The McCartney Report

June 2007

Table of Contents

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The Last Word

"Expect the best, plan for the worst, and prepare to be surprised."
-Denis Waitley

Market Update

Hard to believe we're in June already. The time really flies doesn't it? May was another strong month for the equity markets – really strong as a matter of fact.

May Month End & Year to Date
World Indices Performance

World Index	*MTD*	*YTD*	*YOY*
S&P/TSX Comp.	4.77%	8.90%	19.69%
Dow Jones	4.32%	9.34%	22.02%
S&P 500	3.25%	7.92%	20.51%
NASDAQ	3.15%	7.83%	19.53%
FTSE-100 (London)	2.77%	6.54%	15.79%
CAC 40 (Paris)	2.92%	10.69%	24.42%
DAX (Frankfurt)	7.54%	20.78%	39.96%
Nikkei (Tokyo)	3.21%	4.26%	16.11%
Hang Seng (H.K.)	1.40%	3.20%	29.92%

Wow!! Those Year over Year numbers are very impressive. Most Canadian investor's returns don't look quite this good I'm afraid. There are a couple of reasons for that.

Let's start with the US Dollar. On May 31, 2007, you could purchase a US dollar for $1.0685. As recently as February 8, 2007 it would have cost you $1.1876 for the same US dollar. That's great if you're going shopping in Buffalo, but that 10% decline in value did the same thing to your US investments as they were converted back to Canadian Dollars. That's a bit disappointing isn't it?

The second reason that Canadian Investor's returns don't look as good as the Year over Year chart has to do with Bonds.

Bond Returns have been in the 4 to 6% range over the past year. The larger the percentage of your portfolio that was held in the Bond/Fixed Income Category the more your portfolio returns were averaged down. That too is a little disappointing isn't it?

But that is our lot in life as investors. If we all had a crystal ball, there would be no need for Asset Allocation. We would simply buy securities and sectors we knew were going to go up and avoid the ones we knew would go down.

For this reason, I tend not to make broad sweeping calls on the market. I believe it would put my client's savings at serious risk if I were to get it wrong.

Similarly, this is why we spend so much time talking about risk tolerance

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and your goals and objectives for the future. Those factors help me construct portfolios that will get you to your destination at a level of risk you can stomach.

A final point on this before I move on.

Take a look at your portfolios over the last year or so.

Even if you didn't achieve a 20% rate of return from May 31/06 to May 31/07, if you had a portion of your savings in Canadian and Global Equities, the odds are you did pretty well over that period.

Do you have a Charitable Plan?

Note: Although many of you read the article in the MS Tribute Newsletter I sent you, I'm re-printing the article here in case you missed it.

Would you like to give more in the support of charitable causes? As a financial planner, I often ask my clients question like, "How much money do you need in retirement" or "Will you be able to maintain your current lifestyle in retirement and for how long?"

When you start answering these questions you put yourself in a much better position to answer the question "Can I do more?" A strong financial plan sets the stage for the development of your philanthropic plan. Your plan may include some of the following strategies.

Gifts Through a Will

Otherwise known as bequests, you can gift money, property, sources of income, etc. to the MS Society simply by naming them in your will. The reduction in taxes and probate fees is a bonus to go along with the philanthropic benefits.

It's important that you have a properly drawn and up-to-date will. This document provides guidance to your executor(s) so that your wishes are met and disputes do not arise.

Gifts of Securities

If you are considering a charitable donation, you may want to give stocks, bonds or other publicly traded securities, including mutual funds. You'll be deemed to have sold the investments at fair market value (price on the day of donation); however, you do not have to include any portion of the resulting capital gain in your income (therefore no taxes are payable).

Gifts of Life Insurance

You don't have to be a millionaire to leave a million dollars.

Life insurance can be one of the simplest ways to do something really significant philanthropically.

There are three ways:

1. Apply for a new life insurance policy and name the charity as the beneficiary. The premiums you pay will be recognized as a charitable donation and a tax receipt will be issued to you each year.
2. Donate an existing insurance policy to the charity. The future premiums you pay will be considered a charitable donation for you.
3. Purchase an insurance policy and name your estate as the beneficiary. You then add a clause in your will to donate these proceeds to one or more charities. Your estate receives a charitable donation tax credit when the proceeds are distributed.

Make sure you consult with a professional who is knowledgeable in both life insurance and income tax before implementing any of the above solutions.

Other strategies to consider:

- Charitable Gift Annuity
- Gifts of Retirement Fund Accumulations
- Charitable Remainder Trusts
- Endowment Funds

There are many different strategies for making philanthropy a larger part of your life. If you aren't sure whether any of the strategies discussed here apply to you, consider having a financial plan done by a Certified Financial Planner (CFP) and build philanthropy into that plan as one of your goals.

How good is your Group Insurance Coverage

Does your company provide you with Group Insurance coverage for Life, Disability, Dental, & Prescription Drugs? If you do that's great.

Is that plan perfect in every way and does it ensure all of your financial obligations are covered if something goes wrong? It might. It might not.

You owe it to yourself *to discover what it is exactly that your plan does or does not provide in case of sickness or death, and whether that is enough to cover you and your family's needs.*

Your greatest asset is your ability to earn an income.

Why? Stop earning an income and you will soon find out how quickly the money you have in the bank depletes.

Here are a few ideas that should persuade you to consider evaluating your Group Plan.

1. Group Plans are not portable if you leave the company.

You will lose your coverage on termination of employment, or if you're the spouse of a covered person and become divorced.

2. Most Group Plans provide some form of Disability Insurance should you get sick and be unable to work.

When does Disability Payments start? When do they stop? Will they be enough to replace the income your family requires?

3. Critical Illness Insurance.

Most Group Benefit Plans do not provide a Lump Sum Payment to you should you get sick from Cancer, survive a Heart Attack, or get diagnosed with Multiple Sclerosis, to name a few.

That Lump sum payment could be used to fund:

- Financial Obligations
  - Mortgage
  - Loans & Debts
- Additional Expenses
  - In-House Nursing Care
  - Rehabilitation Therapy
  - Home Modifications
  - Alternative Treatment
- Travel Expenses
  - Travel within Canada for Medicare
  - Traveling Outside of Canada to Avoid Waiting for Care
- Supplement Income
  - Income Required to offset reduction
- Dependents
  - Caregiver
  - Education Fund
- Other Expenses
  - House Keeping
  - Home Maintenance
  - Psychiatric Therapy

Conclusion

Every year you have to renew your coverage with your company. About three to four months prior to that is the right time to evaluate your coverage.

Call me and let's set up a time to do a consultation on your current coverage.

It will cost you <u>nothing</u> and you may find it was worth a lot more than just peace of mind.

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