charitable Giving	3
Yogi Berra Quotes	4
Reducing Mail Volume	4

Worthwhile stops on the information highway...

Because many of our clients are either avid cruisers or have considered making a future vacation a cruise adventure, we have included some useful links regarding holidays on the high seas.

www.voyage.gc.ca/main/pubs/cruise_ship_travel-en.asp

Cruise travel tips from Canadian Consular Affairs.

www.firstcruisetips.com

Cruising information from a number of different sources.

Raising Financially Literate Teens

At the present time, our education system provides a low level of emphasis on matters of personal finance. The onus is clearly on parents to provide information and guidance in this area.

The information age has brought with it some new economic pressures. Young people are now more than ever, the target of intensive marketing via the media sources which play such a huge role in popular culture. Cellular phones and online communication costs are expenses previously not expected by teens. The end result is that material expectations have never been higher.

In recent years, money has also become a less tangible thing. Credit cards and bank machines that spit out money on demand can make the old 'value of a dollar' lesson somewhat more elusive. Money may not grow on trees, but it does magically slide out of the slot in the form

of \$20 bills.

The responsible use of credit is one of the lessons you would probably prefer that your children don't learn the hard way. In this era of instant gratification, the high cost of 'buy now and pay later' is an issue that parents need to address very directly.

As in most areas of life, setting a good example is one of the most effective ways of conveying good money management guidelines to young people. This means not sheltering them from discussions on the various costs of running the household, and making sure that they understand that the family budget is not unlimited. The important thing here is to communicate the economic reality without shaking their feelings of family security.

Mackenzie Financial has put together a package of information designed

to help parents deal with educating their children on personal finance issues. Raising Financially Literate Teens provides parents with tips and tools for dealing with these issues. It also includes a section on saving and budgeting for post-secondary education.

This brief publication deals primarily with teenage children, but also has a section pertaining to younger children.

If you are interested in receiving a copy of the package please contact our office. We would be happy to mail one to you.



FAQs—Frequently Asked Questions

Do you offer guaranteed interest-bearing investment products?

We offer a number of options for cash investments. High interest savings accounts are available through several of our supplies. These accounts carry a Canada Deposit Insurance Corporation (CDIC) guarantee up to \$100,000 per depositor per institution and do not charge any transaction or set-up fees. The rates on these accounts are very competitive and fluctuate to reflect the current interest rate environment.

We also offer GICs (Guaranteed Investment Certificates) from a wide range of suppliers. On any given day we can find competitive interest rates for the investment term that suits your needs.

What insurance products are available through your office?

We offer term life insurance,

universal life insurance, critical illness insurance, disability insurance and segregated funds through Armstrong & Quaille Insurance Agency. We work with a number of insurance companies, depending on which product is appropriate for the insurance or estate planning need in question. In some cases we may refer clients to a specialist in a certain type of product.

I have friends/family that might benefit from working with your firm. Are you accepting new clients for your financial planning practice?

While we focus most of our attention on servicing existing clients, we certainly are interested in meeting prospective new clients. We suggest setting up a preliminary meeting to see if there is a fit between the needs of the client and the services we provide.

We are happy to do these initial meetings as a no-cost/no-obligation consultation.

Can I view my Armstrong & Quaille accounts via the internet?

Yes. Information on your A&Q investment accounts is available online at any time. Fund prices and the transaction detail are updated on a daily basis. You can view the current market value of the various holdings as well as recent and historical transaction detail. The site also features links which provide additional information from the mutual fund companies.

If you would like to be set-up for online access to your accounts, please contact our office. A log-in ID and password will be assigned, and we can walk you through the process of finding us on the internet.

A Retirement Dream Update

In the September 2002 issue of this newsletter we featured an article entitled 'Lighting the Lanterns'. This article recounted the story of a poor girl growing up in India, and her struggle to improve the situations of herself and her family through her dedicated pursuit of education.

Her passion for education and self-improvement continued to carry her through not only her own studies, but through her eventual emigration to Canada and her career as a teacher. The article recounted how the financial benefits of education were passed down to provide family members of her own generation and subsequent generations with the opportunity for self-improvement.

Over her career as a teacher, the girl became increasingly aware of the benefits of passing on the gift of education and knowledge. This is the process she came to refer to as 'lighting another lantern'.

This is a true story; one that was told to us by a client who wished to remain anonymous, but who was happy to share the tale. Over a period of time her awareness of the great power of enlightenment through education developed into a dream; a retirement dream. Many lanterns could be lit among the poor of India, even with limited resources.

The time to pursue the dream has arrived. The girl who walked to school in her bare feet recently retired from her position as a teacher and is embarking on



her dream of improving access to education in her native area of India.

This is the kind of retirement story we love to hear about. Clearly she views her retirement as a career change; an opportunity; the start of something new rather than flight from something old. Now comfortable with her own financial future, she is able to pursue her vision of giving something back.

Anyone interested in additional information on this project is encouraged to call our office and speak to John. Financial support for the program is very graciously accepted.

As per our original telling of this story, I think it appropriate to refer to a quote by Benjamin Disraeli, "The greatest good you can do for another is not just share your riches, but reveal to him his own." Is this not what we do when we invest in the education of others?

New Charitable Giving Fund

Many wealthy Canadians create family foundations for the purpose of structuring their charitable giving. A product recently introduced by Mackenzie Financial provides the average investor with the opportunity of doing something similar.

There are some very important tax benefits provided by charitable giving. Charitable donations can be made in strategic lump sums in a given year in order to wholly or partially offset a taxable event in that same year, say a higher than normal income or the triggering of a capital gain as a result of the sale of an asset. Charitable giving can also be an important element of estate planning.

With the Mackenzie Charitable Giving Fund, you receive the benefits of a private foundation without the upfront costs and administrative responsibilities.

It combines the immediate tax benefits of the lump sum donation with the ability to support your favourite charities now and in the future.

The minimum initial donation is \$25,000. Donations made to the fund are irrevocable, but the donor continues to advise Mackenzie on how the money is distributed. Each year a portion of the assets are distributed to registered charities as advised by the donor. Currently it is expected that the annual grant amount for an account will be 3-5% of the account value at the previous year-end.

The donor advises the fund company on what eligible charity or charities they would like the annual grant amount directed to, with the number of annual grants limited only by the \$500 minimum grant cheque. The donor also has the ability to recommend changes to the se-

lected charities from year to year.

Investment decisions regarding the money within the account remain under the advisement of the donor. Mackenzie provides the choice of seven different balanced funds for investment of the assets. These holdings are consistent with the account's objective of paying out annual grants to the charities. The donor receives statements reporting the value of the account as they do with their other investments.

In terms of costs, a 1% per annum charitable administration fee is charged by Mackenzie, and the regular management expense ratios are charged at the mutual fund level.

This is something worth considering if charitable giving is part of your financial plan.



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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.

The wisdom of Yogi Berra!

"It ain't over till it's over."

"Never answer an anonymous letter."

"I didn't really say anything I said."

"You can observe a lot by watching."

"You mean now?" (In response to being

asked what time it was)

"The future ain't what it used to be."

"It gets late early out there."

"Baseball is 90 percent mental. The other half is physical."

"Thanks. You don't look so hot yourself." (In response to New York Mayor John Lindsay's wife complimenting him on appearing cool on a sweltering afternoon)

Want to Reduce the Volume of Investment Mail?

Clients often express concern over the amount of mail they receive relating to their investment activity. To many, the huge volume of paper and the ongoing mailing costs appear wasteful. Unfortunately, much of the mail sent by the mutual fund companies is required by securities regulators. Things like annual/semi-annual account statements and transaction confirmations are not optional.

Many of the publications newly mandated by regulators are sent out with a negative option. In other words, if you do not request receiving the document on an ongoing basis, mailing of the material will be discontinued. By not returning the reply card investors automatically reduce the number of mailings they receive. In the case of

other publications, you may have to return the card indicating that you *do not* want to receive future mailings. Read these options carefully.

Many of the mutual fund companies provide investors with the option of receiving their statements electronically. You are notified by e-mail that the documents pertaining to your account are available for download via secure access to the fund company websites. The material can then be downloaded at your leisure. In most cases the documents are archived so that you can access them at any point in the future. This arrangement requires the investor to get set up for online access with each fund company.

Our office sends out consolidated account statements quarterly. Clients

who have website access to their accounts may decide to view their accounts on line rather than having the hard copy sent to them.

Please contact our office if you would like to explore your options for reducing the amount of mail you receive.



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.