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An Investment Update

RICHARDSON PARTNERS FINANCIAL LIMITED
FAMILY WEALTH MANAGEMENT

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MCIVER WEALTH MANAGEMENT
CONSULTING GROUP

What's News

By Neil McIver

Greenback

The U.S. dollar continues to struggle against competing global currencies which has allowed the Canadian dollar to rise above .90 cents. A primary driver of this fall is the growing U.S. trade deficit. U.S. Federal Reserve Chairman Ben Bernanke is also caught between a slower U.S. economy and higher interest rates available in other competing currencies, making the greenback even less attractive to international investors.

The rise in the Canadian dollar has the effect of depreciating U.S. dollar denominated assets held in your portfolio, even if they are rising in U.S. dollar terms.

Every cloud has a silver lining however, or in this case, perhaps a gold and black lining.

Gold and Black

What's poor for the greenback is often positive for both Gold and Oil. Strengthening commodities suggest that we are moving into an inflationary environment. Over the past number of months commodities in general have been gradually re-accelerating and both fundamental and technical (charting) research suggest that this strength should continue. This bodes well for positions in your Asset Allocated portfolios in the area of energy, base and precious metals. Current positions in this area include; Pengrowth, Vermilion, Bonavista, OPTI, Barrick, Goldcorp, Cameco, Teck and the TSX S&P Gold Index.

Technical research suggests that the peak in the current commodity cycle should be in the middle of 2008 or perhaps as late as 2010.

Due to the large percentage of commodity-based companies on the TSX, the Canadian stock market as a whole should benefit from this stage of the cycle.

Red White and Blue

The U.S. market has a tendency to be somewhat myopic and has been advancing nicely despite the fall of the U.S. dollar. The Dow Jones reached and surpassed the psychological 13,000 level over the past month and U.S. corporate earnings have generally either met or exceeded earnings expectations.

What is not often mentioned in the U.S. financial media, however, is that earnings expectations have been ratcheted downward over the past year as economic growth slowed, making it relatively easy for most companies to meet expectations. The full effect of housing slowdown and the resulting potential consumer pessimism has yet to be fully judged by investors.

As a whole the U.S. market is generally less expensive on a Price/Earnings basis than most other international indexes (including Canada), accurately reflecting it's relatively slower economic growth rate. That said, the U.S. market may have advanced too far, too quickly recently and may need a short pull-back to better reflect the current level of corporate earnings and general economic growth.

Bonds

As inflation rises, so does interest rates on bonds. Accordingly, as rates go up on bonds then mathematically prices of existing bonds, with lower interest rates, fall. Because we are moving into an environment with greater inflation and greater risk of inflation, bonds become a less attractive asset to own.

In our Spring 2007 rebalancing you'll notice a moderate shift away from bonds. As with all changes made to our Asset Allocated portfolios, the shift is noticeable, but not dramatic. Once this rebalancing is complete, and although we've reduced your position in bonds, your portfolio will not be anymore aggressively structured or have a greater amount of standard deviation (risk). This is achieved through the efficient use of asset allocation modeling in which we ensure that the projected price movements of each asset class in your portfolio are not correlated to one another.

On the Mark

By Mark Jasayko

Going Global ...Portfolio Style
Canadians got a dose of incentive to invest internationally two years ago when the Federal government removed the foreign content limit on registered retirement plans. Ironically, this occurred in the midst of a resource-driven Canadian market advance, negating some of the advantages of a higher global weighting. Since our Asset Allocated portfolios have been heavily skewed to the Canadian market, our clients have benefited from our reticence to go internationally too quickly.

Our Spring 2007 rebalancing of the Asset Allocated portfolios will feature a shift away from Canadian stocks. Although the move will not be dramatic, it should allow our clients to participate in the emerging opportunities in foreign markets.

In the latest global economic advance, countries outside of North America have begun to trade more with each other and have become less dependent on the U.S. There are signs of more sources of consumer demand outside of North America. As prosperity increases elsewhere, consumers in those parts of the world are fuelling some localized economic growth.

Also, if the U.S. economy continues to slow because of a decline in housing prices and business spending, international economies could be spared. The International Monetary Fund recently forecasted that the American economic growth rate this year will be about 2.2% compared to a growth in world output of 4.9%. However, the Canadian economy and investment market could be more vulnerable because of the extremely close trade links within North America.

As economic and earnings growth trends in North America and the rest of the world's developed economies have started to diverge, so have the stock markets in these two realms. From 2003 to 2005, the S&P 500 and the EAFE International Index almost moved in tandem. On a scale of zero to 1, where 1 indicates perfect correlation and zero indicates no correlation, the 2003 to 2005 period had a reading of 0.93. Then, in the two years up to this February, that number had fallen to 0.63*. The lower this number is, the greater the advantage of diversifying outside of North America.

Additionally, developed international markets as a whole have done better in 2007 than North America, despite the fact that North American markets have done well. One reason for this has been the erosion of the U.S. dollar, the risk of which was discussed in this column's December edition. As a result, since the beginning of the year, returns on U.S.-based investments have been reduced for foreign investors, including Canadians. Up until mid April, the S&P 500 in the U.S. was up almost 4% compared to the Dow Jones World Index which was up over 8% in dollar terms.

Our Asset Allocated portfolios have historically exhibited the benefits of proper diversification and risk management. As our recent portfolio changes reflect international investment opportunities, the Asset Allocated portfolio are well-positioned to extend their outstanding track records.

* ING Asset Management

Sincerely Saleena

By Saleena Vellani

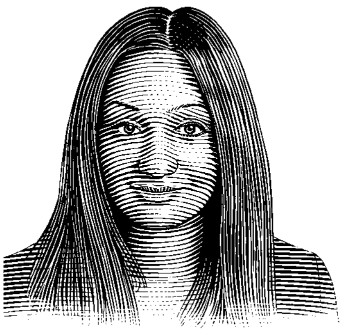
Income Trusts - T3 Slips
For many of you, in your Asset Allocated portfolios, we hold Income Trusts, Royalty Trusts, and Real Estate Investment Trusts. The tax reporting for these come in the form of a T3 which details the nature of the distributions you received during the previous year.

This year, as in most years, the T3 slips and summary of trust income were the last to arrive in the mail. Late reporting is an unfortunate reality as many companies have until March 31st to send the distribution of fiscal data. After this date, NBCN, our back office, has to retransmit this information to you which causes delays. To ensure we plan for this reality in future years, please contact us to make sure you have received all your tax information prior to visiting your tax advisor.

The volume and complexity of the tax forms you have been required to submit probably appeared overwhelming. Please keep in mind that we do not mind speaking directly to your tax advisor. We are more than happy to provide clarification on reporting documents or providing your tax advisor with the necessary forms.

Good Karma

By Karm Bhatti



Spring Rebalancing

Our Rebalancing system is a two step process. Every 90 days, Neil and Mark carefully monitor and review each selected security in your Asset Allocated portfolios. This quarterly's due diligence falls upon our annual Spring Rebalancing.

Neil will be contacting you shortly, if he has not already done so, to go over the recommended adjustments and changes to your portfolios. This is to ensure that future investment potential and your risk tolerance structure remains in tact. As always, the re-balancing of your portfolios will produce a flurry of trade confirmations. Please note that you do not need to keep these confirmations as they will be reflected in your month-end statements.

If you have any questions, please do not hesitate to call me directly at 604-678-6563.

Preserve and Protect

By Tricia McIver

Freshly stinging from the news of our tax bill, I thought this might be a good time to review some tax planning strategies to minimize the government's tax bite in future years. Typically we discuss tax-minimizing strategies close to the end of the year, but in many cases it is too late in the year to use these strategies to make a meaningful impact on the current year's taxes.

Income Splitting

When I was in public practice, more often than not, while reviewing my clients' tax returns, I noted that there was a disparity between the income each spouse was reporting. Focusing on the goal of minimizing the overall family tax bill, utilizing the benefits of the graduated rates of tax (the tax brackets) of both spouses is key. Spousal loans, where the higher income earner loans money to his/her spouse and that money is then invested, is an effective method of redirecting income. So long as certain conditions are met, the spousal attribution rules (directing income back to the spouse who made the loan) do not apply. This strategy is effective where the income earned on the investments is greater than the interest cost on the loan. Pension income splitting, a proposal introduced in October 2006, will allow a taxpayer to allocate up to 50% of his/her qualifying pension income to their spouse (or common law partner). Care should be taken to ensure that the tax savings from the allocation of pension income exceeds the value of any lost benefits such as tax credits or other government benefits (health care costs, grants etc) that are based on income. The use of a family trust may also provide valuable tax savings. Depending on who is a beneficiary under the trust, it may be possible to split income among many family members. I will discuss this strategy in our next volume of the High Net Worth Journal.

Philanthropy

Are you planning on selling real estate or other assets that will generate a capital gain? Are you planning on making any charitable gifts? Making a charitable donation in a high income year will reduce your tax bill. A tax credit equal to the value of the gift times the top marginal tax rate is given. The most effective way to gift is to donate publicly-traded securities to a registered charity, since in addition to your tax credit, any accrued gains from holding those shares is tax exempt.

Investments

Investing in tax-efficient vehicles will impact your tax bill. Eligible dividends are taxed at a top rate of approximately 19%. Investing in preferred shares, as opposed to bonds where the interest is taxed at approximately 43%, will significantly reduce taxes. As well, flow-through shares can provide for the write off of the purchase price of the shares over a maximum of two years. When flow-through shares are donated, further tax benefits are realized. Of course, all investment vehicles must make sense relative to your risk profile and asset allocation. Neil would be happy to discuss how these securities may work in your portfolios.

In later editions of this newsletter, I will discuss other effective tax-minimizing strategies. In the meantime, should any of the strategies discussed be of interest to you, please do not hesitate to contact me to discuss them in more detail.

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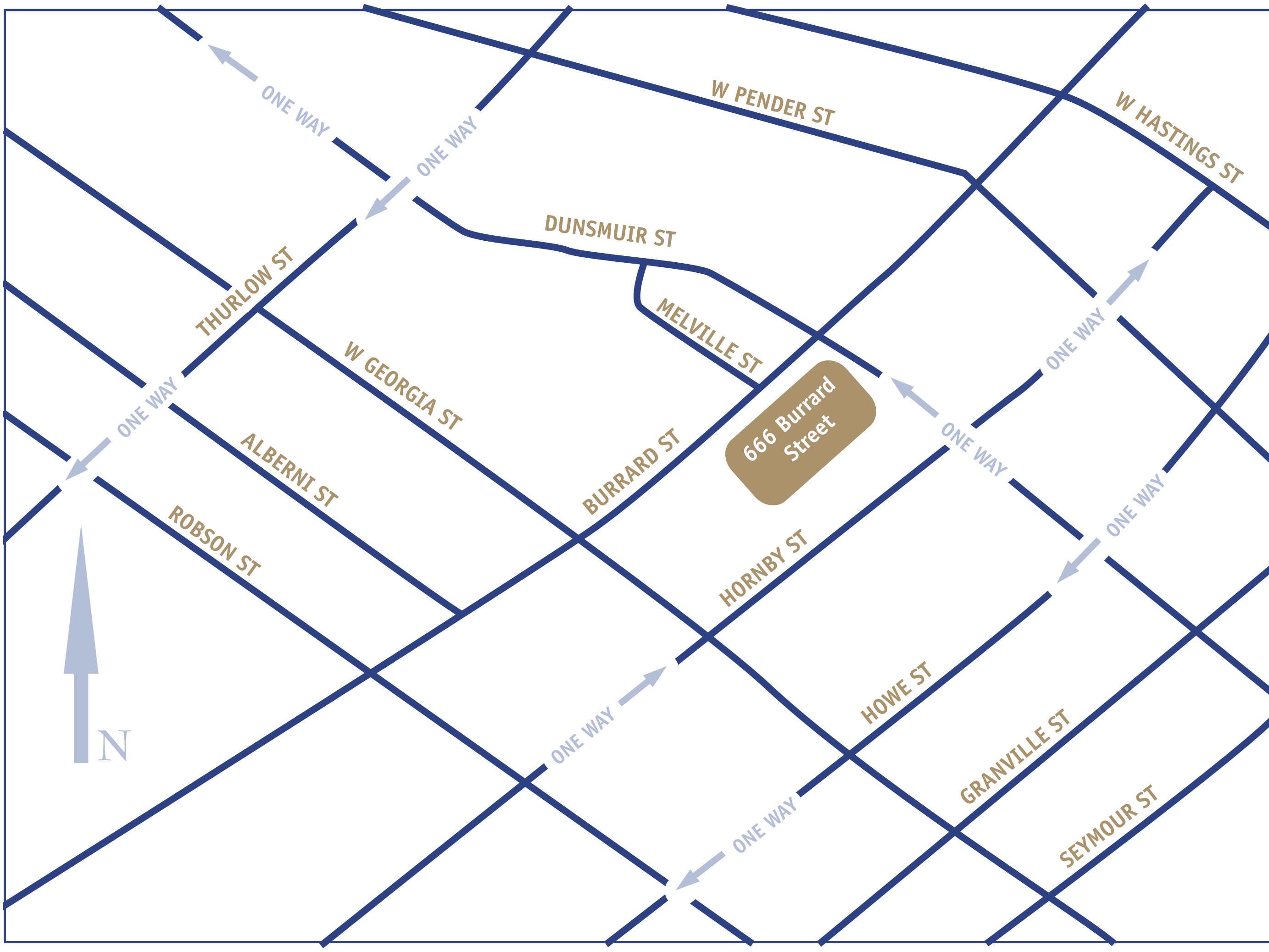

RICHARDSON PARTNERS FINANCIAL LIMITED

Park Place ▪ 666 Burrard Street, Suite 1800 ▪ Vancouver, British Columbia ▪ V6C 2X8

Toll Free: 1 (866) 364-7735 ▪ Phone: (604) 678-6561 ▪ Fax: (604) 678-6640

www.mciverwealth.com

Neil R. McIver	Investment Advisor	(604) 678-6561	neil.mciver@rpfl.com
Mark Jasayko, MBA, CFA	Associate Portfolio Manager	(604) 678-6562	mark.jasayko@rpfl.com
Karm Bhatti	Associate Assistant	(604) 678-6563	karm.bhatti@rpfl.com
Saleena Vellani, BA	Associate Assistant	(604) 678-6564	saleena.vellani@rpfl.com
Tricia McIver, CA, CFP, TEP	Tax & Estate Planning Consultant	(604) 678-6565	tricia.mciver@rpfl.com