

Macquarie Private Wealth Inc.

A member of the Macquarie Group of Companies

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After a year that started so promising with stable stock markets, strong economic data and corporate earnings, and optimism that Europe would step up and find a way to solve their sovereign debt problems, 2011 ended with prolonged and painful market volatility and the S&P/TSX down (11.1%) on the year.

Commodities pushed the Canadian Market lower as a result of slowing growth in developed countries and doubt over a viable sovereign debt solution for Europe.

We have been income oriented for the past four years and that continues for 2012.

Our investment focus for 2012 will continue to be on the following three pillars:

- 1) Preserve Capital
- 2) Earn Income
- 3) Save money in taxes

We are investing in products that are paying us an annual yield/distribution of between 5% and 8% per year.

When compared to a 10 year Government of Canada Bond at approximately 3.5% and money market yielding below 1%, we are delighted with our investment choices.

Reasons for optimism for 2012:

- Corporate earnings and balance sheets are strong.
- Supportive monetary and fiscal policy in both Canada and the U.S.
- Record share buy backs in place.

However, unemployment remains stubbornly high, the U.S. housing market continues to be problematic and the solution in Europe remains uncertain.

Let's continue to get paid to wait!

Over the past year we have seen increased interest in the Guaranteed Investment Products offered by both Manulife and Sunlife. Highlights of these products are:

- Similar to having your personal defined benefit pension plan
 - Capital invested is guaranteed 100%.
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- Every year that money is invested and there are no withdrawals, the investor earns a minimum 5% (or more if the market value goes up more than 5%).
- Capital guarantee is reset every 3 years if the market value goes up. If this occurs the minimum annual 5% return is calculated on the new reset value.
- When the investor decides to take income, he/she is guaranteed 5% income for life, or higher if the government requires annual income to be higher. (This is a great feature for RRIF's when annual income requirements are higher than 5% per year from age 72 and on).

An interesting feature of this product is that even though there is a guaranteed death benefit, a medical is not required.

So in summary, this product offers **a capital guarantee, guaranteed 5% return per year, 5% income for life, and life insurance protection.** If you would like more information please call us.

The best investment we know of which also reduce taxes is **Flow Through Shares:**

Features are:

- 100% tax deductible in year of purchase
- 15% tax credit for the portion of investment in mining
- Holding period between 1 and 2 years.
- On maturity proceeds are treated as a capital gain.

A Flow Through Share investment that is 100% in mining reduces the at risk capital or after tax cost to 45.9% of the original investment.

We use flow through shares to achieve the following objectives:

- 1) Reduce income taxes on regular income.
- 2) Reduce taxes owing on a bonus.
- 3) Recover income taxes paid in previous years.
- 4) Offset capital losses.
- 5) Reduce income taxes on withdrawals from either a RRSP or RRIF.

The best time to buy Flow Through Shares is at the beginning of the year, which of course is now! There are two reasons for this: Greatest selection of Flow Through Share Limited Partnerships available, and secondly, managers have the best selection of both Mining, and Oil and Gas companies to invest in at the best prices.

As of today the following Flow Through Share Limited partnerships have announced their availability:

CMP
MRF
NCE

All three of these Flow Through issues have long and successful track records, and are managed by experienced and well qualified portfolio managers. Each of the above will be a two year hold. Historically, each issue sells out quickly, and they will not come back to the market for a 2nd issue.

If you have any interest please call us.

We have also found over the past couple of years in particular that there has been increased interest from investors for a way to augment their retirement assets beyond what they do regularly.

TD Bank has a product that may be of interest to some. The basics of their plan is that they will lend an investor three dollars for every dollar invested. TD charges 3.75% interest which is 100% tax deductible.

The money is invested in two or three TD Mutual Funds that pay annual income of 8% per year which is used to pay the principal and interest of the money borrowed.

End result is that by contributing your income tax refund from the interest expense of the loan and using the monthly income from the investments to pay the principal and interest, the loan is completely retired in approximately thirteen years.

Husband and wife could each accumulate \$400,000 extra on retirement by implementing this strategy, and it does not require out of pocket funding by the investor.

If you have any interest in the details of this TD program and how it may be appropriate for you and in what amount, please call us.

On behalf of everyone on our team including Melissa Prusky, Bonnie Wilson, my wife Franca and Henoq Mehari who has just joined us as a sales assistant, I wish you and your family a 2012 filled with great health, happiness and prosperity.

Thank you for the privilege of working with you.

Sincerely yours,



Fred Banwell BA, CFP, TEP
Associate Director and Senior Vice President
Investment Advisor

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