

- Investing in Retirement
- Making Tax Time Easier
- Socially Responsible Investing
- PWL - The Pearl in the Oyster

INVESTING IN RETIREMENT

How much investment capital do I need and will it affect my Long Term Investment Strategy?

If you follow the financial press, you will have undoubtedly come across many articles recently that prescribe theories as to how to determine if you have enough money to live on once you stop working, and how to invest that money to make sure that it lasts as long as you do.

For example, we often read that if you have 70% of your current income in retirement, that will be enough to allow you to maintain your current lifestyle. So, if your current income is \$100,000, then \$70,000 should be your target for retirement income. However, this replacement ratio varies considerably depending on the level of income (investments pensions and other sources) you receive as well as the lifestyle you envision for yourself in retirement.

With increased life expectancy, a retiree can look to live 20 or more years into retirement often well beyond his nineties. Therefore, if you expect to generate your retirement income from your investment portfolio, life expectancy can mean 20 or more years of income required, you need to consider whether that capital is deployed in such a way as to generate sufficient growth, while still protecting it from possible future downturns in the markets.

Conventional wisdom suggests that investors become more conservative as they grow older, placing an increasing percentage of their assets in income-oriented investments. However, at PWL, we have not found this to be the case. On the contrary, we find that those investors who have always had a conservative bent wish to continue on the same path, while those who are more willing to take on risk often prefer to maintain a more aggressive approach as they move into retirement.

So, let's assume that an investor is going to continue to maintain a 60/40 split between equity and fixed income-oriented investments throughout their retirement years.

A traditional financial planning approach would then focus on detailed probability analyses to see how such a portfolio might weather various storms over the years: what if inflation rears its head in future, what if the stock market suffers a major meltdown at the beginning of the withdrawal period, what if health declines in the later years and funds must be allocated to in-home nursing care?

However, with over 20 years of experience in running retirement financial modelling scenarios for high net worth clients, we've found a very simple test that determines whether or not your assets are sufficient to carry you through your retirement years. Look at your balance sheet and compare the percentage of funds allocated to personal use lifestyle assets (e.g. homes, cottages, artwork) versus the percentage allocated to investment assets (e.g. RRSPs, non-registered investments, employer pension and savings plans).

If investment assets represent 70% or more of the total, your funds are likely to be sufficient to maintain your lifestyle for 25 + years, regardless of what setbacks the future may bring. Keep in mind that this assumes your investment portfolio is properly diversified, that you have no mortgage and your home(s) require normal maintenance. You can be confident of a secure retirement income stream without the need to alter your long term asset mix. This is so because the amount of money you have allocated to personal use lifestyle assets at retirement is usually a good indication of your cost of living. So, if you have achieved this target ratio, relax! You can enjoy a secure retirement without changing your investment strategy.



James Parkyn
 Portfolio Manager
 PWL Capital Inc., Montreal



MAKING TAX TIME EASIER

Every year, investors with non-registered accounts express their frustration at having to wait to receive all their tax slips until just a couple of weeks before Canada Revenue Agency's April 30 deadline. But this year, relief may be in sight. Here's why.

In previous years, publicly traded trusts and partnerships had 90 days after the end of December in which to disclose information concerning income and capital distributions. This meant that brokers and mutual fund companies didn't get the information they needed to prepare their T3/Relevé 16 and T5013/Relevé 15 tax slips until the end of March. Clients might not receive these slips until mid-April, leaving very little time for the preparation of a tax return.

However, this year may be different. Federal Finance Minister Jim Flaherty announced new regulations this past summer that would reduce the 90-day period to 60 days. The draft amendments were released in July, and although they had not been passed into legislation at the time of writing, it is widely expected that the changes will be implemented for the coming tax season.

So, if you have a non-registered account with PWL, what should you look for as tax time approaches? Most clients will receive a series of tax slips from TD Waterhouse, as well as individual slips for any mutual funds held in their account.

TD Waterhouse issues a T3/Relevé 16 or a T5/Relevé 3 for the holdings in your account. These are mailed out on a regular basis, and include the income from the securities that have reported so far. However, don't assume that this is a complete report covering all the securities in your account. Check the Summary of Trust Income provided

Fortunately, at PWL, we have developed our own systems to keep track of your adjusted cost base (ACB) to save you onerous task.

by TD Waterhouse to see if there are any issuers that have not yet reported. If so, make sure that you advise your tax preparer that further documents are forthcoming. If you hold mutual funds, such as DFA for example, you will receive a T3/Relevé 16 directly from the fund company. This information is not included in any statements mailed to you by TD.

TD Waterhouse also issues a Trading Summary that reports any purchases or sales made in your account during the year.

However, there is no information slip that reports your capital gains or losses on these transactions - Canada Revenue Agency leaves that up to the individual taxpayer to calculate.

Fortunately, at PWL, we have developed our own systems to keep track of your adjusted cost base (ACB) to save you this onerous task. We invite you to contact your advisor to receive a copy of this report.

Also feel free to contact us if you think you are missing an information slip. We have electronic copies of all information slips sent out to our clients by TD Waterhouse, and would be pleased to send you a duplicate if needed.

We hope this information will make your tax filing go a little more smoothly. While we at PWL strive to minimize the tax cost of investing, we can't make Canada Revenue Agency go away completely!



Cameron Passmore
Portfolio Manager
PWL Capital Inc., Ottawa



SOCIALLY RESPONSIBLE INVESTING

How PWL Can Help

Increasingly, investors are looking beyond financial results to see if the companies they invest in are good corporate citizens. The Canadian Socially Responsible Investment Review, released by the Social Investment Organization in March 2007, shows that assets invested in Canada according to socially responsible guidelines have jumped from \$65 billion to \$504 billion over the past two years.

While much of this increase has taken place at the institutional level, with large pension funds applying social criteria to their investment selection process, retail clients are also looking for investment opportunities with companies that operate in a more ethical manner.

How does socially responsible investing (SRI) work? Essentially, SRI seeks to integrate environmental, social and governance parameters into the investment decision-making process. This can be done in different ways.

For example, negative screening approaches may be used to eliminate entire industries such as weapons manufacturers and tobacco producers from consideration. With positive screening, the investment manager evaluates all firms in, for example, the oil and gas industry, and selects those with the best

performance on a number of environmental, social, and governance measures, in addition to traditional financial analysis.

While it may be admirable to direct your investment dollars to socially responsible companies, you need to make sure that your social conscience isn't going to hurt your financial objectives. Fortunately, research shows that indexes of socially responsible companies compare very favourably with mainstream indexes over long periods of time.

For example, at the end of September 2007, the Jantzi Social Index, representing 60 Canadian companies that pass a set of social and environmental screens, reported an annualized return of 9.07% since its inception on January 1, 2000. The S&P/TSX 60, its closest benchmark, returned 8.49% annually over the same period, while the S&P/TSX Composite returned 8.78%.

In the U.S., the Domini Social Index (DS 400) returned 12.09% on an annualized basis from its inception on May 1, 1990 to October 31, 2007, as compared to its benchmark the S&P 500, which returned 11.53% over the same period.

And globally, the Dow Jones Sustainability World Index (DJSI World) returned 60.26%

on a cumulative basis from its launch on August 31, 1999 up to October 2007, compared to the MSCI World Index at 54.77% for the same period.

Clearly, socially responsible companies can provide returns that are as good as, or better than, their competitors.

At PWL, we support the increasing emphasis on environmental, social and governance factors. Over the past several months, we have been looking at how to integrate an SRI focus into our structured wealth management approach, and have found two socially responsible exchange-traded funds that we have added to our suite of investment offerings:

- The Barclays iShares CDN Jantzi Social Index Fund was developed in partnership with Jantzi Research Inc., Canada's leading firm specializing in social responsibility investment research. This fund invests in the 60 Canadian companies represented on the Jantzi Social Index.
- The Barclays iShares KLD 400 Social Index Fund consists of the 400 companies represented on the Domini Social Index, and will be of interest to investors looking for exposure to the US market.

If the SRI approach strikes a chord with you, we encourage you to contact your wealth manager for further information. Together, we can make a difference!



Hélène Gagné
Portfolio Manager
PWL Capital Inc., Montreal



THE FINANCIAL KNOWLEDGE TEAM

Portfolio Management

Financial Planning

Insurance and Estate Planning

Research



PWL - THE PEARL IN THE OYSTER

Like many successful organizations today, we at PWL have been undertaking strategic planning exercises to determine how best to grow our firm. One of the outcomes is the decision to develop our corporate brand and increase awareness of the service model we provide to our clients.

integrity, objectivity, and complete transparency for our clients. This brochure has been designed as a foundational piece to help clients and others understand our message and see how our services fit together into an integrated whole. We would encourage you to review this brochure with your advisor.

Since my initial contact with PWL, I have thought of the firm as the pearl in the oyster of the wealth management industry. Our integrated service model represents the pinnacle that the financial industry as a whole is striving to offer, but we remain a well-kept secret. Our corporate branding initiatives are intended to bring us more exposure, so that investors and professionals in the financial community at large fully understand what we're all about.

Third, we will be refreshing our website to reinforce our new name and branding, which will allow us to build increased awareness of our firm and our service model in the digital world. Your on-line access to your portfolio will not change.

All of these initiatives are intended to put PWL on a solid footing for growth, as we look to increase our advisor base and provide our integrated wealth management services to more clients. We welcome your feedback at any time!

What are some of the changes you can expect to see over the coming months? First, we have officially changed our name to PWL Capital Inc., the name that we are commonly called. You will see our new name shortly on monthly statements, portfolio performance reports, business cards, and letterhead.

Second, we have developed a new corporate brochure that reflects PWL's values of



Brenda Bartlett
Chief Operating Officer
PWL Capital Inc.

The statements and statistics contained herein are based on material believed to be reliable, but we cannot guarantee their accuracy or completeness. This newsletter is published on behalf of PWL Capital Inc. and is for information purposes only. Particular investments or trading strategies should be evaluated relative to each individual's objectives in consultation with the individual's Investment Advisor. PWL Capital Inc. and/or its affiliated persons or companies may hold a position in the securities mentioned and may, as principal or agent, buy or sell such securities.

WWW.PWLCAPITAL.COM

Montreal

Telephone : (514) 875-7566
Fax : (514) 875-9611
Toll Free : 1 800 343-7566
capital@pwlcapital.com

Rivière-du-Loup

Telephone : (418) 862-5643
Fax : (418) 862-3585
Toll Free : 1 800 774-7418
rdl@pwlcapital.com

Ottawa

Telephone : (613) 237-5544
Fax : (613) 237-5949
Toll Free : 1 800 230-5544
ottawa@pwlcapital.com

Toronto

Telephone : (416) 203-0067
Fax : (416) 203-0544
Toll Free : 1 866 242-0203
toronto@pwlcapital.com



MEMBER
CANADIAN INVESTOR
PROTECTION FUND