THE

Fraser *Financial* Report

Stewardship since 1991 | Stew'ard·ship': *the moral responsibility for the careful use of money, time and talents.*

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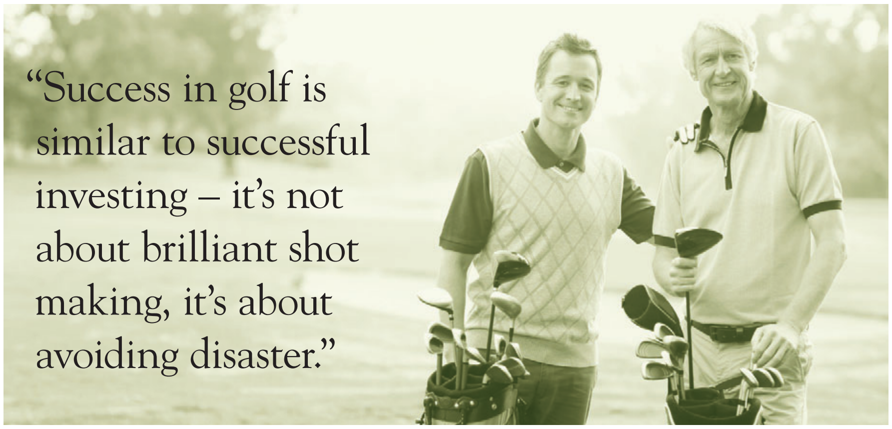
Investment Planning Counsel®
IPC INVESTMENT CORPORATION

January 2013

Golf and Investing

By Craig Gronsdahl, CA, CFP®



Golf has little if anything to do with investing. But the game of golf can be a good metaphor for the world of investing. I just read the treasurer's report in the package our golf club sends out to members' in preparation for the annual general meeting. He finished his report as follows. "It would seem that in finance, as in golf, boring means that things are going well."

Speaking from my golfing experience I know that he couldn't be more correct. After my best games the typical reaction from my playing partners is "Really, you scored that well. I would never have guessed". And that is because success in golf is similar to successful investing – it's not about brilliant shot making, it's about avoiding disaster (double bogeys and beyond).

Our structured asset class strategy ensures that we take utmost advantage of diversification to reduce risk. It is a "free lunch" because it doesn't impair returns. The relatively low fees associated with these funds provide the fund managers with a much lower hurdle to overcome in order to add value to their strategies. In the golf world they would be the players who par one hole after the other – boring to watch, not much to talk about after the game but consistently in the running for the title at the end of the day – "The efficient grinders".

For those of you who watch golf on TV (I know my audience is shrinking now) you constantly hear the announcers discuss how important it is for professionals to stick to their routine and maintain their discipline. Consistency should be the Holy Grail for investment managers and investors as well. The harmful effects of chasing last year's winners and changing strategies are well documented in the academic literature yet many fund managers and investors conveniently ignore them in search of the next "eagle" opportunity.

We often describe our approach as taking all steps necessary to increase the odds of success – diversification, low fees, and consistent strategies. It might not make the highlight reels or the play of the day but it is a proven route to building wealth. Because as my friend the treasurer says, "boring means that things are going well."

EDITORIAL

Fiscal Cliff or 23 Skidoo

By Colleen Barker, CFP®

The "great Y2K scare" is what it was called. Back in 1999, there was a fear that all of our computer systems would fail at December 31, 1999. In preparation, some people buried their money in the back yard, fortified their basements with supplies, or just bought an extra large size box of crackers. These types of reactions come to mind as I consider the most recent 'scare' on the horizon - a "fiscal cliff" – defined by Investopedia as "the popular shorthand term used to describe the conundrum that the US government faced at the end of 2012, when the terms of the Budget Control Act of 2011 are scheduled to go into effect."

While I can't foresee the impact of the 'fiscal cliff' at this point, nor understand people's reaction, it is interesting to note that we have survived these scares in the past and will likely see many more in our lifetimes. I find it more concerning to look at the death rate of new words. We have to assume that "fiscal cliff" and "Y2K", like "23 Skidoo" and "all a dither" in the early 1900's, may not survive this century. However, according to an Oxford Words Blog in April 2012, potential new words are 'physible' (the digital information required to create a physical object using a 3D printer) and squoob (squished cleavage). While I can't get all 'twitterpated' about these words until I have more 'deets'; I can grab my 'bezzie' and try to enjoy 2013 without getting too 'stressy' over any "fiscal cliff".

Insured Annuity – an alternative to GICs

By Brent Barker, CA, CFP® & Sandra Howden, Insurance Specialist, IPC Estate Services Inc.

An insured annuity is a combination of two products: a fully guaranteed life prescribed annuity and a fully guaranteed life insurance policy. A prescribed annuity is only available with non-registered funds.

The combination of the prescribed annuity and permanent life insurance policy produce exceptional results. The prescribed annuity has a higher gross income than that produced by a guaranteed investment certificate ("GIC") and is payable and guaranteed for life. The tax paid on the income is less since prescribed annuities pay a blend of interest and capital, whereas, a GIC pays interest income only, which is fully taxable. The permanent life insurance policy on death will replace the capital used to purchase the annuity and will be paid to the beneficiaries without any probate, legal or executor fees.

Even after paying the life insurance premium, there will be more net income than that produced by investing the capital only in GICs

Retired Couple

Betty, 69 and Barney, 72, both non-smokers, retired and collecting pension income have $500,000 of non-registered funds. They would like to supplement their current income and travel while they can, but want to ensure the capital is there for their children and grandchildren.

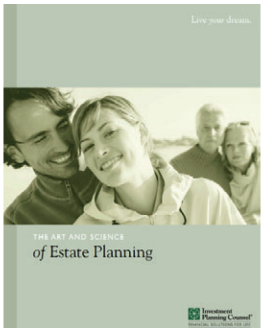
They have been quoted a GIC rate of 2.5% for 5 years. Their wish is for the beneficiaries to be paid on the last of their deaths and the annuity to be paid until that time. The following table summarizes the differences in the spendable income between the alternatives.

Insured Annuity	Compared To	GIC @ 2.50%
$500,000	Principal	$500,000
29,600	Annual Income	12,500
3,663	Taxable Portion	12,500
1,088	Tax Payable at 29.7%	3,713
28,512	Net After-tax Income	8,787
10,990	Life Insurance Cost	-
17,522	Spendable Income	8,787

At a 29.7% marginal tax rate, the insured annuity increases spendable income by 99% or $8,735 annually. To produce the equivalent spendable income with a GIC, the GIC would require a rate of 5.0%.

If you would like more information, please ask one of our advisors to provide you with a personalized illustration.

Is it time to have "*the talk*"?



As Ben Franklin so aptly said, "In the world, nothing can be said to be certain except death and taxes."

The topics of money and death are difficult topics for many families. Yet, there is not only plenty to talk about, there are several steps you can take to be sure that your family will be taken care and the tax man doesn't become the biggest beneficiary of your estate.

If you'd like more information about starting the discussion, please ask your advisor for a free copy of our Guide "The Art and Science of Estate Planning" and our special report called "Is it time to have the talk?".

Tax-Free Savings Accounts Limit Rise for 2013

Four years after the implementation of the Tax-Free Savings Account (TFSA), the federal government has increased the amount of the annual contribution limit by $500. Effective January 1, 2013, the annual contribution amount is $5,500. This brings the total amount that Canadians, over the age of 18, could contribute since 2009 to $25,500.

The money in a TFSA can be invested in a range of investments from mutual funds and GICs, to simple savings accounts. Any interest, dividends, and capital gains earned in these accounts are not subject to tax. Better yet, unused contribution room can be carried forward to accumulate for future years.

Funds can be withdrawn tax-free at any time for any purpose and recontributed the following year.

Why wait until March 1st?

Many Canadians – about 25% of eligible investors – wait until the last two weeks before the March 1st deadline to make their annual RRSP contributions; some wait until the last two days!! What if we could give you some compelling reasons to change this habit? Here are the advantages of making your RRSP contributions on a regular monthly basis.

- Making small, regular contributions will not impact your lifestyle as much as an annual contribution. You will be "paying yourself first" and investing in your future.
- You won't have to worry about missing the deadline because you have overspent during the holidays.
- Starting early in life is the secret to building a healthy retirement fund. If you start at age 20, and invest $100 dollars at the beginning of every month for 40 years at 5%, you would have $153,238. Whereas, if you did not start investing until you were 45, you would only have 20 years to invest. Even if you doubled your contribution to $200/mo. you would still only end up with $82,549. This is a missed opportunity of $70,869.
- You will enjoy the magic of compounding interest. By making a monthly contribution to your RRSP, you get your money working for you sooner. For example, investing $1,200 on February 28th each year for 40 years at 5% would give you $144,960. As indicated in the point above, $100/mo. would give you $153,238 which is an additional $8,278.
- Investing on a regular monthly basis allows you to take advantage of buying your investments 'on sale'; this is a strategy known as "dollar cost averaging". If the market price of your investment is down, your $100 buys more in a given month, thus lowering your average unit cost. When the market goes back up, as they have historically, then your units are worth more.

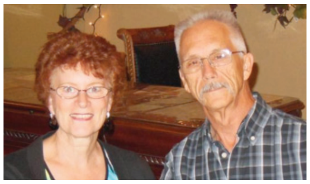
Source: Investment Planning Counsel

News Clips

ANNOUNCEMENTS

On October 7th, 2012, Kate Hart from our Surrey office completed her first 1/2 marathon in Victoria, BC. Kate did this to raise funds for the BC Cancer Foundation in memory of Muriel Hansen, Shelia MacKay, Bonnie Sigaty and many other loved ones. Thank you to our generous clients who sent donations to help - together we raised $5,050 in total!

Members of the Team from FFG Vernon after piling their contributions into the truck for the Sutton Group's "Warm N Fuzzy Collection". Gently used winter coats, hats, mitts and blankets were collected for distribution to the less fortunate through the homeless shelters in Vernon. All together, enough items were collected to fill two rooms.



It's official!! Susan Noer retired after twenty years working for Regan & Associates and The Fraser Financial Group in Vernon. Susan's last day was September 28th and she seems to be enjoying her retirement almost too much. Congrats Susan!

We had some fun at our 20th Anniversary celebration in September. All of our advisors have now completed the Dimensional Funds Introductory course. They were presented with beanies and certificates.

Spirit of Christmas - 2012 - This year our Abbotsford office wanted to celebrate Christmas in a different way. Instead of exchanging gifts, they decided to sponsor a local family for Christmas. Looking for a family that was really in need; sadly, they found many families. They chose a single mom with two little girls, living on disability and undergoing radiation treatment. She was unable to meet basic family needs, let alone provide a joyful Christmas for her girls. They were able to provide a Christmas dinner, Christmas presents for the girls and a large basket of food to last through the holiday period.

ABBOTSFORD

Phone: 604-855-0034
Toll Free: 1-888-549-1199
Chuck Webb, BA, EPC
George Sigaty, BA, MBA, EPC, CFP®
Dean Lewis
Dale-Lynn Ambury Desabrais
Alex Christon
Melissa Lenardon

KAMLOOPS

Phone: 250-377-7664
Toll Free: 1-888-414-0031
Robert Thomas, CA, CFP®
Trish Hartwig
Barb Johnson

KELOWNA

Phone: 250-861-3200
Toll Free: 1-888-611-3791
Craig Gronsdahl, CA, CFP®
Linda Gronsdahl

SURREY

Phone: 604-574-9844
Toll Free: 1-888-839-2213
Robert Hansen, CFP®, Ch.FC, CLU, EPC
Kate Hart, CHS
Treana MacCallum

VERNON

Phone: 250-545-5258
Toll Free: 1-877-755-5757
Gary Huston, CA, CFP®
Rick Balfour, CGA
Brent Barker, CA, CFP®
Colleen Barker, CFP®
Dominik Dlouhy, P.Eng, MBA, CFA
Keray Regan, FMA, FCSI, EPC
Joanne Calvert
Dawn Fidler
Sandy Howden
Jill Hunt
Laurie Kitchen
Chris Perrigo
Vera Schipfel
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