

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

FALL 2014 NEWSLETTER

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Carl's Comments

I just attended Worldsource's Regional three-day conference. As usual, the quality of the speakers and information they provided was extremely insightful.

One of the highlights for me was the economic outlook from TD Bank's Vice President and Deputy Chief Economist, Derek Burleton. I will try to summarize his thoughts. First of all, the sky is not falling. TD is forecasting a modest global recovery of roughly 4% growth in 2015. The world will be relying on the US and the Eurozone for this growth. The Eurozone has been slow and stagnating predominantly due to private sector lending. It appears that their banks are starting to lend again. This looks similar to the US story.

China's economy is rebalancing its share of GDP based on private consumption. It is getting close to 40% and this is positive. The Fed will likely taper asset purchases, but others in the G4 will likely continue. The forecast is around 3% growth for 2015 in the US.

Bond yields are likely to remain well below normal for the balance of the decade. The US dollar is enjoying resurgence around the world as it's viewed as a safe haven. There is little upside in the Canadian dollar in the next few years and likely hover around \$0.90. Some analysts predict \$0.85, but TD doesn't see it that way. A lower Canadian dollar is better for the Canadian economy as it makes us more competitive abroad which, increases our exports. Commodities are expected to remain relatively flat. Canadian corporate profits are

recovering and TD forecasts an increase in goods and services spending.


The debt to income ratio has stabilized and it is TD's opinion that the average consumer can sustain more debt than in past decades due to lower interest rates.

Inflation does not appear threatening at this time. As such, the likelihood of interest rates rising will not be until sometime in 2015. This low interest rate environment should provide support for continued appreciation in equity markets.

Risks to these positive outlooks include economic stagnation in Europe and Japan, geopolitical developments, China struggling to be a consumer vs. exporter and Feds normalizing their policies. All in all the general tone about the economy was positive over the next 24 months.

Please do not hesitate to call the office to discuss what's in this newsletter or any other topics.

Wishing you all a very happy Thanksgiving.

Tax Tip  **Minimizing tax instalments is easily accomplished by requesting that additional tax be withheld at source. Your annual tax balance must be less than \$3000 to avoid paying quarterly tax instalments.**

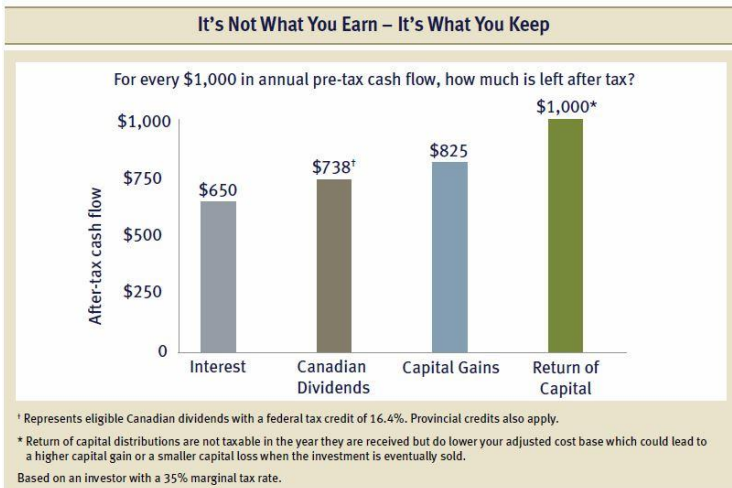
More Than Just Investments

At Future Financial, we are much more than just investments. As the chart on the next page shows, we provide a wide range of financial

planning services and resources to strengthen your overall financial well-being.

Advice	Tax Planning	Investment Management	Goal Setting	Reviews
Meetings	Estate Planning	Education Planning	Discipline	Portfolio Rebalancing
Research	Financial Planning	Business Planning	Monitoring	3rd Party Referrals
Asset Allocation	Retirement Planning	Budget/Cash Management	Risk Management	Insurance Solutions

Tax planning involves tax efficiency and plays a large part of the financial planning process. More than investment returns, our goal is to ensure that you are taking advantage of all tax shelters, credits and deductions to increase your net after tax returns. The chart below shows the affect of taxes and amounts remaining depending on the type of income earned.



Wealth Transfer to the Next Generation

It's estimated that roughly \$1 trillion dollars over the next two decades will be transferred to the next generation. This will be the biggest inter-generational transfer of wealth in history. A recent BMO study on inheritances in Canada provided some very interesting results. According to the National study, 55% of Canadians have received an inheritance and almost two-thirds believe they will be given an inheritance in the future. Of those that receive a legacy, nearly all respondents would invest a portion. Furthermore, three quarters of those

polled believe it is important to leave something to a loved one.

Regional Breakdown

Region	Average amount received	% who have received an inheritance	% who expect they will receive an inheritance	% who would invest a portion of their inheritance	% who think it is important to provide an inheritance to loved ones
National	\$ 96,377.78	55	63	91	75
Atlantic	\$ 31,942.26	60	49	94	79
Quebec	\$ 105,963.25	50	64	86	68
Ontario	\$ 113,509.10	56	66	93	78
Prairies	\$ 49,780.45	55	65	96	79
Alberta	\$ 62,394.86	57	59	92	77
B.C.	\$ 120,339.71	58	61	92	74

Source: BMO Inheritance Survey, conducted by Pollara between June 20th and 23rd, 2014

Given the pending shift of assets from baby boomers to the next generation, steps should be taken so that assets are not unnecessarily lost to taxes, fees, probate, executors and lawyers. Strategies include the use of named beneficiaries, tax sheltered accounts, tax advantaged investments, insurance and trusts.

Other wealth transfer goals include protection from creditors, desire to give living gifts during your lifetime, keeping control of your money and preventing from giving too much early on only to run out of money.

For many, part of this process includes meeting children and grandchildren. It is helpful for parents and their kids to know each other are well taken care of.

As financial planners, we can help to evaluate your options to ensure a well-organized plan for wealth transfer.

Transferring TFSAs “The December Strategy”

Is your Tax Free Savings Account (TFSA) “stuck” at the bank earning next to nothing. Are you unsure how to transfer the funds without paying transfer fees?

The transfer strategy is simple; 1) withdraw TFSA funds from an existing account late in the year and 2) contribute to a new TFSA in January. As long as the contribution is done in the **following calendar year**, you will not run the

risk of over-contributing and all transfer fees will be avoided.

In a few years, many Canadians may have a lot of unused TFSA contribution room. Let's face it between mortgages, credit lines and the RRSP, there is only so much disposable income available for TFSAs. For those who have enough contribution room, in order to save on transfer fees, you can simply withdraw and re-contribute in the same year.

Capital Gains Reporting

As T-5008 slips are not always issued, it is important to keep track of trade confirmations and review all year-end investment statements in detail. These documents show what happened during the year so you can ensure proper tax reporting to CRA.

As a refresher, when an investment in a non-registered account is sold or switched, it will result in a taxable disposition (i.e. capital gain or loss). The proceeds from the sale and the book value (i.e. your cost base) must be included on lines 131 and 132 in Schedule 3 of your tax return for the year the sale occurred.

Better than Canada Savings Bonds

Do you have any Canada Savings Bonds (CSB)? Maybe you contribute through a payroll savings plan. Either way, there are better options available. The current rate on CSB's is only 0.50%. This rate is the same for old and new bonds.

Our best interest rate on a high interest savings account (HISA) fund is 1.4%, with Home Trust. And, it's all good news from there on. You can buy this fund in any account including TFSAs at no cost. There is no lock in term and money is available the next business day. For a review of your CSB's or other investments, contact us.

Seven Estate Questions for Business Owners

1. Do you have a buy-sell agreement in place?
2. Is the buy-sell agreement funded by life insurance?
3. Is there an emergency plan should you become incapacitated/die before transferring your ownership interest?
4. Have you appointed a successor/established a process for selecting a successor for your business?
5. If the business is being left to one family member, have arrangements been made to leave other family members assets of equal value?
6. If your business is a qualified small business corporation, are steps being taken to use your \$800,000 lifetime capital gains exemption?
7. Have you taken other steps to minimize the potential tax liability related to your business that your heirs or estate may face upon your death?

Source: <http://www.getsmarteraboutmoney.ca/en/managing-your-money/planning/wills-and-estate-planning/Pages/Estate-planning-if-you-own-a-business.aspx>

If you answered "no" to one or more of these questions, you may need to address a potential estate planning issue. We are available to discuss any of these questions with you.



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FFPG FUND REPORT

Compounded to August 31, 2014



Fund	YTD % (Sept 22/14)	1 yr %	3 yr avg %	5 yr avg %	10 yr avg %
CANADIAN EQUITY FUNDS					
BMO Growth & Income Advisor	10.60	19.49	14.12	12.43	9.11
Fidelity Canadian Growth Sr. B	8.54	19.38	22.21	14.16	8.91
Dynamic Small Business Sr. A	9.56	16.85	10.30	12.90	13.29
Sentry Canadian Income Sr. A	11.58	19.38	16.93	15.25	11.43
Fidelity Dividend Plus Sr. B	8.18	12.86	11.54	12.56	n/a
Fidelity Canadian Large Cap Sr. B	6.91	16.18	19.58	15.60	12.84
Front Street Growth Sr. B	8.03	8.66	-5.14	1.29	7.89
IA Clarington Cdn. Conservative Equity Sr. A	12.96	19.23	12.04	10.01	7.86
IA Clarington Strategic Equity Income Sr. A	11.45	17.45	15.84	n/a	n/a
IA Clarington Canadian Small Cap Sr. A	8.86	22.42	23.30	16.87	11.11
IA Clarington Focused Cdn. Equity Cl. A	6.55	11.01	n/a	n/a	n/a
US/INTERNATIONAL/GLOBAL EQUITY					
Dynamic Global Discovery Sr. A	0.83	11.90	9.41	7.44	8.04
Fidelity Small Cap America Sr. B	5.14	21.40	30.81	19.73	9.00
Mackenzie Cundill Value Sr. C	3.06	9.27	17.72	8.59	4.95
Sentry U.S Growth & Income Sr. A	8.88	22.65	22.00	n/a	n/a
BALANCED FUNDS					
AGF Monthly High Income MF Series	6.78	11.25	9.43	9.58	n/a
CI Signature Canadian Balanced Cl. A	9.29	14.84	10.73	7.00	7.61
Dynamic Power Balanced Sr. A	6.48	13.28	7.79	4.73	7.57
Dynamic Value Balanced Sr. A	6.49	11.97	10.80	6.51	7.71
Fidelity Monthly Income Sr. B	5.87	10.34	9.96	9.61	8.31
Fidelity Canadian Balanced Sr. B	8.18	14.63	9.74	7.96	7.44
Fidelity Income Allocation Sr. B	6.49	10.72	8.02	9.76	n/a
IA Clarington Focused Balanced Sr. A	4.94	10.35	n/a	n/a	n/a
Mackenzie Cundill Canadian Balanced Sr. C	5.31	10.67	14.06	9.97	6.36
ALTERNATIVE FUNDS *YTD for Arrow as of Aug 31/14					
Vertex Fund Class B	6.06	14.69	6.57	12.93	10.82
Vertex Managed Value Sr B	3.27	16.59	22.24	12.66	7.78
Arrow Raven Rock (1) Class A	5.00	8.20	6.60	n/a	n/a
Arrow Curvature Mkt Neutral Cl A (capped)	3.00	6.40	6.10	6.30	n/a

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

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