DUNHAM FINANCIAL SERVICES INC.

WEALTH WISE

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DEPENDABLE, FORWARD THINKING SOLUTIONS

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The outlook for the United States is changing—and for the better. Job numbers are up and so are U.S. company profits. Interest rates aren't slated to rise until 2014. Markets are beginning to respond positively to these welcome trends.

Meanwhile, Canada has had some disappointing economic data, namely lackluster employment numbers and rising unemployment. Today's economic climate greatly plays a role in how your portfolio performs over the long term.

To discuss these global economic changes and how they affect your portfolio, give us a call for a review.

FOCUS ON INVESTING

Stop lending to the government, interest-free

Looking forward to a tax refund this year? Perhaps you've already received it and are feeling celebratory.

But a tax refund is no reason to celebrate. It may feel like the government is giving you money but all they're doing is giving back your own money, without interest, that they've been using for a year. No institution would offer an interest-free loan so why should you?

Boost your take-home pay

It doesn't have to be that way. Chances are you're having more tax deducted at source by your employer than necessary, especially if you make regular contributions to a Registered Retirement Savings Plan (RRSP), have sizable charitable donations, or pay tax-deductible spousal support. By filing CRA Form T1213, Request to Reduce Tax Deductions at Source, you can ask to lower those deductions. Quebec residents also need to file Form TP-1016 with the Quebec government.

Assuming your application is approved, your employer will be instructed to reduce the amount withheld from your paycheque. How much extra might you get? Based on the average Canadian tax refund of $1,400, that translates into an additional $116 per month.

Put your savings to work

Investing that extra money now rather than after receiving your return could mean a difference of thousands of dollars in the long term.

If you'd like to learn more about this strategy or need help finding or filling out the forms, just give us a call. ■

MUTUAL FUNDS

Head south of the border

After six turbulent years characterized by housing woes, company bailouts, and massive debt in the U.S., economic growth seems to be gaining a toehold.

Both the Dow Jones Industrial Average and the S&P 500 Composite Index started 2012 on an uptick. For mutual fund investors looking to gain U.S. exposure, now may be an opportune time.

Reasons for optimism

Here's a look at some of the main reasons why you may want to consider U.S. equity mutual funds in 2012:

Strong job numbers. According to the U.S. Department of Labor, U.S. unemployment fell to 8.3% in January (see U.S. unemployment on the decline), its lowest level since February 2009. More than 243,000 jobs were added to the economy in the first month of the year and a further 277,000 were added in February. For an economy that's driven largely by consumer demand, this is certainly good news.

Low interest rates. Since December 2008, the benchmark U.S. interest rate has stayed at a historic low of just 0.25%. Nor does it seem likely to increase anytime soon, with the U.S. Federal Reserve Board committed to maintaining an easy monetary climate through to late 2014 to stimulate economic growth.

Corporate strength. U.S. companies have not forgotten the hard lessons learned from the credit crisis of 2008. In fact, nonfinancial companies have accumulated cash reserves of more than US$2 trillion, according to U.S. accounting behemoth Deloitte LLP. With lower labour costs and increased productivity, many larger corporations are seeing their profits increase.

Reasonable valuations. In spite of strong earnings, stock market valuations remain reasonable, with the S&P 500 trading at about 14 times earnings in the first quarter of 2012, well below its five-decade average of 16.4.

Modest growth. The Organisation for Economic Co-operation and Development (OECD) forecasts economic growth of 2.0% for the U.S. in 2012, up from 1.7% in 2011.

Canadian-dollar strength. For Canadian investors, there is an additional reason to invest in the U.S., based on the continued strength of the loonie in relation to the greenback. With the Canadian dollar trading at or above parity, Canadian investors could have an opportunity to buy U.S. dollar-denominated mutual funds at an advantageous price.

Factors to consider

While the positive signs are encouraging, the U.S. economy still faces challenges. For example, while the unemployment rate is falling, it's still relatively high in absolute terms at 8.3%. By comparison, the Canadian unemployment rate (March 2012) is 7.4%. In addition, the U.S. housing market has not yet recovered. Perhaps most worrisome of all is the enormous debt burden. The U.S. national debt is more than US$15 trillion and rising. At a household level, liabilities for the fourth quarter of 2011 were 117.5% of disposable income.

If you'd like to learn more about tapping into the investment potential of our neighbour to the south, give us a call. There's a wide range of U.S. equity funds to choose from. We can help you find the funds that are appropriate for your risk comfort level, complement your existing portfolio, and are well positioned to meet your objectives for long-term growth. ■

U.S. UNEMPLOYMENT ON THE DECLINE

After reaching a high of 10% on October 2009, unemployment in the U.S. has been declining steadily.

Source: U.S. Department of Labor, Labor Fora Statistics, employment status (seasonally adjusted), Feb. 2012

In-trust accounts: better than a piggybank

If you have kids, chances are they get cash gifts from grand-parents, relatives, or family friends for birthdays, religious observances, and milestones, like a graduation. Those contributions could mean hundreds of dollars, but, chances are, they're growing glacially in a savings account with pitiful interest rates. Those gifts could do more for your child in an "in-trust" account.

An in-trust account is an investment account that's in your name but is for the benefit of your minor child. There is no limit on the amount you can contribute to an in-trust account and, over time, those cash gifts could generate thousands of dollars that could be used for university tuition, a first car, or a down payment on a home.

The benefit is that any capital gains generated by the investment in the account will be taxable to your child when realized. With the Basic Personal Amount set at $10,822 (in 2012), a child could earn more than $21,500 in capital gains before having to pay tax on it. Interest income and dividends, however, will be taxed in the hands of the adult who contributed the money. Focusing on investments that generate capital gains (that is, equities and equity mutual funds) may minimize the income tax attributed to you.

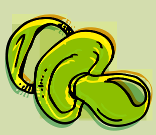
An exception is the Universal Child Care benefit. This amount, currently $100 per month per child under the age of six, can be invested for your child with no attribution of investment income.

Once the child reaches the age of majority (18 or 19, depending on province of residence), he or she has full access to the money in the account. Together, we can determine if an in-trust account makes sense for your family. ■

Eyeopener

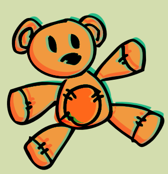
RESP milestones

With tax-deferred growth and the benefit of the Canada Education Savings Grant (CESG), a Registered Education Savings Plan (RESP) is a great way to save for a child's post-secondary education. The timeline below highlights some key dates and deadlines that you won't want to miss in order to make the most of your RESP.



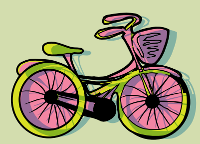
Birth

Contribute the maximum of $50,000, and your child's RESP can grow to more than $150,000 by the time your child is 18, assuming an annual compound return of 6%. However, you'll get only $500 in CESG if you contribute everything in one year.



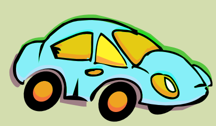
Age 2

Want to generate the maximum lifetime CESG payment of $7,200? Start now and contribute $2,500 each year until your child turns 17 and you'll have about $70,000, assuming an annual return of 6%.



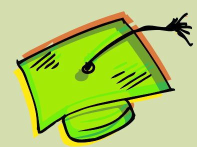
Age 10

Haven't started yet? It's not too late. Contribute $5,000 each year for the next seven years and you'll get CESG of $1,000 each year, thanks to the carry-forward of unused grant entitlement.



Age 16 & 17

In order to receive the CESG, RESP contributions must either total at least $2,000 before the calendar year in which the child turned 15 or be at least $100 a year in any four years preceding the year the child turned 16.



Age 18

Contributions can be made to an RESP for up to 31 years. The plan can stay in existence for a maximum of 35 years.

FOCUS ON EQUITIES — BALANCE — FOCUS ON SAFETY

Over time, the investments in your RESP should change from primarily equities (to take advantage of long-term growth potential) to fixed income and cash (as you prepare to take the money out). ■

Make sure you can afford the care you need

An increasing life expectancy combined with improved healthcare means that a lot of people are living longer than previous generations. The downside is that an increasing portion of our population is likely to need assistance with daily living. In fact, Statistics Canada population projections suggest that the proportion of seniors in the general population will increase from 13% in 2006 to 21% in 2026.

Who will look after them? Or, more to the point, who will look after you?

The cost of care

While government-run facilities do exist, waiting lists are long. In addition, they are generally geared to the needs of seniors with serious medical issues, such as dementia and Alzheimers.

Privately run facilities provide a greater range of assisted or semi-assisted care, with services tailored to meet individual needs while encouraging independence.

These places aren't cheap, however. Depending on the building's location, the level of care provided, the amenities available, and the size of the unit, most start at about $2,000 to $2,500 a month.

Home care is even more costly, especially if you should need round-the-clock nursing care.

Maybe you're planning to move in with your adult kids if you begin to need assistance. This option won't work for everyone, however. Perhaps your children live far away, and you'd prefer not to relocate. Or it might be that their home would require extensive — and expensive — renovations in order to accommodate you comfortably.

Insurance gives you options

By purchasing long-term care insurance, you can keep your options open. These policies pay out a daily amount that can be used to cover care — from in-home assistance to full-time care in a medical facility. In order to qualify to receive benefits, you must require assistance with everyday activities such as bathing, dressing, feeding yourself, and going to the washroom.

Not all policies are the same. Some cover facility care only while others cover both home care and care in a medical facility. Some policies provide benefits for only a specified length of time (one, two, or five years) while others provide lifetime benefits. The maximum benefit can vary, too. Naturally, all these features will have a bearing on the premium, as will your age and overall level of health.

Better early than late

With long-term care insurance, you can be assured of receiving the level of care you want without depleting your own financial reserves or relying on your adult children for assistance. It's important to purchase it well in advance. When you are younger and healthier, the premiums are more affordable.

If you'd like to know more about long-term care insurance, please give us a call. We can help you explore your options and get the protection you need. ■

Search Engine Optimization (SEO)

Every business would like to be number one on a Google search. What page is your business on? Can't find it, here are some top tips to help you and your business get on page one.

1. Determine your keywords/phrases. You need to determine which keywords or phrases your customers are using to find businesses like yours. Ex. If you specialize in selling die cast toy trains don't use keywords like 'toy trains' but use product specific keywords like 'Die Cast Toy Trains'.

2. Title of your Website. The title on the browser should not just be the name of your company; this should include keywords as well. Ex. If your title is 'Car Detailing, Auto Service | Toronto, ON | John Smith Auto Services' this provides more keywords than 'John Smith Auto Services' for search engines to locate.

3. Keywords within Text and Meta Tags. There are two best locations for keywords, within the text and in Meta tags of your websites. Meta Tags are a list of keywords that are not openly visible on your website. The first two sentences of the starting paragraph should also contain your relevant keywords, keeping in mind that your text should still flow for your readers. WARNING DO NOT list keywords on your site with no context around them as Google will penalize by dropping you in ranking.

4. Description of your Website. The description of your business within your Meta tags should also contain pertinent keywords. This description is then displayed under your posting on Google

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