



*Be well-advised.*

# MONEY *matters*

## 2012 – A REFLECTION ON THE FUTURE

With the tumultuous 2011 behind us, we are all looking forward to a calmer and more prosperous 2012. While the volatility level in markets may stay as elevated as it was in 2011, and acknowledging the fact that we still face major challenges when it comes to the European debt crisis, the upcoming US elections and slowing growth in China and emerging markets, there are reasons to be optimistic in the coming months.

For starters, the fact that European Union leaders have come to grips with the severity of the situation and have taken steps towards a substantial increase in the size of the rescue fund and wholesale recapitalization of Europe's banking sector is encouraging.

Debt rating agencies may throw a wrench in the plan in the coming months by downgrading Greek debt to default position or by downgrading debt of other European countries, but for the markets the fact that a rescue plan is taking shape is very positive as evidenced by the sharp leap in the markets around the world on hearing the news, with the S&P 500 Index posting the biggest monthly rally since 1974.

Another encouraging piece of news for investors came out of Washington showing that the U.S. economy expanded at an annual rate of 2.5 per cent in the third quarter. This was a dramatic improvement compared to the first half of the year when the U.S. economy hardly grew.



**Tina Tehranchian, MA, CFP, CLU, ChFC**

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"Global investment in energy supply infrastructure of \$38 trillion (in year-2010 dollars) is required over the period 2011 to 2035."

*World Energy Outlook 2011*

With all the worries about Europe and the slowdown in China and an anemic U.S. economic recovery, commodities are heavily oversold and prices for most commodities are off anywhere from 15 to 30 percent. Commodities are one of the most sensitive asset classes to the global business cycle and investors can get valuable clues from them when it comes to the health of the global economy.

Commodity prices have recently started to rally with the encouraging news coming out of Europe and higher than expected growth rates in the U.S. Resource stocks that have been hit harder than the commodities they produce will be one of the sectors that could experience a dramatic uptick in the current environment.

Another factor helping resurgence in the U.S. stock market is the Fed's operation twist and comments from Fed officials pointing to another round of quantitative easing and large-scale securities purchases.

Although the third quarter of 2011 will go down in history as one of the worst quarters with double digit losses in markets in North American, European and emerging markets, corporate earnings remained strong and given the fact that the U.S. monetary easing is likely to stay in force for the foreseeable future, equities have staged an impressive rally since October 2011.

Another boon for energy investors has been the bullish commentary from the International Energy Agency in their 2011 World Energy Outlook (published on November 9, 2011), warning that the world faces a "dire" future if the problem of surging energy demand is ignored.

According to the IEA forecasts, global energy demand will increase more than 35 per cent by 2035 and more than 90 per cent of this increased demand will come from emerging markets. The IEA estimates that the energy industry will need to invest about \$38 trillion to meet the anticipated global energy needs without a dramatic increase in energy prices. This can set the stage for a meaningful rally in oil stocks, especially because production has decreased due to worries about global economic growth.

While there is still a chance of missteps by European leaders and a comprehensive long term solution to Europe's debt crisis is months if not years away, the current European debt solution is of sufficient size and impact to calm the markets. With stronger growth in the U.S. and continued rising demand from the emerging markets the long term upside for resource stocks seems to be intact. Now is a good time to wade back into the markets and take advantage of the opportunities that the 2011 sell off presents.

## RRSP FACTS FOR 2012

The deadline for making RRSP contributions to reduce your 2011 income is February 29, 2012. For 2011 the maximum

RRSP contribution limit is the lower of 18% of your 2010 income or \$22,450. The maximum contribution limit for 2012 is 22,970.

You can make your RRSP contributions online to your self-directed Assante RRSP accounts the same way you would do any online bill payment. If you need help in this regard, please call our office at (905)707-5220.

## THE PERSONAL SIDE OF SUCCESSION PLANNING

(a.k.a. RETIREMENT)

*By Alan Wainer, CA, CPA (Illinois), Partner in Assurance & Advisory at Soberman LLP, Chartered Accountants*

What topic do business owners or entrepreneurs love to talk about the most? Their business, of course!

What topic do they seem to avoid talking about? Succession planning!

Where there is a dearth of discussion on succession planning by business owners, the media has more than filled the glut on this topic. I am sure that you have seen a plethora of articles in the financial pages stressing that only 30% of intergenerational business transfers are successful and that only 3% make it to the third generation.

So why is it that the topics of Succession, Retirement and Estate Planning (I like to use the acronym SuRE) are such difficult subjects to broach with entrepreneurs?

There are two basic facets to succession planning: the financial (tax, legal and investing) aspect and the emotional aspect. The focus of this article is on the latter, and in particular, the emotional aspect of planning for retirement. Time and time again, I have found that until the personal side of succession is tackled, the financial side becomes somewhat secondary.

As a professional advisor to clients in this area, I hear a number of reasons why the emotional hurdle of discussing succession planning and retirement is hard to overcome. These include excuses such as: "I'll have to deal with my own mortality, including signing a will and powers of attorney," "I am no longer in control" and "I am used to doing things on my own and if I retire now what I am going to do to occupy myself?"

So, what is the solution to a problem that appears to be reaching epidemic proportions? I don't mean to disappoint, but there is no magical elixir. The answer is simply a willingness to plan and communicate such plans. If you have come to the conclusion that the time is right to pass on your business to someone else (even if you have not), and you wish to avoid many of the pitfalls that entrepreneurs face in transitioning into retirement, below are a few ideas for your consideration.\*

\*For 2011 the maximum RRSP contribution limit is the lower of 18% of your 2010 income or \$22,450."

## 1. Understand the Retirement Process

Have you ever sat down and given some thought about what retirement would mean for you? Just as when you started your business, you did not have all the answers, nor will you about retirement. I am sure you asked your advisors a lot of questions as your business grew and so should you about retirement. Do you see a pattern here? Retirement is just another chapter in your life. You can make it as fulfilling as the previous chapter. So let's start with some of those questions:

- Are you tired of the demands of running the business?
- Do you wish to continue to do the same type of things as you have done for the last number of years?
- Have you recently received an offer for the business to good to pass up on?
- Are there stresses on the home front when coupled with stresses at work making your day intolerable?
- Has a recent life experience changed your view of your life?
- Are there legal requirements such as a shareholders' agreement that addresses mandatory retirement?
- Are there other goals outside of your business that remained unfulfilled?
- Are you ready to let go and to what degree?

Whether you speak to advisors who specialize in this area, one of your existing advisors or a close friend (your spouse?), it is up to you to take that first step in this process.

## 2. Set Goals

Just as you have done in running your business, setting goals is no less relevant. A goal is defined as "the result or achievement toward which effort is directed." Ask yourself these questions: what do you wish to accomplish in the next phase of your life and how do you wish to spend your time? It could be as simple as taking up a hobby that you always wanted to try or as complicated as starting a second career. The possibilities are endless.

## 3. Replace the Things You Enjoy Doing Today

Where do your talents lie? Why do you enjoy coming to work every day? Why not retain the positive aspects of your working life as part of your retirement lifestyle? If sales is your passion, you could work on the fundraising committee of a not for profit organization. If you like being in charge, you could consider joining a board of a public company. If you are an excellent communicator, consider teaching or doing presentations.

## 4. Consider Your Family

You may have heard the expression that the key to a successful marriage is that both spouses work. Retirement presents a whole different dynamic on the home front. To ensure that the success continues, communicate your retirement goals and

plans with your spouse. Talking about the issues will help alleviate the stress that change brings.

Your children should also be included as part of the process. It may create an opportunity to spend more time with them or your grandchildren.

## 5. Do a Dry Run

More and more businesses are developing contingency plans in the event that the owner-manager is absent for a prolonged period of time due to illness, disability or even death. Could the business continue to run in your absence? Who would handle your day to day responsibilities? What better way to find out than by having a dry run at it after the plan has been completed? Consider taking a month off from work. And by that I mean stay completely out of the picture. Aside from being able to evaluate the plan and the people you have entrusted to run the business in your absence, it will give you an opportunity to get a glimpse of what retirement will be like and help you assess if now is the right time to let go. Is it the right time for the business and the right time for you?

How you define retirement is up to you. Either follow the literal meaning of the word or embrace this new chapter of your life, by setting goals, planning your transition and communicating your plans with the appropriate people in your life. By taking that first step to overcome the emotional hurdle of retirement and by taking charge of the timetable for your retirement, you can be SuRE that it will be a rewarding one.

\* Alan is indebted to The Canadian Institute of Chartered Accountants, The Estate Planning Toolkit for Business Owners, (Toronto: CICA, 2009), pp. 154-156.

## About the Author

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## JOY OF AGING 2011 – A FUN FUNDRAISER FOR YORK CENTRAL HOSPITAL

On Sunday, October 23rd 2011 over 350 women gathered at Copper Creek Golf Club to raise funds for York Central Hospital, learn about fitness and healthy aging, have fun and build new friendships.

The event was organized by financial advisors, Tina Tehranchian and Janine Purves and their team at the Richmond Hill Branch of Assante Capital Management Ltd. Tracy Moore, the host of CityLine on Citytv was hosted the event. The morning started with the beautiful sound of Dave McLaughlin's Saxophone. This was followed by a speech by Vivian Risi, owner of Royal LePage Community Realty, director of York Central Hospital Foundation and the Platinum Presenting Sponsor of the event talking about her history of philanthropy and her special relationship with York Central Hospital. Next, financial advisors, Tina Tehranchian and Janine Purves, also the Platinum Presenting Sponsors, delivered a fun and entertaining presentation about women and money followed by a money quiz.

Mysterion, the mind reader, dazzled and intrigued the audience with his ability to read minds. The keynote speaker, Susan Sommers, inspired the audience with her life story, recounting how she ran her first marathon at age 61 and her second marathon at age 63, and offered useful tips for women on fitness and staying in shape. With the engaging and informative keynote speaker, fun activities, an energizing fitness break sponsored by Vive Pilates and interesting sponsor booths to visit, the morning proved to be enjoyable and entertaining for the attendees.

The event helped raise over \$30,000 that will be used to fund 3 new and state-of-the-art IV pumps for the hospital.

The sponsors of the event included an array of national and local businesses including Royal LePage Community Realty, The Richmond Hill Branch of Assante Capital Management Ltd., Chartwell Classic Valley Vista, CI Investments Inc., Dell Manor Elgin Mills, Dynamic Funds, Fidelity Investments Canada, G & L Group Ltd., Gobbato/Mourtos Inc. Space Planning and Design, Kronis, Rotszain, Margles, Cappel LLP, Mackenzie Financial, Manulife, Murray Higgins, Royal Bank of Canada, AGF Investments, Asadi Lewis & Associates, Bayshore Home Health, Brookside Court and Hilltop Place Retirement Residences/Revera Inc., Claymore Investments, Financial Planning Standards Council - FPSC, Franklin Templeton Investments, Invesco Trimark, Mount Pleasant Group of Cemeteries, Richview Manor retirement Living, Sprott Asset Management, Arbonne, Challenge Factory, Front Street Capital, Goodlife Fitness, Highland Funeral Homes/Arbor Memorial Funeral Homes, Lindsay Karabanow - Royal LePage, Living Assistance Services, L'Oreal Canada, National Bank, Sentry Investments, Solidea Canada, The Posture Clinic, Uniglobe Creative Travel, Vive Pilates, W10 Colours, Wealth Whisperer, West Photo.

The Liberal newspaper was once again our media sponsor,

Fairprint was the printing sponsor, Taste of Nature was the snack sponsor and the McMichael Canadian Art Collection was the community sponsor. Isis Balaban of Workplace Wellness Massage offered massages at the event, YSL cosmetics provided make-up touch ups and Prestige Salon provided hair touch-ups, the proceeds of which were donated to York Central Hospital.



Tina Tehranchian, Janine Purves, Susan Sommers, Tracy Moore, and Vivian Risi

#### ABOUT THE EDITOR

Tina Tehranchian MA, CFP, CLU, CHFC, is a branch manager and financial advisor with Assante Capital Management Ltd. Assante Wealth Management is one of Canada's largest wealth management companies, offering integrated financial solutions to create wealth and prosperity for you and your family. Our 800 advisors in 300 offices across Canada take pride in the exceptional service they offer to clients through trusted face-to-face relationships and a level of service excellence second to none. Money Matters is published as a special service for clients of Tina Tehranchian.

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