

A&Q Update

John Armstrong, CFP

December 2009

Volume 11, Issue 2



The Magic Cash Flow Page

Cash flow analysis is one of the most important elements of our financial planning process. It impacts so many other things. When investors are in the accumulation phase of their investment career, cash flow determines how much is available to devote to long-term savings plans. Later on, during the spending phase of their investment career, the purpose of those long-term savings, usually either primary or supplemental income, is determined by the need for, you guessed it, cash flow.

The written financial plans we prepare include something we refer to as 'the magic cash flow page'. This particular page is usually of more interest to clients than any other section of the plan. So much of their financial situation, both present and future, is encompassed here. This is where both financial shortfalls and surpluses show up. The beauty about clearly understanding cash flow is that it allows one to contemplate the implications of the shortfalls and surpluses and to deal with these years before

they actually happen.

In order for this information to be of value, you must recognize that cash flow is not a simple matter of how much money you are making from predictable sources. Cash flow is also a function



of spending decisions you make, and of the timing of creating supplemental income from discretionary sources (like investment assets). These are two of the most obvious levers you can pull in order to impact that all important bottom line on 'the magic cash flow page'.

For example, early in your career as an investor, during the period we refer to

as the accumulation phase, making good decisions relating to spending is important. You can assign a low level of priority to long-term savings, saving whatever is left after all of the other spending, or you can move it up on the list of priorities, and make discretionary spending decisions based on the money available after the savings need has been met. In order to do this, you need a solid understanding of what that long-term savings need is. Without that understanding, it is very hard to make this commitment. The cash flow page helps to nail this down.

As you approach the spending phase of your investment career, contemplation of cash flow takes a different form. Strategically managing the timing of supplemental income allows you to smooth what might otherwise be a bumpy cash flow line. It can also help to deal with the spikes in spending which are the reality for most people (replacing a car, dealing with home repairs, financially assisting children).

The 'magic cash

Inside this issue:

| | |
|-----------------------------|---|
| Magic Cash Flow (Continued) | 2 |
| Retirement 101 Program | 2 |
| www.jarmstrong.ca | 3 |
| Year End Remind- | 3 |
| Christmas Greeting | 4 |
| Holiday Office Hours | 4 |

flow page' also provides critical information pertaining to the taxation of income. Things like income splitting and the tax implications of drawing supplemental income are detailed here. The need for supplemental income from investments also determines investment time horizons. This is the second most important factor in investment selection, right after investor risk tolerance. Understanding cash flow is critical when making financial

Continued on page two →

Magic Cash Flow Page (cont'd from page 1)

decisions.

If your financial planning focuses on only one thing, make it understanding cash flow now and in the future. Broad generalizations regarding retirement planning targets are largely useless. For example, the investment industry has often hung it's hat on rules of thumb like...“you'll be fine as long as you can generate 70% of your pre-retirement income in retirement.” This may or may not hold true for your situation. Based on this rule, some people will save more than is necessary, while others will not save enough to meet their needs.

Many times I have been asked in casual conversation what size of nest egg is required in order to retire in comfort. The only reasonable reply to this question, as is the case with so many of life's questions is... it depends. Without a more detailed understanding of the individuals financial situation, any other answer would be an uneducated guess.

And that brings us back to our 'magic cash flow page'. While it certainly will not be completely accurate, done properly it can provide an excellent basis for decision making.



retirement 101®

the standard in retirement education since 1995

Many of our clients are familiar with the retirement planning courses we conducted in the past. Over the years, hundreds of participants attended sessions sponsored by a wide variety of employers including: The Waterloo Region District School Board, Wilfrid Laurier University, and The Region of Waterloo.

The **Retirement 101® Program** is designed for those within 10 years of retirement, and helps prepare attendees for that all important transition. Retirement takes many different forms, and it is certainly more involved than simply moving from a regular pay cheque to other sources of income.

This is a distinct and proven educational course that provides participants with a personal perspective on the retirement planning process. It addresses

psychological, financial and lifestyle issues commonly faced during the retirement stage of life. The course is interactive, hands-on, and relevant. It helps put participants in a position of financial strength so that they can move confidently towards retirement.

In November we re-introduced the **Retirement 101® Program** through Conestoga College. We have given the course a new 'look and feel', and launched a website www.r101.ca. New concepts, ideas and content has been added to the four sessions.

Special \$100 Discount

This is being offered to our existing contacts, and their family and friends. See below for details.

The course consists of four 2-hour sessions running once a week for four weeks. Each week we focus on one of four pillars for successful retirement preparation: the retirement plan, the financial plan, the investment plan, and the estate plan. Upon completion, each participant is entitled, but not obligated, to a consultation which will produce a Customized Retirement Income Model .

| | |
|----------------------|--|
| When: | Monday evenings- January 18, 25, February 1, 8 7 pm – 9 pm |
| Where: | Conestoga College - Doon Campus 299 Doon Valley Drive, Kitchener, ON N2G 4M4 |
| Fee: | \$185.00 per person / couple for four sessions (\$85 after rebate) |
| Registration: | Please contact Sharon Ogilvie at sharono@a-q.com for a registration form. |



Over the last year we have put some effort into improving our website. The following is a list of some of the features provided on the site.

- ✓ Home page features a link for accessing client account information on line (contact us to set up access codes)
- ✓ Listing of upcoming educational events
- ✓ Archive of past newsletters
- ✓ John's "I Didn't Know That" page—features links to information on a very wide range of topics
- ✓ Team Member BIOS
- ✓ A description of both John's philosophy and the approach we take to financial planning
- ✓ Detailed contact information including a map to our location
- ✓ Links to sites of interest

Your suggestions for further enhancements would be appreciated!

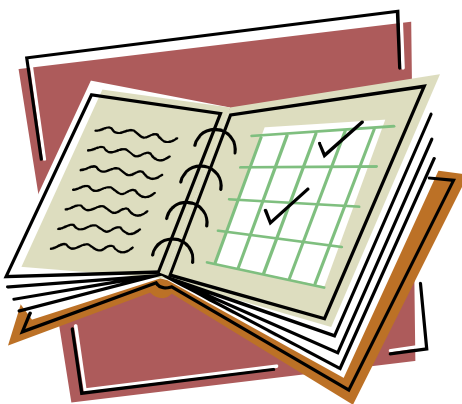


Year End Reminders!

- **Registered Education Savings Plan (RESP)** contribution deadline is December 31, 2009.
- **Charitable Contributions** deadline for the 2009 tax year is December 31st.
- 2009 tax year **Registered Retirement Savings Plan (RRSP)** contribution deadline is March 1, 2010.
- **Tax Free Savings Account** contribution room increases by \$5,000 for Canadians over the age of 18 as of January 1, 2010.
- For **non-registered investment accounts**, check your year end fund company statements for the capital gains or losses triggered by redemptions or switches made during the calendar year. The 'T' slips issued by the fund companies do not reflect the tax consequences of investor activity; they reflect only the details of fund distributions paid out in cash or reinvested in the fund. We are happy to provide additional details upon request for any gains or losses

triggered during the year.

- Starting January 1, 2010, investors transferring to a **New Ontario LIF**



account will have the option of unlocking 50% of the amount transferred. Those already holding a New Ontario LIF will have the ability to unlock an additional 25% (bringing them up to a total of 50% including the 25% already unlocked). The additional amount for existing account holders must be unlocked prior to the end of calendar

year 2010.

- **Qualifying Home Improvement Tax Credit** expenses are eligible for the period from January 27, 2009 to January 31, 2010. Don't forget to claim these on your 2009 tax return! See our last newsletter or www.cra-arc.gc.ca/tx/ndvdl/sgmnts/hmwnt/hrtc for details.
- **Ontario hand-held electronic device ban** (including cell phones, smart phones & electronic gaming devices) began on October 26, 2009. Drivers are not permitted to talk , text or e-mail while driving. 'Hands free' devices for voice communication are still permitted. 911 calls are the one exception to the rule. Enforcement will be somewhat lenient during a 3 month 'education period' which ends January 31, 2010. The fine attached to the offense is \$500. For more information see www.mto.gov.on.ca.
(per press release on the Ontario MTO web site.)



Armstrong & Quaile

ASSOCIATES INC.

"Providing Sound Financial Direction"

279 Weber St. N
Lower Suite 3
Waterloo, Ontario
N2J 3H8

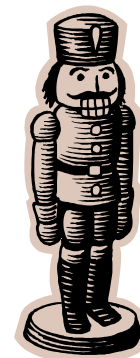
Phone: 519-576-5766
Fax: 519-576-0192
Email: johna@a-q.com

Newsletter Editor : Rich Weiler

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.



Another year over...and a new one just begun.

John Lennon from 'Happy Christmas (War is Over)'

The approach of Christmas reminds us that another year has passed; and I'm sure that I'm not alone in marveling at how quickly it has gone. For me, the holiday season is a great time to draw a breath and refocus on the things that are important... and maybe to work on some dreams for the future.

I've never put a lot of stock in the idea of New Year's resolutions, be-

lieving that the marking of a year end is somewhat artificial. Life is, after all, more of a continuum than a series of defined pieces. But the annual return of Christmas and New Years and all of their traditions does have a strong emotional impact. Hopefully it makes us thankful for what we have, and encourages us to think of others. And hopefully it helps us to look forward eagerly to the days

ahead and the promise they hold.

Thank you very much for the support you have shown us in the past. We know that any success we experience is as a result of our clients. We hope that this season is all that you wish it to be, and that health and happiness are yours in the coming year!

Merry Christmas & Happy New Year from our families to yours!

John

Rich

Sharon

Cindy

Joe



Holiday Office Hours

| | |
|----------------------|----------|
| December 24th | 9am—12pm |
| December 25th & 28th | closed |
| December 29th & 30th | 9am—2pm |
| December 31st | 9am—12pm |

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 are not guaranteed and will fluctuate. Mutual funds are sold through Armstrong & Quaile Associates Inc.