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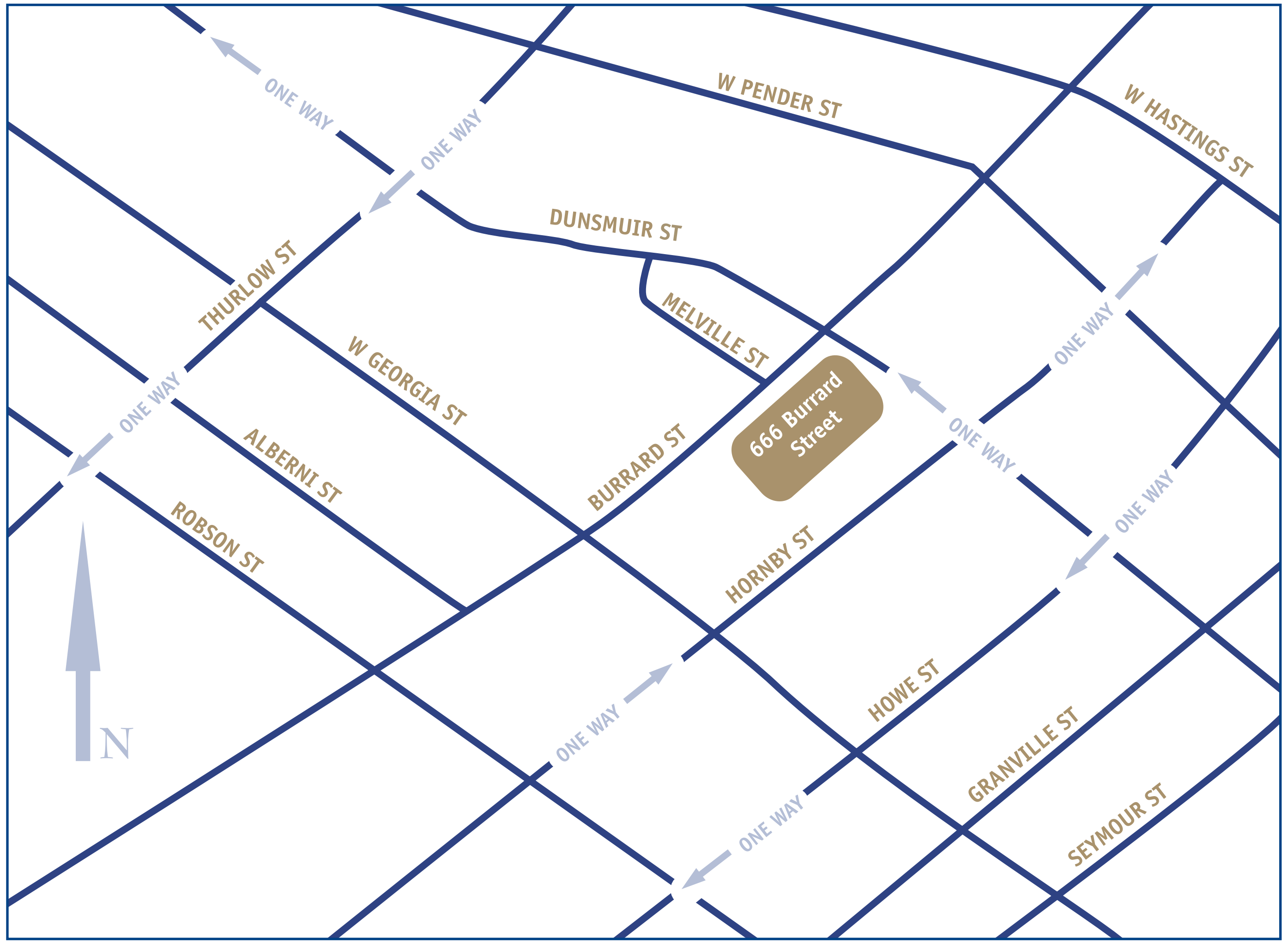

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High Net Worth Journal

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

Recovery Talk

A sudden and unexpected ideological de-cloaking by the new U.S. Administration has resulted in a renewed confidence crisis in the financial markets. What was originally sold to understandably frightened Americans as a stimulus package required to 'save' the U.S. economy, has grown to become a series of massive government spending initiatives.

The concern surrounds the imposition of government into the private sector in energy, health care, financial and real estate markets as well as the sheer girth of the budget. The unprecedented 3.6 trillion (with a 'T') is more spending than the previous administration did, in its entirety, even with the military spending related to the conflicts in Iraq and Afghanistan. Because almost all of the money will be either printed or borrowed, this package will financially impact every American for a generation or more. The aggregate cost will be about $35,000 for every breathing soul in the U.S.

Although the U.S. President claims that only the 'rich' will pay (defined as household income of $250,000 or greater), economists admit that taxes will have to rise substantially on everything from electricity to user fee's, affecting all levels of society.

The question many are asking is just who and for what purpose this spending is aiming at. The profoundly anti-market and anti-capitalist themes that have run through Obama's speeches in the recent days have dropped the markets well over 1,000 points for good reason. Unlike FDR's attack on capitalists in the 1930's, the vast majority of Americans are now investors and therefore capitalists. In fact, the 'rich' referred to above, now encompasses the small business people, the people who employ the majority of Americans. These responsible small business people, who've lived within their means, are the economic backbone of the country. They're being roughly treated by this White House.

Fundamental Perspective

This budget and the longer term effects will only delay the inevitable. The U.S. is still the most dynamic economy in the world and it will very likely lead the global recovery. Assuming that the concerted effort by G8's central banks to protect the financial system is successful (and it appears that it is), the only important unknown is when the recovery will take place. Consensus amongst most independent economist suggests that the global economy will likely trough at some point between mid year this year and late spring of next year. This means that the economic news will continue to get worse, or at least be gloomy, between now and that point.

As a leading indicator, the stock markets typically turn six to nine months before the economy emerges from recession.

Charting a New Course

Readers will note I had suggested that, following a small recovery in December, the equity markets would likely fall back to the November lows in order to 'test' the bottom before any further advance. This technical picture has changed.

The recent break down below the November lows was unexpected and technical (charting) research now concurs with the fundamental (top down) analysis that the equity markets will bottom at some point between June and October of this year.

Patience

This economic and market environment has been unmatched in a generation and has tried all of our patience. With a 10 year bear market in the S&P 500 and a waterfall sell off over the past five months that has effectively cut the stock markets in half, it's difficult to feel positive about any sort of investment. In fact, that's how it's supposed to feel.

What we do have going for us, however, is both the weight of historical evidence and the powerful natural force of markets reverting to their long term mean. Both suggest that the next decade will be one the most profitable. It's worth remembering that in the 1970's smart investors such as Sir John Templeton, Warren Buffett and the Reichmann's, built their wealth by buying out of favour, high quality assets. Now is the time to buy.

Smart investors need to hold fast, be determined and most of all, be patient. The turn will come.

On the Mark

By Mark Jasayko

Party like it's 2009?

It's official: one of the worst times in history to be an investor in the stock market was 1999. At the time, amateur investors, analysts, and market strategists were almost all wildly bullish. Conservative investors were dismissed as too old fashioned and out of touch. The words "new paradigm," one of the most over-used phrases of that decade, suggested that things were different and the lessons of investment history no longer applied. Imagine someone appearing in front of a crowd and announcing that 1999 was destined to be relegated to infamy. That kind of statement would have been quickly drowned out by the party atmosphere of cheerleading politicians, teenage stock market wizards, marketwise taxi drivers, and investment clubs comprised of emboldened people from all walks of life.

Now, imagine someone in 2009 standing up in front of a crowd and proclaiming that it is the best time in the last half century to be investing in stocks. The only problem with this example would be trying to get an audience to hear the message. The investment party types have long since scattered.

A person making this proclamation would be playing the odds and making what has historically been one of the best wagers in history: namely betting with history, not against it. It will take time for conditions to evolve and to eventually validate the proclamation. One has to ride a roller coaster market before longer-term trends become evident to everyone. However, history tells that within a decade or less, 2009 will morph from a year of turmoil into a year of opportunity, the exact opposite with what happened to 1999.

As discussed previously in this column, it is impossible to forecast the eventual turn in the markets. It could be any one of the next few years. To illustrate how insignificant this is to a longer-term investor, there are always on-going debates as to when historical bull markets started. Some look at the ultimate trough before the recovery, whereas others will argue that it is when the market passes the interim highs that were set in the previous bear market. However, when a secular bull market is in full swing, there is virtually a total consensus. The bottom line is that the exact turn is not crucial when looking back. It is important to be ahead of the curve without being too early (much of the 'smart' money was too early over the last year and a half as it thought the economic effects of the credit crunch were contained).

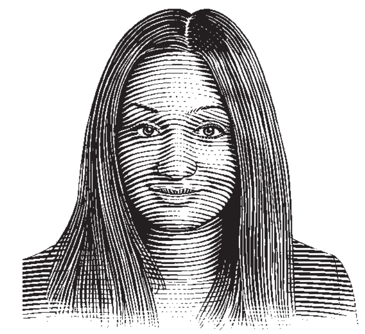
During this transition phase of the market (again, it can last for a while), it is vital to recognize that the investment markets and the economy are two different things. They are indirectly related and are capable of moving in different directions for sustained periods as the 1930s and 1970s vividly demonstrated. There will be some bad economic news over the next year or more focusing on shrinking or stagnating output, increasing unemployment, growing national debt, and tax-and-spend politicians. Although it is common for the markets to respond to this news on a daily basis, this is not enough for it to establish a strong trend. As the market looks forward, it will try to foresee the next phase in the cycle and whether it contains promise with respect to prudent legislation and reforms, and technologies and companies that have the potential to lead us toward recovery. It is possible that there will be a few false starts, but these instances could power the market higher by double-digit percentages over short time spans. And, finally, one of these instances will establish itself as the real turn.

It is also important to highlight some of the differences between the last secular bear market that dominated the 1970s and the current one. We lived in a world with a Cold War. It is hard to overstate how much of a dark cloud this was overhanging investor psychology at the time. The other massive difference is the dissemination of information. In the 1970s, the print and TV media amounted to small portholes through which we tried to understand our world. Now, through the incredible pervasiveness of electronic media, including the internet, we are able to get accurate details of events anywhere on earth. It is also interactive, enabling us to ask questions and converse with people who actually live in global hotspots. There is not the potential that there used to be for people and investors to become as frightened by rumours and propaganda. Politically, economically, and technologically, it is a better world than it was in the late 1970s when exhausted investors were looking for answers and hope that would carry them out of that bear market.

Considering the bombardment upon our emotions, it is hard to get very enthusiastic about the current environment. It will only be with the benefit of hindsight that investors can claim they had confidence that the market would turn. Perhaps then it will be easier to see the paradox that appears in the opening line of Dickens' A Tale of Two Cities: "It was the best of times, it was the worst of times…"

Good Karma

By Karm Bhatti



On-Line Deposits:

A safe and reliable way to make deposits into your investment portfolio accounts here at RPFL is direct deposit on-line. Through NBCN, which is Richardson Partners Financial's back office, we are registered as a Payee (biller) with the Canadian Payment Association. Once you are on your bank's website, input NBCN as the recipient, this Payee set up is similar to the method you use to electrically transfer bill payments. When this is set up with your, the Payee's name on the bank systems is "NBCN". The account number is your 7 character RPFL account number ending with either and A or an E.

Please notify us when you are sending funds so that we are aware of the transfers and please note that it will take up to 48 hours for your money to be deposited here into your RPFL account.

Preserve and Protect

By Tricia McIver

It must be March

My mailbox, like yours I am sure, is brimming these days with the flurry of tax slips and forms. So it is time to turn our attention to organizing ourselves and the information needed to prepare our tax returns. Many of you will have already received our annual tax letter summarizing (1) key investment tax issues, (2) the information you should expect to receive through the mail, (3) an estimated ETA of the various slips and forms, as well as schedules detailing information regarding Gain and Loss reporting as well as annual fee summaries for non-registered accounts. This information will assist you and or your accountant in preparing your 2008 tax return.

A number of you hold income trusts in your portfolios. Trusts have until March 31 to issue T3 slips. Accordingly, some of the information necessary to prepare your tax return will not be mailed to you until late March or early April. Please keep this mind as you consider the timing of preparing and filing your tax return, or delivering your information to your accountant.

There are a number of issues you should be aware of for 2008 to ensure you maximize credits and deductions available to you to minimize your final tax bill:

- We undertook tax loss selling for many of you in November and December. The purpose of this was to eliminate certain positions in your portfolios and create losses which could be used to reduce taxable gains realized earlier in the year (through the spring rebalancing of your portfolio) and reported in previous years. Losses are used first to reduce current year gains. Where 2008 losses exceeded 2008 gains, the excess may be carried back to recoup taxes paid on gains reported in 2005, 2006 and 2007.
- Retirement income splitting between spouses should be considered with the objective of equalizing income so each spouse efficiently uses their (1) lowest rate tax brackets, (2) pension income credit, currently $2,000 per spouse, and (3) minimizes the OAS claw-back and Age Amount Credit reduction.
- For those of you who made or plan to make a 2008 RIF re-contribution (see our letter dated to you January 19, 2009) the re-contribution is tax deductible for 2008.
- Ensure you deduct investment management fees for non-registered accounts. If you have a fee based account, the full amount of the fee should be deductible. A summary of fees paid for non-registered accounts was sent to you with our annual tax letter. Commissions for commissioned based accounts may be deducted in calculating your taxable capital gains/losses.
- For those of you with margin accounts, ensure you deduct interest paid on these accounts. The interest paid by you may be found on the Summary accompanying a T5 or T3 slip.
- Eligible RRSP contributions should be deducted from income. However, if 2008 is a low income year for you and you anticipate 2009 or 2010 to be higher income earning years, consider deferring the deduction to one of those later years.

As in prior years', the tax filing deadline is April 30, except where you, your spouse or common-law partner carried on a business as a sole proprietor – then your filing deadline is June 15. Regardless of your filing deadline, taxes must be paid by April 30 otherwise penalties and interest may be levied.

Tax filing has become increasingly complex. I would be happy to speak with you or your accountant, should you have any questions regarding your investment reporting. As always, I highly recommend consulting a tax professional regarding your tax filing.