

# NEWSLETTER

## WINTER 2015

**In this winter edition of our quarterly newsletter, we are providing an update on our latest financial activities. And with the RSP season fast approaching, we shall look at what are the options available from a different angle.**

Our auditors, Ernst & Young LLP has recently completed their audit of our inaugural year of financial activities. As such, our first Annual Report for

the period ended June 30<sup>th</sup>, 2015 shall be published shortly. AAMIC grew modestly since Fall to \$5.31 million by end of December. Our mortgage portfolio comprised of 11 residential and 1 commercial mortgage (3% of total portfolio value) with a weighted average LTV of 40% and weighted average terms to maturity of under 8 months. Average mortgage size is \$443,000. All mortgages are of good standing as at December 31, 2015.

AAMIC continues to be on track to meet its target return of 8% to its investors. 2016 initiatives for AAMIC includes a) Update offering memorandum to reflect latest audited financial statements, regulatory compliance disclosures and investor risk acknowledgement forms; b) transition to automated monthly distribution; and c) drive towards a growth target of \$10 million by end of fiscal year 2016.

## Retirement Planning – Labyrinth of Options

The annual RRSP season onslaught has begun. We all are affronted by a barrage of media ads and financial advices on investing in RRSP.

RRSP is a tax deferral vehicle which has to be converted into a Registered Retirement Income Fund (RRIF) upon your retirement or when you reach age 71 at the latest. Although earnings in a RRIF are tax-free, amounts paid out of a RRIF are taxable at the top marginal rate. By contrast, after tax dollars are used towards TFSA contributions but such contributions and any income earned thereof are generally tax-free when withdrawn upon retirement. As such, TFSA may be more tax effective for a high net worth individual or if you expect to be in a higher tax bracket on retirement. Despite the fact that MIC can be used as an RRSP, TFSA or any other registered plan investment, it is rarely mentioned predominately because most MICs are sold under an offering memorandum and not through a prospectus and thus not

listed on TSX like mutual funds.

Risk should be the most important factor to consider when investing. Management strategy & expertise, past performances and product complexity can affect the risk profile of an investment. Past performances is limited as a predictive tool. Conversely, product & corporation complexity are often over-looked (remember Enron). Equally important is how much you depend on your retirement investment to generate a regular income stream.

Some factors to consider when evaluating the risk profile of a MIC - is it under OSC oversight; management experience; mortgage investment strategy and mortgage portfolio profile (e.g. overall loan-to-value, delinquency, mortgage duration); use of leverage; credit policies, corporate governance; external auditors and audit report. Such information should be available in the MIC's offering memorandum and is a must read before any decision. Advantages of a well-managed, risk-

averse MIC are –tax effective option for registered plans (RRSP, RRIF, TFSA, RESP); regular income stream; simplicity and clarity in investment portfolio; typically higher yield than savings and money market funds; as a flow-through investment, better capital preservation and performance based on its own mortgage portfolio as oppose to daily market fluctuations. Conversely, MICs is a less liquid investment as most are not publicly traded. Information disclosure are also less comprehensive than a TSX listed stock or funds.

MIC is not a speculative investment but as a segment of one's (conservative) money market portfolio. One can make a lump sum MIC purchase/transfer to rebalance an existing portfolio or on future annual contributions. Ask a financial advisor for more information but ultimately, only you understand your true lifestyle needs, investment risk tolerance and actual financial ability to meet any investment strategy.