LATIMER
Financial Services

**Achieve your goals for tomorrow...
without sacrificing your way of life today**

FundEX INVESTMENTS INC.

Life Choices... a newsletter from Latimer Financial Services

Retirement and Tax Planning   Education Funding   Portfolio Review
Long Term Care   Life Insurance   Critical Illness   and Disability Insurance

January 2013

A New Year is Underway

With the start of a new year you have our most sincere wishes for a healthy and prosperous 2013! This is a great opportunity to look back on 2012 while we plan for 2013.

The S&P/TSX Composite Index returned an incredibly modest 1.35% over2012, while thanks to a balanced approach and an emphasis on dividends and distributions, we are happy to report most portfolios fared significantly better.

Client-Centered Changes

As you are well aware, Latimer Financial Services changed the dealer we use for placing mutual fund trades in the summer of 2012. The motivations behind this change were clear:

1. **To obtain better reporting systems for our clients.** Our accountability to you needs to be both timely and meaningful. We were unhappy with these aspects of our former dealer's offering and we are confident FundEX Investments Inc. will be better able to meet these needs in the future.

2. **Our core belief in remaining completely independent and transparent.** Our recommendations must always be completely based in our efforts to further our clients' interests. Our former dealer heavily promoted a particular product offering we found lacking. This was one of the main reasons we chose to make a change as we saw a disconnect between this agenda and our clients' best interests.

That transition is now nearing completion and we want to thank everyone for the patience they have exhibited. We look confidently forward to a long relationship with FundEX Investments Inc., while at the same time acknowledging they are simply a tool at our disposal for the delivery of one of the many products and services available to our clients.

We have always and will continue to take a client-centered, planning-based approach in our work for you. The ultimate goal is to help you achieve your financial goals while striving to avoid some of the risks and pitfalls along the way. Mutual funds, guaranteed investments as well as annuities, life, disability, critical illness and long-term care insurance are all solutions that help accomplish your goals. The retirement, tax and estate plans we produce will chart a path towards these goals.

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Looking Ahead

While we will never have a crystal ball with which to chart a course for a coming year, some of the economic indicators we've noticed recently look interesting.

Automotive

U.S. vehicle production peaked in 2008 at 16 million units. With a break-even point of 10.7 million, production fell to only 10.6 million in 2009. Most recent figures for 2012 have production at 14 million units. We note that the long-term average vehicle age in the U.S. is 8 years; however, it is currently 11 years, pointing to possible pent-up demand.

Housing

Canadian housing starts (in centers with 10,000 population or more) grew 11% in 2012. Manitoba saw an increase of 18%!

The historical inventory of new U.S. homes for sale is 4 months. During the 2008-2009 downturn at its worst point there was an inventory of 12 months' worth of new homes. That number is now down to 6 1/2 months' worth. While housing prices have increased in many centers in the U.S., average prices are still 30% lower than at their peak. From the point of view of affordability, this, along with a moderate interest rate environment, is a positive indicator.

Interest Rates

While it is true nothing lasts forever, there remains little pressure to increase interest rates at this time. The Canadian Consumer Price Index (CPI) rose 0.8% in December 2013, matching the November increase. While positive, the economy remains far from overheated, increasing the chances of a sustained lower interest rate environment.

However, we would counsel clients who have debt to remain as assiduous as possible in the repayment of that debt, taking full advantage of these low interest rates while they last. Some clients with inflated debt balances would not need rates to increase significantly before noticing an unaffordable change in their budget.

Open Account Holders – Please Note

Those of our clients who hold open accounts (non-RRSP, TFSA, RRIF, etc.) should save and keep the mutual fund company year-end statements in your income tax files as they contain information relative to capital gains and interest that your tax preparer will require when preparing your income tax return. If you own such accounts and do not find this information on your year-end statement, please let us know.

Change Regarding Tax-Free Savings Accounts (TFSAs)

Note, the new annual contribution limit for TFSAs has increased to $5,500 as of January 1, 2013!

Once again, from our staff and families to you and yours – best wishes in 2013!

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