

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

FALL 2008 NEWSLETTER Carl Eppstadt, CLU, CHFC, CFP, CHFS

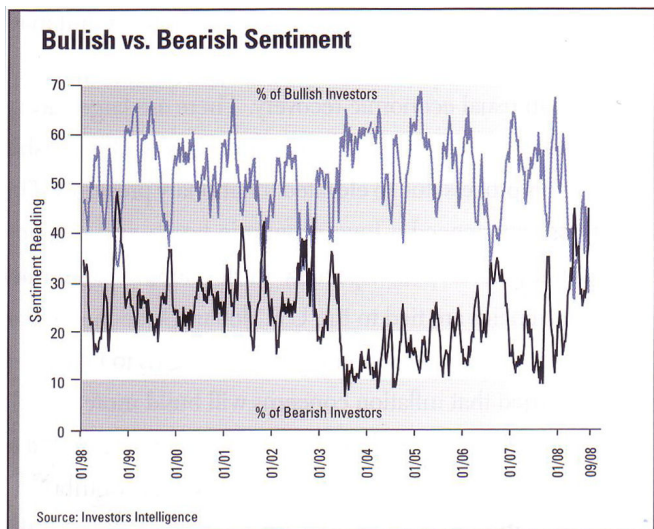
Carl's Comments

Things have not just gotten insane in the last week; things have been insane for several years. It started several years ago with America's loose credit policies. I've just reviewed over two and one half years of our previous newsletters. We were preaching that there were multiple reasons for concern. In fact, I haven't had much positive to say in the last 24 months. I was actually surprised that the oil prices overshot any reasonable projections and that investors and speculators rode this runaway train as long as they did. However now is the time to take stock of things and look for the diamonds in the rough, as many value investors do in these turbulent times.

Stock markets are caught in the crossfire between Bearish and Bullish forces with the Bears continuing to grab the headlines. In the midst of all of this there are some positive factors helping to stabilize the US economy. We just passed the nine-month anniversary of the first US Federal Reserve interest rate cut during this cycle. Normally it takes about nine months for interest rate cuts to start positively impacting the economy. Real interest rates are hovering around zero. In prior recessions, real rates were at elevated levels. US manufacturing competitiveness has improved significantly with the lower dollar, which supports the economy and helps improve global trade imbalances. Healthy corporate balance sheets, excluding financials, should provide continued support for business spending.

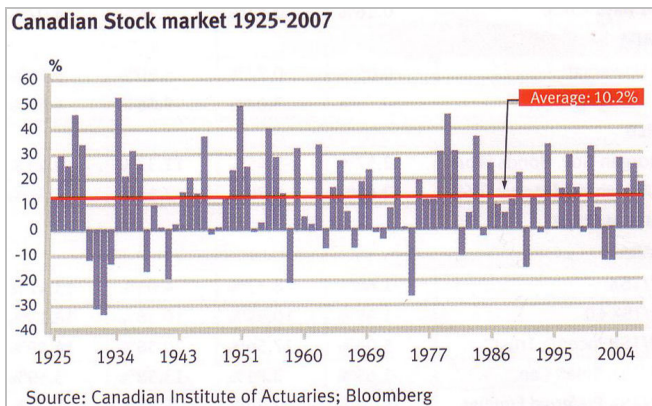
Currently, the US has low levels of inventories, which is positive, should there be a modest increase in consumer spending. Given the recent economic turmoil and decline in world indexes from last October's high, the worst could be factored into a number of company share prices. The Bear market has improved stock valuations and made them very attractive. It should make them a favorite target for huge amounts of liquidity that exists in the world's financial system.

The massive pools of capital include petrodollars, foreign central bank reserves, corporate cash and hedge fund/private equity funds. There is a lot of liquidity generating sub-par returns in government interest-rate vehicles. Any improvement in investor confidence could lead to massive amounts of money migrating into equities and driving markets higher.



Source: Investors Intelligence
Chart 1: The percentage of investment newsletter writers who are bearish on the markets now exceeds the percentage that are bullish. As a contrary indicator, this suggests a positive outlook for equities.

Markets are likely to benefit in the near term from their oversold nature, combined with the Bear sentiment that now exists. Chart 1 (Page 1) shows the percentage of investment newsletter writers who are Bullish and Bearish on the market. The more advisors who are Bearish, the greater likelihood that this negative sentiment is priced into the market. Recent surveys show that Bearish advisors (44.7%) now exceed Bullish advisors (31.9%). This doesn't happen often and suggests a good short-term buying opportunity for equities.



Often a decline in stock prices calls for an assessment of investors risk tolerance. On average the TSX has offered positive results. 62% of the months since 1957, and the average year, will have seven positive months and five negative months. The most frequent return for a single month is between 2% and 3%. If we look at the Canadian market performance history, there have certainly been some dramatic months: October 1987 -22.5%; August 1998 -20.1%; while other months, for example, January 1975 +16.5%; and more recently December 1999 +12.1%. But interestingly enough the bottom line is that the market has uneven returns. Seasoned investors know that worrying about daily stock market performance serves no purpose. Monthly returns are volatile enough as they are. If everyone's house had to be reevaluated every day for potential buyers we would start losing sleep. Fortunately valuations are only relevant when you want to sell your house.

Each decade provides on average seven fat years and three lean ones. I know that markets can change very quickly and sometimes it may seem like we are taking seven steps forward and three back. We just need to ride out the storm.

Untaxed Savings

The new TFSA will allow investors to stash away tax-free.

Beginning 2009, Canadians will have a new tax-assisted savings vehicle – the Tax-Free Savings Account (TFSA).

The mechanics of the TFSA are relatively simple. All Canadian residents, 18 and older, will be permitted to contribute up to \$5,000 annually. The contribution amount, which is not tax-deductible, will be indexed annually to inflation. If an individual does not contribute in a year or contributes less than the maximum amount, he can use that contribution room in any subsequent year.

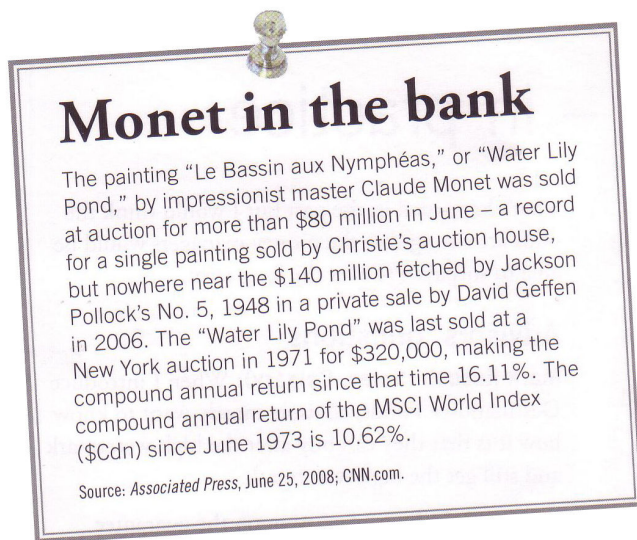
Income through TFSAs is earned free of tax and that income is not taxed on withdrawal. Withdrawals can be made at any time and be used for any purpose, without attracting tax. And what's more, any funds withdrawn from the TFSA are added to an individual's contribution room and can effectively be re-contributed in any subsequent year.

Some clients may ask how the TFSA fits in with their other registered savings. What should their priorities be? While the TFSA is not intended as a replacement for the RRSP, it certainly can be used for retirement savings.

Ideally, people should use both RRSPs and TFSAs. If the TFSA is a supplement for retirement savings, drawing from the TFSA from ages 65 to 71 (instead of the RRSP) could increase the age credit and reduce the OAS claw back.

R RSP Accounts Creditor-Protected in Bankruptcies

Effective as of July 7, 2008, RRSP accounts are creditor-protected in bankruptcies. However, any amounts contributed in the twelve months preceding the bankruptcy are not protected. With this new provision, you have more financial flexibility for RRSP planning. You are not forced to use insurance segregated RRSP accounts if you want to protect your RRSP investments.



World's richest man has accelerated the pace of his acquisitions.

Billionaire investor Warren Buffett has been extremely active. He has been increasing the pace of deals as debt markets freeze up and stocks fall. He agreed to buy Constellation Energy Group Inc. this week. The shares fell 58%, on concern that the turmoil in financial markets could wreck the Baltimore-based consolidation energy trading business. This is his eighth deal in the last 12 months. "This is the kind of environment that opens up more opportunities for someone like Brookshire," said Gary Ranson, an analyst with Fox Pitt Kelton Cochran Caronia Waller.

Will Searches

Estate Settlement – a Herculean Task

Will searches are a sizeable task and, unmistakably, one of the 12 tasks an executor has to perform.

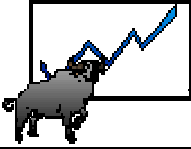
All children have played that really fun game where they have to find a hidden object while their playmates yell "hot" or "cold." What would you think of playing this game again when you're 50? Your mother has just died and your siblings are trying to figure out where she might have hidden that famous will she was always referring to?

A holograph will is so confidential and secret that sometimes we can't even find it, or at least not immediately. A good example is when a will was found under the deceased's waterbed, at the top corner where she slept, when the bed was being taken apart... eight months after her death! It was a case for litigation, because the heirs were in murky waters as the estate was being settled based on another will.

In another case a will was found in the freezer compartment of a refrigerator, between the ice cubes and the frozen peas!

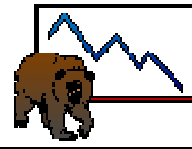
The Civil Code is very brief when it refers to the executor's responsibility to settle the estate with the right will. All it says is that the executor must conduct a search to determine whether the deceased made a will.

Where do we usually find the deceased will? More and more people keep a copy of their will at home. A safety deposit box is also a popular choice for the safekeeping of original or copies of wills. In most cases, the testator should have given a copy of his will to a person he trusts.



FUND REPORT

Compounded to August 31, 2008



Fund	RRSP Eligible	Volatility	1 yr %	3 yr %	5 yr %	10 yr %	Globe's Rating
CANADIAN EQUITY							
Trimark Cdn First Class	Y	M-H	-9.16	3.22	10.47	12.65	★★★
BMO Dividend	Y	M	-5.25	6.04	11.15	12.37	★★★★★
Dynamic Power Cdn Growth	Y	H	8.95	15.65	22.88	17.30	★★★★★
Fidelity Canadian Growth Company	Y	M-H	0.50	7.28	11.92	10.51	★★
Fidelity Cdn Disciplined Equity A	Y	M-H	5.26	11.89	15.10		★★★★
Front Street Growth	Y	H	5.91	13.51	23.69	23.10	★★★★
GGOF Monthly High Income	Y	M-H	7.86	5.95	14.02	16.07	★
IA Canadian Conservative Equity	Y	M-H	5.92	5.61	10.36	10.97	★★
Mackenzie Cundill Cdn Security A	Y	L-M	-9.16	1.59	6.29	9.23	★
IA Clarington Cdn SmCap	Y	H	-5.77	7.04	13.84	15.02	★★★
IA Clarington Dividend Inc-T4	Y	M	-8.17	3.99	9.34	9.26	★★★
Sprott Canadian Equity	Y	H	0.77	16.18	21.15	32.11	★★★★★
INTERNATIONAL EQUITY							
AGF European Equity Class	Y	M-H	-21.30	3.30	8.20		★★★★★
Dynamic Global Value Class	Y	M-H	-17.90	3.13	7.37		★★★★
Fidelity NorthStar A	Y	H	-9.40	1.30	6.23		★★★
Mackenzie Cundill Value A	Y	L-M	-12.22	1.22	6.33	9.68	★★
Trimark Europlus	Y	M	-18.34	2.33	10.39	6.66	★★★★★
BALANCED FUNDS							
Acuity Canadian Balanced	Y	M	-5.16	3.02	7.52		★★★★
Dynamic Value Balanced	Y	M	6.76	8.59	12.24	10.77	★★★★
Fidelity Canadian Asset Alloc A	Y	M	3.26	7.56	10.05	8.14	★★★★
Mackenzie Cundill Cdn Balanced C	Y	L-M	-4.95	2.29	4.84		★★
Renaissance Cdn Value Balanced	Y	L-M	-5.34	1.90	6.18		★★★
Fidelity Cdn Balanced	Y	L-M	3.83	7.39	9.70		★★★
Dynamic Power Balanced	Y	M-H	9.73	10.47	14.65		★★★
OTHER FUNDS							
Vertex	Y	H	-1.95	8.96	17.34	22.52	★★★
Arrow Multi-Strategy	Y	L	-4.08	3.56	5.25		★★★
BluMont Hirsch Performance	Y	H	-8.24	4.33	9.98	16.53	★★★
Hillsdale Cdn Long/Short	Y	H	9.03	5.07	14.33		★★
Hillsdale Cdn Performance Equity A	Y	H	-9.31	5.44	13.88	17.77	★★★
Sprott Opportunities Hedge Fund LP	Y	H	10.44	15.66			★★★★

All Mutual Funds Sold by Prospectus Only & Hedge Funds Sold by Offering Memorandum

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