



COOPER

WEALTH MANAGEMENT

Spring 2009

Our Team

TREVOR C. COOPER, CIM, FCSI

Vice-President & Director, Associate Portfolio Manager
Hamilton Branch, 905-546-5832

- ❖ 20 years experience
- ❖ Portfolio Management & Insurance Needs

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Vice-President, Associate Portfolio Manager
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- ❖ 46 years experience
- ❖ Portfolio Management & Insurance Needs

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- ❖ 22 years experience
- ❖ Portfolio Management & Insurance Needs

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- ❖ Portfolio Management & Insurance Needs

KATHY KRULIKOSKI, CIM

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- ❖ 19 years experience
- ❖ Advice needs & orders

KELLY VICKERS, CFP, CIM

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- ❖ 21 years experience
- ❖ All general administrative needs

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- ❖ 30 years experience
- ❖ Advice needs & orders

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- ❖ All general administrative needs

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- ❖ 4 years experience
- ❖ All general administrative needs



The Importance of a Financial Plan

In this issue of our quarterly newsletter, we discuss the importance of financial planning to protect and preserve you and your family's financial health. As a valued client of RBC Dominion Securities, we are pleased to offer you assistance with a wide range of wealth management services. For those of you needing financial planning advice, we would like to offer you a complimentary consultation with our Financial Planner, Rebecca Henri, CFP.

THE PROCESS

As a Certified Financial Planner, Rebecca will be diligent in ensuring your experience meets the very highest standard. You will receive:

1. An initial meeting with Rebecca to discuss your goals and gather pertinent data.

2. Rebecca can work with you to develop a personalized financial plan that will address the following important questions:

- Can I retire when I want to and maintain my desired retirement lifestyle?
- How can I ensure that I don't outlive my money?

- How can I minimize the taxes I pay each year?
 - Is my investment mix appropriate?
 - If I were to die unexpectedly, would my family be taken care of?
 - How can I protect the value of my estate?
3. A follow-up meeting to present your personal financial plan. Rebecca will provide a written report and detailed set of recommendations customized to address your needs and goals.
4. Plan implementation. Together, we implement items in the financial plan requiring action and track your progress.

The financial plan developed for you will provide specific recommendations focused on your particular needs, including cash flow, tax strategies, investments, retirement, insurance or estate planning, and will ultimately assist you in maximizing your situation and achieving your goals. This personalized report should serve as a roadmap to help you make financial decisions in the future. A solid financial plan is the foundation for successfully managing your wealth.

Professional Wealth Management Since 1901



Six principles of tax-smart investing

Following are six principles to help you enhance your after-tax investment returns.

Principle #1 – Focusing on your after-tax returns can – literally – pay dividends

Interest income (e.g. from GICs or bonds) is fully taxable at your marginal tax rate. However, only one half of any capital gain (e.g. from selling a stock that has increased in value) is taxable at your marginal rate. And eligible Canadian-source dividends are generally taxed even less, depending on your province. In fact, you can earn between \$20,000 – \$50,000 in tax-free dividends if you have no other taxable income (varies by province).

Principle #2 – Maximizing your RSP means more than just maximizing your RSP contributions

Your Retirement Savings Plan (RSP) offers two well-known tax advantages: RSP contributions are tax-deductible and grow free of annual taxes. There are several ways to make the most of these advantages, beyond simply maximizing your contributions every year. For example, if your annual income fluctuates, consider making your RSP contribution as usual in a lower-income year, but wait until a higher-income year to claim it for a potentially greater tax deduction. Another strategy is to shelter interest-bearing investments, such as GICs and bonds that would otherwise be fully taxable at your marginal rate, within your RSP.

Principle #3 – Don't settle for just tax-deferred growth when you can get tax-free growth too

With an RSP, your investment earnings grow on tax-deferred basis – meaning you don't pay tax until you actually start making withdrawals. With the new Tax-Free Savings Account (TFSA), on the other hand, your investment earnings grow on a tax-free basis – meaning you never pay tax, even when you make withdrawals.

This has some people wondering whether they should still contribute to their RSP – or just go with a TFSA. However, in most cases, it makes sense to contribute to both. Your RSP is designed for a specific purpose – saving for your retirement. It also offers the ability to make much larger contributions – and they also are tax-deductible. Your TFSA, meanwhile, is more flexible, allowing tax-free withdrawals at any time for any reason – and the amount withdrawn is added back to your available contribution room the following year.

Principle #4 – Create a tax-efficient retirement income stream

There are several strategies to create a more tax-efficient income stream, without necessarily taking on more risk. One strategy is to draw on your various income sources in a certain order, starting with less tax-advantaged sources such as GIC income in a taxable account. This gives tax-advantaged sources such as your RIF more time to grow on a tax-deferred basis. Another strategy is to split your income with your spouse so that you have similar incomes and

thus similar tax rates. Because of Canada's marginal tax rates, a couple with two similar tax rates generally pays less combined tax than a couple with two different tax rates.

Principle #5 – Enhance retirement income with special tax-advantaged plans for business owners

An Individual Pension Plan (IPP) allows business owners and self-incorporated professionals like dentists and vets to make larger tax-deductible contributions compared to an RSP. A Retirement Compensation Arrangement (RCA) – sometimes called a “super-sized pension plan” because there are no set limits on contributions or benefits – is designed for owner/managers or key employees seeking supplementary retirement benefits.

Principle #6 – Enhance your legacy the tax-smart way

Because of the potential for large taxes on your estate, the government could be your single largest beneficiary when your estate is settled. One way to deal with these potentially large taxes is through the use of insurance-based strategies, which cover the taxes, maximizing your legacy.

Please contact us for more information on tax-smart investing.



Insurance solutions

Estate planning solutions – Managing your family's wealth

When people think of insurance, they usually think about home, auto and life insurance. But insurance can also help you enhance and protect your family's wealth. Here are three ways insurance can help provide financial peace of mind for you and your family.

1. Wealth creation

It's important to know that your family would be financially secure if you became unable to earn an income due to illness or disability, or if you passed away prematurely.

- > Critical illness insurance can provide a lump-sum payment to help with your family's day-to-day financial needs, and cover any extra health-care costs not covered by the government, while you focus on getting better.
- > Life insurance can help create wealth that you would have otherwise created if you hadn't passed away. The funds can be used in any way your family needs – to help with mortgage and other debt payments, to fund your children's education costs, or to cover daily living expenses.

2. Estate preservation

You are probably familiar with Benjamin Franklin's famous quote, "In this world nothing can be said to be certain, except death and taxes." Unfortunately, death and taxes often go hand in hand.

While you can pass along your assets tax-free to your surviving spouse, you can't pass them along to anyone else without triggering taxes. Unless you have a surviving spouse, there is a "deemed disposition" of your assets at death. In other words, the government considers your assets – whether they have really been sold or not – to have been disposed of at fair market value, triggering the associated income taxes.

Everything from stocks and bonds held outside your registered retirement plans to the family cottage is taxable in the hands of your beneficiaries. Any remaining funds in your registered plans are also taxable on your final tax return – nearly half could go to the taxman.

To help preserve the value of your estate for your beneficiaries, consider the cost/benefit of a life insurance policy to help fund your estate's tax liability. A life insurance policy can either provide a fixed death benefit, or one that grows with the tax liability.

3. Tax-exempt investing

If you hold a large percentage of interest-bearing bonds and GICs in your non-registered investment portfolio,



you will be very familiar with the one, two punch of high taxes and inflation. Between your interest income being fully taxable at your marginal rate, and inflation slowly eroding away your purchasing power, you're almost better off putting these funds under your mattress.

A potentially interesting solution is tax-exempt insurance, where any income generated by your assets can accumulate on a tax-deferred basis, as they do in a registered plan. And you can access the funds by taking out tax-free loans using the insurance policy as collateral.

Because of these advantages, many high net-worth Canadian families have come to regard tax-exempt insurance not so much as insurance, but rather as a third investment pool, complementing their registered retirement plans and non-registered investment portfolios. However, there is also an insurance benefit to tax-exempt insurance – a completely tax-free death benefit that your beneficiaries can use to cover estate taxes, or for any other purpose, such as creating a family trust or a charitable legacy.

Please consult us to see how an insurance-based solution can easily preserve your wealth, reduce the burden of taxes and create a legacy for you and your family.

We are here to help in today's uncertain times

Our complimentary referral/review service.

With all the uncertainty in the markets, many people are understandably concerned about their investments.

Increasingly, clients are asking us if we would sit down with a friend, neighbour or family member to go over their investment portfolio.

Sometimes, they just want an objective "second opinion" to make sure they are on-track with their current advisor. Other times, they are actively seeking a new advisor and would like to know more about what we can offer.

Whatever the situation, we would be pleased to sit down with anyone you refer to us and provide a confidential review at no obligation or cost.

Our review process follows four key steps:

1. First, we listen to understand their needs and concerns.
2. Then, we document their investor profile, including their comfort level with risk and why they are investing.
3. Next, we review their current investment holdings based on our three research disciplines and current outlook for the economy and markets.
4. Finally, we prepare a detailed written report containing our recommendations.

We may suggest anything from staying the course to wholesale changes. We may also extend an invitation to them to join us as a client or perhaps recommend one of our partners within RBC Financial Group.

The result is one of two things:

They gain peace of mind knowing they are on-track – or they gain the confidence of knowing exactly what they need to do to get back on-track.

To inquire about our Complimentary Portfolio Review Service, please contact us today.



We welcome and appreciate your referrals

It has been our pleasure to help you with your investment needs over the years, and we'd like to take this opportunity to personally thank you for your support.

We specially want to thank those of you who have been kind enough to refer your friends and family to us. Our business is still growing and we continue to welcome the opportunity to meet new people.

Once again, thank you for your support and we look forward to serving your future investment needs.

This information is not investment advice and should be used only in conjunction with a discussion with your RBC Dominion Securities Inc. Investment Advisor. This will ensure that your own circumstances have been considered properly and that action is taken on the latest available information. This newsletter is not intended as nor does it constitute tax or legal advice. Readers should consult their own lawyer, accountant or other professional advisor when planning to implement a strategy. The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member CIPF. Insurance products are offered through RBC DS Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products, Investment Advisors are acting as Insurance Representatives of RBC DS Financial Services Inc. ®Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2009. All rights reserved.