FOURTH QUARTER 2006

NetWorth

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In this issue

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Financial guidance providing peace of mind for a well-deserved retirement

Know someone who could benefit from the kind of relationship we have? Client referrals are welcome. Thank you.

This month, I have the great pleasure to launch my new, quarterly financial newsletter intended for all my clients. On the planning board for a while now, this project has finally become a reality with the design help of BMO Nesbitt Burns. More than anything, the newsletter is intended as an additional tool for communicating with my clients. It will cover a full range of topics focused on providing you with a top notch financial experience.

I believe this newsletter will give me the opportunity to develop an even closer relationship with you as this source of information can be used to develop a sophisticated financial plan.

My wish is to provide you with a refined product which I hope you enjoy.

CHART YOUR OWN COURSE

At some point, everyone thinks about retirement. But how many of us have drawn up a detailed plan that enables us to see where we stand with respect to our current and future savings, and the financial longevity those savings will provide during the 20-25 years following the day we leave the workforce? One could believe, based on a number of surveys, that more than half the population has no such plan, a practical tool that can help them achieve their financial goals and better plan for a comfortable retirement.

BMO Nesbitt Burns makes it possible for you to determine the impact that inflation and taxes can have on your retirement income, assess what would happen should public plans disappear, and figure out the amounts you need to save for your retirement.

This service is offered free of charge. In more complex situations, you can also involve the help of your tax specialist, legal advisor or financial planner for complete peace of mind.

The surest way to get somewhere is to look at the right map. Why not draw up the map that can lead you to your financial goals? Contact me. I can help you chart your course.

A MODEL OF PERSEVERANCE

He was born into poverty. He had to work to support his family after they were forced out of their home. He failed twice in business. He declared bankruptcy, and spent the next 17 years of his life paying off his debt. He was engaged to be married, but his sweetheart died, contributing to a nervous breakdown which led him to spend the next six months in bed. In all, he was defeated in eight elections.

After being defeating one time for Senate, he uttered this now-famous quote: “The path was worn and slippery. My foot slipped from under me, knocking the other out of the way, but I recovered and said to myself. It's a slip and not a fall.”

In 1860, he was elected President of the United States of America.

His name? Abraham Lincoln.

M. Vaillancourt

BMO Nesbitt Burns®

Travel Destinations

Living the new retirement lifestyle means enjoying life on your terms - and for many Canadians that means traveling. Whether you've waited your entire life to visit the Amazon jungle or take a breathtaking Alaskan cruise, traveling during retirement is a perfect way to venture outside the everyday and enjoy all the world has to offer.

With retirees becoming one of the fasting growing segments in the travel market, it's no surprise that travel providers have created specialized packages for the retired traveller. Whether you're traveling in a group, on your own, or with a spouse, there are several vacation options to choose from. While Florida and Arizona are very popular vacation destinations among retirees, consider taking the road less traveled for a truly memorable vacation including these unique trips:

- **Home Sweet Home** - Explore what our vast country has to offer by visiting the charming island of Grand Manan, New Brunswick. Located thirty-five kilometers off the shore of New Brunswick - a 90 minute ferry ride - the island offers visitors a rich culture. As famous for its on-land beauty as it is for its

  marine life, the island boasts the best in whale watching and old-world shipwreck diving and tour excursions. For travelers who prefer dry land, the island showcases more than 300 species of flowers and a variety of bird watching trails.

- **A Taste of Italy** - Although Italy is home to marvelous works of art and architecture, a wine tasting tour of Italy's rustic Tuscan region can open your senses to another dimension of the country.

  Designed to put a smile on the face of any wine novice or connoisseur, these trips include vineyard walks, gourmet meals and stops at a variety of Italian cities - big and small.

- **Cradle of Civilization** - Catch up on more than 4,000 years of history in a week-long vacation touring the epic pyramids and relics of Egypt. Several excursion tours allow visitors to enter the tombs of the Great Pyramid and cruise down the Nile River. Rich with tradition and history, this trip is perfect for those with adventurous spirits.

No matter where you decide to travel remember to do your research and pick the right vacation that reflects your interests and appeals to you.

When to Start Canada Pension Plan Payments - Part 1

The Canada Pension Plan (CPP) is one of the pillars of retirement income planning. Along with Old Age Security, company pensions and personal savings, the CPP helps Canadians replace employment income in retirement. The normal CPP retirement age is 65 but benefits can start as early as 60 if the recipient has substantially stopped working.

When to start the payments has always been a controversial issue. If one waits until 65 the full benefit will be paid; starting early will result in reduced payments but they will be paid over a longer period. Which is the better option? This article reviews the applicable rules and in the next issue I'll provide an example of how it works.

Note for Quebec Residents: People working in Quebec contribute to the Quebec Pension Plan, not the Canada Pension Plan. All payments and early reduction issues are identical to the CPP so this article is equally valid in Quebec.

To get an estimate of your expected CPP benefits go to the Canada Pension Plan internet site and request a Statement of Contributions:

http://www.sdc.gc.ca/en

People in Quebec can obtain a QPP statement of participation at this website:

http://www.rrq.gouv.qc.ca/en/

These statements will show you your estimated benefits that will begin at age 65.

As mentioned, you may start the payments as early as 60, if you earn less than a specified amount of employment income in the month that you apply for the benefit or in the previous month. This threshold is equal to the maximum monthly CPP benefits of $845 for 2006.

There is a penalty for starting the CPP benefits early. For every month before one's 65th birthday that the payments begin, one half of one percent of each payment is lost. For example, someone starting at age 64 will begin twelve months early so there will be a 6% reduction in each of the payments for life.

The benefit of starting the payments early is that the income is available sooner. The down side is that after 65 each payment will be smaller than would have been the case had the individual waited. Next time, I'll review an example to analyse the pros and cons of taking the CPP benefits.

The Stress Sandwich: Managing the Stress of the Sandwich Generation

As the first boomers turn sixty this year they are not only exhibiting a different disposition toward retirement than previous generations, but they're also facing new challenges. The reality today is that boomers are balancing the needs of their children and aging parents with their own retirement goals - it's called the "sandwich generation".

According to a study released by BMO Financial Group, three in five Canadian boomers are providing some level of financial support for children over the age of 18. Adding to the pressure, one-quarter of those boomers whose parents are still alive have one or more elderly parents that need their assistance on a regular basis.

Some of the common stressors that affect the sandwich generation are:

- How do I split my time between my children, my parent and my career?
- How do I find the time for my marriage?
- How do I find the time for me?
- How do I keep the peace between my kids and my parents?
- How do I find the financial resources that I need for myself and my family?

To counteract some of these stressors, here are some tips that may help:

- Hold Family Meetings. During the family meeting, make sure that all family members have a chance to talk about their thoughts and feelings. Encourage children and elderly parents to communicate with one another. Discuss the many different care giving tasks that need to be accomplished and develop a task list for family members to complete each day/week
- Take Time to Care for Yourself. Take time every day to "check-in" with yourself, even if it is only for 10 minutes. Taking care of yourself is important if you want to continue to care for your loved ones.

Many boomers are somewhat unsettled about what the future holds. With no precedent for the changing retirement climate and managing the stresses of the sandwich generation, this uncertainty is understandable. Yet there are a wide variety of considerations and choices available and I would be glad to work with you to formulate a practical plan that will help alleviate stress.

Shifting to Neutral *(*as at October 5, 2006)*

It is evident that the U.S. economy is in the midst of a transition to a slower growth environment. BMO Capital Markets Economic Research forecasts the U.S. economy will grow by 2.7% in 2007. Although we believe the risk is to the downside for this forecast, we do not believe the U.S. economy will fall into a recession.

Although the U.S. Federal Reserve (Fed) appears to be finished increasing short-term interest rates, it maintains a tightening bias due to lingering inflation concerns. We estimate that by the beginning of 2007 inflation should be peaking, as the economic slowdown becomes more ingrained. It is against this backdrop that we see the Fed's next move will likely be to reduce rates in the Spring to prevent U.S. GDP growth from slipping below 2%.

The outlook for the Canadian economy as a whole remains positive with BMO Capital Markets Economic Research forecasting 2.7% growth for 2007. This masks the persistent regional disparities within Canada, as the west, in particular Alberta, is booming while central Canada is lagging as its manufacturing base continues to struggle due to the lofty Canadian dollar. The Canadian dollar has been remarkably resilient in the face of the declines in commodity prices, but is beginning to show some weakness. Given the regional disparities within the economy and the currency's strength, the Bank of Canada is unlikely to increase rates. We anticipate the Bank's next move will be to reduce short term interest rates, most likely next year.

Long-term interest rates have drifted lower on both sides of the border, amid a renewed rally in the bond market over the past three months. We believe bond yields will remain range-bound over the next 12 months with few catalysts to drive bond prices significantly higher from current levels. We continue to recommend investors underweight fixed income within portfolios and focus on shorter term investments, with 75% in 1-5 year bonds and 25% in 5-10 year bonds.

For some time, we have recommended investors overweight Canadian equities within portfolios due to our positive outlook for commodities and the global economy. Although our longer term view remains constructive, we are concerned there is greater risk the Canadian equity market could face additional downward pressure over the near term. Due to its significant concentration in the energy and materials sectors, the Canadian equity market will be particularly sensitive to further declines in commodity and energy prices. We continue to favour equities within portfolios, however we are reducing our Canadian equity exposure to a neutral weight, relative to our benchmarks. At the same time we are increasing our U.S. equity weights. With the top three sectors of the S&P/TSX Composite representing close to 75% of the index, investment opportunities outside the financials, energy and materials sectors are limited, especially for those investors seeking high quality, large cap investments. Further diversifying portfolios by increasing our U.S. equity allocation will provide exposure to a greater breadth and/or a different mix of industries than is available domestically and will help control the effect of being exposed to weakness in the Canadian market. In addition, it appears that the Canadian dollar has likely peaked for now, enhancing the attractiveness of markets outside of Canada.

Recommended Asset Mix and Benchmarks for Portfolios (October 2006)

	Income Investor		Balanced Investor		Growth Investor	
	Asset Mix	**Benchmark**	**Asset Mix**	**Benchmark**	**Asset Mix**	**Benchmark**
Cash	10	5	10	5	10	5
Fixed Income	55	70	30	45	10	25
Equity	35	25	60	50	80	70
Canadian Equity	15	15	25	25	35	35
Foreign Equity	20	10	35	25	45	35

Contributors this issue: "Alter Ego and Joint Partner Trusts" by Wendy Templeton; "Travel Destinations" by BMO Nesbitt Burns Marketing Department; "When to Start Canada Pension Plan Payments - Part 1" by David Matchett; "Managing the Stress of the Sandwich Generation" by BMO Nesbitt Burns Marketing Department; and "Shifting to Neutral" by Martha Hill CFA.