Lennox Financial Group Inc.

THE NEWSLETTER OF
MONEY MANAGEMENT AND
FINANCIAL PLANNING IDEAS

Planning Ahead

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We hold high value to our Client for Life philosophy and our “Hands-On” approach at every level.

Just ask us how.

PEAK
PEAK INVESTMENT SERVICES INC.

FOCUS ON RETIREMENT

Gifts that keep on giving

Does anyone really need another appliance or electronic gadget? A year from now, will you remember what you gave to your daughter? Will she? This year, consider making a truly meaningful gift to your loved ones.

Consider gifting assets now

As you think about your legacy and the people who will be entrusted with it, this could be a good time to review the merits of giving away assets now.

This can have a variety of benefits to you and your beneficiaries. For example, gifting some of the more sentimental assets now could help mitigate potential conflicts between family members. As well, it can help head off any legal challenges. Perhaps most significantly, this strategy allows you the very special opportunity to see your loved ones enjoy the items you have cherished for so long.

Be prepared for the financial implications

When you give assets away to anyone other than your spouse, there may be tax implications to consider. For example, if you give away real estate (such as a cottage), stocks, or other assets that have increased in value, the transfer is treated the same as a sale for tax purposes and may trigger capital gains tax.

In addition, it’s important to remember that your gift is irrevocable. Be sure to hang on to sufficient assets to support your retirement lifestyle.

If you’re thinking of gifting assets during your lifetime, talk to us first. We can review your overall holdings and help you make the decisions that are best for you and your family. ■

Trends to watch as we head into 2015

MUTUAL FUNDS

It's fair to say that 2014 has been quite a year. Here's a look at some of the key investment stories of 2014 and what they might portend for mutual fund investors in 2015.

Reinvigoration in Europe

Now entering its 12th year as an economic collective, prospects for the European Union remain positive. Yes, debt levels are still high in southern Europe, but the black cloud of 2013 seems to be dissipating. Central banks across the continent continue to hold the course on rock-bottom interest rates, employment is up, inflation is low, and overall economic prospects are improving.

Admittedly, Russia's aggression in Ukraine has dampened some of the enthusiasm, but diplomacy, not to mention sanctions, could win the day for the EU.

For many mutual fund investors, a broadly diversified global equity fund will provide sufficient exposure to the European markets. If you are really bullish on the continent, and comfortable with more risk, we could consider funds that invest exclusively in the Eurozone.

BRICS and mortars

Even though the BRICS (Brazil, Russia, India, China, South Africa) account for half the world's population and one-fifth of its global economic output, their investment prospects were somewhat overshadowed this year by other emerging economies. That is, until mid-year.

That's when the BRICS launched their New Development Bank. First tabled back in 2012, the US$100 billion collaboration will almost immediately start funding infrastructure projects in its member nations and beyond. With increased domestic spending, mutual fund investors in the BRICS' economies may look forward to another year of growth potential.

Mid-year is when Brazil hosted the World Cup. The tournament was a huge success, at least for the Beautiful Game's fans and the country's 1 million foreign visitors. Its residual economic impact, however, was somewhat less rosy than predicted. Blame for at least some of this was placed on lost productivity as a result of Brazilians enjoying a day off whenever the national team played. Additionally, many of the 12 host cities gave workers time off to watch local matches. And of course, countless millions without sanctioned holidays no doubt called in sick. The powers-that-be will surely take note of this as the nation prepares to host the 2016 Olympics.

Mid-year was also when Russia's hostilities with Ukraine boiled over onto the international stage. It's possible that the combination of strong-arm global boycott, rising inflation, political and economic uncertainty could send Russia into an all-out recession. On the plus side, as of this writing, tensions appear to be easing and there may be cause for cautious optimism.

While there are a few funds that invest specifically in the BRICS economies, a more broad-based emerging markets fund might be the most well rounded way to capitalize on these economies.

Enter the dragons

Even without the rest of the BRICS, China on its own remains a compelling investment market. Sure, there was lots of hand wringing this year, with particular market noise related to the bubble in Chinese real estate. But the country just keeps on building, and companies with exposure to gold, those in the services, infrastructure, and consumption sectors look robust.

As well, with the average price/earnings ratio for the Shanghai stock market at 10.74[1] (versus 19.16 for the Standard and Poor's 500[2]), Chinese stocks may be more affordable than many of their peers. This bodes well for mutual fund investors with adequate diversification seeking to harness the dragon's firepower without getting singed.

Another noteworthy development this year has been the rise of so-called alternative funds. These hedge-style funds seek to minimize an investment's downside with strategies that can include investing in currencies, futures contracts, and arbitrage plays. There's a whole sub-genre of equity funds that invest in these types of investments. And as you'd expect, some of them are significantly more risky than others.

Opportunities abound

As you can see, there are some exciting trends taking shape for 2015 and investment opportunities for equity fund investors from conservative to aggressive. We would be pleased to review your portfolio in light of ongoing developments in the investment world at large and any changes in your own life. ■

[1] *china-stock.org, Shanghai Stock Market stat, August 26, 2014*
[2] The Wall Street Journal Data Center (online.wsj.com), August 22, 2014

ESTATE PLANNING

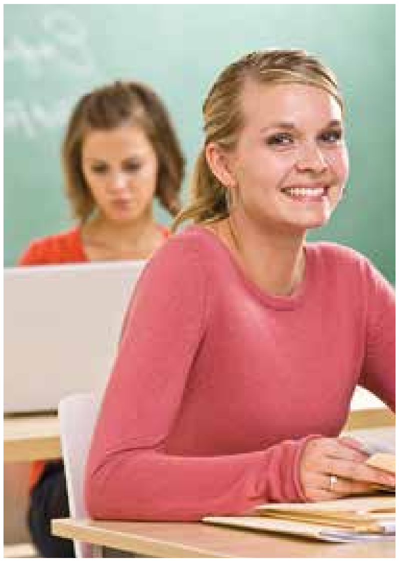
Safeguard your child's education savings

Opening a Registered Education Savings Plan (RESP) can be an effective way to help ensure that funds will be available for your child's post-secondary education. But what if you pass away before your child is able to use them?

You might think that the assets in the RESP would automatically pass to the person for whom the plan is intended (likely your child or grandchild). But that is not the case.

With most types of RESPs, those assets belong to the plan subscriber, not the plan's ultimate beneficiary. So in the event of your death, the proceeds become part of your estate.

Fortunately, we can take steps now to make sure the money does not become de-registered. One solution is to set up your plan so you and your spouse or common-law partner are joint subscribers. If one of you should die, the other can carry on as the plan's sole subscriber.*



To safeguard the plan should you and your spouse die at the same time, make a clear statement about what you wish to happen to the RESP's proceeds and name a successor subscriber in your will.

Talk to us to ensure the money will end up where it belongs: In the hands of your aspiring scholar. ■

* Please note that the concept of joint ownership with right of survivorship does not exist under Quebec Civil Law. If you live in Quebec, your executor would become subscriber or you could name a successor in your will.

TAX PLANNING

Time to assess year-end opportunities for tax-loss selling

As we approach year-end, many investors wonder about the merits of crystallizing their gains or losses for the current tax year. Of course, we would never recommend selling purely for tax purposes. But a strategic approach, with an eye on your overall financial picture, is always warranted.

For example, if you expect your income to take you into a higher bracket over the next few years, now might be a good time to take some of your gains. If you have capital losses carried forward from previous years, they can be used to reduce the tax hit further. Alternatively, you may want to consider triggering a capital loss to offset the gain.

Excess capital losses for 2014 can be carried back and applied against capital gains reported in the past three years or carried forward indefinitely. So if you are hanging on to some investments with a paper loss and you're thinking of selling, now might be the time.

In either case, let's not wait until the last minute. Let's find some time to review your portfolio, assess your capital gains and losses, and decide whether it makes sense to crystallize them this year. ■

EYEOPENER
graphic evidence of how investing works

Is your portfolio ready for the Millennials?

Move over boomers and Gen-Xers: The Millennials are taking their place among the markets' game changers. "Millennials" is the nickname for the population cohort aged 18-34. In the U.S. alone, Millennials are predicted to outnumber the baby boomers (78 million versus 56 million) in just 15 years. And how they spend, live, and invest will affect the markets for generations to come, in the same way railways flourished with the war generation and Wal-Mart soared with the Boomers.

What matters to Millennials	Investment sectors that could be affected
Hyper connectedness	Technology, social media, gadget makers
Working out, fitness	Health food stores, athletic apparel companies
Travel	Airlines, tour operators, resorts and spas
Adventure, excitement	Specialized/exotic tour planners, theme parks
Wellness	Vitamin and supplement producers, health food stores, organics

[1] The Boston Consulting Group, bcg.perspectives, "How Millennials are changing the face of marketing forever," Jan. 15, 2014

5 ways to avoid an estate planning migraine

According to a survey[1] conducted by a major Canadian financial institution, 45% of Canadians aged 60 or older are concerned that retirement will be so expensive, there won't be any money left to leave to their heirs.

On the surface, this statistic seems worrisome. But rest assured, one of the things we do best is help people prevent surprises down the road. And that includes safeguarding an inheritance for your loved ones if that's what you want. This is certainly a situation in which strategic advance planning can make all the difference in the world to you and to your heirs.

Here are five things you can do to give you peace of mind today and help ensure a smooth distribution of your assets at death.

1. Assess your debts

Make a tally of your mortgage, lines of credit, investment, car, consumer loans, credit cards, and the like. Money you owe does not disappear at death, so we'll want to make sure there are provisions in place to settle these debts. This could include life insurance or another source of cash earmarked for this purpose so that your estate assets won't have to be sold to cover the tax liability.

2. Keep probate fees in perspective

Selling assets, giving them away, or moving them into joint ownership are some tactics commonly used to reduce probate fees. However, these strategies can have unexpected — and often unpleasant — income tax, creditor, and estate planning implications. In addition, depending on the value of your estate and the province you live in, probate may be only a minor nuisance or not apply at all.

The bottom line is that reducing fees and expenses of all sorts can be a plank in your overall estate plan, avoiding probate should not be your overarching goal.

3. Choose your executor with care

Many people choose a family member to act as executor for their estate, but is this really the right person for what can best be described as a taxing, time-consuming grind? Whether you have a loved one or a professional take on this task, the executor is entitled to fair compensation, so it's not even a money-saver to keep the job in-house.

4. Choose a trustworthy power of attorney

Your power of attorney has the authority to make decisions on your behalf regarding your property and finances. There have been instance in which persons holding powers of attorney have made decisions that are clearly in their own best interests.

This doesn't mean you should be suspicious of your power of attorney. But it does suggest that a frank, and ongoing dialogue with your family and trusted advisors is in order.

5. Review beneficiary designations

Make a point of reviewing the beneficiary designations in your will, insurance policies, legal documents, and other contracts. Families and finances are dynamic and things change over time.

These decisions are complex and can have long-term implications. For additional peace of mind and to ensure all of these pieces fit together as intended, we can bring your tax and legal advisory team into the process. ■

[1] Harris Decima/Investors Group, "Trillion Dollar Wealth Transfer — Myth or Reality?" Feb 28, 2012

Year-end RRIF reminder

If you are at or near your 71st birthday, there is an important deadline you need to prepare for: You have to convert the assets in your Registered Retirement Savings Plans (RRSPs) to an income-producing vehicle, such as a Registered Retirement Income Fund (RRIF) or an annuity, by the end of the year you turn 71.

If this milestone birthday for you takes place in 2014 or 2015, we should meet to review your conversion options and make sure your income stream is primed to fund the retirement you want.

Action plan essentials

The first thing we want to do is make that final RRSP contribution. Note that if you turn 71 this year, you aren't eligible for the deadline extension and must contribute on or before December 31, 2014.

If you have a younger spouse, however, you can contribute to a spousal RRSP (provided you have eligible earned income) until the end of the year your spouse turns 71.

Reviewing your sources of income

A key part of the retirement transition process is ensuring you have a diversified income stream. Depending on your situation, you may want to have both a RRIF (to provide flexibility and ongoing tax deferral) and an annuity (for guaranteed income for life).

Finally, we also need to take into consideration any pension income and government benefits you might be entitled. Working together, we can help ensure that you are well prepared for this new investment stage. ■

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