

Registered Education Savings Plans

As a parent you realize that a good education is crucial to helping your children succeed. But the skyrocketing cost of post secondary education is another arena in which drastic change is apparent. Since tuition fees are dramatically increasing and the workforce requires a post secondary education, saving for education is a challenge that requires smart financial strategies. RESPs are a government approved savings vehicle; income earned on RESP savings accumulates on a tax-deferred basis. When your children, the beneficiaries start withdrawing payments for school, these payments are taxed in their hand often resulting in little or no tax payable. Maximum contributions to RESP are \$4000 per year per beneficiary up to a lifetime limit of \$42000 per beneficiary. For the first \$500 contributed for a family with a total income up to \$35,000, the federal government will contribute \$200 (40%) as a Canada Education Savings Grant (GESG). Family income between \$35,000 and \$70,000 the government will contribute \$150 (30%) on the first \$500. All other contributions above the \$500 will be given 20% CESG. Advantages are faster growth through tax sheltered growth, the total value contributed to an RESP can grow more quickly. Once the plan matures, you receive the principle back tax-free since you contributed in after-tax dollars. Motivation, an RESP also serves as an effective motivator for a child to continue learning. Lastly, it is transferable, if a child decides not to pursue post-secondary education, there are options: a. The RESP can be transferred to another child who is planning to attend or b. Parents can transfer the RESP income into their own RRSP tax-free provided they have sufficient room available up to a maximum of \$50,000.

Because a chequing account deserves to grow

The Manulife Bank Advantage Account is a chequing account like no other in Canada. We've combined all the features Canadians look for in a bank account – great rates, full access and low fees. With Advantage Account, you get a premium rate of interest 2.45% – on every dollar in your account and no minimum balance is required.

If you're 69 this year, don't forget to convert your RRSP to a RRIIF or annuity before December 31, 2005.

Reverse Mortgage

We have had several questions from many retired people about a reverse mortgage and thought I should comment on the merits of this program.

Some of the benefits include a lump sum tax free payment, no repayment required, maintaining the title on the property, leveraged investment opportunities, and the ability to live a better retirement.

Some of the disadvantages include losing the safety net you have grown, not being able to pass on an estate (this is becoming less of an issue for most as their kids are doing very well on their own), the expenses involved in the process, and the sense of ownership.

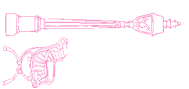
A reverse mortgage is a form of debt and this must not be forgotten. I generally recommend a reverse mortgage as a last resort that must be approached with caution. For most people this is their largest asset that gives a sense of security. However, if health problems come up or other emergencies arise it is nice to know that the equity in your home is accessible through a reverse mortgage or line of credit.

Albert Einstein was once asked, "What is the most powerful force in the universe?" He replied "Compound Interest."

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Manulife Securities

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Main Street FINANCIAL NEWS

Our Mission is to build long-term relationships with our clients. Our clients trust us with their financial future and the financial future of their families. Our work gives our clients the time to focus on what is important to them now, and we focus on what is important to their families in the future.



SPRING 2005

Wylie's MARKET COMMENTS

Summer is around the corner and portfolios are getting back into shape. The 1st quarter of 2005 had a positive trend followed by a fall in April (April Showers) and a rise in May (May Flowers). The fall of the markets in 2001 and 2002 has now been erased with two very strong years on the Canadian markets with returns of 26.7% in 2003, 14.5% in 2004 and 4.4% for the first quarter of 2005.

"The Canadian economy continues to be pushed in two directions. Declining export volumes and swollen inventory stockpiles are depressing economic growth, while a boisterous consumer sector and solid business capital spending are providing at least a partial offset. The net result is likely to be slower than potential real GDP growth in the 2.5% range." (LLIM)

The energy sector has been a major force in the return of the TSX. As long as the global energy demand continues with limited supply, the Canadian market will

continue to prosper. The returns in the energy sector have been 25% for 2003, 30.3% for 2004, and 17.9% to date in 2005. Does this mean that you should put your money to this sector today? In most cases, probably not! Most of the funds our clients hold have appropriate energy weighting. Becoming overweight in any one sector may increase volatility and only be appropriate for those with a higher risk tolerance.

Real Estate has also been a driving force in the Canadian marketplace. I encourage owning real estate as another asset class in your portfolio. This can be accomplished by buying real estate directly or by holding a real estate fund. The choice depends on your time and knowledge level. A real estate fund will look after management, maintenance and other fees and is associated with lower risk level as your money is widely spread. However, be aware that the "real estate bubble" may shrink in the next few years but not burst. The five-year return on real estate in Canada is currently about 19.4% per year. It may not continue at this level as interest rates rise. We only need to look at 1998 and 1999 when the real estate index lost 15.3% and 16.3%

consecutively and the technology stock boom and subsequent bust. The simple answer is to understand the risks associated with real estate and expect long-term returns averaging between 6 and 8%.

On another note, many balanced and dividend funds we have been recommending continue to perform exceptionally. Those in the medium risk profile have benefited from the stability of these funds with a minimal reduction in long-term returns.

As always, we climb a 'wall of worry'. The good news is that a balanced and diversified investment approach serves as an excellent ladder and will make it possible for investors to scale any wall that pops up in front of them. Any market environment that might arise can be navigated with a long-term investment plan that is consistent with an investor's time horizon and risk appetite.

New motor vehicle sales turned around in Feb jumping 12.8% and completely reversing 3 consecutive monthly declines.

Meet Rita...

When Rita, 45, accepted a new job with a major automotive company, she was thrilled with the benefits package, especially the savings program. Not only did she have the pension from her old job, she now had a group RRSP consisting of mutual funds and stock options. This was in addition to her universal life insurance, a bank account, two GICs and an individual RRSP that she started nine months ago with her bank. Rita thought she was set! After all, she'd always heard that diversification is the key to successful investing and had worked hard to find a financial advisor who understood her goals and investing personality.

This year, when she met with her financial advisor to review her portfolio they discussed changes in Rita's portfolio, goals and time horizons. The advisor then adjusted Rita's investment strategy to incorporate her additional investments with her new employer. In her excitement with a new job however, she forgot to mention the individual RRSP she had purchased nine months ago.

What Rita didn't realize is that an investment strategy is only as effective and as accurate as the information given.

Here's what the advisor discovered when he learned about the individual RRSP. Rita's investments were over diversified (too many funds) and she had too many similar funds. Both circumstances can have drawbacks.

First, having too many similar funds can potentially limit returns by spreading returns too thin. The impact of any gain from an individual investment will be marginal on the overall portfolio. The goal should be to have enough diversification across geographic regions, asset classes and investment styles.

Second, having too many funds (being over diversified) and multiple investment accounts, a diversified asset allocation can become difficult to maintain and may increase costs of continual rebalancing. Buying and selling investments to maintain a diversified asset allocation is essential but has the potential to be costly to your portfolio if done too often. Other drawbacks include:

1. Increased fees. For every account, there is potential for paying either an administrative or commission fee. By consolidating some investments, returns may increase simply because there are fewer fees.

2. Difficulty in monitoring portfolio performance. With multiple plans it may become difficult to keep track of which ones are contributing to the overall returns. By consolidating investments, there are fewer statements making it easier to monitor the portfolio and plan a financial future. It's also

On average, gasoline prices in Feb 2005 were 8.5% higher than in Feb 2004. Alberta residents experienced the largest increase (15.4%)

WONDER WHY YOUR PRESCRIPTIONS COST SO MUCH?

You should be aware that pharmacies charge various dispensing fees which directly affect your cost, as well as the cost of maintaining your benefit plan. The following is a summary of average dispensing fees:

Canada Safeway	\$9.66
Costco Pharmacy	\$5.58
London Drugs	\$7.20
Save-On-Foods	\$7.19
Shoppers Drug Mart	\$10.56
Walmart	\$6.67
Zellers Pharmacy	\$8.85

There is a simple solution: Talk to your financial advisor. By giving your advisor a complete investment picture, you may be able to avoid some of the above problems and are more likely to achieve your financial goals. It will help him focus on your overall financial health so that all aspects of your fiscal life are working smoothly.

Back to Rita...

Based on her entire portfolio, the advisor helped Rita to select another, more suitable insurance plan, introduced other investments better suited to her needs and consolidated some investments to eliminate duplication.

Are you sure your Family Cottage will stay in your Family?

Real estate increased 12% from March 2004 to March 2005.

When you die, your assets can be transferred tax free to your spouse. But when your spouse dies and the assets are passed on to your children or other heirs, this transfer may result in a significant tax bill. And this tax is paid before your heirs get anything. An asset like your principal residence is exempted from this type of taxation. Generally, your cottage won't be exempt and it will be considered a capital asset. Consequently, it may trigger a capital gains tax liability at death. With the recent real-estate boom in Canada, cottages and other vacation properties have increased significantly in value. These properties are now worth substantially more than their purchase price. At death, 50% of this increased value is subject to taxation. Are you aware of the impact this capital gains tax liability could have on your estate? A lack of proper planning could mean that your family cottage won't stay in your family. Your estate might need to sell it to pay the tax. It's a tax time bomb that most people are unaware of and don't plan for. A number of different options will provide that cash required to pay this tax liability at death. It's important to make the best choice for your situation. The alternatives: You or your family can start saving today. Your heirs can borrow the required funds from a bank. Your estate can sell the asset. You can purchase life insurance to cover the growing tax liability. The best solution: Life insurance is often the most cost-effective planning tool to cover that tax liability at death. Life insurance provides cash to pay the tax exactly when it's needed, helps ensure your heirs receive what you intend them to receive and puts your mind at rest because you know you've taken care of this important issue. A little planning can ensure that your dream of passing the family cottage to your heirs will come true.

Cottage	Market Value today	Original Cost	Capital Gains	Tax Payable
After 20 years	\$150,000	\$25,000	\$125,000	\$28,128
After 40 years	\$699,144	\$25,000	\$674,144	\$151,682

Assumes 50% capital gains, at 45% personal tax, 8% growth rate

To encourage families to set up a Registered Education Savings Plan (RESP), the Canada Learning Bond will provide \$500 to children born on or after January 1, 2004 in families entitled to the National Child Benefit (NCB) supplement for the child.

News from INVESTMENT EXECUTIVE

Canadians not financially prepared to handle disability on critical illness!

Canadians may be worried about dealing with a disability or critical illness, but they aren't prepared to cope financially, according to an RBC Insurance/psos-Reid survey released today.

The survey found that although 60% of respondents are worried about themselves or someone in their family getting a critical illness, only 46% are confident that they would have enough money or funds to replace their income if they became disabled or ill.

Most respondents (79%) said they would have to change their lifestyle and live more conservatively if they became ill or unable to work.

"Having to manage without regular income is not something most of us want to think about, but dealing with the financial and emotional effects of a disability or critical illness can be very difficult, particularly if you're not prepared," said Neil Skelding, president & CEO, RBC Life Insurance Co. "The only way to really be prepared for this kind of situation is to ensure you have a complete financial plan that includes coverage for disabilities and critical illnesses."

More than two thirds (68%) of younger Canadians (18 to 34 year olds) surveyed are concerned about themselves or someone in their family becoming critically ill, compared to 58% of those 35 to 54 and 54% of those 55 and over.

Regionally, the survey found residents of Alberta are least confident (35%) that they would have enough money or funds to replace their total income if they became disabled or ill, while those who live in Saskatchewan and Manitoba are most confident (60%).

As well, the survey found that understanding of disability insurance coverage is low. Less than half (45%) of those surveyed with disability insurance say they know exactly what coverage they have, when benefits would start, how much they would get and how long they would last.