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STARVIEW
FINANCIAL ADVISORS

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*The deadline for RRSP contributions for the 2011 tax year is **February 29, 2012**. For 2012 you receive $5,000 of Tax-Free Savings Account (TFSA) contribution room.*

2011 Year in Review

We would like to take this opportunity to provide you with an overview of events in the financial markets in 2011 and some insights into the current investment climate.

Global equity markets were volatile for much of the year. After beginning 2011 on an optimistic note, prices slid lower through the summer and fall and many stock indexes finished the year with double-digit declines. Notably, the U.S. was the world's best-performing major stock market in 2011. Despite the relative strength of the Canadian economy, our equity market was down, thanks in part to the weakness in natural resources stocks. In contrast, high-quality bonds posted good results as investors sought the safety of government securities.

The year's challenges came from several sources. Early in the year, political uprisings in North Africa and the Middle East and Japan's devastating natural disaster rattled investor confidence. Later, rising inflation in emerging markets, especially China, led central bankers to take steps to cool their heated economies, raising additional concerns about the pace of global growth. The summer's protracted political wrangling over the U.S. debt ceiling and the decision by Standard & Poor's to remove the triple-A rating on U.S. government debt also weighed on investor sentiment.

By far, however, the biggest issue fuelling investor fear throughout 2011 was the ongoing sovereign debt crisis in Europe. What began as anxiety about the debts of smaller countries such as Greece expanded to encompass major nations like Italy and France and raised significant doubts about the viability of the euro currency and many of the region's banks.

As we look ahead, it is fair to say that the situation in Europe remains uncertain and could take years to resolve. However, it is encouraging that European Union leaders are now taking steps to address the region's challenges. Other positive factors include low interest rates and continuing economic growth in North America, Asia and emerging markets.

Investors can also take comfort in the strong performance of well-run corporations around the world, with many reporting healthy earnings, increasing dividends and buying back shares. The divergence between companies' good results and their reduced share prices has led many experienced investors to conclude that today's markets present attractive buying opportunities.

These developments underscore the importance of holding to a well-diversified portfolio of high-quality investments, in a mix that's tailored to your individual needs. Meanwhile, the new year is a good time to review your investing plans and your objectives. We look forward to having this discussion with you over the coming months.

- Come and see us at our booth at the 2012 Lions Home & Garden Show, March 29 to April 1 at the Orangeville Fair Grounds.
- We are trying to gauge interest in holding a retirement seminar to discuss Canada Pension Plan, Old Age Security and RRIFs. If you or someone you know are interested, let us know.

Estate Planning

When thinking about your future retirement your main concern is probably will you have enough funds to enjoy what is hopefully a lengthy retirement. However, this is also the time to take a look at your plans for handing down your assets when you pass away. The primary concern when planning your wealth transfer is your Will. If you do not have a Will in place when you die you are said to have died 'intestate'. This will result in several problems. First, you will not have a representative and the provincial court will have to appoint one. This will take time. Second, and more importantly, any assets you owned at death will then be distributed to family members according to a provincial formula and it may result in your assets being distributed in a way that you did not intend.

Although there is no legal requirement to do so, it is a good idea to use a lawyer to draw up your Will.

When you complete a Will you will need to name an Executor (or Executrix if a woman). This is a very important decision as the Executor is responsible for distributing your assets according to your Will. Being an Executor can be very time consuming and complicated so you should ensure that the person has the ability to complete the task.

We have Will planning checklists, executor guides and personal record keepers available. Let us know if you would like a copy of these materials.

Can you pass down your assets now?

You don't have to wait until you die to pass down your assets. However, several issues may arise. First, you will lose control of those assets. Second, there can be adverse tax consequences since for tax purposes you are deemed to have sold an asset if you give it away and a taxable capital gain may result.

One method that can deal with the control issue is to establish a trust where the assets are held in the trust on behalf of the beneficiary. The Trustee (which can be you) controls the assets. Trusts are very useful and should be established with the assistance of a lawyer.

If you own your own business corporation there are special rules that allow you to effectively pass it on to your children while you are alive while maintaining control of the company and minimizing tax. However, this can be a rather complex strategy and you should only undertake this with guidance from a qualified tax professional.

Tax Issues

In retirement your tax situation is going to change. Your sources of income will be different and assuming you are older than 65, other tax factors will come into play, primarily in the form of tax credits. As a retired senior you may be eligible for the age credit, pension credit, medical expense credit, and spousal credit to name a few. We can help you structure your retirement income plan to minimize any negative impact on these benefits. When the time comes to do your tax return, ensure you are dealing with someone knowledgeable in seniors' issues to ensure that you are taking advantage of all the tax breaks possible.

When you die, it is assumed for tax purposes that you are immediately selling all of your assets for fair market value. This can result in a very large tax bill to your estate. However, one of the most beneficial tax tools available to individuals is the spousal rollover. If you have a spouse (which includes common-law and same-sex spouses) when you die, you or your representative can choose to 'rollover' your assets to your spouse. By doing this you will effectively defer any tax until your spouse dies when he/she may encounter some tax complications. Speak with us or your tax professional about the use of the spousal rollover.

If you do not have a spouse and are anticipating taxes at death, a method to deal with the taxes is to take out insurance on your own life with your estate as the beneficiary. This will ensure that on death, your representative will have enough money to pay the tax bill. In the absence of the insurance proceeds, your representative may be forced to sell estate assets to pay the taxes.

Making charitable bequests is a generous way to help worthy causes and help your tax situation. Charitable donations result in tax credits which reduce your taxes and if you make a charitable bequest on death it will reduce your final amount of tax payable.

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