

# The Dream Achiever



SEPTEMBER 30, 2012

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*"The problem is not that there are problems. The problem is expecting otherwise and thinking that having problems is a problem."*

*~ Theodore Rubin*

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## How to rise in fall

At this time of year the foliage turns from summer green to the spectacular shades of yellow, orange, and red. One place that you probably won't see any red is on your September 30<sup>th</sup> statements.

So far 2012 has been a tale of 3 quarters: The **first quarter** saw the strongest start for the U.S. stock market since 1998, driven by a reduction of fears about Europe, as well as stronger economic data in the U.S. The **second quarter** gave many of those gains back, due to escalating concerns about the European currency union and slowing global growth, accompanied by discouraging data on employment. We also saw a slowdown in China and India, putting downward pressure on the prices of oil and other commodities and stocks in general. The **third quarter** saw markets bounce back, as the U.S. Federal Reserve Board and the European Central Bank (ECB) put measures in place to stabilize economies and to boost growth prospects. In particular, European confidence was boosted by the ECB's announcement that it would backstop Greece, Spain and other countries whose economies are struggling. And of course there was Apple's release of the new iPhone5.

The TSX Composite was up 6.22% in the 3<sup>rd</sup> quarter giving it a year to date return of 3.03%. In the U.S. the S&P 500 was up 5.76% in the 3<sup>rd</sup> quarter giving it a year to date return of 14.56% (in U.S. dollars).\* These returns show the continued importance of **diversification** in your portfolio as Canada represents less than 5% of the global marketplace. We feel that it is important to also be exposed outside of Canada.

Looking back is the easy part of investing; it's looking forward that always proves to be the challenge. Volatility is still a major theme in the markets today but that is why it is important to **stick to your game plan**. You need to remember to not get caught up in the emotions of the day and root all of your decisions on what happened in the recent past. Remember that in the long run owning stocks should prove to give you better returns than fixed income because fundamentally you should be rewarded more as an owner more than as a lender.

Ultimately it is very important to make sure that your **portfolio reflects the right level of risk** for you as an investor. It is important to balance how much risk investors want to take and need to take to achieve their objectives.



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## Congratulations to our WebConnect winners

*As communicated, we had a draw for DD Humes clients who signed up for the FundEX online statements before June 30<sup>th</sup> 2012.*

### **Montreal Alouettes tickets**

*Pamela Gavin*

### **Cineplex movies package**

*Ellen Cardarelli*

### **Panini maker**

*Vince Di Pasquo*



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## Market Overview *Continued*

As mentioned in the past, we feel that it is very important for our **retired clients to have a buffer of secure and liquid funds** to cover at least 3 years of payments. This reduces the risk of having to sell holdings at depressed levels and lowers the stress of investment decisions.

It is a great time of year to schedule a review of your financial plan and portfolio. This way we can ensure that you are taking advantage of any opportunities and have the proper level of risk and diversification to suit your investor profile. **If you have any concerns about your portfolio or any other financial matter, call us.** It will be our pleasure to assist you.

## Year end planning preparations

- **Tax Loss Selling.** Assessing investments in a loss position to offset gains in 2012 or 3 previous tax years.
- **Registered Education Savings plan (RESP)** contributions. Quebec beneficiaries now get the added 10% QESI grant from the provincial government increasing the overall grant to 30%!
- **Tax Free Savings Account (TFSA)** contributions. (Note: January 1, 2013 will probably bring another \$5,500 up from \$5000 of contribution room based off inflation. This will probably be officially announced in December.)
- **Maximize your RRSP:** Please provide us with your room for the 2012 tax year from your Federal Notice of Assessment that you received after filing your 2011 taxes. The maximum room for 2012 is \$22,970. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2012 will need to convert your RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.



## The Planning Corner – Tax: Pension Income Credit

The Pension Income Tax credit is available to you if you are 55 years of age or older. Basically, it enables you to deduct, from taxes payable, a tax credit equal to the lesser of your pension income or \$2,000.00. Depending on which province you live in, this equates to \$440-\$720 in actual tax savings each year.

**What is eligible income?** It depends on your age.

If you are **under age 65:** income from a formal pension plan or annuity income arising from death of a spouse under an RRSP, RRIF or DPSP.

If you are **over age 65:** income from a pension fund, annuity from RRSP or DPSP, income from a RRIF, income from foreign pensions, interest from a prescribed non-registered annuity, or interest from non-registered GICs offered by a life insurance company.

**Planning opportunities:** If you are between age 65 and 71 and have an RRSP (or LIRA) you can convert some of your plan to a RRIF (LIF) and withdraw \$2000 per year in a tax preferred way. The use of pension income splitting could also provide the opportunity to get the credit for your spouse. Talk to your accountant or give us a call for more information.

### *Disclaimer:*

The foregoing is for general information purposes only and is the opinion of the writer. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call **David Humes, Matthew Humes, or Chantal Massicotte of DD Humes Financial Services / FundEX Investments Inc.** to discuss your particular circumstances.

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\*Source: <http://www.standardandpoors.com>