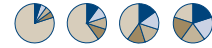


HIGH NET WORTH JOURNAL

An Investment Update

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RICHARDSON GMP



MCIVER WEALTH MANAGEMENT

CONSULTING GROUP

What's News

By Neil McIver



2009, billionaire money manager Warren Buffet said the economy was in shambles, Lehman Brothers had collapsed, Bear Stearns had been sold for a fraction of its former value, and AIG was only kept alive with the use of a quiet backroom bailout worth tens of billions. Major international banks, out of fear, had almost stopped lending overnight money to each other, concerned that the other side might be bankrupt by morning.

Then we had the prognosticators and the sentiment indicators. The highest levels of bearish sentiment ever recorded was in February 2009 and the respected New York University's Nouriel Roubini, who foresaw the crisis, said the S&P 500 was 'highly likely' to fall to 600. David Rosenberg, now of Gluskin Sheff & Associates Inc., rose to prominence by calling for the crises before it happened and became ranked the No. 2 economist by Institutional Investor magazine in 2008. Like Roubini, Rosenberg remained bearish and also said in March 2009 that the S&P 500 was at risk of falling to 600 by October of that year.

You may also remember that our Prime Minister, Stephen Harper, was pilloried by the liberal press at the time for merely suggesting that there were likely a 'few deals' in the stock market, given how far it had fallen. He is after all, a well-trained economist. God forbid he offer the country some hope during a bleak time.

Certainly running against the sentiment of the herd, we are on the record for making two strong moves during this time. In November 2008, we rebalanced all our client portfolios back to their original risk tolerance. Because equities had fallen to such a great degree, we

were well aware that this special rebalancing (we normally do this in the spring) would require selling bonds and buying equities. Secondly, in February and March 2009, we recommended that any investors who had cash available begin to buy the market with the goal of being fully invested by later 2009. We remained positive that the rally would continue from this March 2009 low. Keep in mind that the market bottomed twice, once in November of 2008 and then again, after a brief rally, it hit a new low in March of 2009.

Today, people call these moves 'bold'. From our perspective, they were not bold, but mere common sense derived from every investment metric one could apply to the equity market – and we ran them all.

Within six months of that point of maximum pessimism in March 2009, the S&P 500 had rebounded 53% and the two-year advance since then has been the greatest S&P 500 rally since the two-year rally from the end of the Korean War and the election of Dwight D. Eisenhower.

Clients have been nicely been rewarded for remaining invested, rebalancing at the right time with us, and adding cash to their portfolios as we recommended they do.

And what about Nouriel Roubini and David Rosenberg? They both remain bearish. I guess you dance with one who brung ya!

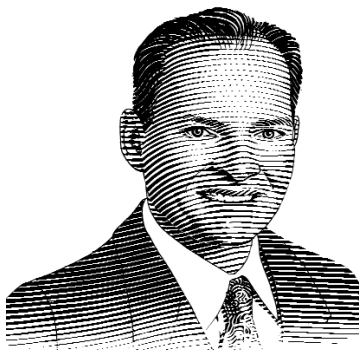
Spring Rebalancing

If you have a discretionary portfolio (and I'll assume you do) by the time you read this we'll have completed a rebalancing and grooming of your portfolio. In general we will be trimming back and taking profits on Canadian equities, shifting even more toward oil, gold and food production as central themes. With interest rates at the bottom of a 30-year cycle, we are reducing both the number of bonds in your portfolio and weighting them even more toward inflation-protected Real Return Bonds. Depending upon your level of risk, we will be slightly increasing your exposure to U.S. equities.

We are consistently looking after your best interest.

On the Mark

By Mark Jasayko



All the Gold in the World

Over the last decade, gold has been the best performing asset class, rising over 550%. As the 1990's came to a close, virtually no investors had gold on their mind. If one was to have mentioned it back then during dot com fever, they would have received strange looks. Governments around the world were selling it as many officials started to buy into the theory of

"The Great Moderation" where there would only be muted swings in the business cycle, where the credit cycle would be controlled, and where there would be no inflation. Who the heck needs the protection of gold in a world like that?

However, as central banks continued to print money at a faster rate than economic growth and as consumers and businesses in the U.S. and throughout the developed world went on a borrowing and spending binge, some investors started to take a second look at gold. We started to add it to client portfolios in 2004.

Although the number of buyers increased, the interest was rather tepid until about three years ago. Despite this, the price rose considerably during the mid-part of the 2000's. It was a case of limited supply as opposed to rampant speculation which provided the necessary push for rapidly rising prices.

To illustrate supply, if all the gold ever mined throughout history were brought to one location, it would fill a little over two Olympic-sized swimming pools. It is hard to believe, but that is all there is. At a price of \$1,425, the value of this gold is a little over \$7 trillion. There was a time when a trillion dollars was difficult to imagine as there were almost no reference points. Now there is. Consider the following:

The annual U.S. budget deficit is over \$1.5 trillion. The Obama administration has increased the debt by over \$3.6 trillion since it took office. The current U.S. federal debt stands at \$14.1 trillion. The most conservative projections have \$8.5 trillion added to the U.S. federal debt by 2020. To modify an old phrase: a trillion here and a trillion there and then the next thing you know you're talking real money.

At gold's current market price, and if it was forcibly confiscated, there would not enough to pay for all of the planned increase in U.S. debt over the next eight years. All the gold ever mined would only pay off half of the current debt. Obama has already borrowed an amount equal to half of all the gold in the world. Now we have reference points galore. When the value of all the gold becomes a fraction of one country's national accounts, there is just not as much of the yellow metal as people would think.

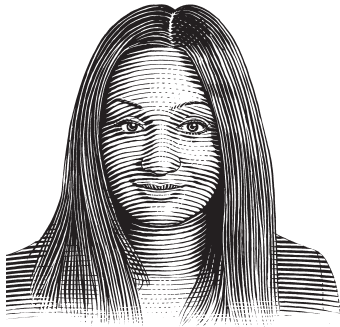
The rise in the price of gold has been primarily because of its limited supply. So, is the current price sufficient to account for this? It's unlikely. The price is about halfway to where it should be to reflect supply. Although that is a good indication that the price could rise further, it is no guarantee.

Some commentators deflect attention from supply or don't address it. Instead, they examine the price of gold based on its historical reputation as a safe store of value in a time of crisis or as an inflation hedge. They argue that the financial crisis is behind us and that inflation doesn't appear to be a major problem at the present time (unless you have to buy food or gas!). As a result, many of these commentators are suggesting that gold is overvalued. However, because they don't discuss the supply issues relative to growth government debt, their arguments are too premature at this point.

The first chapter of this episode for gold, which focuses on supply, isn't over yet. The second chapter will be the appropriate time to begin the debate on whether gold is a good inflation hedge or not and whether it deserves a premium with regard to this. Until then, gold will continue to be an important part of a portfolio.

Good Karma

By Karm Bhatti



TFSA

A Tax-Free Savings Account (TFSA) is one of the most effective new ways to set money aside tax-free throughout your lifetime. Any individual who is a resident of Canada and 18 years of age or older is eligible to establish a TFSA by simply providing a Social Insurance number.

Effective as of 2009, you are able to make an annual contribution of up to \$5000. Any unused contribution

room may be carried forward indefinitely. Having said that, any amounts withdrawn from your TFSA will also be added to your contribution room indefinitely going forward.

Contributions to a TFSA will not be deductible in computing taxable income nor subject to income tax when withdrawn. Furthermore, income and capital gains will be not taxable while retained inside the TFSA or when withdrawn.

If you would like to open a TFSA account or would like to make your contribution for this year, please call or contact me directly at 604-678-6563 or Karm.Bhatti@RichardsonGMP.com

Preserve and Protect

By Tricia McIver



Reckoning with your RSP or RIF

Many of us have used RSP's to grow our retirement nest egg. Not only do we get a current tax deduction for contributions made, our nest egg grows on a tax-deferred basis, meaning no tax is payable currently on earnings. This has the benefit of allowing enhanced growth as 100% of the capital is preserved for investment (no tax leakage). The day

however will come when we must pay the piper. And that happens when a payment is made out of the registered account. As we have received a tax deduction for the capital contributions to the fund and have not paid tax on any of

the growth, 100% of payments made out of the RSP (or RIF, if conversion at or before age 71 has already occurred) are taxable. This can be problematic; particularly where significant assets have accumulated – a bit of a growing time bomb – and some planning around the use of the registered assets should be considered.

As registered assets are fully taxable, they represent a very inefficient way to pass on wealth. On death of the last spouse, the full value of the registered account at that time must be taken into income and reported on the final tax return. In the case of significant registered accounts (and/or significant estates) almost half of the value may be lost to tax. What can be done?

RSP/RIF melt down

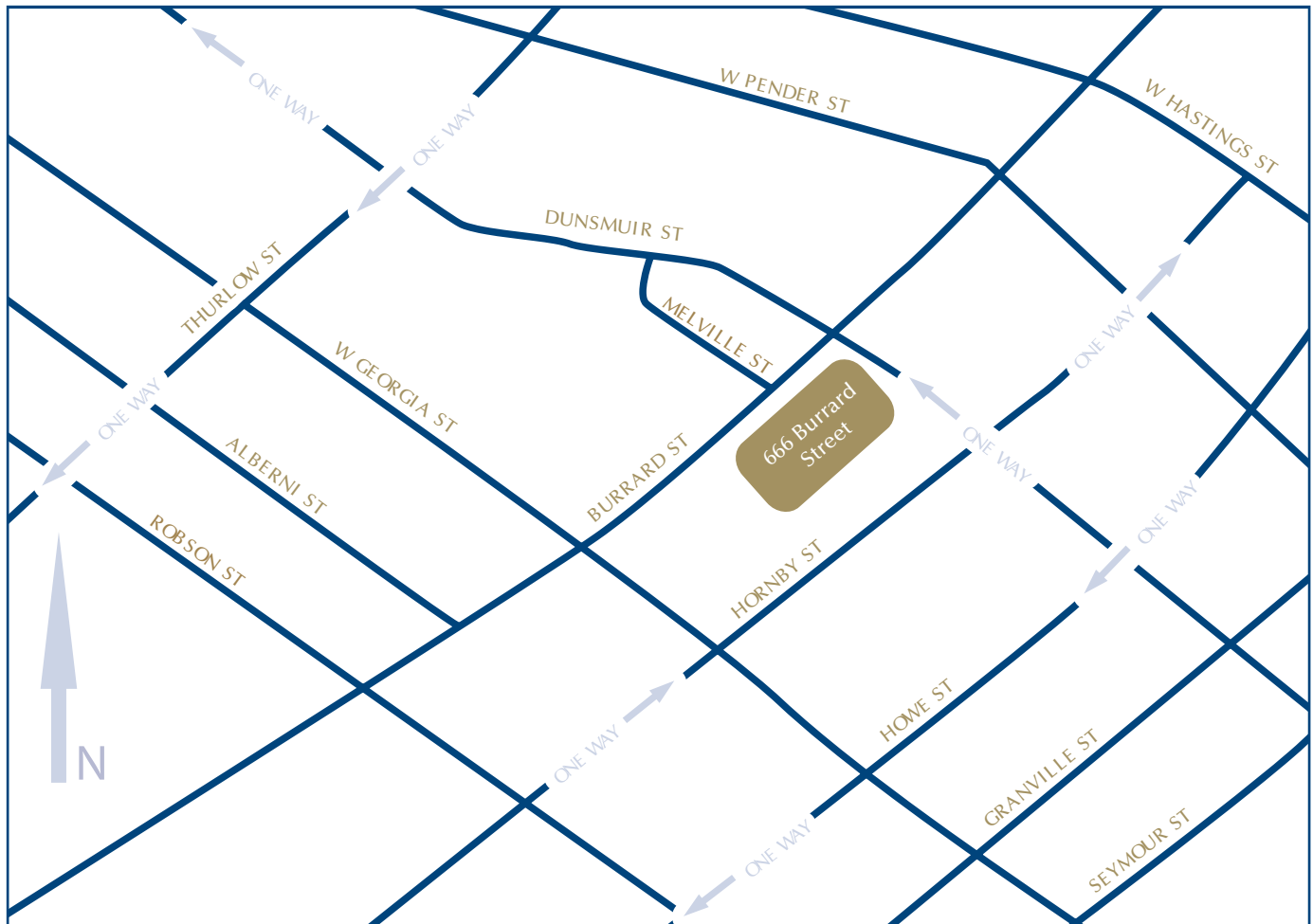
Many of you intend on maintaining your RSP until age 71, when the RSP must be converted to a RIF and minimum amounts must be paid out of the RIF to you. The benefit of this is to maintain tax-deferred growth of the fund. We see many retirees living off their unregistered funds until RSP's are converted to RIF's and pay outs commence. If the intervening years after retirement and before RSP conversion are low income years, consideration should be given to systematically drawing down the RSP. This will cause the withdrawals to be taxed at lower rates as the tax brackets will effectively be used. Though the tax deferral is given up, this should be weighed against the benefits of tax savings and possible access to the \$2,000 pension income tax credit. Caution must be exercised though to avoid any adverse consequences associated with the Age Credit reduction (commences when income exceeds approximately \$33,000) and OAS Clawback (when income exceeds roughly \$67,700).

Annuitize registered funds

Purchasing an annuity with some or all of the registered funds provides a steady cash flow for life, much like a defined benefit pension plan. Steady, predictable cash flow is one of the critical components of solid retirement planning. The annuity will pay out amounts, and these are fully taxable. However, there is a tax-deferred nature to the annuity as interest earned within the annuity is only taxable when paid – unpaid accrued interest is not subject to tax. As annuities are illiquid assets, meaning once the annuity payments start, you generally cannot get your capital back. So you must determine if you have sufficient liquidity elsewhere in your portfolio of assets to meet unexpected cash needs. Also, unless indexed, annuity payments remain level and will fall behind inflation. For these reasons, it would be appropriate to invest only a portion of your assets in an annuity.

Managing assets, cash flow and taxes can be a tricky business. If you have any questions, please do not hesitate to contact me.

Visit Us in Person or Online!



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