



# The Personal Financial Advisor

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## SAVE ENERGY AND MONEY WITH HOMEOWNER PROGRAMS

Vicki Lungu, CFP

There has never been a better time for homeowners to renovate their homes. The federal government has increased the funding of its ecoEnergy Retrofit-Homes program to help homeowners lessen their energy costs and it has also introduced a Home Renovation Tax Credit of up to \$1,350 that can be used on the same residence. A homeowner can replace an old furnace, add insulation and install new windows under the ecoEnergy program and, in addition, receive a 2009 income tax credit for building a deck.

### EcoEnergy Retrofit-Homes

At present, 20% of all the energy used in Canada goes toward running and maintaining our homes. The federal government launched this program in April 2007 to encourage homeowners to upgrade the energy efficiency of their residences, and to date, it has paid out \$91 million. A typical Ontario homeowner can save as much as 25% on energy bills, receive up to \$10,000 in federal and provincial grants and reduce greenhouse gas emissions by 2.5 to 4 tonnes. Not bad!

### How it works

Before you start making upgrades, obtain a home energy assessment from a certified energy advisor. You will receive an Energy Efficiency Report and a plan to reduce your energy bills. The report shows your home's current level of energy efficiency and projects what it could be after energy-saving improvements. The cost of the assessment is \$350 and you will receive a \$150 rebate from the Ontario government's Home Energy Audit program.

Make some or all the upgrades suggested in your Energy Efficiency Report to improve your home's energy efficiency. The report will show you the most important changes to maximize your energy savings.

You have until March 31, 2011, or 18 months from the date of your pre-retrofit evaluation report (whichever comes first), to complete the post-retrofit evaluation and receive the grant. You can make the improvements yourself or hire a contractor, but you must document your renovations with receipts, photos and product literature to be sure you receive full credit for all improvements.

Obtain a post-retrofit audit. Your energy advisor will perform a second audit and provide you with your home's new EnerGuide rating that shows how much you have improved your home's energy efficiency. A good rating can also increase the value of your home.

After your post-retrofit audit, the federal and provincial governments will then each rebate up to \$5,000 for your energy-efficient upgrades. The more upgrades you make, the more money you will get back, up to a maximum of \$10,000.

### Eligible improvements

- Replacing your furnace, air conditioner or water heater
- Installing insulation
- Replacing windows and toilets
- Sealing air leaks around windows and doors

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## SAVE ENERGY AND MONEY WITH HOMEOWNER PROGRAMS

### Your rebate

While you do not have to upgrade every aspect of your home to qualify for an ecoENERGY grant, the more upgrades you make, the larger the rebate. Here are the maximum grants you can receive:

Home Improvement	Maximum Grant
Upgrade heating system (furnace, boiler, or heat pump)	\$3,500 (average grant: \$500)
Upgrade air conditioner	\$200
Upgrade water heater	\$500 (average grant: \$300)
Install insulation — attic	\$600
Install insulation — exterior walls	\$1,500
Install insulation — basement	\$1,000
Install insulation — crawl space	\$800
Seal air leaks	\$150
Upgrade doors/windows	\$30 per unit
Upgrade toilets	\$50 per unit

### Eligible properties

These include single family homes (including fully rented properties); cottages; small multi-unit buildings that are three storeys or less in height; co-op housing; and mobile homes on a permanent foundation. Newly constructed properties less than six months old do not qualify. Only one rebate may be obtained for a property, however if you own more than one property, you can apply for a rebate for each.

For more information visit the ecoACTION Web site at [www.ecoACTION.gc.ca/homes](http://www.ecoACTION.gc.ca/homes), or [Ontario Home Energy](http://Ontario Home Energy) or call 1-800-O CANADA (1-800-622-6232).

### Home Renovation Tax Credit

The Home Renovation Tax Credit (HRTC) was introduced in the 2009 federal budget. If you have been planning to renovate your home or cottage, this is a good year to do it. For eligible renovations made between January 27, 2009 and February 1, 2010, you will be able to claim a 15% non-refundable tax credit on renovation costs of over \$1,000 and below \$10,000. The maximum credit is \$1,350.

### Eligible expenditures

These include the cost of labour, building materials, fixtures, equipment rental and permits.

Some examples of eligible expenses are:

- Renovating bathroom, kitchen or basement
- New bathroom floors

- New carpets
- Building an addition, deck or retaining wall
- New furnace or hot water heater
- Interior or exterior painting
- Driveway resurfacing

### Ineligible expenditures

These include:

- Maintenance costs: snow removal, furnace cleaning, lawn care
- Purchase of furniture, appliances, construction equipment
- The cost of financing the renovations

The maximum credit applies to all renovations (renovations made to more than one residence may be pooled to claim the credit). The credit will not be reduced by ecoEnergy Retrofit-Homes grants related to the renovation. In fact, double dipping is allowed — you can also claim those energy-efficient improvements under the HRTC program. That means Ontario homeowners can receive up to \$11,350 for a single home improvement project.

You will need receipts for everything. Invoices must be marked as paid in full and additionally, you must attach proof of payment: a cancelled cheque or credit card slip.

The HRTC will recognize only those services rendered by professional contractors (plumbers, electricians, painters, architects) with registered businesses. Neither the handyman up the street nor your handy brother-in-law can invoice you for work they've done on your home, unless they have GST registration numbers.

For more information, visit Canada Revenue Agency's HRTC webpage at [www.cra-arc.gc.ca/hrtc](http://www.cra-arc.gc.ca/hrtc)

### Home Renovations and Insurance

You should inform your insurance company if these renovations add substantial value to your home. This may result in increased home insurance premiums but you will minimize the hassles if you ever make a claim. Furthermore, if your house is vacant for more than 30 days during renovation, you need to contact your insurer to obtain a vacancy permit.

It is also important to consider your contractor's liability insurance, which should protect against damage to your home or to your neighbour's. Look for someone with minimum coverage of \$1 million, as your own policy will not cover damage caused by renovation, construction or repairs.

Home renovations are normally smart investments in the long term and also create economic activity by increasing the demand for labour, building materials and other goods.

Before you start, do your homework, get several estimates and be sure the contractor is not just increasing his prices to take advantage of the tax rebate. Good luck!

# THE POWER OF ATTORNEY (PART 2)

Ian G. Johnson, CFP

In our last issue, we defined the Power of Attorney, the criteria for choosing an attorney and the duties he or she would perform.

While the Power of Attorney appears to be a simple document, it is extremely powerful and needs to be considered, and acted upon, very carefully. When a person designated as the donor's attorney presents the Power of Attorney to a party holding a donor's asset, that party needs to be assured that the document is valid; is "continuing" or "enduring;" and has not been subsequently terminated or replaced by a later Power of Attorney.

## Witnesses

Once the Power of Attorney is prepared, there is a strict signing procedure to be followed to ensure it is valid.

Current law in Ontario requires two witnesses to the signing of the Power of Attorney. Both must be present together, watching the donor sign, and then each immediately signs his or her name in the presence of the donor and each other.

Each witness must be at least 18 years of age and cannot be a spouse or partner of the donor or the attorney, or a child of the donor. The witness also cannot be a person whose property is under guardianship.

The witnesses must be satisfied as to the capacity of the donor to sign the Power of Attorney, and in certain cases they may be required to sign a statement to that effect. If they are not sure about the donor's capacity, they have a duty to inquire. This is not required of the witnesses to a will.

Attached to the Power of Attorney is an Affidavit of Execution by a Subscribing Witness. This affidavit is optional but becomes necessary if there is real estate involved and the Power of Attorney is to be used in a land transaction under a provincial registry system. It is also essential for dealing with assets in a foreign country.

## Capability

The current law governing Powers of Attorney, which cover both property and health, is named the Substitute Decisions Act and is accompanied by the related Advocacy Act and the Consent to Treatment Act. These all came into force in April, 1995.

Under the Substitute Decisions Act, Powers of Attorney are called Continuing (or Enduring) Powers of Attorney, which permits the donor to appoint an attorney who will be allowed to continue automatically as the attorney in the event the donor becomes mentally incapable.

A donor can be considered mentally incompetent if he or she cannot understand the information relevant to making a decision, or cannot appreciate the implications if a certain

decision is not made. He or she should also be aware of their obligations and their assets and their approximate value. Any formal assessment of mental competence can be avoided with a valid Continuing or Enduring Power of Attorney.

All Powers of Attorney executed before 1995 are grandfathered and become Continuing Powers of Attorney, surviving the incapacity of the donor. However, in order to qualify they must state that the Power of Attorney continues after the donor is declared mentally incapable. If not, the Power of Attorney will terminate upon incapacity and an application would have to be made to the court for a statutory guardian to protect and administer the donor's property. At that time, a responsible family member can apply to replace the guardian but he or she must prove eligibility, provide a management plan and perhaps even post security.

A Continuing Power of Attorney properly drawn under the rules of the Substitute Decisions Act allows a seamless transition for the attorney when the donor is no longer able to look after his or her own affairs. And in the absence of specific directions in the Power of Attorney, the Substitute Decisions Act sets out a number of duties and obligations that bind the attorney.

## Termination

There are many ways that a Power of Attorney can be terminated and these need to be understood by all interested parties, especially the donor and the named attorney.

The following events will terminate a Power of Attorney:

- Death of the donor.
- Revocation by the donor. The donor has the right, at any time, as long as he or she is capable, to revoke a Power of Attorney. However, the revocation must be put in writing, dated and signed by the donor and two attesting witnesses. The donor must notify the attorney of the revocation as soon as possible so that he or she does not act and create possible liabilities for either party. The donor should also give notice to all interested parties, otherwise the donor may be liable to anyone dealing with the attorney under the assumption that the Power of Attorney is in effect.
- The Power of Attorney is automatically revoked upon the donor's bankruptcy. If the attorney acts afterward, he or she may become personally liable.
- The attorney dies, renounces or resigns the appointment or becomes incapable. This would not apply if there is more than one attorney or if a substitute attorney is named.
- It is a specific Power of Attorney (as mentioned in Part I) and the specified act has occurred or the specific date has been reached

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## THE POWER OF ATTORNEY (PART 2)

### Provincial Jurisdictions

While you may have a valid Continuing Power of Attorney in place, there is no guarantee that it will be fully recognized in another province. So if you have assets located in another province — especially land — consider seeking legal advice and, if necessary, have a separate Power of Attorney completed that will be recognized by the province involved.

A Continuing Power of Attorney executed outside Ontario and valid in the province of execution will be considered valid to the same extent in Ontario.

The law does not require a Power of Attorney to have any special format, as long as it contains the required instructions and is properly signed and witnessed. There are “kits” you can buy and sample information is available on the Internet. However, a Power of Attorney is an empowering document with complex implications and it is best explained and prepared by a lawyer or knowledgeable professional.

It should also be reviewed periodically to ensure the attorney and the contents are consistent with changing circumstances.

## IS IT A BEAR OR IS IT A BULL?

Chris Snyder, CFP, RFP

Is the recent stock market rally a bear rally? Or is it the start of another bull market?

Since the low point in March, the markets have rallied approximately 25% to 30% — a significant increase. If nothing else, this has reduced anxiety and provided people with some breathing room. Many believe this increase is nothing more than a rally in the middle of a longer term bear market. However, there are others who predict that this is the start of an upturn that will go on for some time.

There is no question that stock market returns in 2008 were the second worst on record. The Standard & Poors index was down more than 36% and other international markets dropped more than that. Some individual securities have fallen even more steeply. AIG plunged from a high of \$57.68 to a low of \$1.44, Citigroup fell from \$29.69 to \$2.80 and in Canada, Teck Resources, after taking on huge debt to purchase Fording Coal, fell from \$51.71 to \$3.93. It has since risen to \$16.60.

I had the good fortune to be away in sub-Saharan Africa for all of April. When I left, the newspapers were espousing fear and gloom for everyone and for most of a month I had little knowledge of what was going on in the rest of the world. I was working with groups of people, many of whom earned \$1 a day. By our standards, their world is always depressed, but they seem to live with that fact in a way that North Americans and Europeans would find hard to comprehend. Witnessing this way of life helped me bring things into perspective then, when I returned early in May, I found that not only did the media have some positive things to say, a number of positive things had happened.

As well as the stock market rally (and markets usually go up approximately six months before the economy turns around), there was other good news.

### Banks

The United States applied a worst-case credit and asset test to a number of banks and some were found lacking in capital. Since that time, those who failed the test have raised some of the capital shortfall. This suggests that the banks could be back to being profitable. During the past year or so, much of the decrease in value in the banks had to do with depreciation of the assets they held and the banks' inability to value them properly. As a result, the share value of the banks declined. Some of these assets have increased in value and values are now being placed on other assets.

### Housing

There are a few signs that U.S. housing prices have levelled off and are turning upward. As well, some new home construction is taking place. This construction will provide a much-needed benchmark for the real worth of houses and many believe it is the best indicator that we are moving out of a recession.

### Savings

Figures suggest that Americans are turning into net savers. This does not translate into heavy buying, and you could argue it does the opposite. It is, however, a positive trend since spending more than you make, as many painfully found out, can only last so long.

### Jobs

Surprisingly, the Canadian job market showed an increase in jobs in April.

## **IS IT A BEAR OR IS IT A BULL?**

### **Credit**

There seems to be a renewed demand for and supply of credit for the purchase of cars and other big-ticket items. I was in a car dealership about two weeks ago and there were so many people looking at new Toyotas that I had to take a number and wait in line for a salesperson.

### **Automobiles**

The stock market seems to have come to grips with, and factored in, much of the downturn in the automobile business. Even though GM and Chrysler in the U.S. have gone bankrupt, these companies now have an opportunity to restructure and to adjust to the new reality.

The automobile slowdown is not limited to American car companies — we just don't hear about the problems of other companies. The Japanese automobile producers have been loaned money by the Japanese government and Toyota recently reported its first loss ever.

While away, I took note of the makes of the vehicles I saw in southern and East Africa. The huge majority are Japanese, particularly Toyota and Nissan. I saw a few European vehicles and very few North American products. Upon returning home, I have been doing informal checks on the makes of cars in several parking lots. The Japanese again are the most numerous, albeit not by the same margin.

It was also interesting to note that in at least two countries, Tanzania and Malawi, major roads are being financed by the government of Japan.

### **Bonds**

The corporate bond market is showing signs of strength, as predicted by many. Interest rates are generally higher for corporate bonds because they are considered to be less secure than government bonds. As uncertainty grows, the value of corporate bonds goes down. As anxiety eases, the value increases.

### **Oil**

The price of crude oil has gone up. While this has advantages and disadvantages, it does strengthen the Canadian dollar. It is also an indicator that the rest of the world is buying again.

### **Confidence**

Consumer confidence and confidence about the future have increased, particularly since Barak Obama became president of the United States. This, however, has not translated into strong sales, although many are reporting business as "being okay."

Even as we see positive signs, there are also many concerns.

### **Borrowing**

There is a return to borrowing and interest rates are very low. Surplus borrowing got us into trouble in the first place. Lending institutions are, however, being much more cautious and sensible about those to whom they lend.

### **Leverage**

There is still considerable leverage in the system. Many believe it is far too high and could increase again. It is difficult to get an accurate estimate of the amount, and how much is an appropriate level.

### **Inflation**

All the government infrastructure money that has been promised is just starting to filter out. It is difficult to know what impact it has had on the economy but I think it is safe to say that not much of it has reached the individual on the street. When it does, it is possible we will have a shift back to inflation.

### **Interest rates**

Interest rates are either at, or close to, an all-time low. (A variable mortgage is 2.85%, a 5-year mortgage is 3.75%.) This means that it is easy and cheap to borrow — there are a lot of sold signs on homes. This increase in borrowing should spur the economy but it could also push us in an inflationary direction.

### **Regulatory reform**

A few months ago, the world was clamouring for regulatory reform. While discussions are no doubt taking place behind the scenes, and it is necessary to calm the patient before you start corrective action, it is not known if the mood for reform is as great as it was.

Because of this, it is questionable if countries have the political will to move reforms forward. One of the leading proponents of reform, Gordon Brown of the United Kingdom, will likely not be re-elected. The United States is a big player in the reform movement, but it also has a long history of doing its own thing. On a positive note, President Obama has told the world that the United States will be much more of a team player. The lobbying from within to look after U.S. interests is, however, not likely to go away.

The world still places enormous hopes in President Obama. In our opinion, he has been a master communicator since he came to power but his economic policies prompt a wait-and-see approach.

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## IS IT A BEAR OR IS IT A BULL?

The hope placed in Mr. Obama was impressed forcefully on me during my recent African trip. On the wall of an elderly refugee's thatched hut in Northern Uganda, where civil war has been waged for 23 years, there were two pictures. The first, staring me square in the face as I walked through the door, was a picture of Barack Obama with his family (the elderly man's harbinger of hope). On the other wall was a picture of the Chelsea Football Team (the man's diversion from the day-to-day trials of life.) I saw this mix of symbols elsewhere during my African travels.

Now back to my question – is it a bear or is it a bull? My own view is that in a year or two, stock markets and the economy will be well ahead of where they are now. We would not be surprised to see a dip over the next few months but it does

seem quite certain that economies are starting to improve and, if history is to be repeated, the markets will be a lead indicator of the economy turning around.

In the meantime, it is sensible to be cautious. We believe that in the long run equities will perform solidly, and you should use the same rules (such as a diversified mix of assets) that we have always recommended. Because of low interest rates, if you have to borrow for consumer-related purchases, it may be better to do this than to cash in your investments. In the meantime, however, for those wanting to be a little cautious, we suggest putting your money into a mix of fixed income and equity. This should give you some sleep at night and allow you to participate in the upturn when it happens.

## GOVERNMENT PROPOSES CHANGES TO CANADA PENSION PLAN

Fabio Ventolini, CFP, CDFP

The only constant thing in life is change, and the Canada Pension Plan (CPP) is no exception. The federal government is proposing the following changes:

- You will no longer be required to stop working for two months if you take your CPP pension early, however, early pension penalties will increase. If you take your pension before age 65, there will now be a 0.6% monthly reduction in your pension, up from the current rate of 0.5%. For example, if you take benefits at age 60, the proposed rule would cut your pension by 7.2% for each early year rather than the 6% stipulated by the old rules.
- If you take the pension after age 65, you will receive an extra 0.7% a month (up from the current rate of 0.5% a month). You will be able to postpone collecting the CPP pension until age 70 and by doing so, you can increase your benefit by 42%. We are often asked, "Is it better to take the pension earlier or later?" If you take it at age 60 rather than 70, you will have the income for 10 more years but you will receive a lower amount every year. If you have contributed the maximum over the years and take the pension at age 60, your benefit will be \$582 a month. If you take the pension at age 70, you will collect \$1,236 a month. The answer depends to some degree on how long you live. If you do not believe you will live beyond the age of 80 and do not need the money, it is likely better to take the pension later.

- If you work between ages 60 and 65, you will now be required to contribute to the CPP. Previously this was optional. If you are over 65, it will remain optional. Your pension will be increased as a result of any extra contributions.
- The eight lower income years will now be removed for pension calculation purposes.

In view of these changes, you may want to delay taking your CPP pension.

### The Personal Financial Advisor

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