

A&Q Update

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Knowing What You Don't Know

There are common elements in the process of learning most things. When we approach something new, we often have very little idea of what is involved with that particular thing. You start to delve into the new pursuit and you find that there is more to it than originally met the eye. It is at this point that you begin to discover where the holes in your knowledge/training are. This can be both intimidating and exhilarating at the same time; but this is a necessary step in developing that new proficiency— you're starting to 'know what you don't know'.

This understanding is critical, because it points you to your next move. "I have a pretty good working knowledge of _____ but I know almost nothing about _____". At this point you usually have a number of options. One might be to forge on in an attempt to hone your skills and fill in your knowledge gap— maybe experiment, learn by trial and error, expend lots of time and energy on practice. Learning some things absolutely de-

mands this— ask any athlete or musician.

Another option is to do research using material provided from outside sources. Read up on the subject you're studying. Talk to others who are involved in that same pursuit. This can be an extremely valuable exercise, but once again it takes a high level of interest and lots of time.



A third option is to enlist the help of a coach or mentor, someone that is further along the knowledge continuum than you are. They become a valuable resource; someone you can direct your questions to and someone who can help you assess your progress. That person can act as a sounding board; a particularly valuable thing when

you are approaching problems or difficult decisions. They can also help you to identify where the holes in your knowledge are and to assist you in filling the gaps.

We believe that the consultative approach we take with our clients is the greatest value we provide. There is no more important role we can fulfill than the coaching/mentoring role. This is particularly true when it comes to dealing with critical decisions.

Many of these decisions are impacted by both 'hard' and 'soft' factors. For example, "can we afford to retire?"— this is a 'hard' factor involving numbers that can be analyzed/calculated. "Are we ready to retire?"— this, on the other hand, is a 'soft' factor and is considerably more subjective.

The financial plan-

Inside this issue:

Avoiding the Torpedoes	2
Retirement 101	2
Estate Planning Basics	3
Year End Reminders	3
The Scent of Christmas Past	4

ning process we use with clients provides a framework for this coaching/mentoring role. Many clients want to be proactive and responsible in dealing with their financial lives, but they don't want to devote huge amounts of time. Seeking the help of a professional can be a very efficient way to feel good about the financial decisions you make. We strive to be viewed as a valuable resource by our clients.

Holiday Office Hours

December 24th	closed
December 27th & 28th	closed
December 29th & 30th	9am—2pm
December 31st	9am—12pm
January 3rd	closed



Avoiding the Torpedoes

The single most important factor influencing the performance of an investment portfolio is its asset allocation. In simple terms, the percentage devoted to each of the various asset classes: cash, bonds, Canadian equities, and international equities. Boring but true. Because this mix is the main determinant of the portfolio's risk/return profile, we pay a lot of attention to it in our investment reviews.

One of the toughest parts of investing though is avoiding the temptation to chase after dazzling returns. As the old mutual fund disclosure goes, 'past performance may not be indicative of future performance!' The pursuit of high returns invariably involves the purchase

of highly volatile investments that have had a recent run of great growth. Often these investments involve a high degree of speculation and require good luck in timing entry and exit of the market.

Let's look at an extreme example, say an investor devoting a large percentage of his or her portfolio to technology stocks in the year 2000. Returns had been spectacular, but the catastrophic drop in that sector during the 'tech wreck' was no less spectacular—but in a bad way. Losses of this magnitude are very difficult to recoup, and indeed much of the capital lost in those days will never be recovered. One key to investing is the avoidance of torpedoes like this one. Portfolios can easily recover

from periods of lack-luster performance, but it is extremely difficult to recover from periods where substantial capital is lost.

You might say, "what about the global financial crisis of 2008?" While undoubtedly a set-back, this is a bit different. Firstly, an occurrence as broadly based as this is almost impossible to avoid, and secondly, given some time, markets will recover the capital lost.

Most investors require a growth element within their portfolio, but it is important to recognize that taking undue risk with your investments can be damaging. Avoid the temptation to make speculative moves unless it is money you can afford to lose.

retirement 101®

the standard in retirement education since 1995

This winter there will be another offering of John Armstrong's popular retirement planning and preparation course. Once again it will be sponsored by Conestoga College. The January/February series will take place at the Waterloo Campus on Monday evenings.

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 interac-

tive, hands-on, and relevant. It helps put participants in a position of financial strength so that they can move confidently towards retirement.

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.

Special \$40 Discount

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

Winter Series: Monday evenings—January 17, 24, 31 February 7, 2011
7 pm—9 pm
Waterloo Campus, Conestoga College
Main Building, Room 2A19
108 University Avenue East, Waterloo, ON

Fee: \$199.09 per person / couple (\$159.09 after rebate)

Registration: Please contact Sharon Ogilvie at 519-576-5766 or sharono@a-q.com for registration information.

Estate Planning Basics: Page One is ‘Keep it Simple’

- **Have a will**—While this may seem obvious to many, it is surprising how often we hear of situations where someone is mired in dealing with an estate where no will is in place. Some people balk at the cost of having a will prepared, while others simply procrastinate in order to avoid this potentially uncomfortable task. The cost of will preparation by a qualified professional is minimal compared to the potential legal bills and entanglements which can result from a messy estate with no will.
- **Keep the will current**—An outdated will also has the potential to cause problems. When changes occur in your life or with your family, make sure these are properly reflected in your will. If they are not, make the necessary changes promptly.
- **Have a simple but comprehensive listing of your assets.** This will be extremely helpful to those dealing with your affairs. This list should include: bank accounts, investment accounts, real estate holdings, insurance policies, and any other assets. Include identifying account numbers on the list, and update the list when things change. Keep the list with your copies of other important documents like your will.
- **Consolidate smaller assets to avoid loose ends.** Many people have small accounts with a number of financial institutions. Reducing the number of accounts can save your executor considerable time. Account consolidation has the further benefit of making investment tracking easier for you on a day to day basis.
- **Thoroughly consider the implications before making complex maneuvers to avoid probate fees.** Using joint accounts or naming beneficiaries on assets allows assets to change hands outside of the will. The strategy appeals to many because it avoids the triggering of pro-

bate fees. When there is more than one beneficiary to your estate however, this strategy has the potential to interfere with the intended distribution of your assets. Not only that, it can create some major headaches while you're still alive. Probate fees are calculated as a percentage of assets. In Ontario, probate fees are 1% on the first \$50,000 and 1.5% on the amount over \$50,000. On a \$1 million estate the fees would be \$14,500. No one likes to pay fees, but this may be a small price to pay in order to avoid family strife, taxation issues and legal entanglements.

The points discussed above only scratch the surface of estate planning. They have been provided here primarily as a reminder. Estate planning has many facets and is best dealt with on a case by case basis. Please contact us if you would like to review your situation.

Year End Reminders

- **Registered Education Savings Plan (RESP)** contribution deadline is December 31, 2010.
- **Charitable Contributions** deadline for the 2010 tax year is December 31st. Remember that annual cumulative donation amounts over \$200 receive a tax credit of 40%. Family contributions can be grouped in order to maximize the amount over \$200.
- 2010 tax year **Registered Retirement Savings Plan (RRSP)** contribution deadline is March 1, 2011.
- **Tax Free Savings Account** contribution room increases by \$5,000 for Canadians over the age of 18 as of January 1, 2011. Also, after January 1st investors can re-contribute amounts withdrawn from their TFSA in 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.



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THE SCENT OF CHRISTMAS PAST

BY BARBARA WEILER

I DOZE IN MY ARMCHAIR,
MUSIC BOX TINKLES SILENT NIGHT,
TREE LIGHTS TWINKLE.

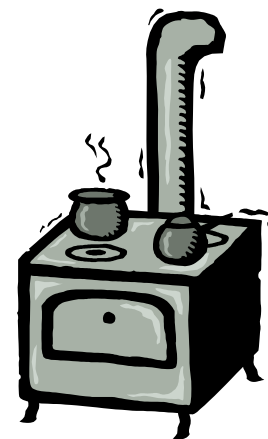
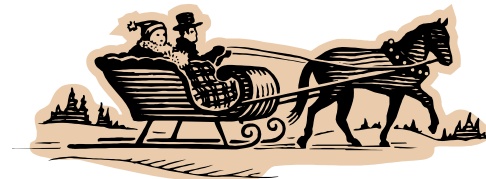


CLOVES, NUTMEG, CINNAMON
FILL THE AIR,
GINGERBREAD COOKIES
FRESH FROM MOM'S OVEN
ROASTING TURKEY,
CANDLES, INCENSE
TANGY SCENT OF SPRUCE OR PINE
BOUQUET OF WINE AS GRANDPA
POURS PINK FLUTED GLASSES.

PUNGENT STABLE CONVERGES
WITH FROSTY NIGHT AIR,
WOOD SMOKE CURLS FROM CHIMNEY,
WOOLEN MITTENS DRY BY FIRE.

NEWLY WAXED FLOORS,
PEPPERMINT CANDIES IN CUT-GLASS BOWL,
STUBBY FINGERNAILS
SCENTED WITH ORANGE-RIND
PLUCKED FROM STOCKING-TOE.

THE SCENT OF CHRISTMAS PAST.



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

John

Rich

Sharon

Lindy

Joe

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.