The Dream Achiever

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INSIDE THIS ISSUE

"Whenever you find yourself on the side of the majority, it is time to pause and reflect."

~ Mark Twain

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Did you know?

Did you know 11% of people are left handed?

Did you know the names of all continents both start and end with the same letter?

Did you know 1 nautical knot equates to 1.852 Kph (1.150 mph)?

Did you know the flag for Libya is unlike any other being a solid green colour?

Did you know a bowling pin will fall at a tilt of 7.5 degrees?

Web Connect – Online Access

If you have not yet signed up for your online account access, call the office at 514-631-0725 to get yourself signed up.

Rockier times?

It's hard to believe that summer has already come and gone. The colours that we currently see in the foliage are a constant reminder of that. Even before the leaves had graced their colourful fall shades, Q3 was providing colour all of its own.

Overall, the stock market returns in the third quarter of 2013 were good. The TSX composite climbed 6.25% taking it positive again for the 2013 calendar year (5.31%). The DEX bond index squeaked out a 0.11% gain in the quarter (-1.57% for the year), the S&P500 climbed 2.55% in $CAD (+23.67% for the year), and the MSCI World was up 5.4% in $CAD (+21.09% for the year). The Canadian dollar rallied slightly in Q3 up 1.94% vs. the $USD (-3.79% on the year) but we see some weakness ahead. It may not be a bad time for the snowbirds to get their $USD.*

I recently attended a meeting where Benjamin Tal, Deputy Chief Economist of CIBC World Markets Inc., spoke of the reduced effectiveness of global monetary policy. He said that the world economy is not as excited about it as it once was. He likened it to a relationship, "At first, you are so excited that you can't breathe, but if that condition persists after 5 years you probably have asthma."

US equities delivered positive returns, helped by stronger economic data – particularly in the manufacturing sector and the Fed's decision not to reduce its bond purchases. Much of the quarter was dominated by the prospect of the US Federal reserve tapering its quantitative easing programme. The belief that this would be announced in September dampened the market's risk appetite in August, hurting emerging markets in particular. The Fed's surprise decision to delay tapering along with the end of the worries of a possible western military strike on Syria triggered a rally in September. The more recent concerns are about the US fiscal deadline and the US government shutdown, which came into effect on October 2, after Congress failed to reach a budget deal. Most believe that a deal will be reached at the last possible moment as efforts are made to push conflicting political agendas. We expect volatility while this continuing drama plays out.

The situation in Europe continues to improve and that region produced positive returns in the quarter. Benjamin Tal said he sees continued improvement in Europe, believes that fears for the Euro currency are gone, and there is some political calm with the re-election of Angela Merkel in Germany. Asian equities were also up strongly over the quarter due to the Fed announcement and some surprisingly strong economic data out of China.

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Market Overview Continued

The prospect of the US Federal Reserve tapering its programme of asset purchases continued to weigh on many areas of fixed income markets in the third quarter. This openness of central banker policy has increased market volatility as any tapering talk had markets reacting with yields rising quickly overnight. On September 18th bond markets stabilised after the Fed surprised markets by announcing that it would not taper in the immediate future. The yields on US Treasuries, which had been climbing steadily over the quarter, fell back following the announcement. We view this as a chance to review your holdings to ensure that your fixed income is properly positioned for the day tapering does arrive.

Planning items

- **Tax Loss Selling**: Assessing investments in a loss position to offset gains in 2013 and three previous tax years**.**
- **Registered Education Savings plan (RESP) contributions:** Quebec beneficiaries now get the added 10% QESI grant from the provincial government increasing the overall grant to 30%! Have you maximized in 2013?
- **Tax Free Savings Account (TFSA):** A new $5500 of room coming January 1, 2014.
- **RRSP Contribution Room for 2013:** Please provide us with your room for the 2013 tax year from your Federal Notice of Assessment that you received after filing your 2012 taxes. The maximum room for 2013 is $23,820. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2013 will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done if you haven't done so already.

The Planning Corner – Tax loss selling

What is it? A strategy which involves the selling of unprofitable holdings and using the realized losses to offset any capital gains in the current year in order to reduce the amount of taxes owing. Losses can also be carried back and applied against gains in the past three years. While this strategy may be beneficial from a tax planning perspective, the decision to sell should also be based on its investment merits and your long term goals.

What is a Superficial Loss? It is the purchase of the identical security during the period that begins 30 days before and 30 days after you have disposed of that security, and still own that security at the end of that period. These rules will also apply to your spouse or common law-partner. The effect of a superficial loss is that you cannot claim the loss as a capital loss. Rather the amount of the loss is added to the adjusted cost base of the identical security being purchased. It is because of these superficial loss rules that we sometimes suggest that you sell off non-registered positions rather than transfer them "in-kind" to registered accounts such as your TFSA or RRSP where the loss is permanently denied. (Don't worry though, any gains and the government is happy to collect your tax dollars.)

Can I transfer a loss to a partner? This strategy is possible and should be considered when one partner has realized capital gain and the other partner has unrealized losses but no gains with which to offset. The partner with the loss would sell and the partner with the gain would immediately buy. This would result in a superficial loss and cause the amount of the loss to be added to the adjusted cost of the security purchased. The partner could then sell 30 days later and use the loss themselves. This is just one more example of **how proper financial planning can change a tax loss into tax win!**

*Source: Fidelity Investments

Cover photo: Moraine Lake, Alberta