

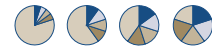
HIGH NET WORTH JOURNAL

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



Risk:

At the time of writing, equity markets globally have sharply rolled back, reversing healthy gains made earlier in the year. The trigger for this movement was the Chinese Government announcing plans to curb illegal stock share offerings which resulted in the Shanghai market dropping 9%. The following morning, a much weaker U.S. durable goods report further eroded confidence and suddenly

the North American markets were falling, many concerned that a potential drop in Chinese demand for Canadian commodities would have a severe impact on Canadian businesses.

The trigger for this event is less important than one might imagine (beyond highlighting the growing economic influence of China) because when markets are due for a correction, they will find any one of a number of reasons to do so.

Complacency:

If you've been reading Mark Jasyko's excellent columns in this publication (including February's column "Something's Gotta Give" which accurately foreshadowed these recent events), you would have read about the growing risks that were not being adequately taken into account by market participants. These included the extremely low yield premium high risk corporate bonds were offering over low risk government bonds; near record high margin debt at the New York Stock Exchange member companies; the lack of market volatility as measured by the VIX and the fact that U.S. markets had not seen a down day of more than 2% in more than 4 months.

All of these factors indicated a complacent and over-confident marketplace, both in the U.S. and globally, which was not adequately taking into account inherent investment risk. This required a 'rationalization' (correction) to clear out both the over-priced sectors and the complacent sentiment.

Rational Markets:

The fact that this recent correction, which has thus far resulted in drops of -3.6% to -9.1% in major global markets, happened so quickly, is noteworthy. However further examination is required before any larger conclusions can be drawn. Although the Shanghai market dropped 9%, it's still up 130% in the previous twelve months. Similarly, the TSX is up almost 14% from its low eight months ago and the S&P 500 in the U.S. is up 10% in the same timeframe.

The markets were simply doing what markets need to do in order to maintain a healthy balance; they were rationalizing.

Moving Forward:

The risk during any correction is that the negative sentiment created by the fall in value snowballs into general economic fear and hesitancy. No one can predict if this will happen or not, however it appears unlikely.

There are two important issues which need to be monitored and both will be the topic of future discussions (see Mark's column overleaf). Firstly, the potential global liquidity squeeze caused by the unravelling of the Japanese 'carry trade'. Secondly, the impact of lower housing prices in the U.S. and the strength of lending institutions, particularly sub-prime lenders.

Currently, inflation looks to be contained, there appears to be a reacceleration in demand for commodities and the global economy is in reasonable shape. Additionally, the U.S. Federal Reserve has plenty of room to cut interest rates to stimulate the economy should an unexpected slowdown develop.

Technical research (charting) suggests that the equity markets may have recently begun a four year positive cycle.

In short, this correction may be just what was required to remove the clutter of over confidence and complacency, rationalize the markets, and pave the way for a healthier environment.

On the Mark

By Mark Jasayko



Rising Sun of Influence:

After a meteoric rise in the 1980s and an epic collapse in the 1990s, the influence of the Japanese economy has mostly faded from memory. Gone are the references to things such as Japanese interests purchasing the famed Pebble Beach golf course, the value of the Imperial Palace in Tokyo costing more than all the real estate in California, and our economies

in the West being taken over by Japan Inc. However, behind the scenes, and for reasons that are not commonly covered in the mainstream press, Japan's global impact is as pronounced as ever.

The main culprits are very low Japanese interest rates and a weakening yen as a result of uncertain economic growth. Traders at hedge funds and large global financial institutions have discovered that they can borrow at very low rates in Japan and invest the proceeds at an almost guaranteed higher rate someplace else - kind of like a mythical money-making machine! In addition, as the yen continues to fall, the borrowed amounts shrink in value relative to other currencies, effectively decreasing the amount that has to be paid back when the trade is closed out.

The result of this has been an explosion in global liquidity. Low Japanese lending rates have led to a never-ending foreign appetite for Japanese debt. The resulting enormous amount of borrowed capital goes on a search for someplace to invest, thereby driving up the prices of stocks, bonds, real estate and other assets worldwide. The low Japanese rates also have the effect of lowering rates elsewhere in the world. With a seemingly endless supply of debt being underwritten by Japan, lending institutions outside of Japan are not able to charge high rates. Competing for borrowers is just too intense. The resulting lower global lending rates created a secondary wave of borrowing and liquidity, this time by consumers. This is especially evident in the US as consumers have been on a rampage of buying homes and other big ticket items over the last few years with cheap debt.

All this sounds too good to be true! Is there anything that can end the party? Yes - a strengthening Japanese economy. This would have the effect of increasing Japanese lending rates as well as increasing the value of the yen. Higher Japanese rates would reduce the profit margin for investors using Japanese debt. Plus, a higher yen will make those loans more expensive to

pay back. And assets around the world that rose in price because of this phenomenon will face some challenges in the altered environment.

The Asset-Allocated portfolios are maintaining a healthy exposure to the Japanese stock market. If Japan's economy does continue its growth rate, the market will continue to reflect this with higher returns. If you have any questions, please call me at 604-678-6562 or Neil at 604-678-6561.

Sincerely Saleena

By Saleena Vellani



Tax Strategies:

The filing deadline for most individuals is April 30th, 2007; however if you, your spouse or common-law partner carried on a business in 2006 then neither of you are required to file until June 15, 2007.

Some of the more common deductions, which can help reduce your taxes include the expensing of investment management fees, the use of Limited Partnerships, tax loss carry forwards, and RRSP contributions.

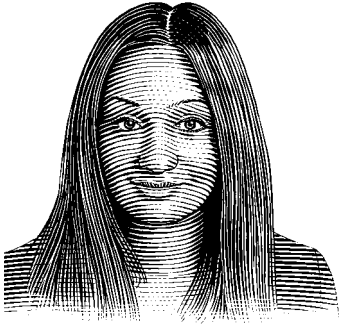
Perhaps the most effective of these is the use of the Limited Partnerships or flow through shares. Properly selected, these vehicles can provide up to a 100% write off in year one while still providing a market related rate of return in the years that follow. If these are of interest, please call Neil at 604-678-6561.

Over the next several weeks, you will be receiving a flurry of tax slips and information. Since tax regulations can be complex and ever changing, we recommend that you use an accountant to file your return. If you are in need of an accountant, please let us know the nature of the work required and we can pair you with a suitable tax professional.

Please have your accountant call us directly if they have any questions or need any information.

Good Karma

By Karm Bhatti



New Service:

You can now deposit money directly to your investment portfolios here at RPFL. Through NBCN, which is Richardson Partners Financial's back office, we are now registered as a Payee (biller) with the Canadian Payments Association. This means that you can now go to your banks' website and set NBCN as a recipient of funds. This Payee set

up is similar to the method you use to electronically transfer bill payments. In this case, you would be directly depositing funds into your RPFL account. When this is set up with your bank, the Payee's name on the bank systems is "NBCN". The account number is your 7 character RPFL account number ending with either an A or an E.

This service is designed for depositing money on a periodic basis. Once set up, it can be used for several different means such as: depositing lump sums, fee payments and RRSP contributions. 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.

If you need any assistance setting this up, please feel free to call either Saleena or me.

Preserve and Protect

By Tricia McIver



BC Budget - Lower taxes and housing breaks:

In February the B.C. Government tabled their 2007 budget. Introduced as "Building a Housing Legacy", the budget addressed the impact of significant housing cost increases in B.C. Budget proposals included new supports for the homeless.

More options for seniors and those with special needs, expanded rental assistance and improved benefits for first-time homebuyers. And personal tax cuts were also introduced. This tax cut will likely have the biggest impact on our clients, particularly those who are retired. Under the Budget, anyone earning up to \$100,000 will enjoy a 10% tax cut. When we combine this benefit with the Federal Conservative proposal to allow retirement income splitting, married or common law retirees may realize significant tax savings. This is good news.

It's that Time:

As April 30 rapidly approaches its hard not to turn our attention to the matter of organizing the information needed to prepare your tax return and the reality of the impending tax payments. Watch for our tax letter, to be sent out over the coming weeks, that summarizes the information you should expect to receive in the mail (T-slips and gain and loss reporting information), as well as other relevant information relating to tax cost calculations.

We all wish to minimize the final tax bite CRA will take out of us. There are a number of last minute simple tax saving strategies that I think are worth mentioning as a reminder which can be used to accomplish this:

- Where excess capital losses exist, carry losses back to prior years when gains were reported, making sure to carry the loss back to years in which you reported higher income
- Report the dependant spouse's dividend income on the supporting spouse's return where this will increase the married/equivalent to married tax credit
- Report all charitable gifts made by the family on the higher income earner's tax return
- Report all family medical expenses on the lower income earners tax return, ensuring the medical expense credit may then be fully used

Last fall I discussed a number of tax planning strategies to minimize taxes:

- Use of flow through shares to create tax deductions and, when combined with charitable gifting, to minimize the cost of gifting to you
- Donating publicly traded shares, the capital gain on which is fully eliminated after May 2, 2006.
- Investing in preferred shares to generate dividends eligible for the reduced tax rates introduced last year, as opposed to bonds whose interest is taxed at higher marginal rates
- Retirement income splitting - although not available until 2007, the income splitting opportunity should be kept in mind when determining RRIF withdrawals by spouses.

Hopefully a few of you took advantage of some of these strategies.

