

The Bottom Line

Volume XI Number 1

February 2002

“As far as I’m concerned, the stock market doesn’t exist. It is only there as a reference to see if anybody is offering to do anything foolish.”

Warren Buffet

The Worst is Over

According to TD Economic Research, the economic downturn we have experienced over the past 18 months reached bottom in the 4th quarter of 2001. About bloody time, I’d say. Without rehashing the obvious, the year 2001 cannot be forgotten soon enough. Onward and upward from here!!!

For the first time since the early 70’s, the US stock markets logged a second consecutive negative year. This, despite the fact that the markets rallied throughout the fourth quarter. In Canada, the TSE 300 actually produced a positive return in 2000, although, we must remember that was when Nortel was still lying to us all.



The good news is that stock markets all seem to have some room to move up from where they sit today. Most pundits feel the world’s economies are on the mend and we should see some positive growth in mid to late 2002. However, there are still those who feel that the worst is yet to come and that by this time next year,

we’ll be looking at a third consecutive decline in stock market valuations for the first time in history. We concur with the former.

Eventually, the relentless interest rate drops of the past year, in both Canada and the US, will give life to a somewhat moribund economy – we just don’t know when.

We do know low interest rates encourage people and businesses to borrow money to purchase goods, services and expand operations. Low rates also have an influence on an individual’s willingness to take on additional risk. Many savers will move into the stock market because the likelihood of a better return from the market increases as interest rates fall. This means low rates actually increase cash flows into stock markets, which in turn, help move prices up.

Historically, low interest rates mean good economic and stock market growth and we expect that will also be the case this time.



How Low Can They Go?

It appears that both the Fed in the US and the Bank of Canada are doing their part to encourage economic expansion, as the interest rate drops keep coming. In Canada, the prime rate is at a 40 year low of 3.75 %. Boy, that’s practically giving money away! The idea behind the drops is that people will go out and spend money, preferably like drunken sailors, and the economy will expand as a result.

The carmakers are also contributing with 0% financing and cash back incentives, as are the usual suspects like A & B Sound and The Brick. All of which is designed to encourage you and I to take our hands out of our pockets and blow some dough!!!

The real advantage of the low rates can be seen in mortgage rates and the cost of borrowing money. There are some significant opportunities to those that are willing to “Step Up”. One strategy is to borrow funds on a “line of credit”, using your house as collateral. The line of credit is to be set up “interest only, at prime”, which means that you only pay the monthly interest charges to keep the account in good order. You then take the funds and invest them into a conservative international mutual fund (such as the Templeton Growth Fund, Fidelity International Portfolio or the Trimark Fund) with an automatic monthly withdrawal. A portion of the monthly withdrawal goes to pay the interest cost on the line of credit and the balance is yours to spend. Since it appears world stock markets are cheaper than they were last year and we know interest rates are lower, the timing of implementing this strategy looks appropriate.

When considering other ways to increase income, many people will look at a reverse mortgage as a means of using the equity in their homes. Our line of credit strategy is far superior to any of the reverse mortgage (ie: CHIP) programs and at the risk of offending the advertisers of such programs - Do Not Buy A Reverse Mortgage!

If you wish to explore ways of increasing your income in this time of low guaranteed interest, feel free to call us for more details.



The Bottom Line

Style Discussion

Most money managers can be divided into one of two style groups: Growth or Value. Over the years, we have eluded to the differences between the two types of managers but I'm not sure we've ever actually defined them.

In a nutshell, most growth managers look at income statements to help them decide whether they wish to invest in a company or not. The customary indicator they look at is earnings growth (read: profit) or positive earnings surprise (good news).

Value managers, on the other hand, try to purchase companies cheaply. They might look at the balance sheet for insights as to what they should pay for a company. Where the stock of a company trades at less than the "book" value of assets, it may be good value for a value-type manager.

Theoretically, the two styles perform differently at the same point of the market cycle. A classic example of this can be seen in the years 1998 through to the end of 2001. In 1998 and 1999, when growth managers were shooting the lights out performance-wise on the backs of the rising tech stars, value managers like Templeton and Trimark were lagging behind. The popular press was urging investors to give up these stodgy, old economy managers and get with the new paradigm of the "new" economy. Then, of course, we saw the tech market crash of 2000/2001, which led to the recession we currently find ourselves in, and suddenly the value guys look like heroes and the growth fellas are crying in their beers.

What style will be in vogue this year? It's anyone's guess, which is why we try to ensure that everyone has exposure to both styles in their portfolios.

Time vs. Timing

Every year at this time, when we meet with our clients to discuss what to invest in this year, we always try to suggest investments which are consistent with the long term asset allocation strategy we have agreed upon. But we also like to suggest something that has a good chance of increasing in value over the next year, if at all possible.

People oftentimes forget the long-term nature of the RRSP investment horizon. When I find myself doing this, I always refer to a story I once read. Someone's Granny bought 8 shares of Kodak in 1934 and left them in the attic. When she died in 1992 they were worth \$1.2 million dollars. Hearing that story always makes us think of Granny's amazing foresight (if not her poor memory) and what a sharp investor she was.

The reality is, that it was the length of time the investment had to grow that created such wealth. If you had invested \$3,000 in 1944, it would be worth over \$1 million today!!! That's serious dough!!

New Digs

Most of you know that my "other job" is Chairman of the Down Syndrome Research Foundation (DSRF) and many of you also know we have been fundraising for our new building in Burnaby. I'm delighted to report that we are in the final stages of both our fundraising efforts and completing the building.

Over the past couple of years I have seen many of your names on our donor lists and I wish to thank each of you for your kind support. I also want to encourage you to take a look at our site - 1409 Sperleng Avenue, Burnaby - it's magnificent!

BOX SCORES

GIC Interest Rates 2001 (%)

	Oct.	Nov.	Dec.
1 Year	1.50	1.45	1.30
3 Year	2.70	2.95	2.85
5 Year	3.65	3.85	3.85

Average Trust Company Rates

Annualized Rates of Return to December 31, 2001 (%)

	1 Year	3 Year	5 Year
TSE 300	-12.57	7.34	6.95
S&P 500	-6.41	0.29	14.07
SCMU Bond	8.06	5.60	7.11
EAFE*	-16.57	-3.79	3.96

* Europe, Australia & Far East Index

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The Bottom Line

Volume XI Number 2

April 2002

Go Canucks Go !!!

Where To Start ?!



The first quarter of the New Year had a bit of everything: good news, bad news, no news, too much news - how to make sense of it all?

Good News: Canada wins the mens Olympic gold medal in hockey for the first time in 50 years!

Better news: I was there to see it!

No news: Canada and the US cannot agree on a softwood lumber deal - it's a shame Bombardier doesn't produce lumber!

Too much news: Sale and Pelletier ...lets move on, please.

Bad news: Enron and similar accounting debacles.

PS ... Congratulations to *all* the athletes - long live the Olympic Spirit !!

Market Update

In our last missive we suggested that the worst was behind us, however, at least at this point in time, that seems to have been a bit of an overstatement. Things can always get worse! It would appear that the Enron scandal has cast a long shadow on stock markets all over the world. The question is, why does some relatively obscure energy company's dodgy accounting practices affect the entire stock market? The answer is a question of faith. Accounting and a legally binding contract (the lack of which are the two reasons China and Russia continually struggle) are the two fundamental pillars upon which the capitalist society is built. The Enron scandal has cast doubt on the whole accounting profession and hence, the reliability of everyone's "numbers".

How widespread are cooked books? That is the \$64,000 question. It appears it's more widespread than you would have thought, with several well-known companies such as GE, Tyco, Krispy Kreme, IBM, Cendant, PNC and J.P Morgan all being painted with the same tainted brush. The fact is though, most companies are clean. And if nothing else, the past several months have brought improved disclosure, as companies try to fess up to all "off balance sheet" items, material or not. This is a trend that we hope to see continue and we think it's safe to say that it will.

As we said, not all the news was bad ...

There are definitive signs the economy is gathering steam after a very poor 2001. Housing starts are up, driven of course by the low interest rates - a shame that it won't help BC though since the US has imposed a punitive duty on our softwood. Jobless rates in both the US and Canada are down, the tech wreck is behind us, companies are starting to loosen the purse strings on tech spending - this is all good news. The resource sector has pulled its weight for the first time in many years, helping lift the TSE 300 into positive territory, year to date.

We know that low interest rates result in economic growth and economic growth results in increased profitability and increased profitability results in higher stock market valuations. This indicates we might expect global markets to pick up later in the year and finish 2002 in the black (after two shabby years of economic growth and investment returns).

Personal Planning

While we don't want to beat the low interest rate issue to death, there is at least one more planning opportunity that presents itself due to the low rates we are currently experiencing. If you have a mortgage interest rate that is in excess of 6%, then you may benefit from renegotiating your mortgage. For example; if you owe \$100,000 and your current rate is 6%, you will pay about \$6,000 in interest costs this year. Most mortgages have a three month interest penalty and so, in this example, it will cost \$1,500 to extricate yourself from your indebtedness. If you renew at 3%



for one year, your interest costs in the next year will be \$3,000. You will save about \$1,500 in interest in the first year alone and if you keep your payment at it's current level, you will apply the additional \$1,500 to your principal! As long as the interest rate curve stays normal (i. e. short term rates are lower than long term rates) and below 6%, you compound your savings in the second and third years. The risk here is that short-term mortgage rates increase beyond 6% in the next year or two. This is possible, however, the probability of this happening is, in our view, very low. If you are interested in exploring this strategy, we suggest you call your mortgage provider sooner rather than later because interest rates will not stay at this level for much longer.

The Bottom Line

Product Update

Perigee Diversifund: If you are a member of a Clarica sponsored Group RRSP or pension plan and have money invested in the Perigee Diversifund, we suggest that you consider switching 50% of your position to the McLean Budden Balanced Growth Fund. While it is unusual for us to recommend selling a core holding like Diversifund, we recently spent some time talking to Perigee and came away less than convinced that Diversifund is in a position to out-perform similarly managed funds over the next 12 - 18 months. If your plan does not offer the McLean Budden Balanced Growth Fund, please feel free to call us for an alternate suggestion. You can make this change over the Internet (if you have your password) by logging on to www.clarica.com or via phone at 1-800-366-1135 (you will need your social insurance number).

Graoch Limited Partnership - Winding Lane: It looks as though this project will be sold off at a handsome profit, with final payouts to investors coming in early 2003. All investors will continue to receive the 12.25% cash flow until the end of this year. Good news, bad news – profit is always good but it's tough to give up the 12.25% cash flow in US dollars!

Peg 97: If you have invested in this tax assisted deal, you will soon receive your notice of reassessment for the 1998 year. We are recommending that you let CCRA reassess you and pay the tax now, to stop the interest rate clock from ticking.

Sterling (formerly Samoth): Sterling continues to pay out dribs and drabs as properties sell and mortgages mature. There are at least two properties that remain for sale and therefore there are likely to be two more payments at some point. That being said, Sterling has told me that they do not

expect to make any more payments this year. Most investors in this pool have been paid out in full and received an 8.5% average annual compound rate of return, to the period ended October 31, 2001. All remaining payouts are gravy, so to speak.

Group Retirement Plans

In a world of increasing security measures, we find security regulations on the rise as well and the Defined Contribution (DC) market is no different. A recent discussion paper released by a Joint Forum of Financial Market Regulators (Joint Forum) has the pension industry debating the pros and cons of the proposed regulations. Now, it goes without saying that when regulators sit down together they don't talk about reducing regulations ... and their proposals in this paper go a long way towards proving that notion! In a nutshell, the proposed regulations cover four basic areas of fiduciary duty: establishing a plan, initial and continuous disclosure (i.e. prospectuses), investment information/advice and minimum investment rules.

This paper proposes that all DC plans (Group RRSP's, pension plans and DPSP's) fall under one jurisdiction, regardless of the type of plan or who the carrier is. For example, currently insurance company plans are not required to issue prospectuses, while mutual fund companies (such as Fidelity) must do so. The Joint Forum wants all carriers, be they a trust company, insurance company or other intermediary, to follow the same rules. The proposals go so far as to suggest an IDA regulated advisor be assigned to each plan to assist members with their investment decisions (as it happens, we are IDA regulated investment advisors, so all of our group clients are ahead of the curve, as it were). Plan sponsors may wish to chat about the proposals and we invite you give us a call if you would like more details.

BOX SCORES

GIC Interest Rates 2002 (%)

	Jan.	Feb.	Mar.
1 Year	1.45	1.45	1.95
3 Year	2.95	2.95	3.15
5 Year	4.15	4.15	4.95

Average Trust Company Rates

Annualized Rates of Return to March 30, 2002 (%)

	1 Year	3 Year	5 Year
TSE 300	4.9	7.5	7.7
S&P 500	1.3	-0.7	13.3
SCMU Bond	5.1	7.5	7.0
EAFE*	1.3	-3.4	4.3

* Europe, Australia & Far East Index

Member CIPF

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The Bottom Line

Volume X1 Number 3

July 2002

"The truth does not change according to our ability to stomach it."

Flannery O'Connor

OUCH!

Another quarter, another disappointing three months of investment performance. When will we see some positive news in the stock markets? Obviously, the continuing geo-political uncertainty, accounting scandals and sluggish US economy have contributed to the current malaise in the world stock markets. Granted, while trying to predict market peaks and bottoms is a fool's game at best, some of the signs we see are suggesting the worst might finally be behind us. If we look back at the peak of the markets, starting in March of 2000 through to September of the same year, the daily trading ranges were incredible - up 3% one day, down 2.5% the next, with no discernible direction for several months. We have experienced a very similar trading pattern over the course of the past month or so, which may indicate we are closer to the bottom than we have been to date. Lets hope!

In any case, the trick is to look down the road 5 - 7 years and know that things will be better. Markets always pay you back for your patience! Hang in there!

The Times They Are A Changin'

You may recall that about three years ago Altara Securities Inc. became an IDA (Investment Dealers Association) regulated firm. You may also recall that the entire financial industry was going through a significant upheaval with regards to regulatory requirements. By March 1, 2002 all mutual fund dealers were required to become members of either the IDA or the newly formed MFDA (Mutual Fund Dealers Association). As it happens, the fact that we were the first independent firm in Canada to complete the IDA registration process ultimately made us an attractive take over target.

And funnily enough, we have been taken over! Effective in August 2002, Altara Securities will become known as TWC Securities Inc. This does not require you to do anything, nor does it change in any way your relationship with us. We will maintain the same contact information and the same contacts. There will be NO change to your investments, to your portfolio, to your carrier or any other aspect of your association with us. As far as your accounts go, this is strictly a name change.

The Two Advisor Syndrome

We often get asked if there is any benefit (or possible disadvantage) to consolidating assets under one advisor and while we have historically preferred to be the sole advisor to our clients, we recognize it is not the case in all situations. We recently came across a set of circumstances where an individual had two, actually three advisors (including the Power of Attorney) which resulted in a significant disadvantage to the client.

An elderly disabled woman, who was living in a home, had a portfolio of non-registered assets as well as a RRIF, with two different institutions. Since neither advisor spoke to one another, they were unaware of the investment objectives and income requirements of each portfolio. This resulted in the client drawing virtually all of her annual income from the RRIF (fully taxable), while only drawing the interest out of the non registered portfolio (also fully taxable). Because her income was so high, she lost all the disability exemption tax credits, the age tax credit and had some OAS clawed back as well.

An efficient structuring of the portfolio would have included a return of capital or capital gain portion from the non-registered portfolio to reduce the overall taxable income she would receive. The effects of this would have dropped her into a lower tax bracket, eliminated the OAS clawback and allowed her to take full advantage of the age tax credit and other tax benefits.

In our review, we determined the increased cost in taxes to the client worked out to be approximately \$15,000 per year, over 3 years. This means the overall portfolio was needlessly drained of about \$45,000, at a time of stock market underperformance. Not a pretty picture!



Using only one advisor would have ensured that all aspects of the portfolio were interlinked to secure an efficient income stream that took full advantage of the tax system.

The Bottom Line

Living Benefits Insurance

A recent study showed that, while people were living longer, there has been virtually no improvement in the relative health of the elderly. As an example, a male aged 65 in 1960 was expected to live until about 69. In the first two years of his life he could expect good health, while in the last two his health would fail. Today, that same male at 65 has a life expectancy of about 19 years. In the first 8.5 years of his life he can expect good health and in the last 8.5 years he can expect his health to deteriorate dramatically. The difference of course is that people in poor health are living 4 times as long as they did 40 years ago and the cost of care is commensurately higher!

Long term care facilities can cost up to \$9,000 per month for full time care and spending that kind of money reduces a portfolio in an awful hurry. To reduce the financial risk of a critical illness or the cost of long term care, many insurance companies have responded by offering "Living Benefits". Insurance that pays while you are still alive. There are really two fundamental types of living benefits available:

- 1) **Critical Illness:** Critical Illness insurance pays a lump sum when the insured is diagnosed with a critical illness (cancer, heart attack, stroke etc.). The idea is to help offset the cost of home renovations, post diagnostic care or with the diminishing state of health care in Canada, one could use the lump sum to receive treatment in the US (to avoid wait lists here at home).
- 2) **Long Term Care:** Covers the cost of health or personal care when the insured is unable to care for themselves. When someone is confined to a long term facility due to an injury, sickness, cognitive impairment or medical necessity, benefits are payable under the policy. LTC Insurance pays a daily amount from between \$10 - \$300 per day.

Feel free to call us for further information.

On A Less Cheery Note ...

Many of you know that Ann suffers from a very severe case of wanderlust and as a result, she will be leaving us at the end of September. Ann, who has been at my side for eight years now, has arranged for a six month journey through South America, where she hopes to hone her Spanish before setting off to live in Spain for a year or two. Must be nice to have no small children!



I wish to thank Ann from the bottom of my heart for her friendship and help over the years and I hope you will join me in wishing her well in all her future endeavors ... wherever her travels may take her!

New Beginnings

As Ann sets off to write the next chapter in her life, her departure paves the way for a new chapter in Kathy Berg's life. Kathy will join Team Forman to assume Ann's duties as of September 16th.

Kathy comes to us from Coast Capital Savings (formerly Richmond Savings Credit Union) where her seven year tenure has given her invaluable experience in the banking sector and client relations. Many of you may already know Kathy through your dealings with Barb Humen at Coast Capital Savings.

Kathy holds a mutual funds license, an Associate Financial Planning Certificate from BCIT and is currently working towards her CFP designation.

We are very pleased to welcome Kathy to our team and look forward to having you meet her and chat with her in the days ahead.

BOX SCORES

GIC Interest Rates 2002 (%)

Annualized Rates of Return to June 30, 2002 (%)

	Apr.	May	June
1 Year	2.95	3.00	2.95
3 Year	4.45	4.30	3.60
5 Year	5.00	4.90	4.70

	1 Year	3 Year	5 Year
TSX	-6.31	1.18	1.65
S & P 500	-19.16	-10.33	2.28
SCMU Bond	8.82	5.42	4.75
EAFE *	-9.22	-6.49	-1.26

Average Trust Company Rates

* Europe, Australia, & Far East Index

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Investors will pay management fees, commissions and may experience gain or loss.

The Bottom Line

VOLUME IX NUMBER 3

AUGUST 2000

UPDATE



The passing of the halfway point of the year 2000 seems to have come at a record pace. Is it just me, or do the years go by at an ever increasing rate?

Mark, Ann and I have settled into our new office environment very nicely and everything is up and running smoothly. Our new trading system is very efficient and after a somewhat painful transition to the ISM system, we are now fully functional and relatively problem free.

MARKETS

In the past quarter the markets have witnessed a rebound in tech stocks from their precipitous fall during March. However, many tech sector stocks are at half the price they were back in February. The “new economy” stocks are now being valued more realistically, with a focus on profits.

Tech companies that are generating revenue and are rapidly moving towards profitability (the so called P2P- path to profitability- stocks) are fairing well. In the tech run-up in the early part of this year, investors pushed up values based upon potential. Now, companies that are showing a clear path to profits with a concrete business plan are stable, while those with far off potential are now very volatile.

At the end of May, North American markets lagged at the speculation that Alan Greenspan and gang at the US Fed would raise interest rates. As June arrived, the sentiment changed and the markets took on the widely held belief that interest rates wouldn't rise and the TSE and NASDAQ increased throughout the month. The US Fed did not raise rates but it didn't rule out further increases, as it is still concerned with the hot economy and it's inflationary effects.

In Canada the TSE has been on an extraordinary run, recently setting new record highs on multiple days. While the gain in the TSE was largely driven by market heavyweight Nortel, the remaining 299 stocks have now started to rise as well. The TSE 300 Index increased by 21.89% from January 1st to June 30th of this year, while the Standard & Poors 500 Index increased by just 2.06%.

As many analysts predicted, the Canadian economy is out performing it's US counterpart. Canadian GDP rose by 4.9% in the first quarter and inflation did not accelerate as it

continued ...

did in the US. The Canadian currency also improved, relative to the US dollar. Canada's record trade surplus and the reduced possibility of US rate hikes have helped to prop up the loonie.

World growth during the quarter also slowed as a result of tighter monetary policies and higher interest rates, with trends towards realistic and sustainable growth. European markets fared well in the quarter based on investors growing confidence. Japanese and Pacific Rim markets still underperformed after their robust gains last year. Japan has had an irregular quarter as the government maintains it's spending policy while consumer spending and confidence have fallen.



POINTS TO PONDER

Lately it seems that we have been bombarded with stories of people (usually young people) becoming instant millionaires. The majority, if not all, of this instant wealth has been reached through the fast paced & ever changing world of “technology” .

In reality, however, most of us will not have it that easy or be that lucky. But there is a certain “TECH” involved in building real wealth.

IT TAKES

- Time:** For your savings to grow & compound and to focus on the long term picture.
- Effort:** To save and reduce/eliminate debt. To live within your means and not to worry about the Jones's.
- Consistency:** To stick with your savings plan. To apply the “Pay Yourself First” rule, as even a small amount contributed regularly will add up quickly.
- Hard Work:** To achieve your financial goals. The extra effort is worth it as it's your future that you're working on.

The Bottom Line

ALLIANCES

In our last publication, we introduced you to one of our key alliance partners - Darrell Ert. In this issue, we have asked Darrell to touch on one of the services his consulting firm specializes in.

Darrell G. Ert Consulting Ltd., in conjunction with its group benefit services, has created a concept called Executive Strategies (EXSTRA)TM. Executive Strategies recognizes a company's need to identify, isolate and protect their key management and executive staff.



Every organization, to a certain degree, has a talent pool that determines the company's potential success. These unique individuals depend on the company to combine adequate, competitive benefits with risk management portfolios representative of their station in the company.

When a company does not do this, the result is a form of "reverse discrimination". Without recognizing it, there may be a breach of fiduciary responsibility implied.

With the design, implementation and ongoing management of a comprehensive executive equalization strategy, such misinterpretation can be avoided.

For further information regarding appropriate Executive StrategiesTM for your management team, please contact us at: (604) 687-5570 x318 or email EXSTRA@granvillewest.com

FOREIGN CONTENT

Effective January 1, 2000 the foreign content limit was increased from 20% to 25%. The limit is based on the book value (which is similar to the purchase price) and is monitored on a monthly basis. Federal law requires that TD collect a tax equivalent to 1% of the excess over 25% every month.



We have been busily rebalancing any accounts that are offside and if your next statement shows a book value in excess of 25%, please call us and we will get it sorted out.

TAX CUTS

The first step in a series of tax cuts took effect July 1, 2000. The middle income tax bracket is being reduced from 26% to 24%. Further reductions were announced but as of yet, no dates have been set for implementation. Also of note is the reduction in the capital gains inclusion rate. Going forward, 66.66% of a capital gain is taxable (down from 75%), effective February 28, 2001.

RRSP LIMITS

The current RRSP yearly contribution limit of \$13,500 is to remain in effect through 2003. The limit is scheduled to increase to \$14,500 in 2004 and \$15,500 in 2005. After that, the upper limit will be indexed.

BOX SCORES

GIC Interest Rates 2000 (%)

	Apr.	May.	June
1 Year	5.05	5.55	5.35
3 Year	5.05	5.90	5.65
5 Year	5.95	6.20	5.90

Average Trust Company Rates

Annualized Rates of Return to June 30, 2000 (%)

	1 Year	3 Year	5 Year
TSE 300	47.4	18.3	19.6
S&P 500	8.5	22.5	25.7
SCMU Bond	4.0	6.3	8.7
EAFE*	17.2	12.8	13.0

* Europe, Australia & Far East Index

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The Bottom Line

Volume X1 Number 4

October 2002

" I've learned - You can do something in an instant that will give you heartache for a lifetime. "

Farewell and Hello!!

As reported previously, Ann has left on her epic journey through South and Central America and is now exploring the charms of Peru. Obviously, we were very sad to see Ann go and we all wish her well in her life's pursuits. Ann has promised to stay in touch via email and we will pass on the highlights to those of you who wish to follow her exploits.

As with everything in life, for every action there is an opposite and equal reaction, and while we are going to miss Ann, we are thrilled to introduce Kathy Berg to all of you. Kathy comes to us from Coast Capital (formerly Richmond Savings) and brings with her an impressive resume, in addition to her relevant work experience. Kathy is an exam away from earning her Certified Financial Planner (CFP) designation and has a familiar bubbly personality. Please feel free to introduce yourself to Kathy in the weeks and months ahead and we invite you to rely on Kathy as you once did Ann.

Income Planning

As the year winds down, (and won't most of us be glad to see this year in the rearview mirror, at least from an investment point of view!) those of you who have (or will) turn 69 this year need to convert your RRSP assets into an income vehicle before the end of the year. Generally speaking, you have two choices, convert to a Registered Retirement Income Fund (RRIF), or (its locked-in fund cousin, the Life Income Fund, LIF), or purchase an annuity.

Over the years, we have developed a number of sophisticated "retirement income planning" strategies and as it happens, we are considered leaders in this particular financial planning area. Those of you who are in the position of needing to convert to an income will be contacted in the weeks ahead, if we haven't touched base already. Those who wish to explore income options, even if you are not 69, please feel free to contact our office to arrange a time to meet.

HEADLINES!!

" The Anti-Gravity Economy - Are recessions a thing of the past?"

Future Search...Spring 2000

" Return of the Fat Years?"

Basic Points...November 20, 2001

" Coppock Says Buy" Global Insight...March 2002



" The Unfinished Recession"

The Economist...October 4, 2002

Headlines serve to sell newspapers - they do not, as the above examples clearly show, predict the future. One of the more disturbing headlines we recently saw said something along the lines of **"Bear market forces people to delay retirement."** We firmly believe that if you were in a position to retire in 2000, then you are most likely in a position to retire today. Current stock market declines have reduced RRSP and other savings plans, however, it is important to note that family net worth statements have been largely unaffected due to rises in real estate values. It is equally important to remember that all household assets combine to form the basis for a well executed retirement plan.

If you have delayed your retirement because of poor stock market performance, we should chat.

Group Financial Planning

The International Society of Certified Employee Benefit Specialists (ISCEBS), recently conducted a survey of American employers and found that an overwhelming majority (96%) of employers agree that "workers want and need financial planning and advice."

Further, 94% of respondents foresee an increase in financial planning benefits, with 17% saying they feel financial planning benefits will likely become a mainstream benefit similar to dental coverage.

These statistics are significant to us because for some years we have felt that financial planning is sorely needed

The Bottom Line

as a benefit and in fact, we do provide basic financial planning advice to many of our Group retirement clients. We feel this is an area where there is enough demand to warrant an expansion of our services. We are exploring some options for providing individual financial planning on a group basis. Perhaps a retainer paid by an employer on a quarterly basis or a fixed fee per "plan" delivered. To gauge interest in this and all of our services, we are looking at hiring an organization to undertake a client satisfaction survey of our own. We expect that in the next 4 to 6 weeks, we will have contracted a third party to conduct such a survey. In any case, if and when you receive the material, please complete and return it. Thank you in advance!

Third Quarter Review

Well, what can be said here that hasn't been said everywhere else? The world stock markets continued to slide through the third quarter and with each passing day it looked like we hit rock bottom only to reach a new one a day or two later. When will this insanity stop?, you're probably asking. The headlines that say, "Never!", give us the best indication we are at the bottom. Just as you saw in the above headlines, the general feeling of optimism was so ingrained in the psyche of the world's investors in the year 2000 that many respected economists, market prognosticators and journalists believed the business cycle was dead and stock markets would continue to rise forever. We now know this was bunk - just as we know that those calling for negative stock market returns forever, are wrong too. That is not to say there are not some bumps left in the road yet. We believe that there is some room for markets to fall yet, but we also believe, riding out the downturn is the best strategy. The reason? Once out of the market, to make the decision to buy back amidst the headlines calling for the end of the world as we know it, this could be very, very, very difficult and possibly expensive in the long term.

Recognizing the folly of predictions and the extremely

sensitive environment we live in, we feel that in one year's time, markets will be higher than they are today. Compared to alternatives going forward for the next year, you will be better off leaving your market based investments as they are.

Why do we think this? Markets are at or below the levels they were at in 1997 - that's five years of value wiped away. Interest rates are low and will likely stay that way, encouraging consumers to keep spending. Jobs are expanding, both here and in the U.S. All the bad news appears to be out - Accounting scandals, war, terrorist attacks, slow economy, its all priced into the market (and ain't this a loaded question) - what more bad news can there be? The answer is deflation. While some prominent thinkers feel there is a risk of deflation, (which is much worse than inflation, by the way, think of the 30's) most people agree that the risk of deflation is relatively small. As a result, we feel that the markets have the ability to outperform other asset classes over the next year!

Name Change

As we noted earlier this year, Altara Securities and TWC have joined forces and we will soon be operating under the name TWC Securities Inc. Over the course of the next few months, you will begin to see the new name on your statement and our letterhead as the implementation phase runs its course.

IT IS IMPORTANT TO NOTE THAT THIS IS A NAME CHANGE ONLY AND IN NO WAY AFFECTS THE STATUS OF YOUR ACCOUNT.

It is also important to note that this name change only affects those of you with Altara Securities Inc. accounts. All other account holders will be unaffected by this name change.

We do anticipate that our new association with TWC will result in some improved computer capabilities that will allow us to better assist you with reaching your financial goals and objectives. That's the good news!

BOX SCORES

GIC Interest Rates

	Jul.	Aug.	Sep
1 Year	2.75	2.85	2.85
3 Year	3.90	3.35	3.25
5 Year	4.50	4.35	4.05

Average Trust Company Rates

Annualized Rates of Return

	1 Year	3 Year	5 Year
TSX	-8.07	-2.45	-1.08
S & P 500	-20.08	-10.33	1.15
SCMU Bond	8.52	7.85	6.78
EAFE *	-15.11	-12.35	-2.99

* Europe, Australia, & Far East Index

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Investors will pay management fees, commissions and may experience gain or loss.