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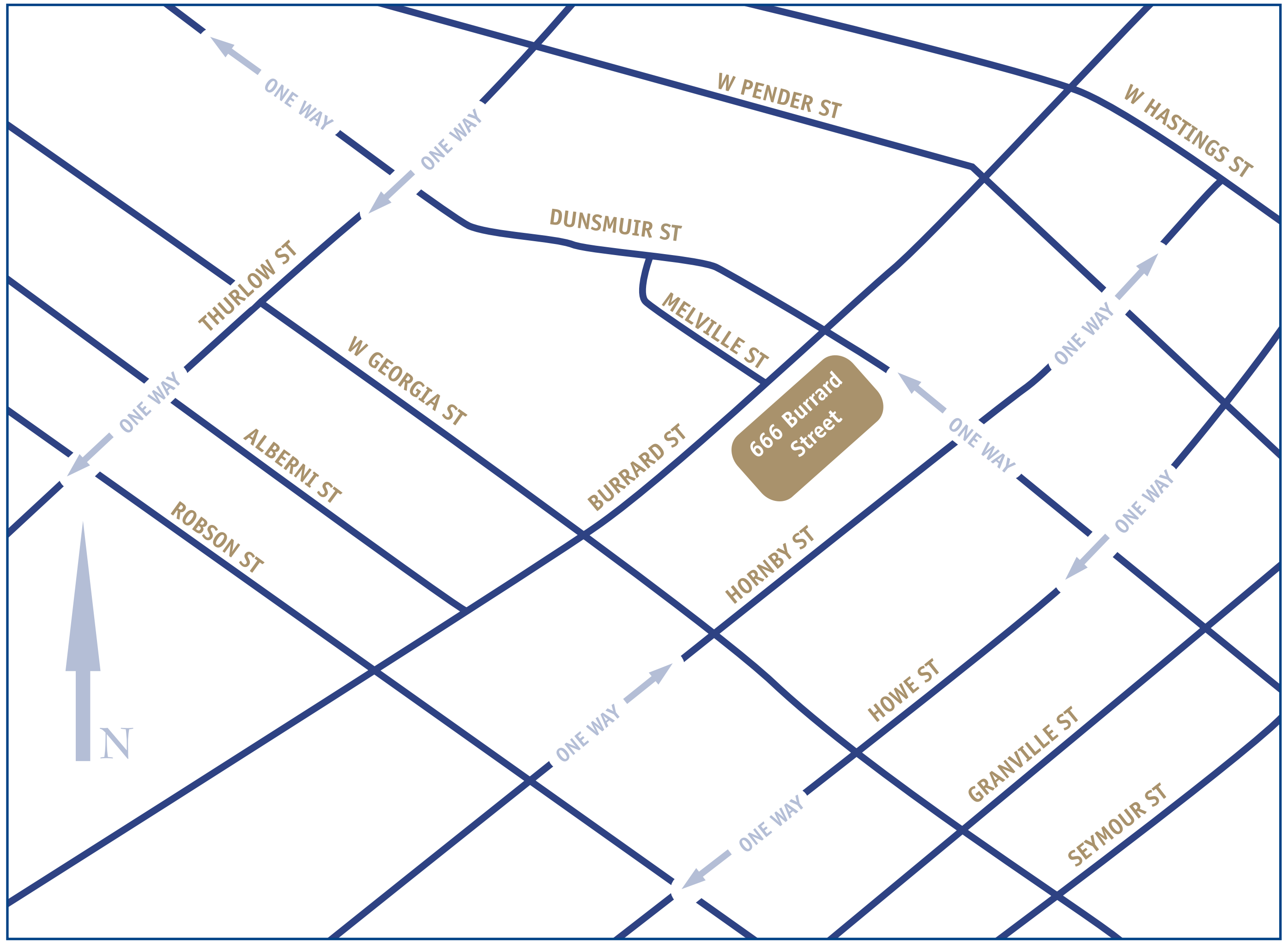

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High Net Worth Journal

An Investment Update

Richardson Partners Financial Limited
FAMILY WEALTH MANAGEMENT

Volume III, Issue VII
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McIver Wealth Management
CONSULTING GROUP

What's News

By Neil McIver

A Year of Firsts:

As the sand in the hourglass rapidly drains out on 2008, most would want to put this past year behind us as quickly as possible, myself included.

A year ago it would have been difficult to imagine that cornerstone institutions such as Lehman Bros., which had weathered war and pestilence during its 150 year history including a depression, would fail and have its assets sold off. Or that Merrill Lynch, a nearly 100 year old firm synonymous with independent optimism in America, would be forced into selling out to Bank of America. That Citigroup, the world's largest financial services provider would need a massive U.S Government bailout package in order to simply survive.

Venerable Bear Stearns did not survive the year, its stock falling from $133/share to just $2 where it was sold off to JP Morgan Chase. In a throwback to crisis socialism, Fannie Mae, Freddie Mac and AIG Group (18th largest corporation in the world) were 'nationalized' by the U.S Government as their asset bases melted.

While 2008 was not the first year in modern history that a major stock market index had been nearly cut in half (the TSX fell from 15,154 to 7,647), it certainly was the first time in most of our lifetimes.

In many cases, the public has become so numb to the term 'billion' that the recent news that Bernard Madoff of Madoff Securities in New York had been running a Ponzi scheme instead of a money management company for 40 years, defrauding investors of $50 Billion (with a B), hardly raised an eyebrow. Keep in mind that the missing $50 Billion is double what the big 3 automakers in the U.S are asking for and 300% more than the likely stimulus package on its way for Canada.

It feels that nothing these days seems impossible, or more accurately, beyond the realm of possibility and in this new world, the rules have changed.

One Constant:

One constant in this new world is our commitment to be here for you, to limit the downside damage and take advantage of new opportunities as they develop.

Our careful grooming of your portfolios ensured that we avoided all direct exposure to any of the above financial disasters including the toxic bank-sponsored Asset Backed Commercial Paper, so prevalent here in Canada. We successfully focused on high quality income producers with a low level of debt.

Additionally, our rebalancing of your portfolios in the spring ensured we took profits, reduced exposure to over-valued securities (mainly in the Canadian resource sector) in advance of the waterfall sell off in the financial (and real estate) markets.

The result of this hard work has reduced our downside to less than half of what the markets have lost in most cases.

We, and I, fully understand the difficult financial, and sometimes emotional, strain the past 18 months have caused. We've lived it and have been there every step of the way. I'm proud of our team and the results they have provided clients.

Cautious Optimism:

The weight of evidence suggests that the worst is behind us from a market value perspective, even though the economic picture remains bleak over the shorter term. Keep in mind that, in general, markets fall in advance of a recession and begins to recover about half way through. The unknown being the depth or length of the recession.

Technical research (charting) still suggests that a return to the November lows (some 12% beneath our current market levels) is possible in January which would confirm that a bottom is being formed. The market seems to have fully priced in the current recession, stabilized to a degree and recently begun to shrug off negative news.

Three years from now the current levels of the equity markets will seem very cheap. There are opportunities here and we have and will continue to take advantage of them during our special rebalancing of your portfolios which is taking place now.

High Net Worth Journal

On the Mark

By Mark Jasayko

Out with the old, in with the new

The last couple of months have confirmed what everyone had suspected: we are now in a recession. It took a long time for analysts, strategists, and politicians to realize this and admit to it, but the evidence is now irrefutable. It always requires irrefutable evidence despite the fact that there have been plenty of indications for a long while now. The U.S. real estate market crested two years ago. The global credit crunch began to hit will full force over 18 months ago. Layoffs on Wall Street and in the U.S. housing sector have been adding up for over a year now. Perhaps there is an inherent optimistic bias in the population. The recent fall off in economic output and significant increases in unemployment figures have surprised investors and consumers, but they really should not have.

It did not help that the policy-makers were completely in the dark about the growing economic gloom. During the summer of 2007, U.S. Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke stated that falling real estate prices and the growing credit crisis would have no measurable impact on the economy. In their words, they said that the situation was "contained." It was contained all right; contained to planet Earth.

About four years ago, Ben Bernanke gave a speech in which he emphatically stated that the global economy had entered into period called the "Great Moderation." A growing number of economists where beginning to subscribe to this theory. Clearly, Ben Bernanke was wrong. Given this, he could not have been expected to anticipate the financial market turmoil and recession. He and his predecessor, Alan Greenspan, have been exceptionally stubborn, hallmarked by their inability to incorporate information that was in conflict with their rosy view of the world.

Henry Paulson's bewilderment with the current environment probably stems less from his theoretical beliefs and more with his experience in the investment banking industry. Before accepting his post at the U.S. Treasury Department, he was the CEO of Goldman Sachs, an investment banking firm that took full advantage of the drunken global debt party. Personally, from his salary and Goldman Sachs stock options, he amassed a fortune of over half a billion dollars. If a world that is so addicted to debt can reward an individual to such an extreme, it is reasonable to expect that his solutions are aimed at getting the world to relapse back into that addiction.

The policy measures that have been implemented by Paulson and Bernanke have been reactive instead of proactive, ad hoc instead of planned, and confusing instead of coordinated. The investment markets lost faith and sold off despite their reassurances that they were on top of the problem. Some of their policies are geared at trying to re-bloat the financial system and to seduce consumers to borrow again. Many of the rescue policies have seemingly come out of the blue only a week or two after press conferences that were loaded with optimistic rhetoric. Also, there are so many different policies in play now that it is impossible to figure out how they are supposed to synchronize with one another. The bottom line is that there is no longer any credibility with these two individuals in the eyes of the investment markets despite initially being given the benefit of the doubt.

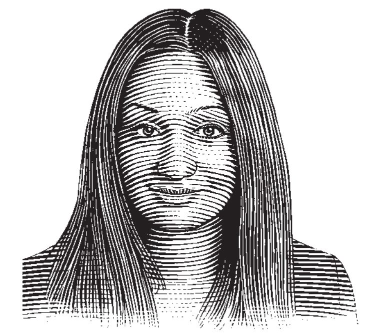
So, now to the future. Paulson will be replaced by a Federal Reserve official named Timothy Geithner in late January. Bernanke still has a couple of years left on his term. Barack Obama has made the economy his priority and announced his economic team especially early. He campaigned on "change" and maybe he hopes that the markets will perceive a new set of faces as "change." However, there has been no reaction from the markets following the announcements. Perhaps this is because all the major appointments come with some historical baggage. There an abundance of Clinton Era alumni, an administration responsible for planting the seeds for the eventual destruction of Fannie Mae and Freddie Mac, an event that dramatically accelerated the pace of the credit crunch. Also, there are a number of individuals who were in positions of authority while the real estate bubble was in full expansion and did nothing to stop it. The investment markets know about all of this.

The bottom line is that time and some painful economic reallocation of companies, industries, and labour is the only remedy for the economy. Maybe there is a chance that the best though-out policies could mitigate the pain and speed the process. With this cast of characters, the market as its doubts. However, once the bureaucrats get out of their own way and let the natural economic forces take effect, the markets will find confidence where it always has: not in the politicians and the policy-makers, but in the ability of the free-market system to renew itself and pave the way for the next era of expansion.

Happy 2009!

Good Karma

By Karm Bhatti



Tax Free Savings Account

Canadians need to save for many different purposes over their lifetimes. Reducing taxes on savings can help. That's why the Government has introduced a new Tax-Free Savings Account (TFSA). It's the single most important personal savings vehicle since the introduction of the Registered Retirement Savings Plan (RRSP). The TFSA will allow Canadians to set money aside in eligible investment vehicles and watch those savings grow tax-free throughout their lifetimes.

How the TFSA Works:

-Starting in 2009, Canadians aged 18 and older can save up to $5,000 every year in a TFSA.

-Contributions to a TFSA will not be deductible for income tax purposes but investment income, including capital gains, earned in a TFSA will not be taxed, even when withdrawn.

- Unused TFSA contribution room can be carried forward to future years.

-You can withdraw funds from the TFSA at any time for any purpose.

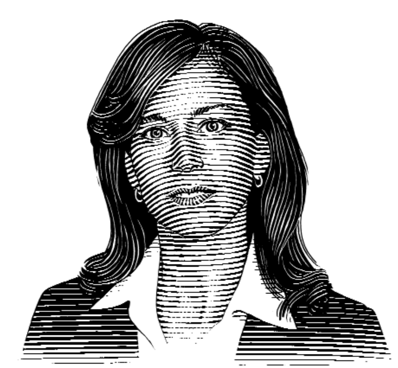
-The amount withdrawn can be put back in the TFSA at a later date without reducing your contribution room.

-Neither income earned in a TFSA nor withdrawals will affect your eligibility for federal income-tested benefits and credits.

We will be mailing out account opening packages to all of you in the upcoming weeks in order to open these accounts up. Please keep an eye out and if you have any questions, or need more information please call me directly at 604-678-6563

Preserve and Protect

By Tricia McIver



Rays of Sunshine

In these difficult economic times it's hard to catch a glimpse of any rays of sunshine through the dark clouds. But one is there. Over the course of the past month Neil may have been contacting you regarding recommended year end tax loss selling – selling out of certain positions to realize capital losses. Though we would rather not realize a loss, there are a number of reasons why this is effective, one being the tax benefit as losses (1) offset current year capital gains, (2) may be used to reduce gains reported in previous years and therefore recoup taxes previously paid, or (3) may reduce future gains, thereby avoiding tax on those gains.

When a security is sold at a loss, that loss is firstly applied to reduce gains of the current year. Many of you realized gains in the spring when the annual portfolio rebalancing was done. However, given the volatile market this past autumn, many securities have lost value. Gains crystallized earlier in the year may now be offset by losses realized at year end. Where your year end losses exceed current year gains, the excess may be carried back and applied against your gains reported in the previous 3 years. For 2008, losses may be carried back to reduce gains reported in 2005, 2006 and 2007. A carry back of these losses will result in an income tax refund of tax previously paid on reported gains. Any losses in excess of current year gains and gains of the three previous years may be carried forward indefinitely to offset gains reported in future years.

In terms of reporting, all current year gains and losses are reported on Schedule 3 of your tax return. Half of your gains are taxable, and half of your losses are used to reduce taxable gains. Any losses that you wish to carry back to prior years are also reported in your 2008 tax return. To apply a 2008 loss to 2005, 2006, or 2007, you must complete Section III – Net capital loss for Carry Back on Form T1A, Request for Loss Carry Back. Canada Revenue Agency will then make the necessary adjustments to your prior years' tax returns and issue a tax refund for tax paid on prior years' gains.

Should you or your accountant have any questions on loss reporting, please do not hesitate to contact me.

On another note, and another ray of sunshine, on November 1, 2008 the Provincial Government announced its intention to introduce legislation to extend creditor protection to RRSP's held by banks. Subsequent to the press release, they confirmed that they intend on extending creditor protection to all RRSP's, including those held with investment management firms such as Richardson Partners Financial Limited. I will keep you posted on this positive development, as legislation is released and adopted.

Wishing you and your family a wonderful holiday season. Have a very Merry Christmas and a happy New Year.