



THE ARTISAN

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Quarterly Newsletter by Northland Wealth Management

The Markets: Update & Outlook



A World in Transition

1

*...the process of reform in Europe
will take time and effort...*

What's New: Origins & Understanding



*...Northland Wealth
Management celebrates its
first anniversary as a firm...*

2

Brush Strokes: Make A Difference!



*... I knew this is where I want to
go and make a difference ...*

4

Planning Files: Business Transition Planning Process



*...the single largest mistake
business owners make is failing
to plan for the transition of their
business...*

6

A World in Transition

In case you haven't noticed the world is changing and rapidly at that. An old Chinese curse "may you live in interesting times" comes to mind. These are without question interesting times.

For decades the Western World economies, North America and Europe, dominated the economy of the world. Japan rose as a challenge but with no material natural resources and despite its hard-working, but aging population, it soon faltered. The new emerging economic powers such as China, India, Brazil and a number of Far Eastern nations have natural resources and young populations and are challenging the Western World economies again. These new economies have workers who are willing to work hard to achieve the standards of living enjoyed in the West. Using Western technology these emerging world powers have been able to flood the Western economies with cheaper manufactured goods. This has eliminated huge numbers of manufacturing jobs in the Western World and put significant downward pressure on manufacturing wages. Until the world sees a better balance of living standards this pressure on the Western World's standards of living will continue. There are some hopeful signs for the West, as China, whose middle class now exceeds the population of the U.S., is experiencing growing upward pressure on wages, making it less competitive. Domestic consumption of manufactured goods in China is also growing making the need to export less urgent. For the foreseeable future however, the Western World will struggle just to maintain their present standards of living. Job seekers will require higher levels of education and new jobs will likely be in the service industries.

(continued on page 2)

Perspectives:

Social Investment: Charitable Giving & Getting by *Danielle Bedasse*



For most individuals, any charitable donation or investment is a very personal decision to make a positive impact on current social, health, environmental or other issues, for the public good. Here are a few thoughts on helping donors find the right cause, gift and recipient for their charitable dollars.

The Heart of the Matter

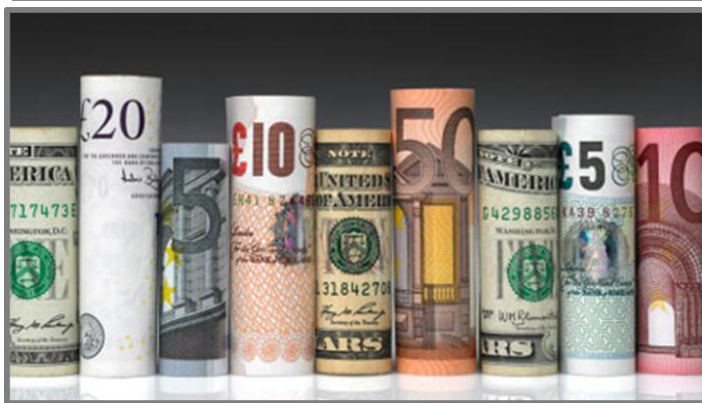
What issues matter to you: Pandas or Poverty?

I was reading an article that appeared in the Washington Post earlier this spring; the author was outraged that a private donor had made a \$5 M gift to preserve the panda population, thus, virtually "ignoring" the plight of so many people around the world living in abject poverty. Personally, I

(Continued on page 5)



NORTHLAND
—WEALTH MANAGEMENT—



What's New: Origins & Understanding



In June, Northland Wealth Management celebrated its first anniversary as a firm.

Although much of our team has worked together for the past decade, we would not be enjoying this event without the support of you - our valued clients.

While the past few years have presented many challenges we view these as opportunities to not sit on our laurels and continue to work to find innovative solutions to improve not only your portfolio returns, but also to increase the quantity and value of the professional services we offer.

We believe by focusing on these two critical areas that not only will our current clientele be more successful in achieving their goals and objectives, but that the marketplace will appreciate the difference in working with Northland Wealth Management and that we will be able to help a greater number of individuals and families, not only across Canada but around the world.

Northland Wealth was built to serve our clients' individual needs and objectives.

We promised ourselves to never lose sight of who we are working for - you, the client. Above all, we never lose sight of the fact that our clients are actual people. We realize that the quality of our advice has a direct bearing on our clients and their family's lives.

We strive to communicate in an open and candid fashion through our regular meetings with you along with our industry acclaimed newsletter - *The Artisan*. Our website is updated continually so we can share with you our professionals' thoughts when they are featured on the Business News Network or print media such as Bloomberg, Reuters and the Financial Post.

(Continued on page 3)

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The transition to a more competitive world has crept up on the Western World. Accustomed to years of growth interrupted by the occasional recession, we became used to patterns of consumption that are no longer supportable by our actual productivity. We made up for the shortfall by borrowing and piling up debt. We have now reached the limit of our ability to leverage and unlike in the past we are now unable to achieve the levels of economic growth that will let us grow out of our debt load. As mentioned in our past newsletters, this process of deleveraging - paying down debt, will likely last for years.

What does this all mean for North America and Europe? While many uncertainties remain, the following is our view of the probable course of events.

The U.S. while still facing significant government deficits is showing steady economic growth. The Treasury and Federal Reserve have the U.S. financial systems well in hand and the U.S. banking system is functioning and is reasonably solid. While there is economic growth, it is at a rate too low to absorb the overhang of unemployment, caused by the financial meltdown and housing collapse of 2008-2009. Typically coming out of a recession it is the small business sector that creates jobs, often in the process of competing with the larger corporations that have cut back services to customers in reaction to the recession. Unfortunately in this recession the banking sector was so badly battered, it is so far reluctant to provide the level of financing essential to get the small business sector rolling and hiring again. This bottle neck to growth seems to be in the process of changing, but slowly.

On a further positive note, the U.S. corporate sector, unlike the situation one would normally expect in a recessionary or slow growth period, is in excellent health. Corporations having cut back on expenses, are hoarding cash that is now measured in the trillions of dollars. The U.S. corporate sector is well positioned to expand, but with no incentives (that is competition from smaller competitors) plus the uncertainties in Europe, large U.S. corporations have been content to sit on their cash. A pickup in growth in the U.S. could well provide the incentive for these corporations to expand and begin hiring again. In this context there are some signs that the U.S. housing market has bottomed and is beginning to grow. To meet normal population and family formation growth requirements, housing starts in the U.S. on an annual basis should number 2.5 million units. In recent years the number fell to 500 thousand units. A return to more normal levels of housing construction and likely rising house prices would mean a major boost to the U.S. GDP, consumer confidence, and the value of bank

(continued on page 3)

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mortgage portfolios.

A further positive development for the U.S. has been the easing of energy prices. Energy is a basic economic cost, as the recent falling inflation rates demonstrate. Looking further ahead, the continuing discovery of huge shale gas reserves in the U.S. and Canada, means cheap natural gas prices are likely for years into the future. New oil discoveries and the ongoing development of the oil sands could well make North America self-sufficient in fossil fuel requirements in the next decade. This would be a huge economic plus for the U.S. and its trade deficit, as it is a huge consumer of energy and imports a significant amount of oil.

From a Canadian perspective any improvement in the U.S. economy would be a positive. A recovery in the U.S. housing market would particularly revitalize our forest products industry. Our banking system remains in excellent shape, as does our housing industry. The slippage in world oil prices recently has been compounded in Alberta by transportation bottlenecks, that have dropped oil prices in Alberta to under \$60.00 per barrel. Given projected pipeline expansion plans, this situation should not persist for too long. The Canadian economy still remains somewhat dependant on buoyant world commodity prices. From this standpoint China has been the major factor in demand growth for commodities and price setting for some years now. While the Chinese economic growth has slowed recently, this was due to government economic tightening in an effort to control inflation and curb real estate speculation. Both these objectives have been achieved and economic easing has begun. Given the political necessity to produce growth rates in the 8% to 9% range, we expect demand growth in the commodity sector will soon reflect a return of Chinese consumption growth to more normal levels.

The financial crisis in Europe has recently been the



(Continued from page 2)

Northland Wealth was built to be aligned with our clients' best interests.

To us, it means operating to ensure the client interests are always placed first and foremost. Whether that means suggesting a client pays down debt instead of increasing his assets managed by our firm, or we employ an investment that is managed by an external manager to improve the risk vs. return characteristics of a client's portfolio - we strive at all times to act in the best interests of our clients.

As a firm, we are passionate in our commitment to serving you our client not just today, but far into the future. We are grateful for your trust and support as well as the valued relationships that have been formed over the past years.

Thank you from all of us at Northland Wealth Management.

largest black cloud hanging over world economic prospects and financial markets. Given that we have never faced such a complex financial situation of such large proportions, any number of disaster scenarios could and have been constructed. The seeming inability of the members of the European Union to produce concrete solutions has had everyone fearing for the worst. Now at the eleventh hour there is a plan and remedies have been proposed. Financial markets have reacted positively to this news. The fact is that many more steps need to be taken, but there is now at least some forward momentum and expectation that the European Union will survive. Within the Union the belt tightening ahead for the members that have over spent and over borrowed is huge. Civil services need to be shrunk, pensions cut, restrictive laws repealed, subsidies eliminated – all in all more work and less play. The competitive pressures of the new world order that we are experiencing in North



(continued on page 4)

Brush Strokes: Make A Difference!

At Northland Wealth Management we work with a diverse range of clients who contribute to society through charitable work and fundraising. In this edition of *The Artisan* we are proud to share Inger Lauritsen's exceptional photographs and story as she has contributed her time and money over the past 3 years to help orphan children in Kathmandu, Nepal. More adventures and photos may be found at Inger's blog www.inger-in-kathmandu.blogspot.ca.



Ever since I can remember I have always been drawn to wanting to go help kids in less fortunate countries. I guess my initial choice was like most others a country in Africa. (As a kid I was always fascinated by the stories of missionaries when they returned back to Denmark from their stays, except I am the furthest from a missionary, in not believing in changing another person's belief system.)



Getting married and having kids at a young age I put all those thoughts on the back burner until 3 years ago when I read an article about an Orphanage in Kathmandu, Nepal which is one of the poorest countries in the world. Right away I knew this is where I want to go and make a difference. I contacted the lady in charge of the orphanage and was thinking I could spend a couple of weeks there, but the orphanage required a 2 month commitment plus 10 days of trekking in the Himalayan Mountains first. While I was reluctant to stay that long in a poverty stricken and political disturbed country at an age of 50, I accepted the challenge.

I raised a small amount of money and travelled to Nepal for the first time in February 2010. Driving from the airport in Kathmandu, the sights were so disturbing that I didn't think I was going to survive the week. Although the country seemed primitive and dirty, I kept an open mind and this trip became some of the best 3 months in my life.

While volunteering at the orphanage, I decided to help build a new school in the mountain village where the kids lived, to help all the children have the chance of a better education, that is so lacking in Nepal.

In April of this year I returned to the village, a tough task in 30°C when the last part of getting there was by walking, six hours over and around the mountain. Not sure how I survived, and that wasn't the hardest part.



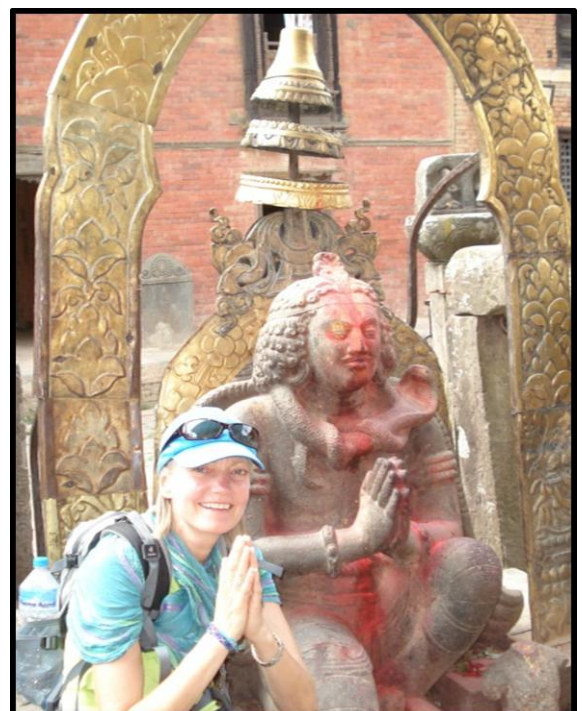
Currently the school that I am involved with is tiny with mud floors, cracked walls from the last earthquake and leaking roofs, that only goes up to grade 6. My plan is to build a new school that goes up to grade 8. I have been matching contributions that I receive in order to meet my goal of \$ 60,000 sooner. I am looking forward to seeing all the kids smiling faces when the new school is completed. It will be a very rewarding job once I get to the finish line.

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America apply as well in Europe. The process of reform in Europe will take time and effort, and will be less than popular with the populations that have grown accustomed to free handouts. Political unrest can be expected, and there are no guarantees that the political will to achieve the necessary changes will be there when needed. In the mean-time progress has been made and immediate disaster avoided. Hopefully a period of relative calm will allow financial markets to focus on what is actually happening, not what might happen.

We continue to recommend investment strategies aimed at producing predictable cash flow from fixed income coupons and dividends. Financial markets will continue to be volatile and unpredictable. Markets will reflect economic progress which will be slow and halting. Equities in Canada are now trading at historically low price earnings ratios reflecting the market's heightened perception of risk. It is unlikely that price earnings ratios will decline much further. Equity market values for individual stocks in the future should rise or fall in line with earnings and dividends generated.

David Cockfield, MBA, CFA
Managing Director & Portfolio Manager



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probably would not have chosen Pandas, but that is my point. Philanthropy is really a private initiative for public good, and each and every “giver” has the inalienable right to invest in the causes or issues that matter to him or her. The first and most crucial step in determining how and where to give is making a decision about the cause or social issues that most move you, no matter what the reason.

How & where do you want to have an impact?

While the first step may seem “emotional”, don’t take that to mean that you should set aside your valuable business intuition and acumen when evaluating how to invest your charitable dollars. One of the dichotomies of the not-for-profit or social sector is that there is a multitude of ways to get involved in approaching the problem at hand. Will you choose to fund research? Or direct programming? Will you give to large charities with substantial endowments? Or take more of a “risk” with a smaller, grass-roots, but extremely effective, local charity? Will you invest in advocacy? What about the cost to cover administration? Or will you direct your funds to equipment and capital? Whatever you choose, educating yourself on the options will make the gift more satisfying and help you better understand how your dollars are working for the cause.

What level of involvement or recognition do you expect?

This may on the surface appear to be the “selfish” part of this exercise, but it is extremely relevant in determining what, where and how to best make your charitable investment. What do you want out of this transaction or relationship? Are you happy to write a cheque and simply receive a charitable tax receipt? Or do you want to be involved, to receive regular updates on your project, to volunteer with the organization or serve on the board of the charity? Do you want public recognition – your name on the side of the west wing or be named as the program “founder” – or would you prefer complete anonymity? Take the time to answer these questions honestly for yourself; there is no right or wrong, good or bad answer here. It is crucial for donors to outline and articulate their expectations both for themselves, and to the not-for-profit they have chosen to support.

Doing your Due Diligence

This is the “analyst” part of the equation. Among the 83,000 registered charities and 81,000 non-profit organizations that file annual tax and information returns in Canada, be assured, not all are the same. While this may be a controversial statement, the administration, fundraising and program delivery are all very important

parts of a functioning charity. Funding one and negating the others can be detrimental to the cause. What a charitable organization does, how it goes about fulfilling its mission, how it is governed and managed, how it measures its outcomes and impact, and how it fundraises and accounts for its finances are all very important questions to ask when doing your due diligence prior to giving a major gift. It is important to understand the mechanics of the charity, and how your funds will go to work for the cause.

Navigating the “Watchdogs”

There is no “SEC” for the charitable sector, however, in recent years, some organizations have endeavored to set standards for the sector and/or help donors evaluate charitable organizations for investment purposes (see below for an abbreviated list). These can be valuable bodies of information, but I recommend using them with

caution – not everything is as straightforward and simple to evaluate as it may look on paper. For instance, while the watchdogs have addressed the fundraising/administration ratio of expenses to programming, often times the crucial issue that is missed is the **IMPACT** of the organization toward its mission. Some things will always be cheaper than others – running a food bank will rarely cost as much administratively as running a shelter for homeless teens. It doesn’t mean that one charitable endeavor or operation is better than the other. Trust that your gift, whatever the amount, is important. Use this information,

along with the answers to your questions above, and most of all, your best judgment, to go ahead and make a difference in our world.

This article has been written by Danielle Bedasse, the Executive Director of Jays Care Foundation, the charitable arm of the Toronto Blue Jays baseball club. Danielle oversees the charitable granting and investment of more than \$1.4 M annually in programs and projects serving children and youth across Canada. For more information about Jays Care please visit: www.bluejays.com/jayscare.

Sources for researching charities and their impact:

- CRA Charities Dictorate: <http://www.cra-arc.gc.ca/chrts-gvng/menu-eng.html>
- Imagine Canada: www.imaginecanada.ca and www.charityfocus.ca
- www.charityintelligence.ca
- www.opencharity.ca
- www.canadiancharitylaw.ca
- www.givewell.org or www.charitynavigator.com in the US

In all of your research, make a point to speak with the Executive Director or Board Member of the charity you are planning to support – they can give you the most up-to-date and often crucial information about their organization.



Volunteers at the Haddan Eby Foundation Gala. Over \$100,000 was raised for Camp Oochigeas (a camp in Muskoka and Toronto for children fighting cancer), proudly supported by Northland Wealth Management. For more information visit www.ooch.org/haddaneby.

Planning Files: The Business Transition Planning Process

For many families, their largest asset is typically their home, or some form of real estate. It is not uncommon that at some point in time this asset gets sold and the proceeds are invested to provide an income to cover costs associated with new living arrangements. In a similar manner, families that run a business must also face the eventual "sale" or transition of their business. The transition of a business is not quite as simple as the sale of real estate. There are a number of additional factors that must be considered. There is the obvious replacement of income, taxation of the proceeds, valuation of the business, what happens to the employees, etc.

However, the most important factors are the who, what, where and when. Who is the business going to transition to? What value will be assigned to the business? Where will you source the buyer from? When does the transition take place?

The term 'Business Succession Planning' relates to the overall planning process that results in the most efficient and effective transition of a business from one owner or ownership group to another. The single largest mistake business owners make is failing to plan for the transition of their business. Failing to do so can be both costly and stressful on those left to pick up the pieces.

Factors to Consider

Who: Is it a group or individual inside the family/business or is it some unknown from outside the family/business? This will affect how the business is positioned for sale, training of a replacement for yourself, the importance of a proper management culture and the terms of payment.

What: Is the business currently positioned for the sale price required to meet your goals? Do the numbers support your valuation of the business? Do you want a lump sum payment or will you receive payment over a period of time? What role will you play after the sale of the business? Most businesses fail to sell due to over-valuation by the current owner.

Where: Most business owners assume that there is always someone who wants to buy their company. Unfortunately this is often not the case. It is important to understand the potential market for the sale of your business and position it appropriately. This should occur well in advance of the expected sale date.



Your business exit probability can be negatively impacted by several unplanned situations that cause serious succession problems.

When: Will the sale of your business be the result of a controllable or uncontrollable circumstance? Controllable simply refers to a planned retirement. This allows for ample time to properly plan and prepare for the transition of your business. But what about the uncontrollables such as debilitating illness, sudden death, bankruptcy or financial stress, family breakdown and divorce. It is never too early to start planning.

This brings us to the How. A successful business transition can take up to 5 years of planning to efficiently and effectively implement. Working with experts and professionals is a must. For more information on how Northland Wealth Management can assist you in the future transition of your business, please contact our office.

Jeff Sproul, PFP, BBA
Vice President, Wealth Management



Recommended Reading



What Disturbs Our Blood by James Fitzgerald

A rich, unmined piece of Canadian history, an intense psychological drama, a mystery to be solved... and a hardwon escape from a family curse. Like his friends Banting and Best, Dr. John Fitzgerald was a Canadian hero. He founded Connaught Labs, saved untold lives with his vaccines and transformed the idea of public health in Canada and the world. What so darkened his reputation that his memory has been all but erased?

Money Well Spent by Paul Brest & Hall Harvey

All outstanding philanthropic successes have one thing in common: They started with a smart strategic plan. "Money Well Spent" explains how to create and implement a strategy that ensures meaningful results.



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