



PORTFOLIO STRATEGIES

c o r p o r a t i o n

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### Random Thoughts

"Stock market predictions for 12 months from now are formed through the scientific process of extrapolating conditions from the present and recent past, stirring in some cognitively dissonant assumptions, adding a pinch of wishful thinking and then garnishing with a dollop of political bias."

-Josh Brown from *The Reformed Broker*

If you don't like something, change it. If you can't change it, change your attitude.

-Maya Angelou

If everyone is thinking alike, then somebody isn't thinking.

-George S. Patton



### Did you know...

Canadians will be able to be able to contribute an additional \$500 a year, for a total of \$5500, to their Tax Free Savings Accounts starting Jan. 1, 2013.

Of the 56% of Canadians who have a will, 85% will be leaving the money to family, a new poll for BMO Harris Private Banking has found. 60% of the assets are going to children, 25% to other family members and 3% to friends and charities respectively. Of those without a will, 60% plan to draft one in the future.

Canadians who spend more than four months in the U.S. every year should consider filing a U.S. tax form to avoid being deemed a U.S. resident for tax purposes.

## RRSP Refresher and More

We hope that everyone had a happy and safe holiday season. With the New Year upon us, now would be a good opportunity to discuss RRSPs. As we have highlighted in previous newsletters, the key benefits of this investment structure are:

### Contributions are tax deductible

Your RRSP contribution is a deduction from your income on your tax return. Therefore if you are in the 36% tax bracket, your tax deduction will be 36 cents on every dollar you contribute.

### Savings grow tax free

You won't pay tax on investment earnings as long as they stay in your RRSP.

### You can convert your RRSP to get regular payments when you retire

You can transfer your RRSP savings tax free into a Registered Retirement Income Fund (RRIF) or annuity when you retire.

### A spousal RRSP can reduce your combined tax burden

If you earn more money than your spouse, you can help build their tax-free savings while still reducing your own tax burden.

### You can borrow from your RRSP to buy your first home or pay for your education

You can take out up to \$25,000 for a down payment for your first home under the Home Buyers' Plan (HBP). You can also take out up to \$20,000 to pay education costs for you and your spouse under the Lifelong Learning Plan (LLP). You won't pay any tax on these withdrawals as long as you pay the money back within the specified time periods.

We also want to remind you that a simple way to build your RRSP savings is through an automatic monthly investment. This will provide dollar cost averaging and help you to pay yourself first.

### The deadline for RRSP contributions for the 2012 tax year is March 1, 2013

### 2013 Outlook

This time of year brings an extraordinary number of prognostications from strategists and economists about the year to come. They tend to make for good reading, but do not offer much practical or accurate advice (even the Mayan's couldn't accurately predict the end of the world).

Most predictions focus on a single number; where the S&P 500 or the TSX composite index will end the year. Not surprisingly, most predictions stick close to the average stock market gain through history, which is about 8 per cent.

Bank of America predicts the S&P 500 will hit an all-time high (1600) as corporate earnings chug higher (a 12% annual return), while Bank of Montreal sees the index rising to 1575 as investors start to pay more for earnings. Reading these forecasts can give investors a good understanding of the big foreseeable themes. The problem is, that markets often over react to the unforeseeable things such as, credit downgrades, lending freezes, or sudden turns in earnings.

The things we do know are that the US and Europe are dealing with a heavy debt load. This will not likely force another recession but it will dampen economic output. As new austerity measures are put in force, increases in taxes and decreases in spending are sure to slow the growth in several sectors. The jobless rate is unlikely to decline much in a soft economy before 2018. However, corporations are borrowing money at extraordinarily low levels and using this to fund further growth in their industries.

Also, holding cash has become very unattractive to almost all investors. In a zero return environment, "cash is not king," David Rosenberg of Gluskin Sheff & Associates said – "What is king is cash flow, however". This means that investors will have to put their money to work in order to find suitable investments that can pay a reasonable yield.

In conclusion, forecasts are nice, but they are no replacement for a properly structured portfolio that can withstand the market's unpredictable nature.

### Keeping you informed:

#### Tax-free savings accounts limit rising by \$500 in 2013

<http://www.cbc.ca/news/business/story/2012/11/26/pol-tax-free-savings-accounts-increase.html>

#### 2013 market outlook: All predictions will be wrong

<http://m.theglobeandmail.com/globe-investor/investor-community/trading-shots/2013-market-outlook-all-predictions-will-be-wrong/article6320845/?service=mobile>