

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

SPRING 2010 NEWSLETTER

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Carl's Comments

Markets have been quite flat year to date and it appears to me the market is looking for some direction. All that occurred last year was that markets recovered dramatically from what they gave back the year before but now with a lack of direction, they are stagnant.

I look back at all the things that have occurred in the past 10 years and a lot of mistakes that were made by the Feds. Hindsight is certainly 20/20 but if I were to make any bets going forward it could be based on the high probability of the Feds not doing things right. Looking back at the last decade reveals an apparent cycle of asset bubbles that burst before our eyes and it appears the next bubble now forming may be in government debt and currencies.

It appears a lot of the trouble began in the mid-to-late 90s with the belief that technology would rewrite economic rules and the dot-com NASDAQ index would take us to the Promised Land. Greenspan first uttered a warning in 1996; "irrational exuberance" when describing stock valuations however, it wasn't until mid-1999 that the Federal Reserve actually started increasing interest rates in an attempt to cool down the overheated stock market. The Feds actually raised interest rates six more times between mid-1999 and January 2000 in an attempt to slow down an overheated economy. The bubble actually burst in March 2000.

Following the NASDAQ collapse and to soften the blow, Greenspan and the Federal Reserve started to embark on the largest rate cuts in US history. This time the

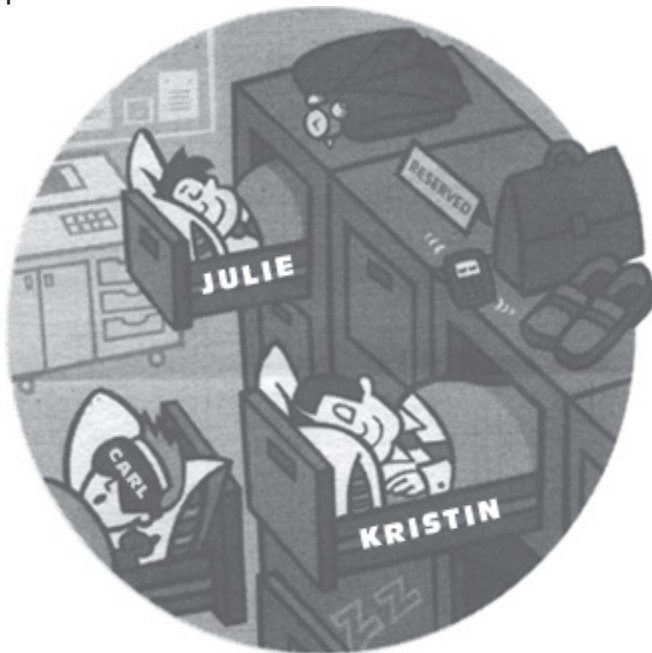
Federal Reserve lowered interest rates 13 times between January 2001 and June 2003 and the hope here was to cushion the economy. These rate cuts allowed for increasingly easy access to credit but then the next bubble developed and the warning signs became evident. The bubble I am referring to is the worldwide housing price bubble where housing prices rose at a rate of more than 11% from 2000 to 2006. During that period the financial sector became the largest economic driver generating over 40% of all corporate profits making it the fastest growing sector. In 2005, Greenspan described certain real estate markets as "frothy" and recommended the Federal Reserve rein in lending standards. We all know what transpired in 2008 with the housing market/financial sector bubble burst.

So what we've learnt by hindsight is that it appears that the Feds time after time saw the warning signs but did nothing until the 11th plus hour. They created the first bubble, the technology bubble, and their actions were too little too late. Then to try to soften the damage they dropped interest rates 13 times overarching and creating the next bubble, the housing bubble, ending in disaster.

Where are we now? I believe it will be tough sledding for the next five years or so as there is no easy way out of this mess. What is the mess you say? Well as far as we can see it was created from governments, primarily in the UK, the US and Japan assuming the debt obligations of the financial system. It appears that the US government debt obligation exceeds over \$100 trillion. This is truly a preposterous amount of money that will never be paid off in today's dollars. The answer put forth by the UK, US and

Japanese governments is quantitative easing and 0% interest rates. We are not sure that these governments have learnt anything in the past two decades.

What do we do as investors? We continue to be very cautious and keep both feet on the ground and look for managers that were very stingy in the 2008 market collapse and make sure our portfolios are diversified. What I find interesting, is that we try to diversify our client's assets and they call us to say that some of their funds are doing better than others. If all of your funds went up at the same time by the same amount, the chances are they would all fall at the same time by the same amount. That is not a diversified portfolio.



It appears everyone here is settling into their new roles. My lovely wife Roxanne is adjusting to retirement and my two daughters, Julie and Kristin, are clearly adjusting well to being part of the Future Financial Planning team. Little did I know just how efficient Julie and Kristin would be. The only downside is that because they are so efficient, we are opening up the doors to new clients and will be growing our practice over the next decade. For years we have had plenty to do caring for the financial needs of existing clientele and we've been blessed by their referrals. If you know of anyone that might benefit from a review of their

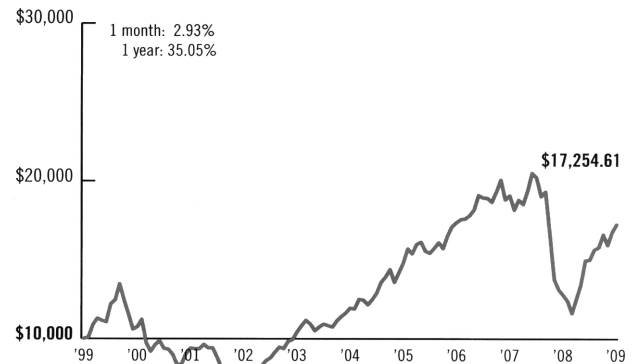
investments, we would be more than happy to talk with them with the understanding that the only way that they would do business with us is if they truly believed it was to their benefit.

R isk

It's interesting what people determine to be risky. It has long been thought that small caps are considered much riskier than large caps. However, if you look at the S&P/TSX Composite versus the BMO Small-Cap Index, that doesn't necessarily hold water. One can see from the charts below that from approximately the year 2000 until 2003; a \$10,000 investment lost money in the S&P/TSX. This was not the case in the small cap index. Furthermore, after nine years, your \$10,000 investment is worth roughly \$7000 more had you invested in the small cap index. Sometimes perception is not always reality.

S&P/TSX COMPOSITE TOTAL RETURN INDEX (CDN \$)

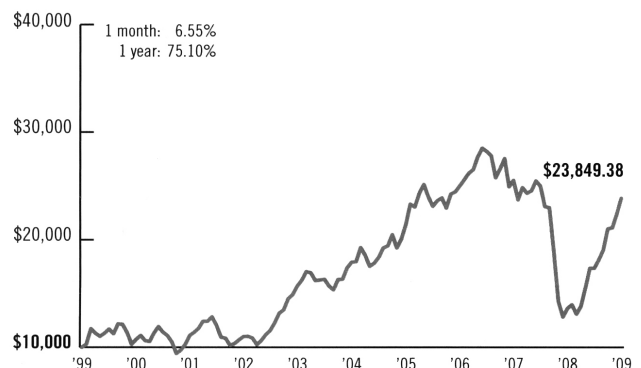
As of December 31, 2009



Source: Datastream

BMO NESBITT BURNS SMALL CAP INDEX

As of December 31, 2009



Source: BMO Nesbitt Burns

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C anadian investors don't walk the walk

A recent Canadian Securities Administrators (CSA) survey carried out by pollster Ipsos-Reid Corp. this past summer found that when it comes to investing, many Canadians talk a good game, but their actions often don't measure up.

"Canadians express confidence and believe that they are knowledgeable and responsible about investing," the CSA survey report states. "Yet, their behavior may indicate otherwise."

For example, the survey found that 85% of Canadians believe that it is important to build up their personal savings, but only 65% have some savings or investments set aside for the future; this latter figure is down 73% in 2006.

Moreover, Canadian investors are not doing adequate research or enough financial planning, the survey suggests. Notably, it found that only 25% of investors say they have a written financial plan that includes clear investment goals, despite the fact that two-thirds agree that having a formal, written plan is important.

The results also reveal that less than half of the survey respondents have worked with their financial services institution, to create a formal assessment of their willingness to take risk. And, among those who have assessed their risk tolerance, only half have reviewed their risk profile within the past year.

One of the CSA's primary conclusions from all of this: "This research clearly shows Canadians are not doing all they can to make informed investment decisions."

CSA 2009 Survey Highlights

- 85% of Canadians believe that it is important to build up their personal savings.
- only 65% have some savings or investments set aside for the future
- about 25% have written financial plans that include clear investment goals
- 60% worry that they do not have enough savings to meet their financial needs
- 46% say they have a financial advisor
- 80% agree that it is their responsibility to acquire the skills they need to make sound investment decisions
- 46% of investors are aware of Canadian regulators

**WHAT DO
20.3 MILLION
CANADIANS
HAVE IN
COMMON?**

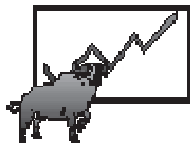
UNUSED RRSP CONTRIBUTION ROOM!

In 2008, Canadians had \$539 billion in unused RRSP room.
Let us help you catch up, with an RRSP loan.

Disclaimers

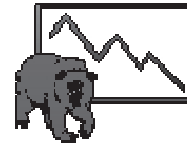
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FUND REPORT

Compounded to February 28, 2010



Fund	RRSP Eligible	Volatility	1 yr %	3 yr %	5 yr %	10 yr %
CANADIAN EQUITY						
Trimark Cdn First Class	Y	M-H	28.67	-10.02	-1.08	4.53
BMO Dividend	Y	M	32.35	-4.19	3.34	9.13
Dynamic Power Cdn Growth	Y	H	70.97	-2.41	5.96	5.89
Fidelity Monthly High Income	Y	M-H	51.56	4.73		
Fidelity Cdn Disciplined Equity A	Y	M-H	50.47	-0.75	6.39	6.00
Front Street Growth	Y	H	131.09	2.27	10.52	18.68
BMO Monthly High Income	Y	M-H	23.91	0.79	4.19	6.04
IA Canadian Conservative Equity	Y	M-H	31.42	0.49	4.36	8.54
IA Clarington Cdn Leaders	Y	M	35.04	2.85	7.26	
IA Clarington Cdn SmCap	Y	H	45.05	-2.45	4.23	11.68
IA Clarington Dividend Inc-T4	Y	M	35.26	-5.22	1.18	8.53
Sprott Canadian Equity	Y	H	22.67	-6.02	5.16	18.15
INTERNATIONAL EQUITY						
AGF European Equity Class	Y	H	25.84	-17.26	-3.80	2.38
Dynamic Global Discovery	Y	H	33.25	-2.93	5.66	
ROI Global Supercycle 7	Y	H	35.09			
Mackenzie Cundill Value A	Y	M	32.43	-5.92	0.00	6.18
Trimark Europlus	Y	M	22.79	-15.59	-3.76	1.16
BALANCED FUNDS						
Acuity Canadian Balanced	Y	M	35.41	-1.32	3.08	5.11
AGF Canadian Balanced	Y	L-M	2.30	-1.00	4.36	
Dynamic Value Balanced	Y	M	45.16	2.34	6.00	8.18
Fidelity Canadian Asset Alloc A	Y	M	31.27	1.66	5.59	4.91
Acuity Conservative Asset Alloc	Y	L-M	30.57	-0.07		
Fidelity Cdn Balanced	Y	L-M	26.63	1.90	5.33	6.15
Dynamic Power Balanced	Y	M-H	42.53	4.10	7.56	7.04
OTHER FUNDS						
Vertex	Y	H	82.17	5.96	10.99	14.46
Arrow High Yield	Y	L	25.78	7.05	6.67	
Front Street Special Opp Canadian	Y	H	115.68			
Hillsdale Cdn Long/Short	Y	H	2.34	1.28	1.23	8.73
Hillsdale Cdn Performance Equity A	Y	H	43.43	-9.28	-1.73	8.20
Sprott Opportunities Hedge Fund LP	Y	H	6.18	7.00	12.36	

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

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* Funds sold by Insurance Companies

Source of Data – Globefunds.com

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