

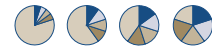
HIGH NET WORTH JOURNAL

An Investment Update



**RICHARDSON PARTNERS
FINANCIAL LIMITED**
FAMILY WEALTH MANAGEMENT

Volume III, Issue V
June 19, 2008



MCIVER WEALTH MANAGEMENT
CONSULTING GROUP

What's News

By Neil McIver



Stagflation and Earthballs

It seems clear now that the U.S. economy has moved past the point of maximum vulnerability and that the risk of recession is moderating. This does not mean that the U.S. is immune from a recession, merely that this likelihood is diminishing.

The greatest risk in the U.S. economy remains 'stagflation', an economic condition many of you might remember from the 1970's.

This term refers to the toxic mix of an economic slowdown (or stagnant economy), coupled with rising inflation. It isn't clear whether either one of these conditions will develop, much less if they both will develop together. Generally, whether they do or not will depend upon two influencing factors. Firstly, how resilient the U.S. economy and consumer is in the face of falling house prices and reeling financial institutions. Secondly, the eventual price of commodities, primarily energy.

The U.S. Federal Reserve is not in a position to intervene again with further interest rate cuts to reignite the economy. In fact, they may very well have to follow the lead of European central banks and actually raise rates in order to stave off inflation in August. We'll simply have to wait and see if the recent dramatic rate cuts will be enough to do the job that U.S. Federal Reserve Chairman Bernanke intended.

The steep price increases of nearly all commodities, including oil and gas as well as both base and precious metals, have been caused by the increased demand from rapidly developing nations such as Brazil, Russia, India and China. Worryingly, we can now add primary food production to the list of commodities rising due to global demand outstripping current supply.

Just as we experienced in the 1970's, this demand has been an adrenalin shot for the Canadian economy, Canadian commodity stocks, and our dollar. We've seen this movie before, the last time created by the huge

demand caused by Japan's rise to industrial might. Then, as now, our dollar was at or above par with the U.S. greenback and our stock market was, as it currently is, the most expensive stock market in the industrialized world. Ironically, what ails the U.S. (rising commodity prices) is exactly what is padding Canadian bank accounts.

The question going forward is the same question that was asked in the last commodity boom of the 1970's and tech boom in the late 1990's – is this a new paradigm? In other words, are things shifting to a new permanent global reality? In both those previous cases, the reality was that the world was indeed changing, but a bubble preceded the change, over estimated the change, and therefore burst. There are many very bright analysts on both sides of this argument, some suggesting the likelihood of a return to traditional economic relationships in which the commodity cycle moderates or turns down. This would result in Canadian equity prices falling to levels consistent with prices found globally, and our loonie falling toward the 90 cent level. Others believe that the growing middle class and growing industrial capacity of India and China are game changers, never mind the fact that we're running out of oil. Both may be right, but only to a degree.

From an investment perspective, the past year and a half has been characterized by steep price increases of both commodity stocks and the Canadian dollar in the midst of a global financial crisis caused by the credit crunch. Outside of Canadian dollar denominated commodity stocks, very little else has performed. This narrow focus is very similar to what was experienced in 2000 with tech stocks and in the late 1970's, again with commodity stocks. Just as we did in the 2000 tech bubble, we'll stay put in our globally diversified asset allocated portfolios.

Summer Housekeeping

This publication, the High Net Worth Journal, is produced nine months during the year. Each year we suspend publication in January, July and August. The next Journal will reach your home the first week of September. If you are not receiving our weekly emailed report, the High Net Worth Weekly, and wish to do so, please call or email Karm Bhatti.

Have a wonderful summer.

On the Mark

By Mark Jasayko



British Beardog

During a visit to the U.K. in late May, I was able to spend time reading the local newspapers and watching the local television for a first-hand view of the state of the British economy. This allowed for some insight into how the global financial and economic turbulence is affecting the ordinary British citizen and to compare this with the situation in North America.

The immediate surprise was how common the use of the phrase “credit crunch” had become. Journalists and people being interviewed would constantly refer to it when highlighting an issue that was creating financial difficulty, even if the cause was not directly attributable to the shrinkage in credit.

The fallout from the credit crunch in the U.K. is also coinciding with rising food and fuel prices which have led to daily protests and calls for the government to subsidize the costs. I had a sense that the citizens believed that the government was mainly to blame for their situation while ignoring the fact that they themselves had relied too much on debt to finance their lifestyles and now the interest costs are severely constraining their ability to budget for the higher prices of necessities.

Increasing credit helped enormously to grow the British economy. The three main components of economic output are consumer spending, investments, and government spending. The expansion of all three of these components was accelerated by debt. Now they are all at risk of contracting to the consternation of the public, businesses, and politicians.

Real estate has a tremendous effect on consumer spending. Over the past decade, the real estate boom that we have seen in North America also occurred in the U.K. Now that home prices have begun to fall, real estate has become the primary focus of the angst. Even though sub-prime mortgages were not as pervasive as in the U.S., there are clear indications that U.K. homeowners were too leveraged; too much mortgage debt amortized over too many years. Similar to the U.S., there are plenty of stories of fraud where homeowners were targeted by lending officers to take on more credit than their wealth or current income could afford. In addition to this, the real estate boom in the U.K. was more geographically widespread than it was in the U.S. Much of the U.S. Midwest and the Southeast Gulf states were spared from the run-up in prices. However, the

U.K. is much more compact where all of the major cities are no more than seven hours by motorway from each other. Rising prices in London spilled over to Manchester, Liverpool, and Birmingham, all within a three hour drive. The boom also transformed these Midland cities from gloomy industrial centres into gentrified and fashionable neighbourhoods.

The financial district of London took full advantage of the easy credit over the past 15 years. As credit expanded, so did the financial services industry as there were new incentives to expand financial products such as hedge funds and derivatives which thrive in such an environment. This environment also created a wave of new companies going public and the appetite for investors to buy the new stock. London became the financial centre of choice for these new companies as listing requirements were less restrictive than in the U.S.

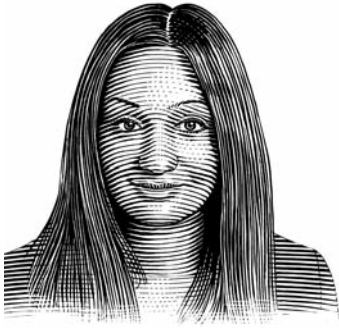
Finally, the government in the U.K. continued to take on significant debt in order to keep the public happy. Ironically, it is the current Prime Minister, Gordon Brown, who was responsible for this as the minister of finance (Chancellor of the Exchequer) during Tony Blair’s reign. Now that the difficulties associated with over-indebtedness are sweeping the Nation, Brown is getting full blame and his approval rating has cratered.

Although the U.K. is a developed nation, it has some disadvantages relative to the U.S. Both countries were able to accelerate economic growth through the use of debt. However, the U.S. has a stronger economic foundation where it is generally easier to raise capital and is the world’s best region for innovation and scientific research and development. As the tide of global liquidity recedes, the U.S. will fare better than other countries that did not promote capital creation, low taxes, and incentives for scientific discovery to the same extent.

Our Asset Allocation process is weighted towards the U.S. during this period of economic fallout and away from regions that have grown predominantly because of taking on debt. By avoiding distressed sectors such as financials and construction in the U.S., there will be an opportunity to benefit from quality companies that have technological or competitive advantages to help them to weather the economic downturn.

Good Karma

By Karm Bhatti



Spring Rebalancing – Update
Our Spring Rebalancing is rapidly closing in on full completion. In short, the annual rebalancing consists of both Neil and Mark carefully reviewing each and every one of the current positions in your Asset Allocated portfolios as well as seeking out new profitable and strategic opportunities. The annual rebalancing process is much more in depth when compared to our

regularly scheduled 90 day reviews, as its main focus is to ensure that future investment potential and your risk tolerance remains in tact.

If you have any questions, please do not hesitate to call me directly at 604-678-6563.

Preserve and Protect

By Tricia McIver



Talk, Talk, Talk
Many of you have spent the time and effort to arrange your affairs so that your estate plan ensures that assets pass to the intended recipients, taxes and probate fees are minimized and things appear straight forward, organized, neat and tidy. But I suspect that not all of you have communicated that plan, nor disclosed details regarding assets, trusted advisors

and important documents with your adult children.

Having recently lost my father, I found myself, as executor of his estate, initially scrambling to gather information and to fully understand the issues that had to be addressed. “Why am I scrambling about looking for things” I asked myself. I should have known better. I should not have been shy or uncomfortable, I simply should have asked more questions.

After all, this is what I do for a living! But we are all human, and it’s often difficult to deal with these issues.

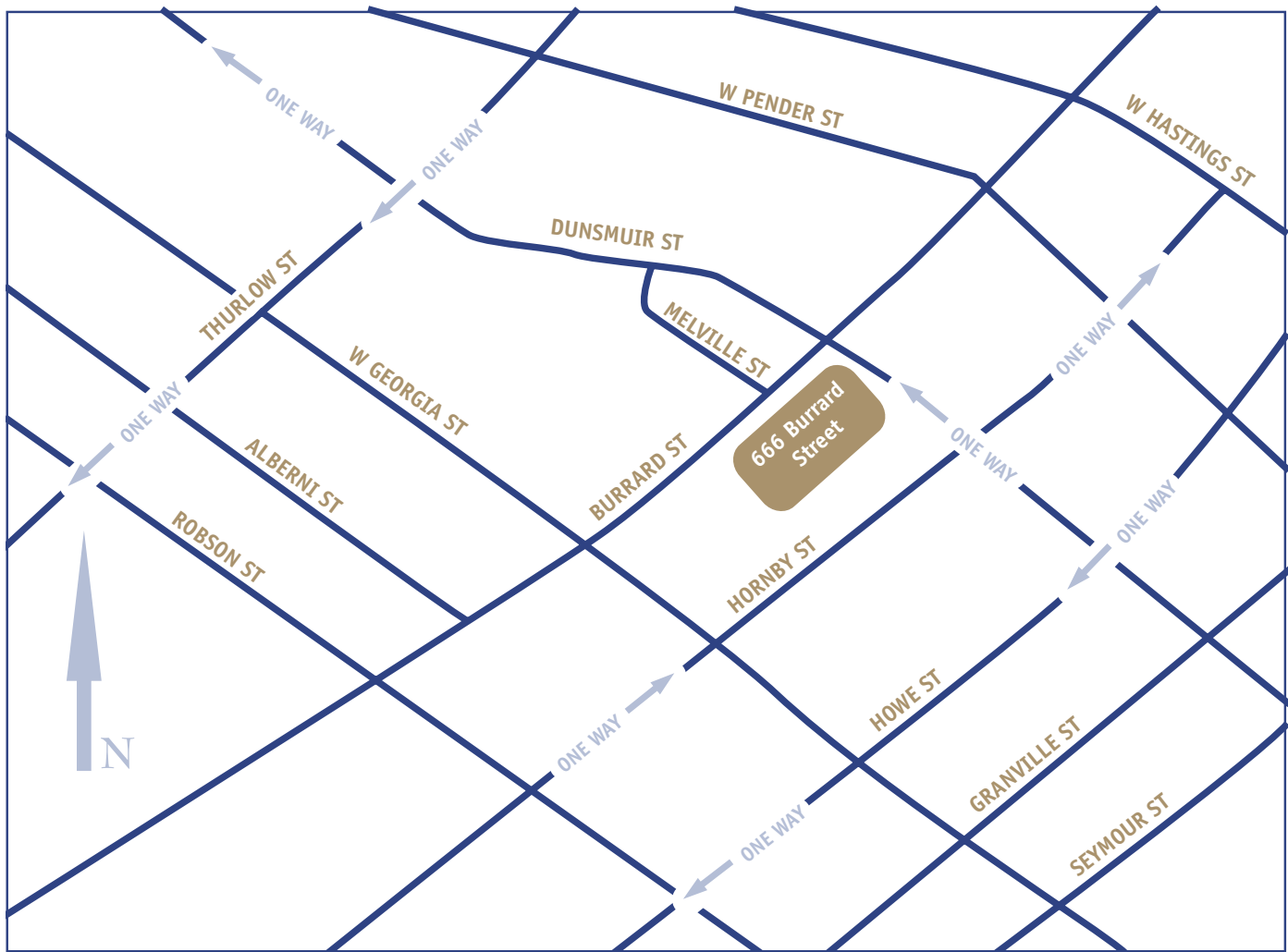
Fortunately, my father was an organized man and we had talked about many of the financial issues and his concerns regarding the family. Once I located his estate information, I found that his diligence in making lists helped tremendously. Where I was lacking was guidance in the softer issues – what type of service did he wish, would he have bought my mother the best, the moderate or the base model hearing aid. These things matter. I’ve had to rely on instinct, reflection and on knowing the kind of man my father was – practical, pragmatic, kind and always generous. But I wish I had asked him about these softer issues.

How can we make it easier:

- Children are often shy to ask about the issues that arise when their parent(s) pass away – regardless of how knowledgeable and comfortable they are with the issues. Talk to your children, all of them if appropriate, about your wishes such as care for your surviving spouse, desires for a funeral or memorial service, your estate plan, what you own, what you owe and who they can turn to for advice (ourselves, accountant, lawyer). If you feel uncomfortable discussing the value of your assets, leave that aside. But let your children know what assets exist and what your plan is for those assets.
- Ensure that your executor, likely an adult child, knows where the paperwork is. Make sure they know where your Will is located, where the information on insurance policies can be found, and who they can contact on these issues. All these steps will make it much easier for your children to deal with issues that must often be addressed in the short term – during a difficult time.
- Provide a summary list of all you own, all you owe, and where this is located or held. Include information on your Investment Advisor (ourselves), banker, lawyer, accountant, and doctor. Write down anything you think important to convey in order to make the process simple and straight forward.

Preparation is a wonderful and necessary thing. But it’s how that “preparation” is carried out that determines the success of your plans. The key to the “how” is ensuring those who carry out your wishes understand the “who”, the “what” and the “where”.

Visit Us in Person or Online!



RICHARDSON PARTNERS FINANCIAL LIMITED

Park Place ■ 666 Burrard Street, Suite 1800 ■ Vancouver, British Columbia ■ V6C 2X8

Toll Free: 1 (866) 364-7735 ■ Phone: (604) 678-6561 ■ Fax: (604) 678-6640

www.mciverwealth.com

Neil R. McIver

Mark Jasayko, MBA, CFA

Karm Bhatti

Tricia McIver, CA, CFP, TEP

Investment Advisor

Associate Portfolio Manager

Associate Assistant

Tax & Estate Planning Consultant

(604) 678-6561

(604) 678-6562

(604) 678-6563

(604) 678-6565

neil.mciver@rpfl.com

mark.jasayko@rpfl.com

karm.bhatti@rpfl.com

tricia.mciver@rpfl.com

www.rpfl.com

Insurance services are offered through Richardson Partners Insurance Services Inc. in BC, AB, MB, ON, NWT. In Quebec, Insurance services are offered through Richardson Partners Insurance Services (Quebec) Inc. Affiliated with NFIA. Richardson Partners Financial Limited is a member of CIPF.