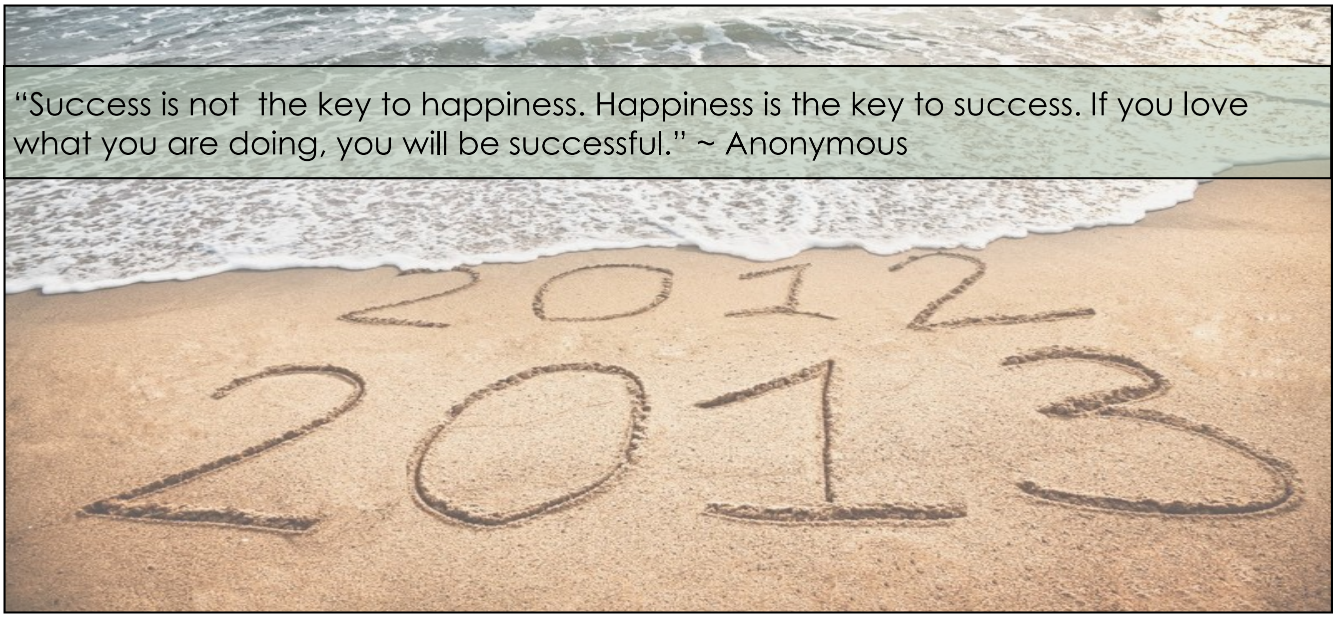
Fernhill Financial Corporation
The Fiscal Estate



Wishing you the best year yet!

Welcome to the annual edition of The Fiscal Estate. As we discussed our approach for this issue, we realized the importance of getting back to the basics. Therefore, we have focused on various fundamentals surrounding personal financial planning. We hope these articles will help you achieve the next few steps towards your ultimate goals. As always, if there is anything we can help you with, please do not hesitate to let us know.

We are looking forward to the next 12 months and wish you the utmost success in 2013.

David Webb CFP
President
Fernhill Financial Corporation

Inside this issue:

- Should I Contribute to a TFSA, RRSP, or Both?
- "Stick-handling" Your Financial Strategy
- Tax Tips for 2013
- The Value of Advice

Should I contribute to a TFSA, RRSP, or Both?

With the availability of Tax-free Saving Account (TFSAs), does it still make sense to contribute to a Registered Retirement Savings Plan (RRSP)? Determining which plan, or combination or plans, is best depends on your personal situation and your objectives.

The tax assistance provided by a TFSA is, in many ways, the opposite of that provided through RRSPs:

- RRSP contributions are tax-deductible, with both the contributions and the investment earnings taxable upon withdrawal. Withdrawals are included in income and affect eligibility for federal income-tested benefits and tax credits.

- TFSA contributions are made from after-tax income, with both the contributions and the investment earnings exempt from tax upon withdrawal. Withdrawals will not affect eligibility for federal income -tested benefits and tax credits.

Generally, an RRSP is used for saving for retirement, while a TFSA can be used for both saving for retirement and other shorter-term needs. Because TFSA withdrawals are added back to your available TFSA contribution room in the following calendar year, there is very little downside to using TFSA savings for mid-sized to large purchases.

If you are in a low tax bracket, saving in a TFSA may be more advantageous than saving in an RRSP, since TFSA withdrawals have no impact on federal income-tested benefits and Old Age Security. If you are in a high tax bracket, you will probably consider using both types of plan.

RRSPs may be a better option if your tax rate at the time you contribute is higher than when you withdraw your savings.

You'll benefit from a tax deduction when you make your contribution and withdrawals will be taxed at your lower future rate. If the reverse is true, a TFSA can provide better results.

Whether to save in a TFSA, an RRSP or both may depend on your savings needs, your eligibility for income-tested benefits and your current and expected future financial situation and income level. Anyone saving outside an RRSP should consider contribution to a TFSA first.

Talk to your advisor

Your advisor can help you determine the amount you need to save to achieve your goals and the most appropriate investments for you risk tolerance. He or she can also help you take advantage of the tax-advantaged investment strategies that are available to Canadian investors of all ages.

*Article provided by Solutions Magazine of Manulife Investments. Winter Edition 2012/2013

Once again, Fernhill's Case-Lot Christmas was a Success!

This past holiday season, Fernhill Financial once again accepted non-perishable donations for the Mustard Seed. We matched every donation and included 3 turkeys in our delivery to the Mustard Seed on December 20th.

Thank you to our clients who dropped off their donations. It was greatly appreciated and we look forward to doing it again next year!

Now that the NHL is back, how do you 'stick handle' offensive and defensive strategies?

It was exciting news for sports fans recently when they announced that the NHL had settled its labour dispute. It took us back to our first mentor in this business, a former hockey player named Joe Evans. He used to draw a hockey rink to demonstrate how to "stick handle" the myriad of options that were available to provide clients a lifetime of offensive and defensive plays to achieve their ultimate "goal": financial freedom. With 2012 complete, we enter into another period and Joe's game plan is just as relevant as it was 26 years ago.

Joe always said, "The best offence is a great defence." In the game of hockey, it doesn't matter how good your forwards are, if you're defense and goalie can't stop the puck, your opponents will always find the back of the net. Each goal scored by your opponents requires double the production from your offense. However, if you can stop your opponents, you give your offense a fighting chance to win the game.

The same holds true for your financial goals. Without a solid defense, your best laid plans to achieve your objectives can quickly become ruined. What's your defense against you or your spouse passing away? What strategy do you have in place if you are severely disabled in a skiing accident this winter? How will you pay your mortgage, bills or medical costs? If you have no defense, you'll likely need to use your savings thus effectively halting your offensive strategy. No defence equals no offense.

However, there are numerous avenues of defense that are available to protect you; permanent and temporary (term) life insurance, long term care insurance, critical illness insurance, disability insurance, out-of-province travel and medical insurance, and health and dental insurance. These defensive tools ensure that when life takes a slap shot at you, the game will remain in your favour.

Once you've created a solid defensive line that you can depend on, you can focus on your offensive game. Offense is just as important considering no one wins a tie game. Your offensive strategy will include creating wealth and creating a means of providing income for the future.

Although equity fundamentals are strong, the memory of two bear markets since 2000 continues to influence investor sentiment. We made the statement in our commentary last year that, "those holding a portfolio of great businesses will continue to be well served" and that was the case for equities in 2012. Looking at bonds, many investors do not understand that investing in bonds today, which are trading at a premium, will result in a loss of principal at maturity. The take away is not that you don't need bonds and should own stocks; rather it is that you must hold a suitable amount of each. It is the appropriate allocation of bonds and stocks in a portfolio that will determine its' success; although, sometimes a period or two of over-time is required in order to prove that statement is true. Just like hockey, when it comes to winning the investment game, you need a solid offensive line.

The advice that Joe Evan's shared 26 years ago can be applied to your financial goals for 2013 and beyond. Increase your chances of a winning your game by creating a solid defensive core at the center of your financial plan and surrounding that with a tactical offensive strategy. Talk with your Fernhill advisor about your game plan. We're here to keep you in the game!

Deborah's 2013 Tax Tip's

2013 Tax Brackets

First $42,707 ....Bottom

$42,707 - $85,414...........Middle

$85,414 - $132,406.........Top

$132,406+ ....Over-the-Top

Friday March 1, 2013 is the deadline for 2012 RRSP contributions.

2012 RRSP contribution room limit is $22,970.

TFSA contribution room limit for 2013 is $5,500.

Thank you to all those clients that have given us a copy of their 2012 Notice of Assessment that you received from CRA once your taxes had been completed.

If you have not provided us with a copy of your 2012 NOA, please feel free to send us a copy.

A LITTLE ADVICE

can go a long way

An advisor can help you reach your financial goals

Determining what your financial goals are, let alone achieving them, can be overwhelming. Seeking support and advice from a professional can go a long way towards helping you define and reach your objectives.

Some people don't seek the advice of an advisor when they make decisions that affect their long-term financial well-being. Why? They may be unaware of all the services and resources these professionals provide.

Let's start by dispelling the myth that advisors are only for rich people. Whatever your net worth, and whether you are just starting out in the workforce or beginning to think seriously about retirement, you can benefit from consulting an advisor.

An advisor begins by completing an analysis of your financial situation. Based on that assessment, the advisor can create a comprehensive plan of action to help you meet your financial goals. A good financial plan will include a review of many things, including life insurance, disability coverage, critical illness protection, wills, estate planning, debt management, investments and retirement savings.

An advisor can only do an effective job if he or she has a complete picture of your finances. You are sharing very confidential information, so the relationship between you and your advisor should be comfortable and trusting. Ideally, it should also be an ongoing one that lasts for many years.

It's also important for you to be realistic about your expectations. Seeking help from an advisor doesn't mean you'll get double-digit investment returns or magically eliminate your debt. A continuing financial review should be part of your lifestyle, just like your annual check-up with your family doctor.

Take a few minutes to meet with you advisor to ensure your financial plan is on track. And if you don't yet have a financial plan, it's never too late to create one.

HOW DO ADVISORS GET PAID?

Your advisor should put in writing how he or she is paid for the services he or she provides. Advisors can be paid in a number of ways:

Commission: In some cases, the suppliers of financial products, such as a bank, pay the advisor a commission. In other cases, you pay the commission. For example, if you buy shares of a publicly traded company through your advisor, you pay a commission that is usually a percentage of the amount invested.

Salary: Some advisors work for a company that pays them a salary. The advisor's employer may get its revenues from fees paid by clients, or from commissions paid by clients making a purchase or the suppliers of financial products.

Fee-for-service: Advisors paid on a fee-for-service basis may charge an hourly rate, set a flat rate for a specific service or be paid a fee based on a percentage of your assets or income.

In some cases, an advisor's compensation can be a mix of fees and commissions. You can ask if the advisor or organization receives any benefit other than commissions, such as advertising and promotion subsidies, from suppliers of financial products.

THE VALUE OF ADVICE
(based on a recent survey[1])

- On average, advised households (those with an advisor) will have more assets than non-advised households (those without an advisor), and the longer they have advice, the greater the percentage increase in assets over non-advised households becomes
- A significant number of non-advised households believe they must have more than $50,000 in assets in order for an advisor to work with them
- 71 per cent of advised households got an advisor when they had less than $50,000 in investable assets
- Advised households averaged a 5.9 per cent higher savings rate than non-advised households
- Advised households are more likely to believe they'll be prepared for retirement.

[1]CIRANO Study 2012 - Econometric Models of Value of Advice of a Financial Advisor, © Claude Montmarquette, Nathalie Viennot-Briot. CIRANO is an inter-university research center bringing together over 190 professor-researchers active in a variety of disciplines. Survey based on feedback received from 3,610 Canadian households. All participants were between the ages of 25 and 65 and had at least $1,000 in financial assets and a household income of less than $250,000.

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