



# Per\$pective

People who care, Plans that perform

## Should Segregated Funds be a Part of My Portfolio?

If you are looking for an investment option that offers built-in estate planning opportunities, potential creditor protection, professional money management and a guarantee on your initial investment, then a segregated fund may just be what you are looking for.

A segregated (seg) fund is actually an insurance contract with two parts; an investment that produces the return and an insurance policy that covers the risk. Seg funds are similar to mutual funds in that your investment dollars are pooled with other people to share investment gains and reap the benefits of professional money management, yet they have a number of unique advantages.

### Estate Planning Made Easy

In the event of the death of the life insured (annuitant), the proceeds of an insurance contract pass directly to a named beneficiary without having to be subject to probate. A seg fund is no different. The beneficiary of the contract will receive the proceeds without having to pay probate or estate administration fees and therefore should not incur any extended delays, a considerable benefit during this time of need.

### A Built-In Guarantee

Seg funds are issued by insurance companies and therefore there is a guarantee attached that protects your initial investment from sudden market declines in the event of death and at the time of maturity. Depending on the provider, this guarantee may vary from 75 to 100 percent of the principal amount. As with all good things, guarantees and protection are available at a cost, and therefore a disciplined, long-term approach to the market is always advised.

### Potential Creditor Protection

This is a benefit to small business owners, professionals and entrepreneurs who want a cost-effective way of ensuring that their personal financial assets are not exposed to creditors. By naming a preferred or irrevocable beneficiary an investor may be able to achieve potential creditor protection. However, there are some exceptions to this and we would recommend that you consult your advisor about your specific situation before proceeding.

Deciding if seg funds are right for you will depend on your objectives, the length of time you plan to invest and your risk tolerance. In October 2006, Manulife Financial released a new seg fund product, GIF Select Income Plus. Its unique guarantee was created to protect income flow against market fluctuations and this product has created a stir among investors and advisors across the country. It's up to you and your financial advisor to decide whether or not segregated funds provide the best option in your situation so contact your Arca advisor for more information.



*Contributor: Bill Vollmer, CA, FLMI, CFP  
Principal and Financial Advisor*

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"Some of the world's greatest feats were accomplished by people not smart enough to know they were impossible."

Doug Larson



Newsletter Editor:  
Debbie Hohl

237 Labrador Dr  
Waterloo ON  
N2K 4M8

T: (519) 745-8500  
F: (519) 745-8283  
Toll Free:  
(877) 745-8500

www.arcafinancial.com

# MARKET COMMENTARY

## Financial Markets Review

**G**lobal investment markets posted a solid third quarter, led by a decline in long-term interest rates. Swings in investor sentiment remain an important contributor to multi-month pulses in global stocks, and over the quarter concern about interest rate increases gave way as the U.S. central bank indicated it would pause in raising short-term rates. We suspect a slowing economy may challenge investors in the immediate months ahead. However, the more positive action of individual stocks this quarter, particularly U.S. stocks, is still consistent with our view that a period of central bank easing in the next two years could sponsor a rally characterized more by its breadth than total magnitude.

Stocks are rallying as investors begin to glimpse beyond the typically difficult phase of the economic cycle. World economies have four key phases. The first phase comes when a decelerating economy prompts central banks to come to the rescue with lower interest rates. Despite a slow pace and depressed profitability, stocks normally improve during this phase in response to interest rates. The second phase typically brings the most fun as the economy improves while interest rates are still low. The third phase comes as economic growth continues but rising inflation pressures force rates higher. The most difficult fourth phase comes when the economy slows measurably in response to a period of significant

central bank tightening. We are in a muted version of the fourth phase because this tightening was deliberate and gradual and the economy seems to be slowing without falling apart. Investors must remember that the slowing phase tends to be jerky, and we should expect more challenging economic conditions into 2007. The break in commodity prices should help with near-term inflation pressures and suggests long-term interest rates have seen their highs for now, which is an important support for stock prices.

The last major low in global equities in 2002 was tricky because it was scary and everything went down at the same time. This time is tricky again, because the rolling correction is not giving an obvious everything on sale juncture. Historically slowing profit growth after a period of rising rates creates volatility in equity prices and having some cash reserves to mitigate risks makes sense. More important, in past markets, investing cash reserves into market pull-backs once interest rates have peaked was well rewarded in subsequent years.

*Article sourced by Lori Struk.*

*The above is part of an article written by Fred Sturm, Executive Vice-President and Chief Investment Strategist for Mackenzie Financial Corporation.*

# TAX AND ESTATE PLANNING CORNER

## Reducing Your Tax Burden in Retirement

**R**ecent tax changes and proposed changes will help lessen the tax owing on your retirement income. You can now earn \$2,000 of pension income tax free, and starting in 2007, you will be able to transfer up to one-half of your pension income to your spouse's tax return.

Under the proposed rules, income that is eligible for the pension income credit can be split between you and your spouse. This includes income from a registered pension plan (RPP) regardless of the recipient's age (i.e. a pension from an employer), and if the recipient is 65 years or older, income from a registered retirement savings plan (RRSP) annuity, a registered retirement income fund (RRIF), or a deferred profit sharing plan (DPSP) annuity.

Income that cannot be split under the new rules includes: Old Age Security (OAS), Guaranteed Income Supplement (GIS), Canada Pension Plan (CPP), RRSP withdrawals, income from Retirement Compensation Arrangements (RCA) and if the

recipient is under age 65, RRSP annuities, RRIF and DPSP annuities.

The CPP income is not included in the new rules since income splitting already exists for this type of income. Where both spouses are at least 60 years of age, they can apply to have up to 50% of their CPP retirement benefit split between them.

Contact your advisor if you have any questions or would like further information about these new changes.

Contributor: *Christine Black B.Math, CA, CFP, TEP*  
Arca's Tax and Estate Planning Consultant



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# COMMUNITY BUSINESS PROFILE

## Saltbox Interiors – Surround Yourself in Comfort



**S**prouting from years of friendship and a true passion for inspiring decor, Shana Hayhurst and Melissa Smith opened the Region's newest on-line decor store, Saltbox Interiors. With backgrounds in marketing and design, Shana and Melissa have combined their talents and devotion to detail to create a unique collection that will bring a sense of warmth and comfort to any home.

Saltbox Interiors welcomes the return of old-style charm, where coziness takes precedence over couture. They truly appreciate pieces which are timeless – everyday heirlooms that can be passed on to future generations.

As well as offering various hand-created pieces they also take great pride in seeking out exceptional items that will add character and whimsy to your decor. Hand-painted cottage chic signs, oversized wall clocks, painted furniture and a wide selection of twig wreaths are just some of the items you can find at their on-line store.

Along with their charming signs another signature item available from Saltbox Interiors is their unique line of gift baskets. "We wanted to offer people something a little different

from the typical gourmet food basket," says Melissa Smith. "Using small decorative items or one of our hand-painted signs in a basket is something our clients really like. We take a lot of time to find just the right items to create a perfect basket, blissful baskets is what we like to call them."

When asked why they chose to set up an on-line retail store they said the decision was easy. "More people are starting to enjoy the flexibility of being able to shop at home," says Shana Hayhurst. "Our site is very user friendly and easy for people to view. It's simple, yet stylish, just like our products. As well, by not having the overhead of a traditional store, we're able to keep our prices very reasonable and our customers appreciate that."

In addition to operating an e-store, Saltbox Interiors also participates in a select number of reputable home decorating and craft shows. A list of their upcoming shows is available on their website. And, after several requests from customers, home styling consultations will also soon be offered by Saltbox Interiors. "Helping people realize life's simple pleasures through their decor is what comes naturally to us" says Melissa. "We're not about being showy, we're all about being cozy."

To find out more visit them online at [www.saltboxinteriors.com](http://www.saltboxinteriors.com).

*Contributor: Connie Barnett*

## GROUP BENEFITS FUNDAMENTALS

### Beware of Travel Perils

**T**he Public Health Agency of Canada recommends vaccinations against Hepatitis A and B before traveling to areas where there is a high incidence of these diseases.

Hepatitis A and B are constantly present in much of the developing world and where there are poor standards of sanitation. Popular holiday destinations such as Mexico and the Caribbean are even risky areas for unprotected travelers.

Hepatitis A is spread mainly through food and drink, therefore always practice good hygiene such as frequent hand washing and avoiding potential contaminated food and water. Hepatitis B is spread through body fluids and therefore you should avoid having unprotected sex and sharing needles.

Although you may take precautions, these alone may not be enough to protect you completely. The best protection is to get vaccinated. This is an easy process that provides long-term protection. Ask your doctor about vaccinations before you leave Canada.

It should be understood that the majority of employee Group Benefit Plans do not cover vaccines or serums.

However, rest assured that if you became infected with this or any other disease requiring emergency medical treatment outside your province of residence, the travel provision contained in your benefit plan is designed to protect you.

It is extremely important to confirm that your plan contains an emergency out-of province or out-of-country provision. If it doesn't please call us and we can assist you in arranging supplemental coverage.

When you are traveling make sure that you are, at all times, in possession of your carrier's contact information. Ensure that your travel companions are aware of its location and be sure to notify your insurance carrier as soon as possible in the event of a medical emergency.



*Contributor: Paul Struck, CLU  
Arca's Group Benefits Consultant*

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## Spotlight

### *Thank you!*

Thank you to everyone who came out to our Annual Holiday Gala in December. With the help of our clients and suppliers we raised over \$3,300 in support of the Family and Children's Services of Waterloo Region.

### *RRSP Contribution Deadline*

Just a reminder that the **deadline for contributions for the 2006 tax year is March 1st, 2007**. Please call us at (519) 745-8500 if you'd like to make a contribution, top-up your account or arrange an appointment with your advisor.

In order to offer networking opportunities to our clients and business partners, we will be featuring one such business in each newsletter. If you would like your business to be profiled, please contact Debbie Hohl at 519-745-8500 ext. 221 or by email [dhohl@arcfinancial.com](mailto:dhohl@arcfinancial.com)

*Contributor: Debbie Hohl*

# INSIDE ARCA

## Thanksgiving Food Drive

In October we held our annual food drive competition between the staff and advisors at Arca. As a whole, we collected \$1,410.00 which was donated to the Food Bank of Waterloo Region. For every \$1 that was raised, the Food Bank was able to provide over \$8 worth of emergency food.

## Children's Christmas Party

On December 10th we held our annual Children's Christmas Party for the children of our staff. Everyone had a great time cosmic bowling and afterward we gathered in the party room for pizza, ice cream cake and the delivery of presents from Santa for the kids.

## Staff Christmas Party

December 1st was our annual Staff Christmas Party which was held at the Charcoal Steak House. Our second annual Arcademy Awards ceremony was held where we recognized some of the special achievements our staff and advisors accomplished in the past year. Congratulations to Debb Hohl, Sue

Langdon, Michelle Nelles, Paul Struck and Kelly Watson on your awards! A great meal and good time was had by all!

## Annual Holiday Client Gala

Once again our Annual Holiday Client Gala, held on December 19th, was a huge success. Many attended the Gala to relax and enjoy some appetizers and drinks. Thanks to everyone who placed their fundraiser ornaments on our Charity Tree. Together with the extra donations made by clients that evening and some of our suppliers we were able to raise over \$3,300 in support of the Family and Children's Services of Waterloo Region! Thank you to everyone who attended and to those who made an additional donation. We'd also like to thank AIC Group of Funds, AIM Trimark, Brandes Investment Partners, CI Funds, Fidelity Investments, Mackenzie Financial Corporation and TD Mutual Funds for their generous donations. We'd like to also send a big thank you to AIC Group of Funds, Manulife Securities and Franklin Templeton Investments for sponsoring the evening.

*Contributor: Lori Struk*

# LIFESTYLE TIPS

## Germ (can't live with them, can't live without them)

**F**irst it was anti-bacterial soap. Now, clothes, toys, towels, sheets, even pens, have been manufactured with anti-bacterial chemicals in the war against bugs. Have these measures been successful in turning us into cleaner, healthier, germ-free people? Are they preventing or eliminating the bacteria that cause serious illness or disease?

Anti-bacterial soaps do remove the bad bacteria but unfortunately they also remove the good bacteria which our bodies cannot function without. Recent studies examining the increase in asthma and allergies in the developed (cleaner) world are pointing towards the fact that our children's sterile environments prevent them from forming the antibodies needed to fight off germ attacks. Some exposure to germs helps develop a healthy immune system. Studies reported by the FDA have also found no significant difference in infections in households using anti-bacterial products compared to those using regular soap and water. The panel maintains that soap and water removes and kills micro-organisms and has done so for thousands of years. They add that colds and flus are caused by viruses, not bacteria, and most bacterial infections in the United States and Canada are caused by food related bacteria.

On the other hand, the Soap and Detergent Association feels strongly that consumers should be allowed to choose for themselves. So far, the results of scientific studies comparing

regular soaps and anti-bacterial soaps are inconclusive but scientists are asking if the potential benefits of these products may outweigh the possible environmental human health risks. The main anti-bacterial ingredient, Triclosan, has been turning up in fish, breast milk and wastewater. Further studies are needed. It is interesting to note that The American Medical Association has opposed routine use of anti-bacterial soaps since 2002. This year, the Canadian Pediatric Society also asked parents to stop buying anti-bacterial products and instead use soap and water to wash toys, hands and household items.

It's a fact that children who wash their hands effectively have fewer visits to the doctor and take fewer antibiotics. It has been demonstrated repeatedly that schools with regular hand washing programs have measurably fewer infections in their students compared to other schools that do not. Parents are encouraged to teach their children to wash their hands with soap at all the critical moments, for example, before handling food. Whether you choose anti-bacterial soap or regular soap and water, the prominent message across the board is to wash your hands regularly and effectively to prevent illness and infections. For further information visit [www.livescience.com](http://www.livescience.com).

*Contributor: Rose Frim*



## Arca Family Announcements



Welcome Krystal King! Krystal joined the Arca team in November as an Investment Associate and is currently in the process of completing her Investment Funds Institute of Canada Program. Welcome to Arca Krystal and good luck on your exam!

*Contributor: Debbie Hohl*

### Visit Us Online

Looking for information about Arca Financial or any of the products and services we offer? Need directions to our office? Need to contact us? Visit us online anytime at [www.arcafinancial.com](http://www.arcafinancial.com).

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