FINANCIAL STRATEGIES FROM
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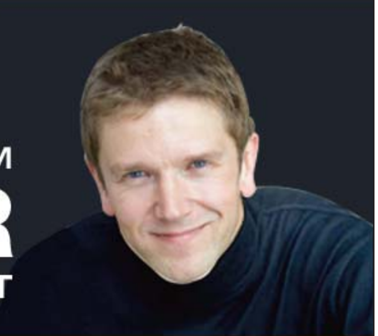

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2010 Economic Forecast & Strategic Financial Strategies

Investment Portfolio Planning

What a two years it has been.

One of the worst stock market declines in history occurred from September 2008 to March 2009.

This was followed by one of the fastest stock market recoveries ever witnessed – a recovery that is continuing today.

The history of stock market investing has shown that these ups and downs are routine (more than ten major corrections in the last fifty years alone). Investors seeking to maximize their investment return long term in the stock market have a common trait: they are invested or investing while the market is falling so they can ensure they share in 100% of the market upside when it occurs. While it seems common sense to say that one should invest during market lows, last winter demonstrated that an investor's emotion can cause them to do the contrary: sell while it is falling and only buy when it appears the market is calm again – but this may be too late to capture much of the upside that one hopes to get to average a 10% return long term.

So here we are again, at the end of 2009, wondering what the stock market will hold for 2010.

For an investor with a structured long term investment plan, the answer is simple: the stock market is likely to be higher in 3 years, 5 years or ten years, ahead of your need for the money, so with the markets still far below previous highs, the key is getting in, not when you get in. Make sure the investment plan reflects your goals and risk levels. Complete dynamic rebalancing yearly to capture gains and re-align the portfolio back to your original plan. Allow for a minor amount of market timing to suit personal preferences. Staying on plan presents the greatest likelihood of achieving desired results long term.

For investors who are trying to generate short term capital gains month to month or year to year, we urge caution in 2010. The recession recovery appears to be in early stages, and the stock market could easily be viewed as having run up ahead of a real economy that is still mired in too much debt and unemployment. It would not surprise us to see a 15% market pullback and we recommend that sizeable cash reserves should be maintained through much of 2010 as a cushion against this. Gradual investment, focusing on high quality securities with good dividend payments, in strong industries such as energy are preferred.

Record Low Interest Rates

Home owners have benefited from low mortgage rates in 2009. There is talk that the Bank of Canada could start to raise market interest rates in the second half of 2010. For mortgage holders who have floating rates currently, consider switching to a five year (or longer) fixed closed rate below 5% if you can find it. Keep floating until you hear signs that rates will rise.

For investors maintaining a core fixed income component to their portfolio as a base of stability, bond and GIC rates range from 0.50% to 3.50% currently. We recommend that new bond and GIC purchases be kept short term (less than 3 years) as we cannot justify buying a long term bond at record low interest rates. We prefer to see you purchase short term bonds, wait for interest rates to rise in the next few years and then lock in higher interest rate bonds at that time.

Housing Prices in Canada

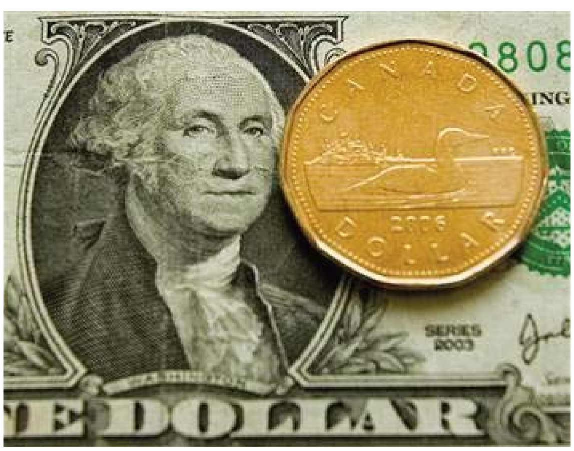
The record low interest rates in Canada in 2009 have led to a frenzy once again in home sales for some of Canada's major cities. We fear that this may lead to too many younger Canadians getting bogged down with mega-mortgages and leaving them to too little other cash flow for life needs. Particularly worrisome is what the impact of rising mortgage interest rates could be over five years or more. Investors seeking to purchase new real estate should be wary of the prospects of rising interest rates and take these defensive measures:

- resist overpaying for a home;
- delaying the purchase of secondary or recreational real estate
- save for larger initial deposits
- focus on debt repayment versus optional portfolio savings.

At the same time, we feel that investment in commercial real estate globally, which has been hit hard in the recession, presents a strong long term investment potential, particularly for properties that are not overly leveraged. Properties in high density cities and nursing homes are attractive and can offer cash flow yields exceeding 6% / year. This can be more profitable in some cases than a personally owned rental property in your community while not coming with all the hassles of being a landlord.

Gold

We do not share the enthusiasm that investors seem to have for gold and fear that the price run up is hyped buying much the way oil prices shot up in the first half of 2008. Long term we can see a rise in gold prices as the world's population grows. We see a much greater need for the world's industrial metals (e.g copper) as these metals are used for industrial purposes (e.g. copper piping in new homes in China). Coming out of recession and generally as the third world industrializes we feel comfortable owning the base metals and companies that mine them globally. These securities are also a good inflation hedge should high inflation occur.



Canadian vs U.S. Dollar

We believe that the Canadian dollar will continue to be strong against the US dollar, staying within five cents of parity for the next few years. Longer term we feel that the Canadian dollar will fall against the U.S. greenback but it will take a stronger U.S. economy that pays down its debt and restarts its productivity first.

Overall we like clients who travel to maintain a reasonably sized U.S. dollar investment account. Having some U.S. currency presents us with many more strong investment possibilities. This money can also be used for global travel, particularly in retirement.

Income Trusts and 2011

Only one more year until income trust structures will be forced to pay corporate income taxes again. Some income trusts have already cut distributions and/or converted back to corporations in advance of the tax change. This has caused their stock price to plummet in some cases. We continue to be wary of recommending the purchase of income trusts for this reason. Post-2011, once the situation has stabilized, we will start reviewing these trusts once again as potential cash flow rich investments for portfolios.

China, India, Brazil and Other Emerging Market Nations

In 2009, emerging market nations have had some of the highest stock market returns. The rapid advancement of more than a billion people moving from poverty into the middle class, many purchasing homes, cars, TVs and cell phones for the first time ever will ensure this stock market rise will continue – albeit with a lot of volatility along the way. We believe that most investors should seek to build growing positions in these economies over the rest of your investing lifetime.

Canada and Developed Nations

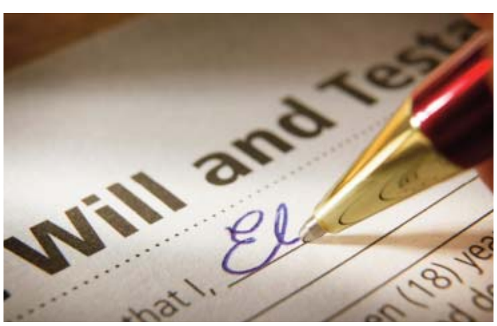
We view the Canadian economy with its strong financial base and highly demanded oil and mining base as a solid investment base well into the future. The main trouble spot in Canada is the impact that a declining US market may have on our manufacturing and exports.

US multinational conglomerates with much of their business outside of the US, Germany, Sweden, Switzerland and the Australian economy are other regions we find attractive.

Retired or Retiring Soon

For retirees or those considering retirement take note that the record low interest rate environment we are currently in is going to result in one quarter (or less) of the amount of interest income that one would have earned on bonds and GIC investments five years ago. If you are aged 60 plus, you have few choices: live off less, work longer or gun for higher returning investments in the stock market.

Think twice about converting more of your portfolio to stock market investments at your age- these can drop significantly at any time and you are too old to return to work to make up the lost money. Chasing the stock market is a slippery slope at any time – and more so as a retiree. We encourage retirees to examine different investment alternatives such as annuities which can offer a guaranteed 6% return or more – or alternatively to work part time well into your 60s. With the average retiree poised to live 40 years or more in retirement with no new career income (that's almost half a century!) it is almost foolish to think that at age 60 we can accurately plan to have enough money forty years from now.



Will Planning Tip

In light of a recent court case regarding registered educational savings plans (RESPs) and a parent who owned the RESP and abruptly died, we are encouraging you to review the estate implications (what your Will says) about who will take over responsibility for managing the RESP should the owner die. Talk to your lawyer now. As a backup step, contact us to change any RESP that is currently in the name of a single spouse to jointly owned between two spouses. Check your last quarterly RESP statement to verify what your current plan ownership is.

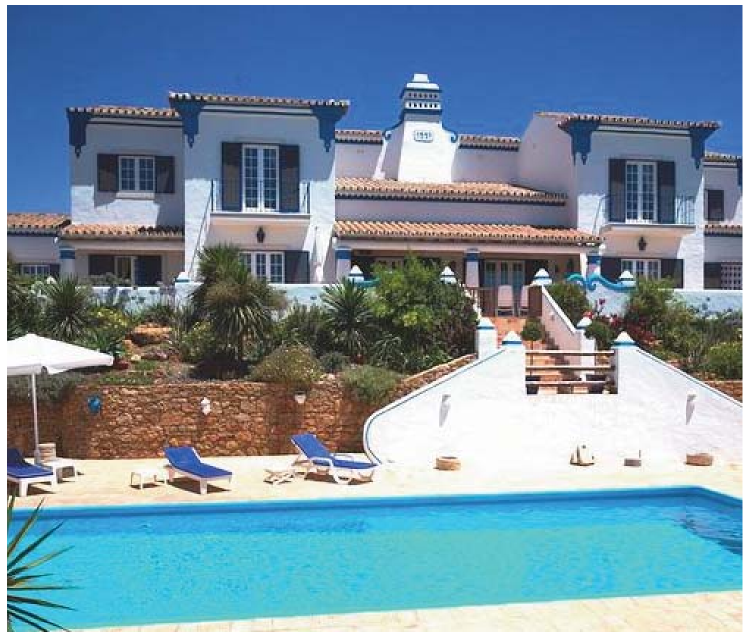
Home Renovation Tax Credit

If you completed qualifying home renovations in 2009 and wish to take advantage of the federal tax credit put in place for this purpose, make sure you make a properly filled out receipt for the work completed. A personal story: we had a contractor remove some asbestos from our house this year and the invoice he provided us was missing the key data necessary to qualify for the credit. In the end, we prepared our own invoice for him, on his letterhead, had him sign it so we could have a properly prepared receipt.

Company Pension Safe?

In light of some high profile pension problems with Nortel, GM and Abitibi-Bowater in recent years, Canadians are reflecting on the idea of entrusting companies with their pension assets. While pension plans for teachers and police officers are funded by our governments, private company pension plans are only as good as the long term profitability of the company. And who's to say the employer will be sound in 30 years? The strengths of a defined benefit pension plan (do you have this kind?) are a guaranteed pension, possible inflation indexing and a larger pension than you may otherwise acquire on your own. The weaknesses are the fear of loss of benefits from company bankruptcy or underfunding and no estate inheritance for your children when both spouses are gone. All of these factors needs to be examined together before you decide to transfer a pension out to your RRSP – we are always ready to help with these calculations and analysis.

How Much Should You Spend on Real Estate In Your Lifetime?



All of us have about 30 years, from age 30 to 60, to accumulate a retirement nest age (we estimate you need $1 million at least if you don't have a pension), pay off a mortgage (how much is yours?) and save for children's post secondary educations if applicable (as high as $100,000 per child).

In our opinion, too many Canadians between age 30 and 50 are sinking excessive amounts of money into real estate upgrades and second residential properties without giving more consideration to how much money they will need to live off in retirement first. Often we are seeing 50 something families heading into retirement with inadequate portfolio savings and no pensions – yet they have big, expensive real estate.

Downsizing this real estate in retirement either never happens (in our experience) or too little money is freed up in doing so to add much cash flow to the family. There has to be a balance between real estate and portfolio savings where we estimate that for every dollar you have tied up in non-income producing real estate (personal residences) that you need to have $2 in portfolio savings at the same time. After all, you cannot buy food with a piece of your eaves trough in retirement.

Life Insurance Rules of Thumb

Your company life insurance is not to be relied upon solely for coverage – it was never designed for your personal needs, it may be more expensive than private coverage if you work with older employees, you will lose it if you are terminated or quit and we have never seen it be enough life insurance to protect a family.

The key income earner in a family should have at least a million of life insurance coverage, period. This should remain in place until children are adults and independent, your mortgage is paid off and/or you have saved adequate retirement savings or pensions.

Never purchase mortgage insurance from a bank. It can be far too expensive, not portable, and may not decline as your mortgage declines.

While we are on the topic of insurance, quite often we see that the average employee's disability insurance is poor coverage – consider a top up policy to strengthen this coverage. The chances of being disabled and missing work for weeks, months or years are greater than dying. If your income is essential to the family's survival, take steps to protect your income thoroughly. Call us today to review your insurance policies and receive new quotes on coverage.

2010 Review Meetings with Kurt Rosentreter and His Team

We would like to schedule our 2010 meetings and phone calls with you now. Knowing these dates in advance helps us to plan properly and also helps you to schedule suitable times. Contact the office to book review meetings as follows:

- Investment portfolio reviews and rebalancing – at least once a year
- Will review – every five years
- Life, disability and critical illness insurance reviews – every three years
- Children's educational savings planning – every 3 years before age 15; then annually
- Retirement cash flow modeling – every 5 years before age 50; every 3 years before age 58 and annually thereafter.

Note that tax planning and cash flow monitoring happens continuously and is discussed at most or all meetings.

Our Team Phone Numbers

- Toll free: 1-877-906-6762
- Local: 416-628-5772

• Kurt Rosenteter	ext 238	Senior Financial Advisor
• Laura Collins	ext 240	Senior Client Services Coordinator – Scheduling and Administration
• Alina Luca	ext 241	Investment Advisor Associate – Financial Planning, Research, Analytics and Trading
• Vickie Campbell	ext 236	Investment Advisor Associate, CFP – Financial Planning, Research, Analytics and Trading
• Rita Fong	ext 242	Trading and Administration
• Brandon Whitby	ext 230	Senior Financial Advisor
• Gino Gaglia	ext 237	Branch Manager and Trading

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