Insurance & Financial Group Inc.
JSJ

Inside Info

Autumn 2008

In This Issue:

Just For Fun.....

"The safest way to double your money is to fold it over and put it in your pocket."

~ Kin Hubbard

MARKET COMMENTARY

September 18, 2008 - Jack Wallace, CFP CLU

It has been a very scary two weeks with the Dow falling 6% and the TSX falling 8% in the last 10 trading days. It might make us wonder if we should move out of our current portfolios. We must keep in mind that the Indexes we view are made up of certain stocks that have been looked on favourably in the past and are added to the Index to try and mirror what the economy is doing. For instance Nortel Networks is one of the TSX Index members. It just published a gloomier outlook for the remainder of the year and its shares plummeted 52% today. This has an effect on the TSX Index and drives it lower. The funds we are invested in do not mirror the movement of the TSX or Dow as they are not invested in just the 30 or 60 stocks that make up the Dow and TSX respectively. A large decrease in the TSX will effect our investments and the Index has dropped 22% since mid June. This has impacted our investment.

I have included here some "talking points" from respected Money Managers as to the outlook and what the future may hold:

- *"Canadian banks offer interesting value but share prices could be flat for an extended period because of the general turmoil in financial markets.*
- *While energy and other commodities will be under pressure in the near term, Signature is looking to increase exposure to these sectors as the team believes they will experience a renewed bull market once global growth picks up again.*
- *Canadian banks and insurers are well-capitalized – a positive for the Canadian economy and investors.*
- *Expect a gloomy fall with the economic slowdown and consumer retrenchment"*

*(*quotes from Eric Bushell, CI Signature Funds Chief Investment Officer)

I was at a meeting last week reviewing the markets and the downturn and we discovered something very interesting. Since post World War II Bear Markets have declined 31% and subsequently during the same period the recovery has averaged 150%. We found that markets dropped over 35% the day after The World Trade Center collapse and twenty months later it had increased 75%. These are long term investments and therefore we know that recovery and profits will happen and this is only a "blip" on the markets for the next six months.

JSJ Insurance & Financial Group Inc.
195 King Street, Suite 208 St. Catharines, Ontario Canada L2R 3J6
Phone: 905.688.3224 1.800.697.2949 Fax: 905.688.4397
www.jsjgroup.com news@jsjgroup.com
We appreciate your comments!

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ARE BOOMERS READY FOR RETIREMENT?

Just after the Second World War, from 1945 to 1960, there were about 28 births on average per 1,000 people in Canada. This was known as the baby boom. Those boomers however, have not been having many children of their own, and they did not have many grandchildren either. By 2000, the birth rate has been around 11 births per 1,000 Canadians… less than half of the baby boom generation.

From 1960 to 1980, those boomers entered the workforce and Canada saw unprecedented amounts of workers earning a salary and paying taxes. Social Programs became king as we saw hospital and health insurance programs, more generous old age pensions, low-cost college and university tuition, as well as improved employment benefits.

Now however, we are looking towards a very different future. Baby boomers are currently between the ages of 45 and 60 years old. By 2020 most of them will have begun their retirement and will leave a large number of jobs open for the next generation. All those employed gen-xers and gen-yers will, however, be forced to pay higher taxes. Why? Our governments will be cash-strapped with less tax revenues and more spending in health care and government pensions.

With all these demographic transitions, are boomers ready to be self-sufficient for the length of their retirement – which is lasting longer than ever before with medical advancements and people taking better care of themselves.

In a survey conducted in 2007 by Fidelity Investments Canada which polled 1,000 Canadians aged 45 or older, it was found that the 64% of employed Canadian baby boomers plan to maintain their standard of living in retirement, with another 6% planning to increase and 22% planning on downsizing in retirement.

It is calculated that boomers are going to have to replace a benchmark 75% to 80% of their pre-retirement income. So are their retirement finances in accordance with those plans?

A Fidelity retirement index conducted in October 2007 determined that boomers are on track to replace 55% of their pre-retirement income. So it comes to this: are boomers going to change their aspirations for retirement, or change their saving habits?

The Fidelity Investments survey shows that a staggering one in five baby boomers (23%) has a retirement income plan that clearly indicates where their money will be coming from in retirement and where it might be going. Retirement income planning is a relatively new area, but is nonetheless imperative and something that should be examined closely with your financial advisor.

A key to every retirement plan is to diversify the sources of retirement income, however there are many other things to consider. What will your debt load be at retirement? Living expenses? Lifestyle expenses? What amount for what amount of time can you achieve with each retirement income source? These are all important aspects that should be clearly planned in writing with your financial planner when approaching retirement.

Short on the heels of the Fidelity Investments Poll outlining how baby boomers are ill-prepared for their retirement aspirations comes another poll issued by Investors Group showing a decline in RRSP contributions by Canadians.

The poll reports that only 37% of eligible Canadians made contributions during the 2007 tax year, which is down 5% from the 2006 tax year. Among those who did pay into their savings plans, 83% invested the same or more than they did in 2006.

What could be the reasoning behind this decline in RRSP contributions? Some may speculate the volatile markets have the investor taking a “wait-and-see” approach. It could also mean that there are other investment alternatives that investors are putting their money into as well. Either way, 53% of Canadians who made an RRSP contribution spoke to a financial advisor about their savings plan.

Advisor.ca “Boomers must lower expectations or save more: Survey” by Mark Noble published Feb 19/08
“RRSP not a priority for Most Canadians” published March 6/08

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Encore Presentation:

Why a Large Tax Refund is No Reason to Celebrate

The idea of a tax refund, particularly a large tax refund, is cause for celebration for most people, but it shouldn't be. The reality is that a tax refund means you have paid the Canada Revenue Agency (CRA) too much tax throughout the year. In essence, you have provided the government with an interest-free loan. The larger the refund, the larger the loan amount. Who knew you could be so generous!

You shouldn't have to wait until the following spring to get your money back. Fortunately, there are ways you don't have to.

One simple way is this:

If you have non-payroll RRSP contributions, childcare expenses, interest expenses on investment loans, alimony, maintenance or support payments, charitable donations or rental losses, you can reduce the amount of tax deducted at source by your employer. Simply complete CRA Form T1213 "Request to Reduce Tax Deductions at Source", a straightforward one-page form, and send or take it to your local tax office. If approved, CRA will authorize your employer to deduct less tax from your pay.

There are several other methods of reducing these **transfers of wealth**, and we encourage you to contact our offices for further information.

Material from WealthStyles, Manulife Financial

Budget 2008: TFSA's

Tax-Free Savings Accounts – the newest "incentive" being offered by the Canadian government to promote self-saving for retirement. Available in January 2009, this innovative investment vehicle seems too good to be true. But it IS true and something that everyone should be considering and discussing with their financial advisor.
The Tax Free Savings Account will offer the following to participants:

- Annual contribution limit of $5000 per person
- Contribution limit not restricted to one account
- Spousal contributions available
- No tax deduction for contributions
- Carry-forward of unused contribution limits
- Tax-free investment growth, with tax-free withdrawals
- Funds available for withdrawal at any time, and you are eligible to replenish the contribution room the following year
- Funds withdrawn does not affect your eligibility for government benefits (i.e Child Tax Benefit, Old Age Security, Goods and Services Tax Credit, etc)

…and more!

The tax treatment and ease of withdrawal of these funds makes it a perfect way to save for a large purchase, use as a family vacation fund, emergency fund, or as a retirement income stream supplement.

Contact us today to see how the Tax Free Savings Account would fit into your financial plan!

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FOR BUSINESS OWNERS

"PAPER KILLS" BY RICK SPENCE

MoneySense magazine, December/January 2008

The disorganized pay more. Where you run a home business or a multinational, your ability to organize yourself is crucial. Problem is, being organized comes as naturally to entrepreneurs as centring the Montreal Canadiens' power play.

"People throw away hundreds of dollars" by losing receipts and forgetting to record potential tax deductions, laments Linda Chu, a professional organizer in Vancouver. And that doesn't include the time you waste sorting through messy desks and impenetrable filing systems.

Mandie Crawford, a former police officer turned small-business consultant in Calgary, says running your own business is much like police work: "The job may be fun, but the paperwork will kill you if you don't do it right."

Unfortunately, recognizing the problem doesn't mean you can fix it. Two-thirds of respondents to a recent Office Depot survey admitted they don't know how to get organized or stay that way.

It takes systems to turn entrepreneurs into administrative whizzes. Enter a new breed of professional organizer who will come to your home or office to help you create procedures for controlling clutter.

"Organizing is a growth industry," says Chu, founder of Out of Chaos Inc. and marketing director of the industry association, Professional Organizers in Canada. POC now has 545 members across Canada, up from 100 five years ago. Inspired by such popular home-makeover TV shows as *Clean Sweep*, much of the industry is geared to consumers. But with the disappearance of secretaries from most companies, organizers are finding there's plenty to do in business as well – at rates ranging from $45 to $175 an hour.

The POC website (organizersincanada.com) has a "Find an Organizer" page if you're serious about creating a systemic change. But if you would rather do it yourself, here are 10 money-saving tips from three expert organizers.

- "Leverage your time," says Chu. If you're not a detail person, hire a bookkeeper to record your expenses and a student to input the names on that collection of business cards scattered over your desk.
- Put receipts for business expenses into a basket or file folder as soon as you get them. If you do that 21 times, it becomes a habit that will serve you forever, says Elizabeth Verwey of Small Office Mentors in Toronto.
- Keep a notebook in your car for recording business trips: date, purpose, kilometers driven. Verwey records every trip, whether business or pleasure, "so I don't have to remember to do it for business." (She's seen the Canada Revenue Agency disallow vehicle deductions for entrepreneurs who didn't keep detailed logs.)
- Where to put your receipts when travelling? "Baggies are your friend," says Chu: use plastic sandwich bags to keep receipts together. Make sure you fill in the details for each expense every day (cab drivers rarely write in the pickup point or destination anymore).
- Store old receipts in clearly labeled bankers' boxes. If you move, "take them with you in your vehicle," urges Crawford. Three years ago, her mover lost a box containing two years of her records during a move from Hamilton to Calgary. When she was audited by Canada Revenue, being unable to prove those expenses cost her $5,000.
- When buying business supplies online, immediately print out your receipt, says Verwey. That way your deduction won't get forgotten come tax time.
- Don't combine your personal and business banking. "If you run your business out of one account there's never any question about what your expenses are for," says Crawford. "If the auditor's see personal stuff in your business account, they'll question everything."
- Go digital. Use small business software such as Simply accounting or QuickBooks to track your revenue and expenses, says Verwey. The reports you generate will tell you where your business stands all year long, and make tax time a breeze.
- Hire a pro to do your taxes. They know how to claim the maximum deductions – safely.
- Save time by creating email templates for messages you send out more than once. "There's lots of things you do over and over again," Crawford says. "The more you systematize that, the more efficiently you can run your business."