



Since 1972

Macdonald, Shymko & Company Ltd.

Fee Only Financial Advisors/Portfolio Manager

WEALTH MONITOR

MSC INVESTMENT COMMITTEE

Many of you have seen MSC refer to “our Investment Committee” in doing due diligence on a particular type of investment. We thought it would be an opportune time to explain exactly what the Investment Committee does, who comprises the Investment Committee, and how information is processed when recommendations are made.

The Investment Committee has been part of MSC’s culture almost from the beginning. The rationale was that the more sets of eyes looking at an investment, the more opinions and constructive analysis would be gleaned. This was true when the company started, almost 40 years ago, and it is still true today. The Investment Committee is comprised of all the Principals of MSC. The Principals have a variety of backgrounds and education, as well as expertise in various disciplines. This melting pot makes MSC’s Investment Committee a valuable source of knowledge to help assist you, as our client, in helping to make the all-important investment decision.

The MSC Investment Committee meets both regularly as well as irregularly, depending on when investments are brought to our firm’s attention. For example, the Investment Committee regularly reviews Real Estate Investment Trusts (REITs) available in Canada. This asset class has become a component in many of our clients’ portfolios. One of the Principals chairs the meeting and prepares due diligence, with the outcome being recommendations as to whether to add or remove a REIT in our portfolio mix. Also, the meeting brings us up-to-date on trends in this particular asset class. Another example is Fixed Income strategies. While we do not discuss individual bonds, we look at classes of bonds and develop policy in assisting our clients in developing their portfolios.

An Investment Committee meeting can be called by any of the Principals to bring forth new investments, such as a syndicated mortgage investment, a resource share flow-through or syndicated real estate, to name a few. The Committee member leading the investment must distribute in advance of the meeting a written report on why the investment should be considered for recommendation,

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SPRING 2012



Let go of the past and go for the future. Go confidently in the direction of your dreams. Live the life you imagined.

~ Henry David Thoreau

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TAX TIP

Home Buyers Tax Credit: This Federal program allows first-time home buyers who purchased an eligible home in 2011 to claim a \$5,000 tax credit. In order to claim the credit, it must be entered on Schedule 1 of the 2011 Tax Return and it can be split between spouses, where appropriate.

OLD AGE SECURITY (OAS)

The Federal Government has indicated that there may be some changes announced soon for Old Age Security. They have hinted that any changes may not affect current retirees, but will be focused on future retirees. Today, OAS is a “pay as you go” system in which individuals do not directly contribute (unlike Canada Pension Plan). OAS is funded out of general tax revenues, and with the aging population the Government is worried about escalating costs in the future. *We will keep you updated on any changes.* (On a more positive note, the CPP fund recently reported that it has over \$152 billion in assets, and from previous actuarial reviews, it seems to be well funded.)

MSC NEWS

- ◆ In February, Ngoc Day was granted the Trust and Estate Practitioner designation “TEP” by the Society of Trust and Estate Practitioners (STEP). She joins David Shymko and Ian Black as the third member of our firm to attain the designation.
- ◆ Gina Macdonald was quoted in the following *Vancouver Sun* articles:
 - ◇ January 16, 2012 - “Pension Coverage *Woefully Inadequate*” - Comments about workplace pensions and retirement income.
 - ◇ February 21, 2012 - “Understanding Risk Factor Essential: When interest rates are at low levels, finding the right mix is easier with expert advice”.
- ◆ *Yahoo! Canada Finance* article: Ian Black was quoted in the January 27, 2012 article, “TFSA: Savings Account or Investment Tool?”.



MSC INVESTMENT COMMITTEE (CONTINUED FROM PAGE 1)

the risks and potential returns associated with the investment, and of course, any associated income tax implications. The Investment Committee then meets and an open discussion is held, with various points of view brought forward. In many cases, the investment is subsequently approved, subject to answering, to the Committee’s satisfaction, a number of different questions that the leader of that particular investment did not initially see during the due diligence process. Often, there is a second meeting or series of internal e-mails to ensure all questions and concerns are addressed.

It should be noted that not all investments coming to the Investment Committee are approved: many investments are rejected by the Committee.

MSC has found, over our history, that this process helps us suggest investments that meet our clients’ needs.

B.C. BUDGET 2012 - TAX UPDATES

- In 2012, the B.C. basic income tax exemption amount will decrease from \$11,354 to \$9,373 (plus any inflation adjustment), so personal income taxes may be modestly higher.
- First Time New Home Buyer Bonus – A *temporary* bonus for up to \$10,000 applies for first-time buyers of newly built homes. This refundable income tax credit will be available from February 21, 2012 to March 31, 2013, and is calculated based on 5% of the purchase price, to a maximum credit of \$10,000.
- The HST rebate threshold for newly built homes increases to \$850,000, and this will now include purchases of new secondary vacation properties built outside the GVRD and Capital Regional District. (Changes are effective April 1, 2012.)
- Seniors Tax Credit for Home Renovations – An annual tax credit worth up to \$1,000 is available for seniors, whether they rent or own, to help cover the costs of structural changes such as hand rails, ramps, walk-in bathtubs, etc.
- B.C. will establish a Children's Fitness Credit and Children's Arts Credit to complement the tax credits offered by the federal government. This allows families to claim up to \$500 in eligible expenses (per child, per credit, per year) for eligible sports or arts programs.

INSURANCE MATTERS

Travel Medical Insurance: This is always an important consideration when planning a trip, and if you do not have current coverage the decision may seem obvious. However, even individuals/families with existing travel medical insurance (i.e., Group Employer plans, extended medical plans, etc.) may still want to consider purchasing extra insurance. One consideration is that in the case of your employer's group insurance plans, there may be a lifetime limit to the total coverage. If you incur a large medical claim on vacation, this may impact the future coverage remaining for you and your family under the plan. To address this concern, you could purchase extra travel medical insurance to supplement your existing coverage, but it is important to determine which policy will be the *first* payee. You may find that the common travel medical plans available provide coverage only as the *secondary* payee, therefore providing funding only after your primary insurance plan reaches the maximum payable. To avoid this, you would need to search for a policy that provides primary coverage (*first* payee). Overall, check your current coverage closely and decide if you need additional coverage.

Accidental Death & Dismemberment Insurance (AD&D): Many individuals may have this type of insurance as part of their Group Insurance plans or with other products. However, few people take the time to review the conditions and restrictions on these policies and, as always, the fine print is important. In a recent court case against a Life Insurance company from the spouse of a deceased employee with AD&D Insurance, while the employee clearly died in an accident, the Life Insurance company did not have to pay out as the fine print on the policy indicated this situation was not covered. When applying for any type of Insurance (Life, Disability, AD&D, Home, Auto, etc.), it is always important to review the conditions carefully to ensure that there is not a false sense of security about the perceived coverage.

ODDS & ENDS

LOST AND FOUND MONEY

The BC Unclaimed Property Society oversees unclaimed proceeds from intestate estates (estate without a will), accounts at credit unions, insurance payments, court payments, unpaid wages, real estate deposits, etc. Currently, they have millions of dollars that are unclaimed and there is no statute of limitations on unclaimed money. The Society makes an effort to search for the owners of the funds, but is often unable to locate the owners/designated heirs, etc. You can search by name on their website at www.unclaimedpropertybc.ca

Also, the Bank of Canada oversees the unclaimed proceeds for all federally regulated banks and trust companies. As at the end of December 2011, \$465 million in unclaimed assets, which include negotiable instruments as well as cash, were on the Bank's books. You can search on their website to see if you have an unclaimed balance:

www.bankofcanada.ca/unclaimed-balances

INVESTING

A recent survey by Brandes Investment Partners found that only 5% of affluent investors in Canada knew that there are no longer any foreign content limits for RRSPs, and 10% thought the RRSP assets had to be 100% Canadian. The foreign content restrictions were removed in 2005.

EMAIL SCAMS

A warning from the Canada Revenue Agency (CRA): If you receive an email that states it is from CRA and is requesting personal information, it is likely a scam. CRA's policy is not to request personal information of any kind from a taxpayer by e-mail. Of course, even emails from a "trusted" source must be treated with caution as phishing scams send out emails that look like they are sent from a trusted source (financial institution, company, friend, etc.), but turn out to be fraudulent. Always take caution before opening any links or providing any personal information.

HOUSEHOLD DEBT

A recent poll conducted by Harris-Decima for CIBC found that, on average, Canadians currently holding some form of debt feel they will be debt free by age 55. However, the poll shows that for Canadians currently in the 55-64 age group, only about 35% are actually debt free. This trend reflects recent results from Statistics Canada that the level of household debt has reached an all-time high, with the ratio of credit market debt to personal disposable income at 151.9 per cent in the third quarter of 2011. Higher property prices, which tend to result in larger mortgage debt, is the primary factor, but general consumer spending is also a factor.

Can money buy happiness? A recent *Globe and Mail* article referred to a book written by Dr. Brad Klontz, *Mind over Money*. In his research he has found no correlation between money and happiness once income exceeds \$75,000 a year. Other studies have shown that people in rich countries are not generally happier than people in countries with lower per capita GDP.

THANK YOU FROM MSC



MSC is a client referral based firm and we would like to thank you for referring your family, friends and coworkers to us.

Please feel free to send this newsletter to others you think may benefit from a Fee Only Financial Planner. Our newsletters can also be viewed on our website:

www.macdonaldshymko.com/financial-resources/articles-and-newsletters



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