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*What's
Inside*

Getting the Most out of your RESP

Whether you're a parent, grandparent, relative or close family friend, you want to see the young people in your life succeed. With the new grants being offered by the Canadian Government, what better way to provide them with a brighter future than through access to post-secondary education?

It's no secret that the costs of post-secondary education are rising. Being able to enjoy its many benefits can often come down to affordability. By planning ahead, you can make the dream of higher education possible. The sooner you start setting money aside, the less you will have to save in total. This is because your money will have more time to benefit from compound growth. For example, if you want to accumulate \$50,000 by the time your newborn turns 18, starting right away means setting aside \$129 per month, assuming a 6% after-tax return. Even deferring this by only a few years, for example when he or she heads off to Grade 1, will increase your monthly contribution

to \$211 each month to achieve the same goal.

The Basic Canada Education Savings Grant (Basic CES Grant) gives you up to 20% top-up to your contributions of up to \$2,000. That's a maximum of \$400 in free money every year and a lifetime maximum of \$7,200. To facilitate the growth of your funds, the government has offered two new grants to residents of BC: the Canada Learning Bond, and the Additional CES Grant.

The Canada Learning Bond

Families who receive the National Child Benefit Supplement will get an initial Canada Learning Bond grant of \$500 for children born on or after January 1, 2004, and \$100 for each year of eligibility until the child is 15 years old. This bond is eligible to families with income of less than \$36,378; a child in a low-income family could receive CLB payments totaling up to \$2,000, which—with a 3.5 per cent real rate of return—could be worth up to \$3,000 by age 18.

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Additional CES Grant

Low- and middle-income families will receive additional amounts for the Canada Education Savings grant. For contributions made in 2005 and later, you will receive an additional grant of 40% on the first \$500 if your net family income is below \$36,378. If your net family income is between \$36,378 and \$72,756 you get an additional grant of 30% on the first \$500. Keep in mind that these numbers are updated each tax year based on inflation. Regardless of what your family income is, the grant provides at least 20% for every dollar on the first \$2,000 of annual RESP contributions made on behalf of your child.

There are many advantages to investing in an RESP:

- Money invested grows tax-deferred;
- Money withdrawn to pay for education costs is taxed as income to the student (which in most cases means at the lowest tax bracket);
- Contributions to an RESP can earn Canada Education Savings Grant (CESG) money (as described earlier in this article);
- Generous contribution limits: up to \$4,000 per child per year (although the grant is only eligible on the first \$2,000), to a lifetime maximum of \$42,000
- Family plans allow accumulated earnings to be shared among more than one beneficiary

One common concern in investing in RESP is "what if the child does not pursue post-secondary education?" In these cases, all CESG money must be returned to the government. However, all contributions can be withdrawn tax-free, and investment earnings can be rolled into the contributor's RRSP (if contribution room is available) or withdrawn in cash; however, when withdrawn in cash, there is a 20% tax penalty in addition to regular income taxes.

How much will post-secondary education cost you? The answer to this question will depend on many factors. As with all financial goals, the best way to save for higher education is by working with your financial advisor. Your advisor can help you quantify your education-savings needs and sort through the various options to develop a plan that balances your education-savings goals with your other financial priorities.

Harry Perler, CFP
CEO, Perler Financial Group Inc.

Harvest Day!!

**Our Annual Harvest Day
is this Month!!
Please see the enclosed flyer
for details!
Look forward to seeing you there!!**

***Thank You
for your ongoing business and
referrals***

October 2006 Quarterly Draw Winner!

**Congratulations to the winners of our
October 2006 Quarterly Draw,
Daniel & Kimberly Gouws**

**Daniel & Kimberly are the lucky
recipients of a \$100 Gift certificate to
enjoy dinner at Gourmet Hideaway
in Maple Ridge**

**Our next draw is January 2007
Good luck!**

Market Report

If I told you that the Toronto stock exchange was up about 3% so far this year, most peoples' initial reactions would probably be that it has been a pretty boring and uneventful year so far. This has been far from the case as the TSX has bounced as high as 12,700, before tumbling twenty percent to 10,700 and then working its way back up to present levels at about 11,600. It has been quite the roller coaster ride for an economy that hasn't seen any of the fundamentals differ too much at all over the year.

It brings to mind the old business parable first espoused by the founder of value investing, Benjamin Graham. Mr. Graham likened investing in stocks to going into business with a partner he calls "Mr. Market".

"A remarkably accommodating fellow named Mr. Market . . . is your partner in a private business. Without fail, Mr. Market appears daily and names a price at which he will either buy your interest or sell you his.

Even though the business that the two of you own may have economic characteristics that are stable, Mr. Market's quotations will be anything but. For, sad to say, the poor fellow has incurable emotional problems. At times, he feels euphoric and can see only the favorable factors affecting the business. When in that mood, he names a very high buy-sell price because he fears that you will snap up his interest and rob him of imminent gains. At other times, he is depressed and can see nothing but trouble ahead for both the business and the world. On these occasions, he will name a very low price since he is terrified that you will unload your interest on him.

Mr. Market has another endearing characteristic: He doesn't mind being ignored. If his quotation is uninteresting to you today, he will be back with a new one tomorrow. Transactions are strictly at your option."

The Canadian market this year has really brought home the truth of this analogy. Energy and raw materials now make up almost forty percent of the TSX and while the long term fundamentals, which are driving the run up in these markets, remain sound (namely the increased demand coming from the industrialization and growth of China and India) and unlikely to dissipate anytime soon. In the short term we are seeing prices drop with news of a warmer than expected winter, a mild hurricane season, and the discovery of a brand new oil deposit in the US.

Meanwhile our neighbours to the south are experiencing problems of their own. The US market has been surprisingly strong and amazingly resilient over the last few years. Despite energy costs doubling, \$350 billion dollar deficits, and 17 successive rate hikes, the US market has been posting strong numbers. (Not so much in Canadian dollars as the loonie has gained 45% on the greenback over the last three years, thus erasing most of the growth). However, many economists believe this growth has been at the expense of future expansion as it has been funded by credit. Consumer spending has been driving the US economy, which has in turn been fueled by rising housing prices. In short, there has been a ton of spending in the US, with consumers using their home equity to fund big screen TV purchases, home renovations and vacations. Remember in the US you can write off the interest on home mortgages and there are no penalties for refinancing. Now, with housing prices beginning to fall, consumers are going to be more likely to sit on their wallets, thus slowing down the rate of growth in the US.

What does all this mean? We believe that the Canadian market is in for a bumpier than normal ride, but with our economy itself in good shape, we expect stocks to continue to outperform bonds and the Canadian market itself to outperform the US. We are concerned about the US, but attractive earnings reports, reasonable valuations, the end or near the end of interest rate increases, and an upcoming US election year, all leave us cautiously optimistic that a slowing housing market will merely bring the US economy down to a "soft landing". Expansion in Japan, a healthy Europe, and continued growth of the "BRIC" countries (Brazil, Russia, India, and China) should help mitigate a slowing US economy and keep the Global market healthy.

Markets are expected to grow around 6-7% next year, but expect volatility. If "Mr. Market" shows up in a particularly manic mood one month, be prepared to take advantage of his foolishness, rather than be guided by his behaviour. We will continue to try and add value to our client's portfolio by judiciously taking advantage of market opportunities; however, in the long run a properly balanced portfolio aligned with a personalized financial plan, will preserve wealth and grow net worth no matter what the future may hold.

Jeremy Low
BBA, CFP

Mortgage Refinancing

Make it Work for You!

Even with today's rising interest rates, historically, they are still very low. With this in mind, combined with rising property values, many Canadians are choosing to refinance their existing mortgages. There are many reasons you may wish to refinance: to consolidate mortgage debt, finance home improvements to your home, use the equity in your home to pay off credit card and loan debt, etc.

Now is a great time to consolidate all of the high interest bearing loans and credit cards and dramatically decrease your monthly payments. There are many factors to consider when refinancing your mortgage- here's what you need to know:

Taking equity out of your home to:

Consolidate other debt: Most unsecured debt is priced by your bank at a higher rate than your mortgage in order to compensate them for the higher risk of loss if you default. For many people it only make sense to use available home equity to pay out this debt, as it typically reduces the interest costs significantly. With equity in your home, refinancing your mortgage is the smartest way to consolidate debts. You can combine your debts with your existing mortgage into a new mortgage with a lower interest rate with only one monthly payment. This could save you a substantial amount of money on those high interest loans and credit cards.

Before Refinancing (existing mortgage)		After Refinancing (New mortgage)	
Property Value	\$200,000	Property Value	\$200,000
Existing Mortgage (outstanding balance)	\$100,000	New Mortgage	\$121,000
Interest Rate	7.5%	Interest Rate	5.34%
Debt	Monthly Payments	Debt	Monthly Payments
Credit Card (\$12,000)	\$360	Credit Card (\$0)	\$0
Other debt (\$9000)	\$270	Other Debt (\$0)	\$0
Mortgage	\$731	Mortgage	\$727
Total Payments	\$1361	Total Savings	\$634

As you can see from the above example, with \$21,000 in bad debt, the homeowner was paying \$630 each month to service these debts, on top of his \$731 mortgage payment. After refinancing at a more attractive interest rate, although his new balance has now increased (the \$21,000 in debt), his monthly mortgage payment is \$727 (less than his original mortgage at the higher rate), and he has saved himself \$634 each month. This new found "free money" now allows the homeowner a perfect opportunity to begin investing monthly, increasing his current monthly investments, paying monthly prepayments to his mortgage, or just saving for a rainy day. If you have equity in your home and good to excellent credit, this may be an excellent option for you.

Renovate or make home improvements:

If you want to spend a significant amount of money on improving your home, you may be able to take out a lot more equity than you realize. Mortgage insurers, such GE Capital and CMHC, will insure

new mortgages which are "topped up" for this purpose, and the total of your current mortgage and the new funds exceeds 75% of the current home value. Of course, if the total requirement is less than 75% of your home's current value, you should have little trouble getting the additional funds you need.

Break a closed mortgage to transfer to a new lender: Many closed mortgages have the feature that allows the balance to be paid out with a penalty after a certain time has elapsed on the mortgage. Check the "prepayment" clause in your mortgage to determine your own situation, or better still, call your institution and ask them the cost of paying out in full. You need to look closely at the total savings the transfer will give you, in order to determine whether this is financially worthwhile.

When it comes to refinancing there can be many ways to structure the same transaction. As with any financial situation, please be sure to speak with your bank or mortgage broker, to fully understand what options work best for you.

Mortgage Rate Update

Term	Closed	Open
6 Months	5.90%	6.40%
1 Year	5.10%	6.65%
2 Years	5.20%	
3 Years	5.29%	
4 Years	5.30%	
5 Years	5.25%	
7 Years	5.48%	
10 Years	5.69%	

Rates as of October 19, 2006

Rates are subject to change at any time without notice.

Please contact my office for current rates.

Lender and/or broker fees may apply