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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.

Professional Management Of Your Portfolio

Dear clients,

The day-to-day management of investments by renowned experts has been experiencing significant growth at BMO Nesbitt Burns for a number of years now.

Our firm has \$12.5 billion under management in our Architect, Advance, BluePrint and Quadrant programs. Each one of these programs lets you benefit from the expertise of top-rated professional money managers.

I am happy to note that an increasing number of my clients are benefiting daily from the advantages of one or more of these platforms.

For those of you who may not be fully aware of these programs, please allow me to summarize some of their main benefits.

We all live in an increasingly complex and demanding world - and the financial world is no exception. Time has become a precious commodity, and managing our time is the one element necessary to retain balance in our lives.

Undeniably, one of the main goals for most of us is to free ourselves from time-consuming day-to-day investment decisions by entrusting the management of our assets to world-class portfolio managers.

Until recently, the services of these managers had been beyond the reach of most individuals, available only to the wealthy and to large institutional investors. Now, however, many individual investors can access these experts and their cutting-edge knowledge.

But let's not forget that with more than 20,000 investment managers in the world, selecting some of the best is clearly a challenge.

To meet this challenge, we work closely with two of the worldwide leaders in selecting and monitoring managers, namely William M. Mercer for our Architect and Advance programs, and SEI for our Quadrant program.

These partnerships enable us to select a number of leading Canadian, U.S. and international money managers to participate in the programs based on strict qualitative and quantitative measures.

But although good selection remains a significant part of the process, an equally important task is the ongoing monitoring of the managers selected to ensure they continue to meet our programs' high standards.

Such a selection and monitoring process naturally ensures your investments are always managed by the cream of the crop in the industry.

This is but a limited overview of some of the benefits our managed accounts have to offer. I am convinced that, with such an approach, you can enjoy the freedom to focus on what is important in your life, giving you the peace-of-mind that comes with knowing your investments are in good hands.

Once again, thank you for your continued support.

Highlights of the 2007 Federal Budget

Our recent survey identified various attitudes of Canadians towards retirement, some of which have been addressed in the recent 2007 federal budget. Below are some of the more significant trends noted and related proposals introduced in the budget which correspond with these opinions.

Retirement should not be looked at as a fixed point in time, but as a transition between full-time work and active retirement. Pre-retirees expect to keep working into their so-called retirement years and will work more than their older counterparts. According to the results of surveys conducted by BMO Financial Group, 58 per cent plan on working for an employer in some capacity after they 'retire' and 50 per cent expect to spend some time working for their own or family business after they "retire".

As a means of retaining older, more experienced workers in the labour force, the federal budget proposes that qualifying workers aged 55 and above who continue working will continue to accrue further pension benefits, even if they receive a partial pension from their employer. For those individuals who are self-employed, the budget also proposes to increase the lifetime capital gains exemption for farmers, fishermen and qualifying small business owners from \$500,000 to \$750,000.

Working longer is about staying active. Our survey results tell us that the primary reason pre-retirees expect to be working in retirement is to be "mentally active" (71 per cent), followed by "to keep in touch with people" (63 per cent), "to earn money" (61 per cent), "to be physically active" (56 percent), "to keep busy" (51 per cent) and "to keep from being bored" (49 per cent). Individuals who work beyond the "normal" retirement date will continue to accrue registered retirement savings plan (RRSP) room but prior to the 2007 federal budget, they could not contribute to their own RRSP beyond age 69 and had to collapse their RRSP by the end of the year in which they turn 69. Upon maturity, an RRSP can be rolled into an annuity or a RRIF, or can be collapsed and taken as a lump-sum cash payment. This means that individuals who continued working beyond age 69 had to draw income from their registered savings whether the income was needed or not.

The federal budget proposals also included raising the age limit for maturity of an RRSP and registered pension plan (RPP) to 71 from 69. This allows 2 more years of contributions to an individual's own RRSP and 2 more years of tax-deferred growth



within their registered plan. These proposals have now been formally passed into law, effective after 2006.

Becoming more charitable with age. Our survey results also tell us that the likelihood of spending or expecting to spend a great deal of time "doing non-profit work or charitable work" increases with age: 15 per cent of those 45-54, 16 percent of those 55-64, 23 per cent of those 65-70 and 22 percent of those 70-plus spend and expect to spend a great deal of time on this activity.

Paralleling the incentives provided in the 2006 federal budget for qualifying donations to public charities, the 2007 budget proposes to extend the tax-free treatment of capital gains on charitable donations of publicly listed securities to include qualifying donations to private foundations.

As noted above, some of the 2007 federal budget proposals were included in Bill C-52 which was formally passed into law upon receiving Royal Assent on June 22, 2007. The federal government has indicated that legislation to implement the remaining 2007 budget proposals is being developed for introduction at a later time. This legislation will include those proposals highlighted above, with the exception of the above amendments to the RRSP maturity age which were recently enacted.

Why the Trend Towards Fee-Based Investing?

Independent, personalized advice, knowledge and guidance are the key benefits of working with a professional Investment Advisor. You can now have all of this and more for one all-inclusive fee.

Fee-based programs such as BMO Nesbitt Burns' Meridian, Architect, Quadrant, Advance and BluePrint programs offer investing with a fee that is both predictable and easily understood. One fee covers all services and benefits, including expert consultation and advice, investment research access, and web-based account information. With ongoing transaction costs no longer a factor, you and your Investment Advisor can focus on realizing your objectives based solely on your needs and personal circumstances.

Depending on the approach you prefer to take with your investing, we have a program that can meet your individual needs.

Non-Discretionary Approach:

If you're an investor who enjoys actively participating in the day-to-day decisions involving your investments, conducting investment research, and staying abreast of current corporate and investment news, taking a non-discretionary approach may be for you. The BMO Nesbitt Burns Meridian Program allows you to maintain control, by providing a truly collaborative approach to investing. Working with your Investment Advisor, you participate in all investment decisions, deciding how directly you want to be involved in building your financial future.

Managed Approach:

If you prefer to live without the added involvement of making the day-to-day investment decisions within your portfolio, a "managed" approach will allow you to concentrate on the more important things in your life. Our managed programs include the following:

BMO Nesbitt Burns Architect Program

The Architect Program is the first full-featured unified managed account (UMA) in Canada. You benefit from a greater level of diversification and monitoring that provides an opportunity to enhance return potential while seeking to limit volatility. Within a single account, you have access to unparalleled investment alternatives including a wide range of leading money managers, a selection of top ranked mutual funds and Exchange-Traded Funds (ETFs), in addition to value-added services such as automatic

rebalancing and enhanced tax management which combine to provide a more robust approach to portfolio management. You also receive the comfort of multiple layers of monitoring – BMO Nesbitt Burns Portfolio Management Advisory Group, external investment consultants, and your Investment Advisor. For a minimum investment of \$150,000 the Architect Program delivers enormous benefits through a single, simplified solution.

BMO Nesbitt Burns Quadrant Program

The Quadrant Program is a sophisticated investment program that leverages the expertise of BMO Nesbitt Burns and SEI Investments (SEI), offering clients a portfolio of institutional mutual funds with strategic diversification at multiple levels. In addition you will receive a variety of value-add professional services such as systematic asset allocation, regular rebalancing and tactical asset mix shifting; all at a predictable and reasonable fee.

BMO Nesbitt Burns Advance Program

The Advance Program accesses top investment managers from around the world, identified based on a specific area of expertise and investment style. Just as with the Architect Program, you receive multiple layers of monitoring – BMO Nesbitt Burns Portfolio Management Advisory Group, Mercer Investment Consulting, and your Investment Advisor for risk control.

BMO Nesbitt Burns BluePrint Program

The BluePrint Program leverages the internal expertise of BMO Financial Group through access to BMO Capital Markets' top ranked research² and the portfolio management of Jones Heward Investment Counsel. We offer three equity portfolios: Canadian Equity, U.S. Equity, and Total Equity, and four fixed income portfolios: Canadian Fixed Income, U.S. Fixed Income, Monthly Pay and a Trustee Account Portfolio.

Each of these programs has its own unique benefits and can be used in combination with each other. Speak with your Investment Advisor for more information.

¹ Investor Economics. The Fee-Based Report, Winter 2007 Issue.

² Brendan Wood International Survey. Institutional Equity Research, Sales and Trading Performance in Canada, 2006 Report.

RIMA - The First Account of its Kind in Canada to Provide a Paycheque to Retirees

You've been diligently saving and wisely investing to ensure a comfortable retirement. Now that you are transitioning to retirement, there are a whole new set of financial challenges - most importantly the responsibility of having to generate a paycheque from retirement savings and other income sources.

The BMO Nesbitt Burns Access Service Retirement Income Management Account™ (RIMA) was designed to help you meet the challenges of managing cash flow throughout the various stages of retirement. RIMA seamlessly integrates your BMO

Nesbitt Burns investment assets with a BMO Bank of Montreal chequing account.

All sources of retirement income—your salary, Canada Pension Plan (CPP), Old Age Security (OAS), Registered Retirement Income Funds (RRIFs), company pension plan, retirement savings and annuities—can be directly deposited into this single account. You can then withdraw a monthly income and pay your bills all from this same account.

Benefits of a RIMA account include:

Combines your BMO Nesbitt Burns investment account with a BMO Bank of Montreal® chequing account and a line of credit to offer you instant access to your money

One consolidated monthly statement showing both your banking and investment activity

A monthly paycheque and cash flow strategy

Tools to help you assess your overall financial situation, analyze expected income and expenses, and implement a manageable income plan

A BMO Nesbitt Burns First Bank® card that gives you full banking privileges, including banking transactions through BMO® bank machines

A line of credit and free personalized cheques for Canadian and/or U.S. funds

Access to online account monitoring through BMO Nesbitt Burns Gateway®

To find out more about this unique service please contact your BMO Nesbitt Burns Advisor.

Contributors this issue: "Retirement at 60? Think Again" by BMO Nesbitt Burns Marketing Department; "How to Instill Money Sense in Your Children" by BMO Nesbitt Burns Marketing Department; "2007 Federal Budget" by John Waters; "Family Friendly"-A Summary of Key Personal Tax Proposals"; and "Gains Ahead" by Martha Hill, CFA. The comments included in this publication are not intended to be a definitive analysis of tax applicability or trust and estates law. The comments contained herein are general in nature and professional advice regarding an individual's particular tax or legal position should be obtained in respect of any person's specific circumstances. The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. ("BMO NBI"). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions which are accurate and complete. However, neither the author nor BMO NBI makes any representation or warranty, express or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to BMO NBI which is not reflected herein. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BMO NBI may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same. BMO NBI is a wholly owned subsidiary of BMO Nesbitt Burns Corporation Limited which is an indirect wholly-owned subsidiary of Bank of Montreal. To U.S. Residents: BMO Nesbitt Burns Corp. and/or BMO Nesbitt Burns Securities Ltd., affiliates of BMO NBI, accept responsibility for the contents herein, subject to the terms as set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. and/or BMO Nesbitt Burns Securities Ltd.

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