THE Guardian

...building better retirement incomes since 1974 **Fall 2008**

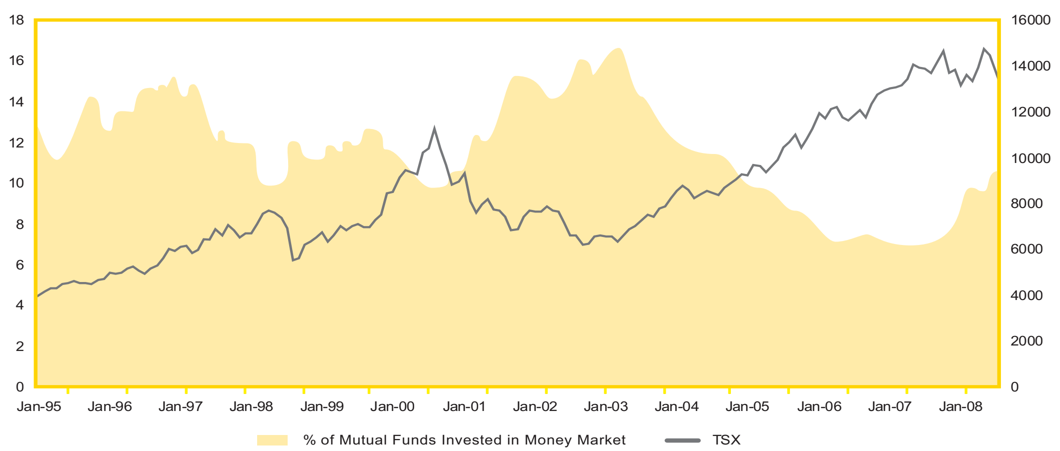
OUCH!

The pain equity markets have impacted on investors worldwide cannot be understated. Global economic issues have impacted even the most conservative portfolios, and most concerning at time of writing, it does not look like it is getting better any time soon. Is it any wonder many investors have thrown in the towel, selling their positions to salvage remaining capital?

A recent investor behavior study highlights the fact that as markets rise, investor optimism correspondingly increases, and capital floods into equity markets. Similarly, as markets fall, capital is withdrawn from markets and invested in cash.

The chart below from the Investment Funds Institute of Canada compares the return on the primary Canadian stock index, the S&P/TSX, with capital invested in money market funds. The graph reveals that with remarkable consistency, the bottoming of each market matched almost exactly the highest amounts in money market funds, and the market highs match the lowest levels in money market funds. Similar studies in the US corroborate these findings. In

TSX Performance versus Money Market Holdings



a nutshell, it highlights that investors are piling into stock markets when they are high and pulling out when they are depressed; the classic "buy high and sell low" which is the exact opposite of what investors should do. There is nothing more detrimental to long term investment plans than acting on short term emotions.

Another point of discussion is that individuals that go to cash generally miss the recovery because they sit on the sidelines too long. The table below highlights the gains lost over the long term, by missing just a few days of strong markets.

TSX Returns
Jan. 1, 1976 - Dec. 31, 2007

All 7,880 trading days	8.8%	Less best 30 days	4.8%
Less best 10 days	7.1%	Less best 40 days	3.8%
Less best 20 days	5.8%	Less best 60 days	0.1%

What we do know is that markets recover, and this will be no exception. We also know that the timing of the recovery is impossible to predict. While acknowledging the devastating impact of this unprecedented decline in markets, investors who are able to wait it out and stay invested will be rewarded. In the meantime, we welcome your call to discuss your situation as we make our way through these difficult times.

Capital Loss Rules

Most have heard the saying "if life gives you lemons, make lemonade". This statement can be applied to the current state of markets. Specifically, the rapid downturn of equity markets creates the opportunity for tax loss selling. For investors holding non-registered investments which are valued at less than the adjusted cost base, they can sell the investment, creating a capital loss. This loss can be applied against any capital gains the investor has incurred, effectively reducing their 2008 tax bill. If there are no capital gains in the current year, the loss can be carried back 3 years and applied against capital gains in those years, or carried forward indefinitely and applied against future gains.

We are not advocating exiting the market at an inappropriate time just to take advantage of this. The loss can be triggered without exiting the market, though care must be taken. Specifically, If an investor sells a security, triggers a loss and then re-purchases the same security within 30 days, the superficial loss rules will disallow the deductibility of the loss. Investors in mutual funds can avoid this for the most part, as most fund companies offer more than one version of essentially the same fund. Stock investors may be able to purchase a similar security to the one just sold. For example, while Bank of Nova Scotia and Royal Bank will not follow precisely the same price pattern, their movements will be highly correlated. Finally, you could also re-purchase the same investment after sitting in cash for 30 days, but as alluded to earlier, you run the risk of the security rising in the interim and missing those gains.

The superficial loss rules can be complex and before enacting a tax loss selling strategy, we encourage you to discuss this with your Solguard advisor or accountant.

Tax Free Savings Account (TFSA)

Effective January 1, 2009, Canadian residents age 18 and older will be able to contribute to a Tax Free Savings Account. The contribution is not deductible, but the investment return is tax free. In subsequent years, the annual amount of contribution room will be indexed to inflation. Any unused contribution room is carried forward indefinitely. Any withdrawals from a TFSA are tax free and are added back to one's contribution room for the following year. Similar to RRSP contribution room, a TFSA's contribution room will be tracked as part of the annual tax return filing process.

By no means is the TFSA investor restricted to "savings accounts". Contributions can be directed to a wide array of investments, including stocks, bonds, mutual funds and GICs. If an individual borrows to invest in a TFSA, the interest on the loan will not be deductible for tax purposes since the investment income earned is not taxable.

The TFSA is a generous gift from our federal government, and we urge every investor to take advantage of it. Certainly anyone who holds investments outside of an RRSP will want to move $5,000 of their non-registered holdings into a TFSA, though they must also take into account any potential capital gains tax on the sale of their non-registered holdings.

For the investor with limited capital to direct to investments, a decision may be required in regard to investing in an RRSP or TFSA. This will depend on the individual investor circumstances and will be analyzed in more detail in the January edition of the Guardian.

A few companies have now produced applications for the TFSA in anticipation of a rush of accounts opened at the start of the year. We believe their intuition to be appropriate, as investors will undoubtedly want to replace taxable investment income with non-taxable investment income as soon as they possibly can.

As always, please contact our offices for information pertinent to your circumstances.

REGISTERED RETIREMENT INCOME FUND (RRIF)
STATUTORY MINIMUM MONTHLY INCOMES BASED ON $100,000
COMMENCING ONE MONTH FROM ISSUE

Best Current Rate: 4.70%

Age	1st Year	TOTAL PAYMENTS TO AGE 100
55	$239.00	$232,661.00
60	278.00	221,842.00
65	334.00	193,127.00
71	616.00	163,898.00

A R.R.I.F. can also be structured to pay a level income for a shorter period. Based on current interest rates, $100,000 will produce the following monthly income.

For 5 years: $1871.00
For 10 years: $1037.00
For 15 years: $752.00

MONTHLY ANNUITY INCOMES COMMENCING
ONE MONTH FROM ISSUE BASED ON $100,000

Age	LIFE (Payments cease at death)		LIFE 10 Year Guarantee		JOINT LIFE 10 Year Guarantee
	MALE	FEMALE	MALE	FEMALE	MALE & FEMALE
55	$600.45	$551.41	$588.80	$546.54	$518.50
60	648.06	592.13	628.41	583.73	543.95
65	720.55	642.43	679.14	629.82	581.70
71	847.42	735.52	768.36	704.38	648.00

The material contained herein is intended to provide the clients of Solguard Financial Ltd. with advice and guidance of a general nature, and is believed to be accurate at the time of writing. However, due to rapid changes in interest rates, market conditions, tax rulings and other investment factors, readers should seek further advice specific to their situation, before proceeding with investment action.

SOLGUARD
PEAK SECURITIES INC.

Peak Securities Inc. is a member of the Canadian Investor Protection Fund.

SOLGUARD FINANCIAL LTD.
...building better retirement incomes since 1974

Vancouver: 805 - 675 West Hastings Street, Vancouver, BC V6B 1N2 .... Telephone: **(604) 688-9577** **Toll Free in BC 1-800-663-0644**
Website: www.solguard.com
Email: info@solguard.com

North Shore: 401 - 100 Park Royal South, West Vancouver, BC .... ***By Appointment Only***

Victoria: 402 - 645 Fort Street, Victoria, BC V8W 1G2 .... Telephone: **(250) 385-3636** **Toll Free in BC 1-877-500-3636**