This Issue of Financial Affairs has been created to provide a brief overview of an important investment topic. For more detailed information or for a free copy of a Financial Affairs Issue that may be of greater interest to you, please contact your Financial Advisor.

[Financial Affairs]

Working Together For Your Future

Issue 6

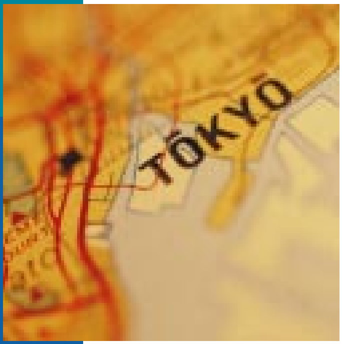
Published by Multiple Retirement Services Inc. as a service to Financial Advisors

[Financial Affairs]

MORE PROFITABLE RETURNS THROUGH WORLD MARKETS

Mapping Your Global Investment Strategy

Mapping Your Global Investment Strategy



The map of your investment strategy should include foreign markets. Broadening your horizons by exploring what the world has to offer has become an important consideration for anyone looking to maximize the potential of investments within an RRSP or RRIF.

Canadian assets make up less than 3% of the world's wealth. So, to get the most from your investment portfolio, it makes sense to look beyond our borders. By going global, you may boost earnings with available opportunities in well-established foreign markets and high-growth emerging countries.

THE ADVANTAGES OF WORLD MARKETS

International investing offers two fundamental advantages to the RRSP investor. First, the opportunity to increase overall returns. Secondly, diversification, to reduce the risk level of your plan.

INCREASING RETURNS

Stock market cycles are widely different from one country to another. This reality creates an opportunity for the sharp investor to move funds into rising markets and get out of those on the downswing.

For example, at an appropriate time, your Financial Advisor may counsel you to move some assets out of the Canadian market into countries where immediate growth potential is stronger.

REDUCING RISK

But even if you take the long-term view, and leave the domestic/international balance of your holdings unchanged, global diversification can be safer than investing in any single market. In fact, international investment can actually help reduce risk and provide a more favourable environment for your RRSP.

A GOOD WAY TO GET YOUR BEARINGS

Globally invested mutual funds (as opposed to funds which specialize in a particular geographic area) are an ideal way to simplify foreign investment. Remember, you don't have to take a big first bite: initial investments can be small and then increase as your comfort level rises.

Don't worry about finding foreign currency. Most foreign invested mutual funds are highly liquid and denominated in Canadian dollars for easy, more cost-effective purchase and sale.

AN IMPORTANT GLOBAL TIP

At present, Revenue Canada allows you to hold 20% of the book value of your RRSP or RRIF in foreign content without incurring penalties. Book value is the

price you originally paid to acquire the assets, including related costs such as brokerage commissions and mutual fund loads or sales fees. Other variables that can affect your book value include administration fees, trustee fees, dividends or distributions.

DOING IT BY THE BOOK $50,000 RRSP PORTFOLIO

Fund	Year Purchased	Book Value	Market Value Today
Fund A	1989	$10,000	$20,000
Fund B	1990	$10,000	$12,000
Fund C	1991	$10,000	$15,000
Fund D	1992	$2,700	$3,000
Total		$32,700	$50,000

20% of $32,700 = $6,540 Non-taxable Foreign Content Limit

MAXIMIZING THE FOREIGN COMPONENT OF YOUR RRSP.

There are two main ways to expand the foreign content of your RRSP beyond the basic 20% limit.

The first is to invest the other 80% of your RRSP in domestic funds which, themselves, have up to 20% foreign content. This can elevate RRSP-eligible international exposure to as much as 36%.

The second is to invest in 100% RRSP-eligible international funds. These participate in foreign markets indirectly, through derivative financial vehicles, rather than directly through stocks, bonds or other direct investments.

In this simple example, the non-taxable foreign content limit is $6,540, which represents 20% of the RRSP's $32,700 book value.

FOR MORE INFORMATION

To explore the worldwide opportunities available, and to help navigate Revenue Canada regulations, it's wise to find yourself a good guide. For more information on harnessing the profit potential of international markets, contact your Financial Advisor today!