MONEYSTRAT® SECURITIES INC

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MONEYFILE

FINANCIAL STRATEGIES

INVESTMENTS • TAX • INSURANCE • WILLS • ESTATES

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FOCUS ON INVESTING

Is your portfolio like *Dancing with the Stars* or *Arrested Development*?

In 1888, George Eastman invented a push-button camera and the film to go with it. Eastman Kodak took off, and for the next 100 years or so, the company dominated its field. In 1930, it was added to the Dow Jones Industrial Average as one of the 30 core stocks reflecting the fortunes of the broader US economy.

And get this: Kodak invented the digital camera in 1976. But it had such a stranglehold on the film market (at that time, 90% of all film sold in the U.S. was Kodak), the company simply couldn't envision a world without film and didn't pursue the digital wave. Ah, hindsight!

Doing a slow pan across the last 20 years or so, Kodak was delisted from the Dow, saw its share price drop from $90 to 76¢, and, in January of last year, filed for bankruptcy protection (at which point, its stock fell to a wound-salting 36¢).[1]

What's the moral here? That even the most successful and innovative companies can become obsolete.

For investors, this means considering another layer of diversification. So not just diversifying by asset class and geography, but ensuring that you have exposure to new technologies. Technology is to our investment world what the railroads were to George Eastman's: fundamental building block of the economy. The tech sector can deliver valuable diversification and the robust potential of a sector that is quite literally dancing with the stars.

Call us if you'd like to explore the technology sector for your portfolio. ■

[1]http://www.kodak.com

3 ways to reward your conscience — and your capital

The stereotype that "green" or socially responsible investors are do-gooders sacrificing returns for the sake of their conscience has been firmly laid to rest. What's more, SRI funds have emerged as strong performers across every major fund category. (See chart: "Socially and financially responsible.")

So what is socially responsible investing and does it make sense for your portfolio? Here's a quick backgrounder.

Environmental, social, governance

In the early days, SRI generally meant avoiding companies that produced tobacco, firearms, and alcohol. During the days of apartheid in South Africa, public awareness of SRI broadened and gained traction as individual and institutional investors divested out of businesses with ties to the country and its regime.

Today, there are no specific rules about what constitutes a socially responsible investment, but most mutual funds apply an ESG screening protocol. ESG is a kind of blueprint for assessing a company's commitment to its environmental impact, social responsibility, and corporate governance (hence ESG).

Environmental factors could include such things as a company's disposal of emissions and waste, its dependence on diminishing resources, and its impact on climate change.

The social prong weighs the company's employee diversity, aboriginal relations, and consumer and animal protection.

Corporate governance is the newcomer of the trio and seeks to gauge things like employee relations, executive compensation, and shareholder relationships. It is becoming widely accepted that responsibility in these areas will not only make a company more socially responsible, but will also help maximize profits.

ESG screens can also be used to exclude companies with poor practices or in controversial industries such as weaponry or genetically modified foods.

Of course, SRI fund managers also apply rigorous financial analyses to choose securities that have both strong ethics and good growth potential.

50 shades of green

Quantifying intangibles, like whether a company is philanthropic enough, is significantly different from the more traditional yardsticks, like price-to-earnings ratios. And because these criteria are more abstract, it's not surprising that each fund company has its own proprietary way of measuring and ranking them.

Another important point here is that SRI funds don't just apply ESG screens to traditional "green" industries like renewable energy or organic farming. ESG tenets are used to assess corporations across every market sector.

For example, a mining company could could still be part of an SRI mutual fund if it conducts its business in a way that meets or exceeds ESG standards.

The degree of ESG compliance required depends on the fund company and its specific objectives. Some companies demand more than others. But it's fair to say that SRI fund managers have had a hand in influencing business practices across many industries as these firms strive to accommodate and attract institutional investors.

To see if these funds merit a place in your portfolio, please contact our office. ■

Socially and financially responsible

This chart shows the performance of SRI mutual funds against overall industry averages (to March 31, 2013). While many SRI funds are young and don't yet have longer-term track records, the trend is compelling. Of course, past performance alone is never a reason to invest for the future. But this can give you an idea of how responsible investing can go hand in hand with profitable investing.

	Average annual compound return		
Fund Category	**1 year**	**3 years**	**5 years**
Canadian Equity Funds			
SRI	7.66	4.44	1.67
Non-SRI	6.22	3.38	.47
Canadian Fixed Income			
SRI	2.78	5.15	5.27
Non-SRI	3.66	4.86	4.50
Canadian Small/Mid Cap Equity			
SRI	16.14	12.33	5.42
Non-SRI	1.34	3.75	2.09
US Equity			
SRI	14.23	9.76	4.00
Non-SRI	10.41	8.38	1.99

Source: Social Investment Organization, *Socially Responsible Funds Perform Strongly.*

The MONEY file

TIPS AND TACTICS TO HELP YOU GET AHEAD

SMALL BUSINESS

Small business owners take note: Capital gains exemption going up in 2014

If you have been mulling the opportunity to crystalize a capital gain from shares of a small business, farm, or fishing property, there's good news.

Thanks to the federal government's spring budget, the lifetime capital gains exemption on these assets is going up to $800,000 from $750,000. And even if you have exhausted the existing limit, you will still be eligible for the additional $50,000 starting in 2014. This sets up a strategic planning opportunity that could save you more than $12,000 in taxes.

As you might expect, the rules are complex and require some advance planning. So if you own (or think you own) these kinds of shares, please call our office. We would be pleased to help you get the most from this exemption. ■

MANAGING CREDIT

Dad, could you sign this please?

It's fall, and time for the annual migration of kids flocking back to school. Not coincidentally, it's also the season for young adults to apply for loans and credit cards. If you are thinking about co-signing a loan or credit card application, here are a few caveats.

When you co-sign a loan, you are effectively becoming a joint borrower. That makes you equally responsible for repaying the debt. If you are comfortable with this, our advice is to start with a small loan and a short repayment schedule.

Credit cards are a little different. Some issuers require no co-signer. Others won't let you co-sign but will let you add your child as a secondary card holder on your own account, in which case you are equally responsible for their debts. And still others don't issue traditional credit cards to students at all.

If you share your account, you'll be able to monitor your student's spending on your own monthly statements. If you co-sign, you have the option of receiving a copy of your student's monthly statements. It's probably a good idea to opt in for this, as it will help you to keep track of the balances and make sure your own credit rating is not being compromised. ■

MONEY MANAGEMENT

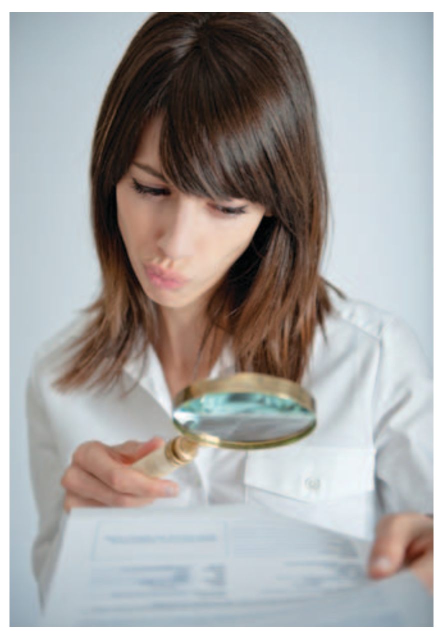
Watch those fees!

What happens if you have a banking package that includes, say, 15 free transactions, and you go over? Or if your balance drops below the minimum threshold? You could find yourself facing unexpected (and hefty) fees.

If it happens more than once, the bank may upgrade you to a more expensive package that includes more transactions, as a courtesy — which may or may not be what you want.

You can avoid this by reviewing your actual banking needs. How many transactions do you usually have per month? Is it worth carrying a hefty balance to avoid a few dollars in transaction fees? Do you make withdrawals from other banks' ATMs, get U.S. money orders or certified cheques, need a safety deposit box? These services are often included in the higher-priced account packages. If they're features you use, it might be worth it.

And lastly, always check your statement! If you get bumped into a higher-tier package that you don't want, call your branch and let them know. ■



Take the yoga approach with your portfolio

Yoga is all about balance, strength, and flexibility. Devotees believe that yoga doesn't just strengthen your body, it soothes your mind and can lead to a sense of calm and serenity.

Believe it or not, investing can be like that, too. It's possible for all of your investments to work together to achieve balance, strength, and flexibility — through diversification, rebalancing, and tax-efficiency.

Master your chakras for balance

Chakras are energy points on your body. In your portfolio, they're akin to your various accounts and holdings. But are they working together as efficiently as they could?

We will continuously work together to achieve and maintain appropriate diversification in your, and your spouse's, portfolios. This means: the right balance of equities, fixed income and secure investments; and avoiding overlap and duplication within and between your portfolios.

Duplication can hamper long-term growth and leave you vulnerable to turbulent stocks or sectors. Just because you don't hold the same funds doesn't mean you're well-diversified. For example, you might be holding the X&Y Canadian Equity Fund and your spouse might have the A&B Canadian Growth Fund. But it's possible that those funds hold very similar securities.

Reviewing your portfolios and investment approach as a whole will help us eliminate duplication, ensure proper diversification, and give your financial plan strength and balance. You can stay in that place of calm serenity with a buy, hold, rebalance philosophy.

Here are two situations that could mean it's time to rebalance:

Your target asset mix is out of line. Over time, as each asset class performs differently, the original mix that you established can shift. To re-establish your preferred mix, together, we will review and potentially sell some of the higher-performing investments and buy more of the other asset classes.

Your time horizon is changing. As you get closer to retirement, you may want to increase the percentage of income-producing investments in your portfolio.

Ohm, ohm, ohm

A yogic mantra is thought to be the sound of the universe and invokes harmony between the mind, body, and spirit. And hey, it can't hurt when talking about taxation, either.

It's all about efficiency. Outside of your registered plans, bonds, bond funds and interest-bearing investments are taxed at your highest marginal rate. Work toward holding the bulk of these investments inside your RRSPs, where the tax can at least be deferred, or TFSAs, where investments grow without incurring tax. This is also true of foreign stocks, bonds, and mutual funds, which don't enjoy the tax-preferred treatment of their Canadian counterparts.

Then, use your non-registered portfolio to invest in things like Canadian equities, which typically pay out tax-friendly dividends and capital gains.

Get in touch with us if you'd like to review your portfolio and that of your spouse for balance, strength, and flexibility. Namaste! ■

Let it grow, let it grow, let it grow

According to a recent poll, 36% of Canadians took money out of their RRSPs in 2012 — up significantly from 23% in 2005. The average withdrawal was almost $25,000.[1] And those withdrawals were to cover day-to-day expenses or pay for a vacation.

Your RRSP might look like a source of easy money, but withdrawals from it come with a very steep price tag.

First, you face an immediate tax hit in the form of a hefty withholding tax: take out more than $15,000, and you have to ante up 30% or $4,500 (31% in Quebec).

The second kick in the wallet comes with the loss of tax-deferred compound growth. Let's say you're 40 and planning to retire when you're 70. You're thinking of withdrawing $25,000 next year to do some renovations on your house and take the kids to Disneyland. Assuming an average annual compound rate of return of 5%, that withdrawal will have an impact of more than $108,000 on your RRSP total when you're 70.

The third indignity to your retirement lifestyle is the irreversible loss of your contribution room. Once you have made a contribution and taken the tax deduction for it, there's no getting it back.You owe it to your future to ask: Is it worth it? ■

1 Harris/Decima, The Scotiabank Mega Poll, 2012