



# The David Miner Communiqué

Winter 2013

*"An investment in knowledge  
pays the best interest."*

- Benjamin Franklin

## Best Wishes for a Healthy and Prosperous 2013!

While the New Year is nothing more than another start to a winter month, many of us use this time to reflect on life and resolve to do something better this year than we have in the past. It is often a time to reflect on finances – particularly as many people pay off the Christmas VISA bill and pull together that last minute RSP contribution for 2012 before the March 1, 2013 deadline.

One of our resolutions is to take a little more holiday in 2013 than we did in 2012. Dorinda and I did manage to sneak away briefly to Mexico in early December for some quite rest and relaxation. From that trip and, of course, too much enjoyment of the December holiday season,

I – like many – have the added resolution in 2013 to become a little slimmer. Whatever your resolutions are, here is to success in realizing your goals in the New Year!

*"The individual investor  
should act consistently as an  
investor and not as a  
speculator."*

- Ben Graham

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Our last morning in Mexico before returning home.

## **Remembering the Fiscal Cliff**

2012 was an interesting if unexceptional year for its dramatic moments – both natural and man-made. Again, the natural events such as Hurricane Sandy were all too familiar. As the world gets warmer, I am guessing we can expect more natural disasters in future. Unfortunately, we can also expect more man-made disasters like the Sub-Prime Mortgage debacle, the Fiscal Cliff, sovereign debt excesses, etc.

2012 was a busy year for world politics; including, a new leadership in Beijing and mostly the same old leadership re-elected in Washington, DC. The dramatics of the Fiscal Cliff in the U.S. Congress made for bad cable news throughout the New Year celebrations.

World financial markets seemed more normalized in 2012, in spite of the drama of the U.S. Fiscal Cliff, the continuing economic struggles in Europe, and the slowing (but still strong) economy in China. The investment world can now look forward to the usual crisis management (yawn!) around the U.S. debt ceiling in a few weeks. Nevertheless, stock markets have started the Year 2013 on solid footing. As always, we have to expect the occasional market swoon as hedge funds and day traders pick each other's pockets as they trade the "crisis-du-jour". We win when we chose not to engage in that emotional and costly roller coaster of short-term thinking. The fundamentals of long-term investing and the benefits of long-term compounding returns are very much intact.



David and Dorinda, stop for the camera at one of their favourite Chinese restaurants

Investors were well rewarded for a diversified portfolio in 2012 (see the Table on Major Market Total Returns in 2012). As always, our mantra is "diversify, diversify, diversify" – to optimize return at lower risk over time.

**Table: Major Market Total Returns for the Year Ended December 31, 2012\***

Market (Index)	Annual Return (%)
Canadian Stocks (S&P/TSX Composite)	7.2
U.S. Stocks (S&P 500)	13.5
Global Stocks (MSCI World)	14.0
Canadian Bonds (DEX Universe Bond )	3.6
Canada Savings Bonds	1.0

\* Total returns include capital gain and income and are expressed in Canadian Dollars. Source: Morningstar, except DEX Universe Bond which is Globe and Mail.

## Minimizing Taxes



Dorinda and David -  
Enjoying the Mayan party

It is almost impossible to think about investing without thinking about taxes. All else being equal, minimizing your taxes increases your wealth and ability to generate future retirement income. If you are contemplating adding to your registered Savings Plan before March 1, 2013 to get full deduction for your 2012 tax return, please contact us at your earliest convenience. Even if you cannot make your contribution until the RRSP deadline, we are happy to talk with you now and even take a post-dated cheque for March 1, 2013. If you have not done so, should you consider starting regular monthly payments into an RSP?

For decades, I have always made a point of maximizing my own RSP contributions. With disciplined annual savings and investment compounding over time, the value of Registered Savings Plans can grow significantly. Young people who start early enough can become RSP multi-millionaires when they retire. And for people who want to be home owners someday, the RSP is one of the best places to start saving and then borrow up to \$25,000 from your RSP for that first home deposit. For a couple, that totals up to \$50,000 of tax sheltered cash in an RSP used to purchase a house.

Starting this year, the Tax Free Savings Account ("TFSA") annual contribution room has grown to \$5,500. For most of us, the aggregate contribution room since inception is \$25,500. While we use after tax dollars to invest, the investment growth over the years is tax free and withdrawals can be made without paying tax. Overall, it is a great deal.



Dorinda & David: Dinner on the beach in Mexico

One of the most important investment strategies for Canadians for non-registered plan investments is corporate class funds. Unlike traditional mutual fund trusts, corporate class funds offer many advantages. While not perfect, much of the investment return otherwise payable in a current year under a traditional mutual fund trust is transformed into deferred capital gain. Deferred capital gain offers two advantages. First of all, taxes deferred are taxes saved. Secondly, realizing investment return as capital gain is more tax efficient than through normal forms of portfolio income such as interest and dividend.

Aside from the better tax efficiency of investment return, corporate class funds have the added advantage of enabling movement between corporate class funds within the same family without triggering capital gain. That flexibility makes adjusting investment strategies free of capital gain tax compared to non-corporate class strategies such as traditional mutual fund trusts or separate securities portfolios.



The family on Christmas Day

Investors who are set up as corporations realize substantial benefit from corporate class as well as all investors wishing to generate tax efficient monthly income.

Aside from registered savings plans, TFSA's, and corporate class; there are other strategies to think about, including Registered Education Plans for children. If you have any questions, please feel free to contact us.

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