

**THE BOTTOM LINE**

MARCH 2008

100% of the shots you don't take, don't go in. -Wayne Gretzky

The first quarter of 2008 was not unlike the last quarter of 2007. Full of news of the subprime crisis, the dire state of the US economy, bouncing stock markets and pending interest rate cuts. There were no shortage of days when one's heart nearly stopped after observing the market movements.

Since things are seemingly in the same state of flux now as then, what if anything has changed? Well, we know a couple of things. One, the subprime mortgage mess is actually worse than feared, spanning the globe and infecting every institution it touches including venerable names like Bear Stearns, UBS and others. Two, we know that the Federal Banks in all major countries will cut rates until the bleeding stops.

How is this going to affect the stock markets? Well, one thing is clear, volatility! Up 400 points one day down 333 the next, down 4.5% in one month up 3.2% the next week! Crazy stuff, without doubt. Obviously we have had many calls regarding the current volatility and people wondering what course of action should be followed. We remain resolute in our conviction to maintain your stock exposure in times of market turmoil. In our more than 25 years of experience, never mind the many revered investment minds of the times who espouse a similar philosophy, we have found that those who wait out these unnerving times are better off in the end. The allure of timing in and out of the market is compelling indeed, however the incredible fortitude required making the decision to buy back into the market usually results in an opportunity cost that cannot be recaptured. So there you have it.....batten down the hatches, grin and bear it, no pain no gainany other clichés we can use?

Retirement Income Planning Session

Thanks to all of you who joined us at the Hilton on April 1 for our inaugural 55+ Retirement Income Planning Session! More than 40 people, many accompanied by their spouses, learned more about how to draw an income from their retirement savings. We really appreciate the positive feedback we received from all of you and because of that we think we will make this type of seminar an annual event. We also want to improve a couple of areas (specifically the clarity of invitations and our reminder mechanism) to reach a larger audience next time.

Federal Budget

As with each spring, the Federal Government introduced its annual budget on February 26, 2008 and while there was nothing particularly groundbreaking, there were a few goodies offered up in an otherwise thrifty budget proposal.

The budget sprinkles cash across a range of groups from seniors to students, infrastructure-starved cities, police and veterans – spending designed to inoculate the Tories from public criticism that they did nothing as economic turbulence hit Canada.

The centrepiece of this minimalist budget is the new tax shelter for savings and investment, the Tax Free Savings Account. It represents the Tories' attempt to make up for the fact they have not delivered on a 2006 election promise for a tax break on capital gains.

This measure will let Canadians 18 and older contribute \$5,000 a year to an account in which they can save or invest funds for any purpose, and pay no taxes on the investment income whether it be capital gains, interest or dividends. Of course, the contributions are not tax deductible, but the account could be attractive for young people who wish to save for a house in an interest bearing investment or those with a similar short term savings goal.

CONTACT US**CHRIS FORMAN**

Financial Advisor

Phone: 604.687.4587

cforman@berkshire.ca

MARK RICHARDS

Financial Advisor

Phone: 604.484.4559

mrichards@berkshire.ca

MIKE FRASER

Financial Advisor

Certified Financial Planner

Phone: 604.484.4558

mfraser@berkshire.ca

PETER GRAHAM

Advisor, Retirement Plans

Granville West Group/Chris Forman
Consulting Ltd.

Phone: 604.484.4577

pgraham@granvillewest.com

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Freedom Program (WRAP Account)

A wrap account is a fee-based compensation model. It allows our clients to pay an annual fee for our services (financial planning, trade execution, etc.), rather than commission on each trade. Fees can be based on a flat percentage (e.g. 1%) of the Plan's assets or a flat dollar amount, providing a great amount of flexibility. The Berkshire wrap account is known as a Freedom Plan and can be made up of all the accounts of immediate family members. Fees are calculated based on the market value of the all holdings in the Plan.

Why Choose the Freedom Program?

There are many advantages to this model, particularly for households in excess of \$250,000 of assets:

- We can generally manage the account for less than the management fees on a retail mutual fund.
- A certain number of equity and fixed income trades are included at no additional costs.
- Mutual funds in a Freedom Plan have a lower management fee charged by the fund company than the regular retail version.
- Potential tax deductibility, as fees are more visible it is easier to track and deduct management cost on non-registered accounts. Please consult a tax professional for more information on tax deductibility.
- Our compensation is visible, understood and agreed upon in advance.
- We can recommend a wide variety of assets including investments that do not provide advisory compensation (i.e. F-Class, bonds, preferred shares and exchange-traded funds) as an integral part of client portfolios.

If you have any questions regarding the Freedom Program please feel free to contact us!

BOX SCORES**GIC Interest Rates**2008 (%)**

| | Jan | Feb | March |
|-----|------|------|-------|
| 1YR | 2.58 | 2.38 | 1.93 |
| 3YR | 3.03 | 2.93 | 2.43 |
| 5YR | 3.23 | 3.23 | 2.88 |

Annualized Rates of Return to March 31, 2008 *(%)**

| All Cdn \$ | 1YR | 3YR | 5YR |
|------------|-------|------|------|
| TSX | 4.0 | 14.2 | 18.5 |
| S&P 500 | -15.4 | 0.3 | 3.7 |
| DEX Bond | 5.8 | 5.4 | 6.4 |
| *EAFE | -13.1 | 7.7 | 13.4 |

*Europe, Australia & Far East Index

**Bank of Canada web site

***Morningstar

Financial Planning: Insurance

For many people the topic of insurance is hard to figure out. Do you have enough insurance, too much insurance or just the wrong type of insurance?

The first step in assessing your situation is to determine exactly what your insurance needs are and then to find out what you are currently covered for.

Generally the first place to look is within your employer's group benefits package. Typically group plans will provide life insurance, disability insurance and sometimes critical illness insurance to their employees. Group plans are typically the most cost effective solution to your insurance needs but they are not portable if you leave your employer.

If you do not have a group plan or if your needs are greater than the group plan can cover you can purchase a personal insurance policy. Most of the confusion surrounding insurance begins at this point.

Insurance comes in many forms and each is designed to be used for a specific purpose. Everyone seems to have their own personal bias, either term, permanent or universal insurance. However, your situation determines the type of insurance that will suit you best.

If you are concerned that you need advice in insurance be sure to give Mike Fraser a call and he can help you determine your insurance needs.

Insurance products and services are offered through Berkshire Insurance Services Inc. (a licensed life insurance agency and subsidiary of the Berkshire group of companies) by Berkshire Advisors licensed as life agents.

Published By: **Chris Forman of Berkshire Securities Inc.**

1310-925 West Georgia Street, Vancouver, B.C., V6C 3L2 Phone: 604-687-4587 or 1-800-518-4247, email: cforman@berkshire.ca This publication contains opinions of the writer and may not reflect opinions of Berkshire Securities Inc. The information contained herein was obtained from sources believed to be reliable, but no representation, or warranty, express or implied, is made by the writer or Berkshire Securities Inc. or any other person as to its accuracy, completeness or correctness. This publication is not an offer to sell or a solicitation of an offer to buy any of the securities. The securities discussed in this publication may not be eligible for sale in some jurisdictions. If you are not a Canadian resident, this report should not have been delivered to you. This publication is not meant to provide legal or account advice. As each situation is different, you should consult your own professional advisers for advice based on your specific circumstances. Information in this newsletter is of a general nature and should not be acted upon without the appropriate professional advice. For mutual funds, consult a fund prospectus. Mutual funds are not guaranteed, values change frequently and past performance may not be repeated. Investors will pay management fees, commissions and may experience gain or loss.