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Vancouver

1200 Park Place,
666 Burrard Street,
Vancouver, BC V6C 2X8
Tel: (604) 688-7208
Fax: (604) 688-7268



Victoria

3711 Grange Road,
Victoria, BC V8Z 4S9
Tel: (250) 727-3445
Fax: (250) 479-9716

Toll Free: 1-800-663-3171
www.zlc.net www.zlcpim.net

*“Financial advice is only as
good as the person you ask.”*



■ The rise of the Canadian dollar (and what it means for your portfolio)

2003 has been an good year for the Canadian dollar. On October 22nd, the loonie inched toward 77 cents U.S. – a 10-year high. That’s a 20 per cent increase since the beginning of the year! Many investors have been asking us about the reasons behind the loonie’s rise. And more importantly, whether it holds any consequences for their investment portfolios. Allow us to discuss this topic in more detail.

Reasons for the rise

There are many factors that have contributed to the rise of the Canadian dollar, including:

- Canada’s balanced budget
- Higher Canadian interest rates (compared to the U.S.)
- Strong economic growth in Canada
- Weakness in the greenback

The main contributor to our dollar’s rise is the last of these, the weakening U.S. dollar. The drop in the greenback is due to low interest rates, a large deficit and a slow economy. Since the loonie is benchmarked against the strength of the greenback, a weak U.S. dollar works in favour of our dollar. As the U.S. dollar loses ground, currency traders flock to more stable currencies such as the loonie for security, thus fuelling our dollar’s strength further.


The advantages and disadvantages

As with many financial events, there are pros and cons to a rising dollar. On one hand, a soaring loonie translates into increased purchasing power. Just think of the snowbirds and travellers to the U.S. For them a strong dollar means that they’re able to spend more for less. Increased purchasing power, combined with steady interest rates translates



into higher consumer spending. And that’s good for the economy and for the markets.

On the other hand, a flying loonie makes our exports more expensive, making life difficult for our exporters. A recent economic report, however, noted that Canadian companies import 70-80% of their equipment and software from the U.S. A higher dollar makes it cheaper for Canadian firms to remain productive. In addition, Canadian exporters are considered some of the most efficient and profitable firms in their fields. So although currency changes pose an obstacle, our exporters will likely adapt.

So what’s an investor to do? Remember that you’re an *investor*, not a currency speculator. It’s fine to educate yourself about currency movements, but don’t get carried away worrying about fluctuations. A rising loonie is usually no reason to make radical changes to your portfolio. We believe that holding a diversified portfolio of international stocks will hedge your risk against currency fluctuations and market conditions. If you have questions, please call us. We’d be happy to discuss your situation with you in more detail. 

Investment profile

A powerful new way to invest

How would you like to borrow up to \$50,000 for your non-registered investment plan, pay only interest on the loan and never receive a margin call on it?


Does all this sound too good to be true? Well, it's not. Allow us to introduce you to Manulife's leveraged Guaranteed Investment Funds (GIF) program.

Background

Manulife's leveraged GIF program allows you to borrow to invest in the company's portfolio of insured mutual funds. Manulife offers a choice of 65 funds, covering 22 asset classes. Interest is charged at prime plus 1.25% (the current floating rate). The duration of the loan is 10 years, but it can be repayable anytime before then. Of course, interest is tax deductible! If, over time, you decide to make adjustments to your plan, you'll be happy to know that switches between funds are free.

Additional benefits

One feature investors really like about the Manulife GIF program is the plan's 10 year maturity guarantee. This means that after holding a Manulife GIF plan for 10 years, investors are guaranteed to receive a return of principal, even if markets have fallen. In addition, the plan includes a 100% death benefit guarantee (with an escalating feature) and creditor protection from external creditors.

As you can see, the Manulife leveraged GIF program is an excellent way for investors to maximize their exposure to capital markets and manage their risk at the same time. If you would like to find out more about this exciting investment opportunity, give us a call today for details! 

■ Fixed-income alternatives

Investment options for income-oriented investors

These are difficult times for fixed-income investors. In an effort to buoy the recovering economies in Canada and the U.S., interest rates for both countries have remained at 40-year lows. While low rates bode well for the economy, they can pose severe challenges for income investors. This is because low interest rates limit the returns on bonds, GICs and other secure investments – products income investors often rely on to preserve their capital.

Fortunately, there are some solutions to this fixed-income dilemma. The following investment suggestions are options that often go overlooked by investors looking for a stable, secure source of investment income. But in a low-interest rate environment, they offer an attractive way for investors to boost their income.

Insured annuities

An insured annuity can provide for a guaranteed high income for life, all without eroding the capital left behind for heirs. Even better, income from an insured annuity typically receives preferential tax treatment. And because insurance proceeds don't have to pass through probate (if the beneficiary is named directly in the policy), your heirs won't have to pay probate fees on the capital. All in all, a very attractive income option.

Enhanced GICs

Some companies offer special "enhanced GICs" specifically made for income-oriented investors. As of November 14th, for example, Standard Life is selling a GIC that offers a 5.6% return on a 10-year note. The minimum investment for this GIC is \$50,000, and it is redeemable. It's an excellent option for conservative investors looking for a stable income over time.

Income trusts

These investments offer a good combination of income and capital gains, the potential for moderately high returns and liquidity,




which makes them a good choice for a RRIF. Caution is required, however. Since distributions are not fixed, they may drop substantially if a sector falls out of favour. To minimize this risk, hold a diversified portfolio of trusts – ideally through a fund that invests in trusts.

Dividend funds

Dividend funds enjoy favourable tax treatment because they produce a combination of capital gains and dividends. These funds invest in common stock, preferred shares and sometimes income trusts. Liquidity is good and cash flow from these investments is usually stable. Investing in this option can be a good way to earn solid gains.

The above investments are all good alternatives for the right individual. But how do you determine which option is right for you? Begin by doing some research. Determine your needs and goals and evaluate which investment satisfies them. Of course, you'll also want to discuss your situation with a qualified financial professional. Our door is always open!

If you'd like to know more about some of the fixed-income opportunities we're currently excited about, give us a call for more information! 

■ Critical illness insurance

What you need to know

In the past, protecting your family or business from the risks of premature death was the number one financial priority for most individuals. Hence the popularity of life insurance. In recent years, however, advanced medical procedures have enabled individuals to overcome serious health problems such as cancer, heart attack or stroke. This development is certainly good news. However, it opens the door to a new problem: financially surviving the illness.

With the population living longer and health care costs on the rise, Canadians need financial protection in case they are affected by illness during their lifetime. The answer: critical illness insurance. We strongly recommend you take a closer look at what this type of insurance has to offer.

The basics

Critical illness insurance is a living benefit, paid to you, the policyowner, in the event that you develop any one of the covered illnesses, diseases, or conditions. Some of these illnesses include cancer, MS, stroke, Parkinson's, Alzheimer's, heart attack, and kidney failure. Keep in mind that coverage options vary according to the policy.

Individuals between the ages of 18 and 65 are eligible for critical illness insurance. If you are diagnosed with any one of the



covered illnesses, a lump sum benefit will be paid to you tax-free if you survive for 30 days after your initial diagnosis. Critical illness insurance can be purchased as term or permanent coverage and can be funded in a variety of ways. Many options are available to create a truly customized plan to meet your individual needs.


Reasons to consider critical illness insurance

Take a look at these interesting statistics. The immediate death rate from heart attack has decreased by 51% since 1968. And although 50,000 Canadians suffer a stroke each year,

75% of these individuals are expected to survive the initial event. Here's another telling fact: half of all people diagnosed with common cancers will survive the next five years or more.

Developing a serious illness is a stressful event to say the least. Using your family's life savings or RRSPs to fund expensive medical treatment can make it more so. But critical illness insurance can make this trying experience a lot easier to manage. The funds provided from a critical illness plan may be used to pay medical bills, moving costs (if necessary), as well as any other expenses you have, such as your mortgage, car payments, child care, or simply general living expenses.

Critical illness insurance also has many business applications, including key person insurance, buy-sell agreements and general protection for professionals and business owners. A comprehensive critical illness policy can make a business more secure should the unthinkable happen.

Critical illness insurance should be one of the central components of every financial plan. Unfortunately, it's the one piece of the puzzle that often gets overlooked. Don't wait until it's too late. Give us a call today to review your needs. We would be happy to discuss your personal situation in more detail with you. 

Facts and figures on critical illness

- The Canadian Heart and Stroke Foundation found that one in four people will contract heart disease during their lifetime.
- 25% of all Canadians currently suffer from cardiovascular disease.
- In 1997, Toronto's leading cardiac emergency hospital reported that 91% of

heart attack patients survived. 25% of the survivors live long enough to have another heart attack, which most don't survive.

- 85% of critical illness cases will either be heart attack, stroke or cancer.
- 75% of stroke victims survive the initial event.
- The Canadian Cancer Society lists 125,000 new cancer cases annually, making 1 in 3 Canadians a potential cancer survivor.

- Melanoma, one of the ten most common forms of cancer, has a five-year survival rate of 80%.
- 67% of cancer treatment expenses are NOT covered by provincial health care plans.

Critical illness insulates you and your assets from the financial challenge of a life-threatening illness. These funds can provide income replacement, supplement an existing group insurance plan and give you the freedom and flexibility to select your medical treatment. Now that peace of mind is priceless!

Zlotnik, Lamb & Company

At your service

At Zlotnik, Lamb & Company, we strive to provide the best independent advice, products and services to our clients. We're confident our advisors have the knowledge and experience you require to make us an integral component of your professional financial team.

Allow us to introduce you to our team of financial professionals. Whether it's detailed financial planning or just a second opinion you're looking for, you can be sure of our help.



Harold Zlotnik CLU



Peter G. Lamb BA, CLU, TEP



Garry Zlotnik BComm, CA, CFP, CLU, ChFC



Martin Zlotnik BComm, LLB



Mark A. Zlotnik CA, CLU, TEP



P.M. (Pip) Steele BComm, CFP, CLU, ChFC



Robert E. Olson BA



H.G. (Howie) Young CFP



Amin E. Jamal ACII, CLU, TEP



John V.R. Wark BComm, CA, CFP, CLU, ChFC



Ross Gibson DIPLT



Ken McNaughton CFP, CLU, ChFC, RHU



Lynne Zlotnik-Nickford BEd, EPC



Lynn Newsome



W.A. (Bill) Finlay BA, CA



Bruce K. Berger BA, CFP, TEP



Michael Healey BA

“Financial advice is only as good as the person you ask.”



Deborah Goch CA, TEP



Carrie Lyle BComm, MBA, CMA



Kurt Cassidy BA



Aeronn Zlotnik BA



Susan Ius