

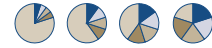
HIGH NET WORTH JOURNAL

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



Challenging Year

The sub-prime mortgage meltdown and resulting credit crunch, in conjunction with the dramatic rise of the loonie, have together conspired to make 2007 a challenging year for all portfolios. However, throughout the year, our careful asset allocation process worked nicely to reduce risk and lower volatility. While the markets provide the performance, we manage the risk.

The question as to whether or not the U.S. will fall into a recession is very much up in the air. Currently, the bond market is signalling that it believes the economy will slow significantly. Conversely, the equity markets appear to believe that the slowdown will be short and shallow. Typically, preceding a recession we would experience rising unemployment, negative job growth and rising inventories of unsold goods. However, presently the U.S. is experiencing job growth and stable inventories. It also appears that falling home prices have, thus far, not yet dampened consumers' enthusiasm to spend. All eyes on the U.S. consumer

Prime Minister and the Dollar

Recently I participated in a twelve person economic/business round table with Prime Minister Harper. I was impressed with our Prime Minister's deep and broad knowledge of the economic challenges facing Canada. However, I was surprised that a number of the other business leaders in the room had questions of the PM on the price appreciation of the Loonie. The flawed basis of these questions, mostly from CEO's of large well known public resource corporations, was that the Prime Minister (or any politician) can directly influence the price of our dollar internationally. They can't for obvious reasons, the least of which is that it trades in a global free market with complex influences upon it. That said, both technical (charting) and fundamental research suggests that the Loonie should remain high for the foreseeable future.

Socialism

The U.S. Administration's recently announced Alice in Wonderland bailout of potentially over 1.2 million high risk mortgaged home owners

sounds more like something the Oprah/Obama campaign would come up with, rather than something from the Party supposedly firmly rooted in free market principles. As one Canadian columnist put it "Capital markets without losses is like religion without Hell". Simply put, if you bail them out today they will engage in risky behaviour tomorrow. Worse, the next time there is a crisis, they will feel entitled to a government bailout.

Into 2008

Going into the New Year, the larger picture will continue to be coloured by the U.S. housing correction and the global credit crunch. To a great extent the difference between the U.S. falling into a recession (which would decrease global growth significantly), and a more shallow economic slowdown will be determined by whether or not the U.S. Federal Reserve began cutting interest rates early enough. The Fed clearly did not foresee the depth of the housing fall or the credit crunch and it's possible that they may indeed have begun to react too late to forestall a U.S. recession.

Like all credit crunches, this one will pass and there is some indication that the worst news is finally surfacing now. Both U.S. and Canadian corporate balance sheets (outside of financial stocks) look strong. Most baseline economic forecasts call for moderate growth and mild inflation through 2008.

Of all the major equity markets, the U.S. equity market potentially holds the best value (lowest price earnings ratio) and growth opportunities. The European equity market ranks number two in terms of attractiveness. The caveat to this is the potential for continued strength of the Loonie against the Euro and weakness in the U.S. dollar, which devalues all U.S. denominated assets. We have successfully used gold to hedge this risk in the past and we will continue to do this in the future.

Housekeeping

Through the Christmas holidays we will maintain a skeleton crew to help with any service related issues or answer any questions. However the office will be closed entirely December 24th, 25th and 26th as well as January 1st. Our High Net Worth Journal will next be published in February as it's not published January, July and August.

Merry Christmas

Merry Christmas to you and your family and all the best in 2008!

On the Mark

By Mark Jasayko



A Bear in a China Shop

Economic news coverage on China over the last few years has focused on dramatically rising financial asset and real estate prices, as well as the export boom primarily to the U.S. as China because the world's low cost and low wage manufacturing centre.

While traveling in China during November, I was able to make a number of observations with respect to the current economic

climate and what they might mean for investment returns for Chinese companies and international companies that have a significant commitment to China.

On previous trips to China there were indications that economic progress had so much momentum that the signs of a late-stage economic advance were nowhere in sight. Now that the bulk of the economic advance appears to have occurred, two new aspects were evident; rising inflation and a slowing real estate market. In addition to prices for consumer goods marketed to those with discretionary spending potential (still a minority), food prices are noticeable higher. Secondly, the price of real estate has levelled off. More strikingly, in talking with local Chinese real estate agents, the sales of new real estate are only a fraction of last year's levels (it is common to see dozens of agents working in open-air street side kiosks in many of the cities, so the research is easy).

As China is still an emerging economy, a recession in the near term is extremely unlikely. However, there are concerns as to how well China is equipped politically, economically, and financially to deal with a slowdown. There are massive gaps between the wealth in the cities and the poverty in the countryside, causing increased social and political tensions. From an economic perspective, the amount of original research and development in China is almost nil compared to North American and Western Europe. As a result, the true organic economic value created from this source is not available to cushion decreasing manufacturing output. Finally, the Chinese banks and the investment markets, which were considered very shaky five years ago, received a reprieve from the huge dose of global liquidity emanating from the U.S. Now that tide of financial liquidity is in retreat.

In China, the political, bureaucratic, and corporate structures are top-down, but also designed to diffuse responsibility just in case things go wrong. It is not an environment that incubates the strong leadership that is required when challenging times arise. Although they are impressive in many respects, Chinese companies will be especially vulnerable to any slowdown, leading to

more volatile and weaker share prices for those companies as well as foreign companies relying on China for a significant part of their revenues.

The conservative nature of our Asset Allocated portfolios has kept our clients out of directly investing in Chinese companies. However, we do hold a number of Canadian companies that do business in China and our due diligence process is keeping a close vigil for any adverse effects.

Sincerely Saleena

By Saleena Vellani



Year End Tax-Loss Selling

Recently we may have been in touch with you via email or telephone regarding some recommended year-end tax-loss selling. There are a number of reasons why this is a good idea generally and in this particular year specifically; Half of your net capital gains are taxable at your marginal rate. Capital gains are generated when you sell a security for more than it was purchased for or potentially simply by owning

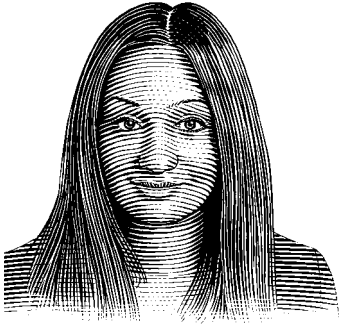
mutual funds (which are buying and selling on your behalf).

These capital gains may be off-set with capital losses. One of the most effective year-end tax planning strategies is tax-loss selling, which will reduce your capital gains. This year, capital gains were very likely crystallized when your portfolio was rebalanced in the spring. Since then, the phenomenal rise in the Canadian dollar has resulted in losses on U.S. dollar denominated assets, strictly based on the currency difference. These securities may be the most effective to sell in order to generate the losses. These positions should then be repurchased to maintain the asset allocation structure.

However, simply selling a stock to trigger a loss, then buying it back is less than 30 days is considered a "superficial loss" by CRA, and the loss will be denied. Accordingly, these securities will be repurchased early in the New Year after the 30 day period has expired.

Good Karma

By Karm Bhatti



Taxes on Mutual Funds

In some of your Asset Allocated portfolios we have used mutual funds, in conjunction with indexes, as vehicles to own specific parts of the market place. Because the markets were generally strong for the first four months of the year, many mutual funds generated capital gains early in the year, only to see the value of the funds fall after this. As a result, many funds

may pass on taxable capital gains and dividends to unit holders even though the fund has not yet provided a profit.

All mutual funds must distribute 100% of their income and capital gains to unit holders each year to ensure that no tax is payable by the fund itself. The amount each fund distributes to unit holders will vary year to year and from fund to fund.

For example, the RBC O'Shaughnessy Funds (Canadian, U.S. Value and U.S. Growth) will have larger distributions this year which is due to their periodic rebalancing. While 2007 has been relatively poor year in the markets, these profits were taken earlier in the year while the markets were rallying upwards.

If you own mutual funds please be aware that these distributions are taxable in regular investment accounts. These distributions are not, however, taxable within registered plans such as RRSP's and RRIF's.

Preserve and Protect

By Tricia McIver



Conflict is a normal part of life, and often a normal part of death. When we die, we leave our family and friends to deal with a state of affairs that is a mix of emotions, personal relationships and money. Sometimes, unfortunately, that mixture turns rather toxic resulting in conflicts.

As with many issues in life, proper thought and planning

can go a long way to provide a roadmap for a smooth and uneventful journey. Planning to prevent conflict should, as a matter of course, be part of your estate planning. While drafting your Will, ask yourself the following questions:

- Does my executor have the necessary abilities to administer my estate?
- Is my executor good at working with the heirs of my estate?
- What role should my executor take in resolving conflict in my estate?
- Will my estate provide for obligations to my family and others?
- What are the expectations of my family and others in giving out my wealth?
- Does my Will allot my wealth to my heirs in clear, unambiguous terms?

Answers to these questions will give you insights into how to avoid conflict in your estate and will help direct your decisions in that regard.

What can you do to prevent conflict from arising?

Develop an appropriate Will: Keeping your Will current should help minimize conflict among your heirs. Your Will should be reviewed every 5 years or on the occurrence of major life event (marriage, birth of a child, divorce). Your Will should contain clear expression of your intentions, in precise language.

Choose an appropriate Executor: Your executor should be willing and capable to administer your estate, and knowledgeable about your financial affairs and who your professional advisors are. Your executor needs the inclination and ability to take on and resolve complex issues. As well, your executor should possess soft skills, those skills needed to effectively communicate, to build consensus, guide heirs in making decisions and fostering and preserving good relationships. A weak executor will invite conflict through lack of leadership, direction and action.

Direct your Executor in how to handle conflict: Provide direction for conflict resolution, such as seeking the help of professional advisors, mediators or a trusted friend. Where more than one executor is appointed, a more direct approach may be to appoint an odd number of executors and state that a majority wins.

Properly address your legal obligations: Ensure provisions exist to retire debts and to provide for those who depend on you for financial support.

Prepare a "Letter of Wishes": Write a letter to your family setting out your intentions and your reasons for those intentions. Providing rationale for your decisions will help heirs understand and accept your intentions, and hopefully avoid a few noses from getting out of joint.

Estate planning can be an arduous and difficult process - but it doesn't have to be. Careful thought and consideration, and working with your professional advisors can make the process easier and effective. If I can be of any help in this regard, please do not hesitate to call me at 604-678-6565 or drop me a line at tricia.mciver@rpfl.com.

