

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

SPRING 2011 NEWSLETTER

Carl Eppstadt, CLU, CHFC, CFP, CHFS
Julie Westall, CIM, CFP
Kristin Eppstadt

Carl's Comments

I am often asked *What can you earn on my investments?* Quite frankly I don't understand this question. Actuaries aren't asked when calculating whether a pension is actuarially sound to use an overly aggressive interest rate assumption. Actuaries use a very conservative and realistic interest rate assumption, so why should financial planners do otherwise? I try to achieve above-average rates of returns and put a very high emphasis on doing this with below average risk. My mandate is not to let my clients funds sleep but at the same time my mandate is also not to gamble with their money.

A recent discussion with a few acquaintances brought up the fact that investors can *cheat* their portfolios. An unsuccessful investor usually under-contributes to their investment program and then tries to make up for the shortfall by being overly aggressive and gambling with their savings.

The successful investor also cheats but, they cheat by over-saving. High net worth individuals save in excess of 30% of their income. I am convinced that if savings incentives like the RRSP deduction did not exist, these individuals would still save.

High net worth individuals have many traits. The main ones being that they tend to live well within their means and they put an extreme value on savings. Additional information reveals that they are conservative investors. Wow, this interesting, as these are the opposite traits of unsuccessful investors.

Perhaps in reality the question should be rephrased, *What should I do?* My answer would then be very simple. **Live within your means, maximize your RRSPs, pay down non-deductible debt and invest (not gamble) your savings.**

Y MCA

The National Capital YMCA is well underway in its campaign to renew the Metro Central YMCA on Argyle St., to expand the Orleans branch, redevelop kid's camps and launch new Y programs. The "Strengthening the Heart of the Community" initiative aims to raise \$35 million towards these projects, with a target of \$15 million coming from community events and personal donations.

Future Financial made a donation of \$15,000 to the campaign. Carl presents the



contribution to Deirdre Speers, Acting CEO, National Capital Region YMCA-YWCA.

To make a donation, you can contact us or visit <http://capitalcampaign.ymcaywca.ca/>

Crisis in Japan

Our sympathies go out for the people of Japan as they deal with the devastating aftermath of the earthquake and tsunami that hit on Friday, March 11th. Investors and money managers are now struggling to determine what the long-term impacts are likely to be. Of course, much depends on when the nuclear power plant can be brought under control. If it can, there is a chance that the economic impact although severe, will be short-lived. In the short-term, Japanese companies will have significantly lower earnings as manufacturing shuts down and insurers face massive costs. Global supply chains will likely be interrupted as shipments of parts are halted. That said, the reconstruction efforts will be massive and have a positive impact on earnings for construction and engineering as well as other sectors. Many managers feel the global equity sell-off represents a buying opportunity.

While the long-term financial impact of this event is difficult to forecast, stock markets have recovered in the past from similar disasters.

At this time of year, Japanese people are usually excited to see their cherry blossoms bloom. They will bloom again and the severely stricken Japanese will rise again.

Sunny Forecast for Canada

TD Bank predicts that Canada's economy will register a strong start to 2011 despite the growing risks from crises in Japan and the Middle East. For the year, TD expects the economy will expand by 3%, half a point more than previous estimates and 0.6% more than the Bank of Canada's projection. The 2012 growth estimates remain at 2.5%. The faster than expected recovery in the US economy gets much of the credit for that boost, along with general global demand for the resources that Canada has in abundance. The higher forecast does not come as a surprise as several other Canadian financial institutions

also upgraded their estimates. TD's revision however, is the first major revision since the massive earthquake and tsunami shocked the world's third largest economy. TD's chief economist said the strengths of Canada's economy going forward are business investment, exports and consumer spending. He also predicts that the Bank of Canada will raise interest rates by 1% in the latter half of 2011 and another 1% in 2012.

(Source: IE report 3/16/11, Julian Beltrame)

Why Canada is GREAT!



Canada is one of the world's wealthiest nations, one of the world's top 10 trading nations and placed eighth for highest quality of life in the 2011 UN ranking report.

Canada is seen as a peacekeeping country and has strong focus on economic aid, with \$5 billion donated worldwide in 2010. Universal health care is provided to all its citizens, and is completely regulated by the government.

- A member of the G7, G8, G20, NATO, NAFTA, Commonwealth of Nations, OECD and La Francophonie.
- We have the largest freshwater reserves (10% of world reserves).
- Second-largest oil reserves in the world, after Saudi Arabia.
- Has become the world's third-largest diamond producer on a value basis and the fifth by volume.
- The world's fourth-largest exporter of agricultural products.
- We rank among the world's top five producers of 14 mineral commodities and are the world's leader in the production of potash and uranium.

Canada's Industry Strengths

Agriculture - Canada is one of the largest agricultural producers and exporters in the world.

Energy - Canada is self-sufficient in energy and exports significant quantities of oil and natural gas to the U.S.

Manufacturing - Canada has a competitive edge in advanced research of new manufacturing techniques, innovative applications of information technology and microelectronics, and new organizational practices. Manufacturing sectors include aerospace, automotive, electrical and industrial machinery equipment production, metal products and tooling.

Service Sector - The service sector in Canada is large and multifaceted; it employs three-quarters of Canadians and accounts for over two-thirds of GDP.

(Source: Arrow Hedge Partners Intl, Invest in Canada 2011)

Easier than a Cheque

There is now a new and easy way to make a purchase into your account. With an Electronic Funds Transfer (EFT), we can request a withdrawal directly from your bank account into your investment account. This avoids some of the hassles of writing a cheque and then waiting on Canada Post. There is no extra charge for this service with the exception of what your bank would normally charge you for a withdrawal or cheque.

Pre-Authorized Contributions (PACs) are still the best method however to make regular, monthly or bi-weekly contributions. Contact us if you are interested in learning more on either EFTs or PACs.



Hedge Fund Myths

Hedge funds can play an important role in asset allocation due to their non-correlation with traditional investments and thus, their ability to provide true portfolio diversification. Even still, an advisor's lack of knowledge and common myths about hedge funds keep some people in doubt.

Hedge funds are risky and highly leveraged - Hedging is a strategy to protect against the risk of loss. The long only approach used with traditional investments cannot handle the risks of a market down-turn. Unlike hedge fund managers, they are not able to short positions and in many cases must remain almost fully invested even if the market is experiencing a down-turn. Leverage is typically monitored by a hedge fund's prime broker and is widely minimized to protect the broader portfolio.

Hedge funds are new - The first hedge fund was launched in 1949 by Alfred Winslow Jones. The fund was based on Mr. Jones' belief in the complementary nature of short selling and the use of leverage – using borrowed money to enhance returns. In his 34 years of managing the fund, Jones lost money in only three years while the S&P500 recorded nine years of negative returns.

(Source: AE report 03/2011, pg. 10)

Disclaimers

The information contained in this communication is for general information purposes only and is based on the perspectives and opinions of the owners and writers. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call 613-728-0589 to discuss your particular circumstances.

Commissions and trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the CDIC or any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated. Worldsource Financial Management Inc., sponsoring mutual fund dealer. Additional products and services provided through Future Financial.



FUND REPORT

Compounded to February 28, 2011



<u>Fund</u>	<u>RRSP Eligible</u>	<u>Volatility</u>	<u>1 yr %</u>	<u>3 yr %</u>	<u>5 yr %</u>	<u>10 yr %</u>
CANADIAN EQUITY						
BMO Dividend	Y	M	17.00	2.38	2.48	7.46
BMO Monthly High Income	Y	M-H	12.29	4.77	4.25	6.29
Dynamic Power Canadian Growth	Y	H	16.93	-3.97	5.22	9.34
Fidelity Monthly High Income	Y	M-H	12.62	6.72	5.99	n/a
Fidelity Canadian Disciplined Equity A	Y	M-H	24.56	4.09	6.69	8.75
Fidelity Dividend Plus (was Income Trust)	Y	M-H	18.89	12.55	9.99	n/a
Front Street Growth	Y	H	59.69	16.31	14.04	n/a
IA Canadian Conservative Equity	Y	M-H	19.72	5.60	4.46	7.89
IA Clarington Canadian Leaders	Y	M	15.27	2.95	6.86	6.43
IA Clarington Canadian Small Cap	Y	H	19.16	3.19	3.56	14.66
IA Clarington Dividend Inc-T4	Y	M	16.84	1.99	1.75	7.32
Sprott Canadian Equity	Y	H	60.34	3.87	11.60	21.43
INTERNATIONAL/GLOBAL EQUITY						
Dynamic Global Discovery	Y	H	14.10	2.18	4.52	6.37
ROI Global Supercycle 7	Y	H	20.47	n/a	n/a	n/a
Mackenzie Cundill Value A	Y	M	20.80	3.05	1.37	5.44
Mackenzie Cundill Recovery C	Y	H	26.05	-0.19	5.39	11.70
BALANCED FUNDS						
Acuity Canadian Balanced	Y	M	13.72	3.24	3.75	7.43
Acuity Conservative Asset Allocation	Y	L-M	11.20	4.98	3.33	n/a
IA Clarington Tactical Income	Y	L-M	14.75	n/a	n/a	n/a
Dynamic Value Balanced	Y	M	14.56	7.86	6.49	8.47
Dynamic Power Balanced	Y	M-H	13.65	4.20	7.54	8.92
Fidelity Canadian Asset Allocation A	Y	M	13.04	4.48	5.46	6.31
Fidelity Canadian Balanced	Y	L-M	15.91	5.25	6.16	7.04
OTHER FUNDS						
Vertex Fund	Y	H	20.74	10.86	10.38	15.18
Arrow High Yield	Y	H	10.17	11.20	8.55	n/a
Front Street Special Opportunities Canadian	Y	H	50.89	20.43	17.91	n/a
ACT II New Media	Y	H	15.23	10.37	n/a	n/a
Arrow Focus	Y	H	15.78	1.44	1.46	n/a
Sprott Opportunities Hedge Fund LP	Y	H	9.95	4.43	8.59	n/a

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

Future Financial Newsletter is an information service. It does not render accounting, legal or other professional advice. It is recommended that the reader consult professional advisors with regard to any matter in this publication. Future Financial is an independent financial, estate and tax planning firm dealing with many financial instruments offered through trust companies, insurance companies and mutual fund companies. Worldsource Financial Management Inc., sponsoring mutual fund dealer. Additional products and services provided through Future Financial.

* Funds sold by Insurance Companies

Source of Data – Globefunds.com

FINANCIAL, ESTATE, TAX AND RETIREMENT PLANNERS SINCE 1978

2-370 Churchill Avenue, Ottawa, Ontario K1Z 5C2 613.728.0589 www.futurefinancial.com