

MANAGING YOUR FOREIGN INVESTMENTS

Question: How should I manage the foreign content in my investments?

Answer: There are a number of strategies to help you manage your foreign content in your investment products.

- ***Consider your non-registered investments:*** While the focus may be on increasing foreign content exposure in your registered retirement savings plan (RRSP) investments, don't forget about your non-registered investments which are often strictly Canadian. Since there is no restriction on the amount of foreign content in a non-registered plan, this may be an ideal place to increase your foreign content exposure, without disturbing your RRSP portfolio. Work with your financial planner to determine what makes the most tax sense for you, given your overall risk tolerances.
- ***Canadian funds can also invest in foreign content:*** Don't forget that RRSP-eligible Canadian funds are allowed to invest up to 30 per cent in foreign content. This means you may actually be getting more exposure to foreign markets than you realize.
- ***Balanced funds:*** Certain funds, in combination with others, have the ability to obtain even higher foreign content limits. By investing 70 per cent of a portfolio in a balanced fund and 30 per cent in a foreign fund, a client achieves higher foreign content, depending on the funds selected and still be considered Canadian content for RRSP and RRIF investment. However, remember there are risks associated with holding too much foreign property. Proper diversification is important.
- ***Segregated funds:*** Currently segregated funds are not subject to the foreign content property limit. The 2000 Federal budget indicated that the foreign content rules would apply to segregated fund policies in 2002. The rules have still yet to be applied and for now, segregated funds offer the opportunity for 100 per cent foreign content. Seems like things never change.

- ***Canadian content strategy:*** Interest in foreign markets remains high because of historical high returns; media attention on new types of products being offered and basically, minimal foreign content limits. The commodity pricing is a good indicator on performance. Higher commodity prices mean higher earnings in the resource sector. Smaller cap stocks often perform well. The Canadian market is predominately a small-cap market compared with the U.S. market.

Think long term: We continue to believe most are well served by long-term strategies and a solid asset allocation process; rather than chasing the hot fad of the moment or the favourite fund of the day.

Using an allocation process to help investors select a portfolio that's appropriate for their level of risk tolerance, including the choice of whether or not to put foreign content in their portfolios, is the best route to take.

Need further clarification or help, give us a call at 613-475-5109,
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