

Okay, I'm a dinosaur in some areas! I've decided to go back to my old format for my quarterly newsletter, even though I did receive some positive responses to the new design that Blackmont's marketing department had developed. This format seems more personal to me, and that is the key reason why I have scrapped the new and improved version and am sticking with the old.

Our transition to Blackmont Capital has gone smoothly, and I appreciate your confidence, support and patience as we made this move. Thank you.

Flow-Through Shares

These tax-favored investment vehicles have become a very large part of our practice over the past five years for two major reasons:

- They are up to 100% tax deductible* in the year purchased, and you can invest large amounts.
- The underlying investments are mining and oil & gas companies that show potential to produce strong results.

For example, in 2005 we purchased CMP Flow-Through Shares at \$1,000 per unit. They were 100% tax deductible and investors also received Investment Tax Credits which further reduced their after-tax cost. The unit value as of January 3, 2007, was \$1,716.79 per unit.

We are expecting to have liquidity on these shares around February 6, 2007, and we expect every investor will be thrilled with the rate of return when factoring in the tax deductions—although we don't know the exact price at which they will mature.

Some reasons why investors will purchase flow-through shares include:

- To reduce taxes, either personal or in a corporation;
- To take advantage of capital losses incurred in previous years and offset those losses against the capital gain realized when flow-through shares mature;
- To combine flow-through share purchases with withdrawals from either RRSPs or RRIFs to realize a lower overall rate of tax on the registered withdrawal.

Please give me a call (905-771-8006) to discuss flow-throughs in more detail, or visit these two informative websites: www.dynamiccmp.ca and www.canadadominion.com

**Limited Partners who have sufficient income, subject to certain limitations, will be entitled to claim certain deductions from income for income tax purposes. Possible income tax deduction scenarios and savings arising from an investment in Units (based on certain assumptions and estimates) are set forth under the heading "Illustration of Possible Tax Deductions". See "Summary of the Partnership Agreement – Termination of the Partnership" and "Risk Factors – Possible Tax Deductions".*

RRSPs

Pretty good way to save for retirement!

Contributions are tax deductible and investments grow tax free. At age 69 you must convert an RRSP to an RRIF and begin to withdraw money, at which time the income is taxable.

The contribution limits are 18% of earned income up to a maximum of \$18,000 per year, and the deadline to make a contribution for the 2006 year is March 1, 2007.

Please give Bonnie, our Investment Services Associate, a call (905-771-8006) to co-ordinate your contribution.

GIC Alternative

ManuLife has introduced an investment product that should appeal to GIC investors called ***Income Plus***. The basic features of this product are a capital guarantee on money invested, ability to earn a 5% bonus, and market gains are locked in every three years.

If you would like more information on this product please give our Insurance† and Estate Planning specialist, Ms. Eileen Birmingham a call (905-771-8006), or you can visit their website for complete details: www.manulife.ca and click on “Income Plus”.

Income Trusts

Isn't it sad how politicians promise one thing, and then do another! Our Conservative Government promised not to change the rules on income trusts and Stephen Harper made many great speeches about how important they were; then, on October 31, his Minister of Finance announced plans to change the rules. Two weeks prior Jim Flaherty's announcement, the Governor of the Bank of Canada commented about how important income trusts were to the Canadian economy.

If this government enacts legislation to make their proposed changes law, nothing will change with respect to income trusts for the next four years. After four years it will still make sense to own high quality income trusts, but only in a cash account and not in a RRSP.

The segment of the income trust market that I think is most at risk is energy trusts. If the planned changes become law, the cost of capital for energy income trusts will increase and that may cause these trusts to be less profitable which in turn may lead to lower profits and a reduction in their income distributions.

I predict we will see intense lobbying from the Western Provinces and the oil & gas industry before the next budget.

The Wrap Up!

- Transition to Blackmont complete.
- Winnie Chan has recently joined our team as an Administrative Assistant. She is CSC-licensed and has six years experience.
- Blackmont is a better investment dealer than I thought they were. Thank Goodness!
- The Mayor of Markham, Frank Scarpitti attended our Grand Opening in December. We collected 65 toys and \$400 for the Salvation Army's annual Christmas Toy Drive. Thank you!!!!

- Melissa left for Australia on Friday morning (January 5), which means I need to plan a trip there to visit in the next year.
- Krysta is safely back from Japan and her five-month tour of Asia, and started work here in the office on January 15. This is just a temporary job for her until she plans her next adventure.
- If you have a new client to introduce to us, please call me. If you have a complaint or concern....I guess you can call me about that also.

Have a great 2007, and I wish you and your family the best of health, happiness and prosperity.

Sincerely yours,

Fred Banwell, BA, CFP, TEP
Senior Vice President,
Investment Advisor

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†Insurance products and services are offered by Blackmont Insurance Services Ltd.

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