

TAX REMINDERS FROM 2007 AND 2008

Increasing age limit to age 71- The age limit at which RRSP's, RPP's and DPSP's must be converted either into a RRIF or an annuity has been increased to 71 from 69. For those who choose not to reconvert their RRIF back to an RRSP, the government announced that it will be waiving the required minimum withdrawals for both this year and next year.

RESP changes- Two major changes include the elimination of the \$4000 annual RESP limit and the increase of the lifetime maximum to \$50,000. The government grant will now be paid on up to \$2500 annually or up to \$5000 if carry forwards exist. The maximum grant available remains unchanged at \$7200.

New Child Tax Credit- New non-refundable tax credit for parents based on an amount of \$2000 for each child under the age of 18.

The tax credit is equal to 15.5% of \$2000 or up to \$310 per child effective in 2007.

Income Splitting- As mentioned in a previous newsletter this will be a huge tax break for the 2007 tax year. Essentially, for individuals over the age of 65, RRSP income can now be split up to 50% with a spouse. Pension income at any age can also be split with the spouse.

Capital Gains Exemption- The lifetime capital gains exemption has been increased from \$500,000 to \$750,000 on the sale of qualifying small business shares and qualifying farm or fishing property. Great opportunity for those who want to grow and sell a business and even better if a spouse owns part of the business. The combined advantage would now be \$1,500,000 of exemption. Not bad...

OFFICE CHANGES

We would like to welcome Melony Norgard who lives in the County of Parkland. Melony will be assisting with office duties and providing support for our employee benefit department.

Office Hours will be extended during RRSP season to include Saturdays. We encourage you to make an appointment before the end of February. RRSP cheques can be dropped off any time during business hours.

We currently have an employment opportunity for the role of Investment Marketing Assistant. This would be a full time position providing support to our investment clients and to Chris Wylie directly. Ideal qualifications would include experience in the investment field, mutual fund licensed as an assistant, superior database and computer knowledge including Microsoft Office, but most importantly the desire to develop a career in the investment business.

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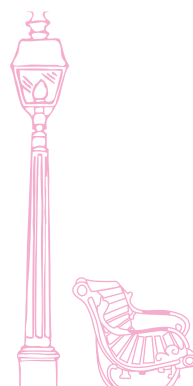
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* As at October 11, 2007, variable annual interest of 4.0% is applied to all funds in the account. Interest is calculated on the total daily closing balance and paid monthly. Rate is subject to change.

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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.



WINTER 2008

MARKET COMMENTS

The year 2007 was an especially challenging and frustrating one for Canadian investors. The stock market started the year off with tremendous momentum from fabulous years in 2003 through 2006. We hit a new high in July but then faltered in August and November with around 10% drops in each month. Volatility was definitely not absent from 2007. The index, however, did post a slight gain on the year but is showing a loss over the last 6 months.

In Canada we have seen a slow down in most sectors with a big surprise being the oil sector in Alberta...hard to believe with \$100 barrel oil. Internationally, Canadian investors also cope with the relative weakness of the United States dollar against the loonie. Even though many investments produced positive rates of return in local currency, most international results were negative when translated back into our strong Canadian dollar.

Ted Ransby of GWLIM sums up North America in 2007 as "performing surprisingly well despite the financial turmoil. In the important United States economy where the housing sector was devastated by the sub-prime crisis, consumer demand remained relatively strong – albeit with some weakening in the fourth quarter. Furthermore, exports experienced a strong revitalization, sparked by impressive productivity gains, a lower dollar and buoyant offshore demand. In Canada, volume shipments to the United States were crimped by our strong currency but this drag was more than offset by the robust resource sector and continuing hefty gains in employment and domestic demand.

As we look ahead into 2008 the US sub-prime crisis will continue to make headlines. Greater write downs are expected toward the summer. How will this affect your investments? I believe this issue has been discounted in the financial markets already and any further downturn in the US market will be minimal. Some factors that may help offset a US overall economic contraction include an increase in money supply, a reduction in short term rates, low inflation, tremendous growth overseas, strong corporate balance sheets, and the fact that we are in a presidential election year (markets tend to react favorably).

Canada will experience slower growth especially in the manufacturing areas. This will continue to be offset by our strong energy, financial, and resource sectors. Despite the recent market pull back, which I believe is merely a blip, the fundamentals in our economy remain very strong and stock markets will again reach new highs toward the end of 2008.

With RRSP season upon us, I must reiterate the importance of investing early and often. Extra annual contributions and regular monthly contributions will help you reach your goals sooner. There is a lot of "stuff" to spend money on but do not forget to pay yourself first. 2007 statements will be coming out shortly. As mentioned above many of you will have a negative quarter or 6 month return. I try to stress the importance of using volatility to make more money not the opposite. When markets are down we should be buying more. The chart on my wall is not straight and never will be, I can guarantee that. So take advantage of the downturn. This volatility should be of no surprise and will be reviewed in each of our meetings. A few important documents should be reviewed this time of year. Your notice of assessment gives you an indication of what you can contribute for the 2007 tax

year, your investment statement will show what you have contributed for the year, and your T4 will indicate your income for the year. All of these need to be considered before the first 60 days of 2008 to maximize your tax savings.

I encourage more of our clients to use online access. This has proven an effective way to stay in touch and provide feedback to myself on what types of services you expect. Thank you to those who filled out the most recent online survey. Your responses will aid in how we deliver services to you.

Thank-you again for your continued support and trust with your financial matters.

KEEP YOUR MONEY WORKING FOR YOU

Many people think that protecting their retirement nest egg in low-risk, income-generating investments is a prudent financial move. But the fact is, maintaining a portion of your portfolio in equities that have growth potential is more likely to keep your money working for you.

Statistics suggest that today's 65-year old is probably going to live another 20 to 30 years. And investing solely in safe investments may not provide the income or growth necessary to maintain your living standard for that length of time.

That's why it's important to keep your money growing by investing it, even when you've retired. It's great to be able to stop working, but your money certainly shouldn't.

WHY "SAFE" ISN'T ALWAYS SO

One of the best ways to help your savings last for the rest of your life is to keep some of your money in the equity market.

Inflation could erode the value of your retirement funds if you move all of them into conservative investments focused on income-

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MAKING RRSPs WORK FOR YOU

RRSP tax deductions can be carried forward indefinitely, so it's important to take advantage of every contribution opportunity available before you close your RRSPs. A final-year RRSP contribution can be an important tool for lowering earned income in retirement and reducing the impact of any clawbacks on government benefits such as Old Age Security (OAS).

- If you have unused RRSP contribution room, you can make a lump-sum contribution before closing out your

RRSP. The resulting tax deduction does not have to be used on that year's tax return. Instead, deductions can be used at any time in the future, whenever they are most advantageous for reducing your taxable earnings

- If you have no carry-forward RRSP contribution room, but have current-year earned income that will generate RRSP contribution room in the following year, consider a final December overcontribution before closing your

RRSP. The penalty is only one per cent per month on any amounts in excess of \$2,000. The after-tax benefit on the overcontribution can outweigh the penalty

- If you turned 69 last year and converted your RRSP to a RRIF, you can convert it back to an RRSP, but you must still close the RRSP by the end of the year in which you turn 71

RRSP TIPS AND REMINDERS

1) RRSP deduction Limits:

2007 ----- \$ 19,000	2009 ----- \$ 21,000
2008 ----- \$ 20,000	2010 ----- \$ 22,000

These limits will be indexed to average wage growth, starting in 2011 for RRSP's.

2) Your allowable RRSP contribution for the current year is the lower of:

- 18% of your earned income from the previous year, or
- The maximum annual contribution limit for the taxation year, or
- The remaining limit after any company sponsored pension plan contributions.

Earned income includes salary or wages, alimony received, and rental income, among other income sources, but does not include items such as investment income.

You'll find the exact amount you can contribute to your RRSP for the current year on the Notice of Assessment you receive from Canada Revenue Agency after they process your previous year's tax return.

3) **Carry Forwards:** contributions can be made in any year and used in a future year. This can be great planning opportunity for someone when income is low but they have the money to put into an RRSP. Contribute but do not claim the deduction in a low income year especially if you know income will be in a much higher tax bracket. Contribution room is not lost but will grow until it is used.

4) **Start Early:** This is the simplest life lesson I could teach anyone. It is very easy for someone to accumulate a tremendous amount of wealth if they have the time. A 25 year old only has to put \$300 per month to have \$1,000,000 at age 60. To get that same \$1,000,000 a 35 year old has to put \$850 per month. I see people every week that say they should have started when they were younger. Encourage our younger generation to start as early as they can even if it is a small amount.

5) **RRSP Loans:** This is a good strategy but should be reviewed on a case by case basis. We may encourage them if the loan can be repaid quickly, usually within the year. The odd RRSP catch up loan can make sense for some. Generally, more money working sooner will grow faster.

6) **Consolidate Assets:** Having investments scattered across different investment firms does not diversify. Consolidate your assets with an advisor you trust. This advisor will be able to make sure all the parts work together productively. In most cases you can have one account to hold many different types of investments including cash, GIC's, stocks and bonds.

7) **Have a Plan:** If you are investing you should know where you are going. Do you drive in New York without a map? Make the plan and review it every couple of years. You may be surprised at how things change in a couple of years.

8) **Amount of the RRSP tax deferral for Alberta residents 2007:** For every \$1000 dollars earned above the following taxable income amounts is what you could save by contributing that \$1000 to an RRSP:

Over \$37,178 -----	\$320
Over \$74,357 -----	\$360
Over \$120,887 -----	\$390

Why not borrow the government's money and repay them in 20 years? What a great interest free loan.

9) **Asset Allocation:** Studies have shown that up to 90% of a portfolio's returns are determined not by the choice of the individual securities but by the way the portfolio is diversified. You can diversify your holdings by asset class, market sector, geographic region and investment style. The principle remains the same: by diversifying your holdings in a variety of ways, you lower the volatility of your portfolio while increasing its potential for higher returns. Since Canada only represents approximately 3% of the global marketplace, you should diversify by investing outside of Canada. Our current high dollar makes an even greater case for buying foreign holdings.

TAX CORNER - TIME TO CLOSE YOUR RRSP?

Registered Retirement Savings Plans (RRSPs) are one of the best tax deferred savings vehicles available to Canadians. You can withdraw money from your RRSP at any time, but you must close it by the end of the year you turn 71. So how do you turn your hard-earned savings into income? There are a few options available and you don't need to choose just one.

Converting your retirement savings into retirement income is an important decision, so it's a good idea to start planning well in advance. Your advisor helped you create your retirement savings and he or she can also help you plan the best way to withdraw an income from those savings.

Here is a brief summary of your options.

ANNUITY

An annuity is perhaps the oldest and most well-known retirement income vehicle. You can invest in an annuity at any time to provide yourself with guaranteed, regular income for the rest of your life, two lives, or for a specific time period. The dependable, guaranteed income available through a Life Annuity can help you feel assured that you will never outlive your savings. After you pass away, your spouse can continue to receive payments or a lump sum. Beneficiaries other than a spouse may only receive a lump sum. An annuity is a great, worry free investment and can form an important part of a balanced retirement income portfolio.

REGISTERED RETIREMENT INCOME FUND (RRIF)

RRIFs are a popular choice because they offer control over your investments and allow your capital to continue to grow on a tax-deferred basis. RRIFs also:

- Provide regularly scheduled income payments and may allow you to withdraw extra cash as you need it
- Offer flexible investment options
- Provide a wide range of payment options

Market Comments Continued

generation. Although those investments offer greater stability than equities, they won't help you grow your savings.

The key to living a comfortable retirement lifestyle is to properly diversify your investments so you don't drain your nest egg.

EQUITY VERSUS ESTATE

When you started investing for retirement, your advisor probably helped you diversify your portfolio to contain a mix of stocks, bonds, mutual funds, Guaranteed Interest Contracts (GICs), and cash. Now that you're retired, one of your priorities may be your estate or capital preservation.

But you should still continue to balance your investments between capital preservation

(preserving the money you already have) and growth (potentially increasing the money you have).

Because you may need to start withdrawing some of your money as retirement income, definitely keep some of your savings in a safe place, such as a GIC or other income-generating investments.

But to keep ahead of inflation and not erode your savings, consider moving a percentage into equities. The equity portion of your portfolio can help ensure that it keeps growing, not dwindling. The kind of equities you invest in will depend on your risk tolerance, investment time horizon and investment objectives.

- Offer the ability to make changes as your needs change
- Allow you to convert a spousal RRSP to a spousal RRIF
- You must make a minimum annual withdrawal from your RRIF and these withdrawals will be taxed in the year the income is withdrawn.

LIFE INCOME FUND (LIF), LOCKED-IN RETIREMENT INCOME FUND (LRIF) AND PRESCRIBED RETIREMENT INCOME FUND (PRIF)

If you have accumulated savings in a locked-in savings plan such as a Locked-In Retirement Account (LIRA), Locked-In Retirement Savings Plan (LRSP) and/or a Locked-In Registered Pension Plan (RPP), they must be transferred to a locked-in retirement income plan when you want to draw income. There are several locked-in retirement income plans, including LIF, LRIF, or PRIF, but their availability is determined by the provincial or federal pension legislation that governs them. Like a RRIF, all of these plans allow you to choose your investments and any withdrawals you make will be taxed in the year you receive them. All of these income plans have a minimum annual withdrawal requirement and the LIF and LRIF also have a maximum annual withdrawal requirement.

CASH

While you may choose to take a portion or all of your RRSP savings in cash, this option is generally not recommended because you forego the tax-deferred growth RRSPs offer. In addition, you must declare the cash as income in the year you receive it and it will be taxed at your marginal tax rate. If you need a lump sum of cash, talk to your advisor. In reviewing your entire financial portfolio, he or she may be able to suggest a more tax-efficient method of producing the cash you need. You've spent most of your lifetime investing your money to create a nest egg that supports your vision of retirement. But people are living longer, so now you need to invest some time to ensure those savings will last as long as you may need. Your advisor was with you in creating your savings – he or she can also help you devise a plan to make your investments last your whole life.

DIVERSIFY YOUR INVESTMENTS

Diversification is a crucial aspect of successful investing. To diversify means to spread your portfolio over many types of investments.

Diversification will ensure that if a portion of your portfolio is not performing optimally, there are other investments bringing in returns or paying out adequate income.

There are a variety of investments that you can choose from to appropriately diversify your portfolio while in retirement. But choosing the right investments can be a monumental task given the variety of choices out there. To achieve optimum diversification and return potential, consider an asset allocation strategy.