

the Capital Partner

The Monthly Newsletter of the Sage Advisory Network

Elders Vulnerable to Fraud

BC Securities Commission releases its
National Investment Fraud Vulnerability Report

From Vancouver. March 1, 2012.

A NATIONAL STUDY OF CLOSE TO 2,500 older Canadians (50+), released for Fraud Awareness Month, found that almost 1-in-5 are vulnerable to a risky investment offer.

More than 2-in-5 don't understand the fundamental relationship between risk and return, and only 1-in-4 have a realistic expectation of the current rates of return for their investments.

The BC Securities Commission engaged Innovative Research Group Inc. to prepare this report and develop a profile of older Canadians' vulnerability to investment fraud.

It shows that Canadians 50+ who have unrealistic expectations about market returns and who do not understand the relationship between risk and reward are more likely to fall victim to a fraudulent investment offer. Fear of running out of money in retirement increases that vulnerability.

Risk/Reward Misunderstood

"When you combine the fact that many older Canadians don't have a good grasp of what a realistic level of return is in the market with their lack of understanding about the relationship between risk and return, you have the perfect storm for con artists. This group

is more vulnerable to promises of unrealistic returns, especially when the offer comes with the additional promise of no risk," said BCSC Chair **Brenda Leong**.

The first question in the study tested older Canadians' vulnerability by asking how they would respond to a clearly fraudulent investment offer.

Pre-retirees

Over a quarter of Canadians 50+ demonstrated their vulnerability by saying that they either would look at it further (19%) or simply didn't know (7%). These people tended to fall into the pre-retiree category.

The study also examined other circumstances that

heightened vulnerability to investment fraud: those who regularly get involved in risky sales situations such as attending sales presentations; those with little or no savings set aside for the future; and those who have trouble making ends meet.

"This survey tells us that there are a number of significant factors today that make older Canadians vulnerable to investment fraud. The sheer number of Canadians approaching retirement, the current low interest rates and market returns, and the lack of understanding of the fundamental relationship be-

"Only 1-in-4 have a realistic expectation of the current rates of return for their investments"

SENIORS PRONE TO FRAUDSTERS

According to the BC Securities Commission, those approaching retirement are most likely to fall prey to risky investment offers and questionable schemes.

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BC Stats suggest residents are living longer, giving birth later & cancer related deaths are falling.

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IS INFLATION OVER INFLATED?

Guest columnist **David Bond** Reviews Stats Canada's decision to review the CPI benchmark.

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GORDO'S CAPITAL COMMENT

Why March is Like Christmas at our House

WHEN I WAS A KID, it was a happy day when the Christmas catalogues arrived from Sears & Eaton's. It was always late summer and it meant Christmas wasn't far away.

I couldn't wait to open the thick, heavy book, by-pass fashion & hardware and see the latest offerings from Lego and Hasbro.

The full colour pictures and the vivid descriptions made it easy to figure out nominees for the year's Christmas wish list.

This time of year, I get the same sort of thrill as annual reports start arriving in our mailbox. Like the catalogues, the arrival of annual reports is a tradition from a by-gone era. All the info is available instantly and more cost effectively on the net but, it's not the same.

When the Royal Bank & Bank of Montreal reports arrive - as they did this past week, it's somehow more personal. I'm reminded that my family and I are bona fide shareholders and we have a vested stake in the company's operations and performance.

As I read the reports from **Bill**

Downe - President & CEO at BMO or **Gord Nixon** - President & CEO of the RBC, I feel like a business owner as these, my (well paid) managers update me on the latest goals and objectives, challenges and successes.

It's an education on Canadian banking and global business worlds - complete with colorful figures, charts and diagrams.

Of course, the granddaddy of all annual reports is the Berkshire Hathaway Annual Report which includes the latest insights from **Warren Buffett**. Every year, it's posted on the net at 5:00 am, on the 3rd Saturday in February. But it's no substitute for the hard copy.

This year's letter included a probe into the merits/advantages of owning currency based and commodity based assets versus productive assets like real estate and businesses. If you're heavy into gold, be sure to read it.

Gathering insights from these business leaders really costs nothing but the time to read the material. You might say it's like... Christmas. ○

the Capital Partner

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Cheques, questions, comments, criticisms & submissions are encouraged.

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Canadians Aged 50+ Show Vulnerability

(Continued from page 1)

tween investment risk and return suggests that we, as regulators, have to be vigilant in helping to protect investors.

"What investors need to understand is that when they are tempted by products with higher than average returns, they are typically being offered high risk investments: unproven businesses that could fail or which are, in some cases, out-and-out frauds," said Leong. "Investors also need to be vigilant."

To help people understand the warning signs of investment fraud, the BCSC is launching the second phase of its three-year "Be Fraud Aware" campaign.

"...a number of significant factors today make older Canadians vulnerable to investment fraud."

It includes radio and newspaper ads, a Guide to Investment Fraud newspaper insert and mail drop in population centres with a high proportion of older Canadians, a YouTube video and a province-wide fraud literacy contest.

The first phase of the campaign, launched in the fall of 2011, was aimed at the Chinese and South Asian communities, who represent 40% and 26%, respectively, of BC's minority population.

This national on-line survey of 2,461 Canadians aged 50 years and older, was conducted in English and French between January 11 and 23rd, 2012. The complete study is posted on www.bpsc.bc.ca

The BC Securities Commission is the independent provincial government agency responsible for regulating trading in securities within the province. For public enquiries, call **1 800 373 6393** (toll free).

Learn how to protect yourself and become a more informed investor at www.investright.org ○

TO YOUR HEALTH

BC Residents Enjoying Longer, Healthier Lives

BRITISH COLUMBIANS continue to live long and healthy lives, according to the 2010 Vital Statistics Annual Report from the Ministry of Health.

Life expectancy in B.C. remains the highest in Canada at 81.7 years for 2006-10, up from 81.4 for 2005-09. B.C.'s population also grew naturally by 13,647 in 2010, or at rate of 2.8 per thousand.

The report states cancer death rates in B.C. are falling, supporting the Province's leadership in cancer care, prevention and treatment resulting in some of the best cancer outcomes in the world. Heart disease mortality rates are lower and death rates from Alzheimer's, Parkinson's and multiple sclerosis have dropped to 1994 levels.

However, mortality rates for chronic diseases like diabetes have increased slightly from 2009. This further supports the need for the Province's comprehensive Healthy Families BC strategy, which helps families make the healthy choice the easy choice.

At 55, the number of HIV deaths in B.C. in 2010 is down from 63 in 2009, and the lowest since 1995. This lower figure can be attributed to 30 years of leading-edge research along with community and health system efforts, which have helped turn HIV/AIDS from what was once a deadly epidemic into a chronic but manageable condition.

B.C. is the only Canadian province that is demonstrating a consistent decline in HIV. The BC Centre for Excellence in HIV/AIDS, under the leadership of **Dr. Julio Montaner**, plays a crucial role in research and treatment, positioning B.C. as a world leader in the fight against HIV/AIDS.

The vital statistics document also found that just more than half the 2010 births in British Columbia were from mothers aged 30-39. In recent decades there has also been a gradual increase in multiple birth rates in B.C., rising from 1.9 per cent of all live births in 1986 to 3.2 per cent in 2010.

Information from the report is used for various aspects of health planning, research and education. ○

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LEGAL MATTERS

The Adult Guardianship Act - There to Protect Seniors

By Vanessa DeDominicis

ELDER ABUSE OCCURS EVERY DAY in BC. As many as one in two seniors in BC is abused.

It's difficult to know when adults are being abused or neglected and often even harder to know exactly if or when to step in. Elder abuse can take many forms, both financial and non-financial.

We often assume that adults can take care of themselves, but this may not always be true.

Under BC Law...

The *Adult Guardianship Act* defines abuse as *"the deliberate mistreatment that causes physical, mental or emotional harm or damage to or loss in respect of the adult's financial affairs."*

This includes intimidation, humiliation, physical assault, sexual assault, overmedication, withholding needed medication, censoring mail, invasion or denial of privacy, and denial of access to visitors. Neglect is said to include *"any failure to provide necessary care, assistance, guidance or attention if that failure causes, or is reasonably likely to cause, within a short period of time, serious physical, mental or emotional harm, or substantial damage or loss in respect of the adult's financial affairs."*

Self-neglect includes *"any failure of an adult to take care of him/herself that causes, or is reasonably likely to cause, within a short period of time, serious physical or mental harm or substantial damage or loss in respect of financial affairs."*

Competing Interests

The *Adult Guardianship Act* attempts to deal with two competing interests – the obligation to protect vulnerable adults who are being abused and the right of a capable adult to make his or her own decisions. Any intervention by agencies, the courts or the

Public Guardian and Trustee are all governed by the presumption of capability.

The Public Guardian & Trustee's authority to investigate reports of financial abuse, is found in the *Public Guardian and Trustee Act*.

The Public Guardian and Trustee and can provide financial management services for adults incapable of managing their own affairs. They can also deal with issues relating to representatives acting under a representation agreement and an attorney acting under a power of attorney.

More Information on Seniors' Rights & Elder Law

The BC Seniors section of the **Ministry of Healthy Living & Sport** website has links to programs and services and other online resources. It also has the Senior's Guide. Visit: www.hls.gov.bc.ca or www.seniorsbc.ca or phone:

1.800.465.4911.

The **Service Canada** website, at www.servicecanada.gc.ca, has information on financial help for seniors. Click on "Income Assistance" and then on "For Seniors," or phone:

1.800.622.6232.

Contact local health authorities to report abuse or neglect of an adult. Call the Health Information Line at **1.800.465.4911** and ask for your local health unit.

The BC Centre for Elder Advocacy & Support can be contacted by calling: **1.866.437.1940**, or by visiting their website at:

www.bcceas.ca.



Vanessa DeDominicis is a lawyer with Pushor Mitchell Lawyers in Kelowna. She practices in the areas of business law, real estate and wills and estates. As a Registered Trade-mark agent with the Canadian Intellectual Property Office, her business law practice has a specific focus on intellectual property law, including filing Canadian and US trade-mark applications and advising clients on infringement issues.

See the publications on the website of the Canadian Centre for Elder Law (part of the BC Law Institute) at www.bcli.org/ccel. Or call the Centre at 604.822.0633 in Vancouver.

The Public Guardian & Trustee of BC can be contacted by calling: **1.800.663.7867** or by visiting their website at: www.trustee.bc.ca. It has many publications on adult guardianship, elder abuse, representation agreements and other topics. ○

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PROPERTY RIGHTS

Property Owners Affected by Latest BC Budget

ON FEBRUARY 21, 2012, Finance Minister Kevin Falcon tabled his first budget.

In addition to dealing with a slowing economy, Minister Falcon also had to deal with the loss of revenue from the Harmonized Sales Tax and re-introduce a provincial sales tax.

The result? A budget shortfall of \$2.5 billion this year, a \$1 billion shortfall forecast for 2012-13 and a hope to return to a balanced budget in 2013-14.

As the p.s.t. is re-introduced, tax payers & property owners should be aware of the transitional rules. Some of them include:

Enhanced HST New Housing Rebate

The existing BC Harmonized Sales Tax (HST) New Housing Rebate will be enhanced by increasing the threshold from \$525,000 to \$850,000. The higher threshold will mean a higher

maximum rebate of \$42,500, up from \$26,250.

Pending approval by the BC legislature, these changes will be effective from April 1, 2012 to March 31, 2013.

The province is expected to return to a Provincial Sales Tax/Goods and Services Tax system on April 1, 2013. The BC HST new housing rebate program will end on April 1, 2013, as the HST will no longer be in effect on or after that date.

On the sale of newly constructed homes, the HST becomes payable (assuming it is not paid on an earlier date) on the earlier of the following dates:

- 1) when the seller transfers ownership (i.e. the completion date); or,
- 2) when the seller transfers possession (i.e. the possession date)

It doesn't matter what date the parties entered into the contract or removed subjects. Provided the HST becomes payable between April 1, 2012 and March 31, 2013, buyers can be eligible for the enhanced BC HST new housing rebate.

- Avg house price last month **\$437,267**
- Median house price last month **\$404,950**
- # of houses listed last month: **380**
- Lakeshore homes sold last month: **0**
- Avg. mobile home price last month: **\$66,592**

Dollar value of sales last month
\$100,399,501.00

Dollar value of sales in 2011
\$ 95,525,430.00

WE SUPPORT



Summary of Central Okanagan Residential Sales

YTD - End of February **

TYPE	2012	2011
Acreage	2	6
Acreage/House	13	14
Acreage (Waterfront)	0	0
Business	1	2
Townhouse	74	55
Condo	94	92
Duplex	14	8
Farms	1	1
IC & C	20	10
IC & Lands	0	1
Lots	24	10
Multi-Plex	0	2
Mobile Homes	25	25
Recreational	0	1
Residential	232	228
Residential (waterfront)	0	7
TOTAL	500	462

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Central OK Residential Sales by \$

YTD - end of February **

PRICE RANGE	2012	2011
\$0 to \$200,000	3	1
\$200,001 to \$240,000	4	6
\$240,001 to \$280,000	5	13
\$280,001 to \$320,000	21	18
\$320,001 to \$360,000	42	29
\$360,001 to \$400,000	33	43
\$400,001 to \$440,000	27	37
\$440,001 to \$480,000	23	17
\$480,001 to \$520,000	19	20
\$520,001 to \$560,000	14	19
\$560,001 to \$600,000	10	10
\$600,001 to \$999,999	23	21
\$1 Million and over	1	2
TOTAL	225	236

Central OK Real Estate Info Courtesy of:

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ECONOMICS GUEST COLUMN

Designing CPI like Hitting a Moving Target

The Consumer Price Index - the Traditional Benchmark for Inflation Is Complicated by the Fed's Policy to Make the Long Form Census Voluntary

by David Bond, PhD

STATISTICS CANADA HAS announced it is undertaking a multi-million dollar project to "enhance" the Consumer Price Index.

In this case "enhance" means eliminate or greatly reduce over estimation. It's hard to think of a number with greater influence than the Consumer Price Index. Changes in the CPI affect, among other things, Old Age Security pensions, rental agreements, child support payments, welfare rates, cost-of-living clauses, wage settlements and monetary policy.

The federal government is striving to balance its budget and is hoping this enhancement will generate savings of many billions. The OAS currently costs \$36 billion. If, because of the enhancement, the estimated annual rise in the CPI was cut by 0.2% that would save \$72 million in year 1, \$144 in year 2, \$216 in year and so on.

How Canada's CPI is Calculated

Estimating the CPI is a complex procedure that begins by surveying the annual consumption of a representative sample of Canadian households and using those results to construct an

"average household's market basket".

Then, each month the prices of each component of the basket is itself surveyed throughout the nation, and assigned an appropriate weight. Then, all the resulting numbers are combined and compared to the equivalent combined number of one month and one year earlier.

Challenges Calculating the CPI

Challenges in making the calculations arise from several sources. First, consumption patterns change over time and the mythical "average household market basket" may not be adjusted frequently enough to reflect that fact. Take for example, expenditures on cell

phones and Internet access. Twenty years ago, only a few Canadians were using cell phones compared to today, or iPads didn't exist five years ago. Leaving out or underweighting these items can cause

distortions in the final market basket.

Second, the composition of the population is in a constant state of flux in terms of average age, income, marital status, family composition, location, wealth, health status and ethnicity. And, as each of those variables changes, so do consumption patterns.

Consumption Varies Among Groups

A young couple with two young children has a much different consumption pattern than a couple of empty nesters just entering retirement.

Young males eat out more frequently than most families and their spending on entertainment by type and



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CAPITAL PARTNER BUSINESSES

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frequency can be substantially different. Unless the average market basket reflects demographic shifts it will be out of date almost as soon as it is constructed. And, most importantly, as incomes change (either up or down) consumption patterns change. A drop in income has a different impact on consumption than does a sudden upward shift. Studies have shown people adjust their consumption patterns more slowly from a loss of income than from a windfall gain.

Finally, as with virtually any measurement activity, trying to increase the precision in estimating the CPI is subject to the law of diminishing returns. If all the refinements yield an improvement in accuracy of say 0.1%, then trying to gain another 0.1% will likely cost double the amount of the first gain of 0.1%.

Now, however, the selection of the representative population samples will lose some precision because of the decision to make completion of the long-form census voluntary beginning in 2011. That decision meant the loss of information that would have yielded greater precision in selecting the representative samples for the determination of the average household market basket. (The information derived from the voluntary sample is biased since it was filled out by only about 65% of those asked to participate and has been shown to have under-represented certain groups, particularly those with lower incomes, certain urban centers and single males < 25 years of age.)

In short, the attempt at gaining further precision in estimating the CPI may have been rendered almost impossible by the Harper government's unwise decision to make the long-form census voluntary. I call that getting hoisted on your own petard. ○

David Bond is a former Economics Professor & Chief Economist with HSBC. He's now retired and resides in the Okanagan Valley with his darling wife Diane.

Business Briefs

Corporations Achieving Record Profits & Holding Record Amounts of Cash Despite Slow Economy

Canadian Banks & Financials Reporting Solid Results

For the first quarter ended January 31, 2012, **BMO Financial Group** reported net income of \$1,109 million (up 34% from 2011) and adjusted net income of \$972 million (up 19% from 2011). Adjusted earnings per share were \$1.42, up 7.6% from a year ago. And, ROE for Q1 was 17.2% vs. 17.8% a year ago.

Bank of Montreal is the longest running dividend paying company in Canada. It's policy is to pay out 45-55% of its earnings in dividends to shareholders over time.

Scotiabank reported strong 2012 Q-1 earnings of \$1.436 billion, up 15% or \$187 million from \$1.249 billion earned during the same quarter in 2011. Diluted net earnings per share were \$1.20 compared to \$1.08 in the same period a year earlier. ROE was 19.8% and the Board of Directors increased the dividend from \$0.52 per share to \$0.55, a 6% increase.

For their Q1-2012 operating results, **Royal Bank of Canada** reported

(Continued on page 8)

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Rates are as of **March 8, 2012**, & based on a \$100,000 premium deposit.

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65 Yr Fem	\$ 497.34	5.97 %
65 Yr Joint	\$ 451.91	5.42 %
70 Yr Male	\$ 630.60	7.57 %
70 Yr Fem	\$ 566.80	6.80 %
70 Yr Joint	\$ 516.19	6.19 %
75 Yr Male	\$ 653.78	7.85 %
75 Yr Fem	\$ 601.13	7.21 %
75 Yr Joint	\$ 538.56	6.46 %

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Business Briefs continued...

net income of \$1,855 million, up \$267 million or 17% from last quarter. Diluted earnings per share were \$1.23, up \$0.18, or 15% from Q-4 2011. Return on Equity was 20%, up from 17.5% in Q-4 2011. Tier One Capital ratio was 12.2% and the Board of Directors increased the dividend by \$0.03 or 6%.

TD Bank Financial Group - For the first quarter ended January 31, 2012, net income was \$1,478 million compared with \$1,562 million from the same quarter last year. Net earnings per share (diluted) were \$1.55 compared with \$1.67 a year earlier.

For 12 months ended December 31, 2011, **Great West Lifeco** reported \$1,898 million of net income attributable to common shareholders, compared to \$1,819 million a year ago. This represents earnings of \$2.00 per share vs. \$1.92 per common share during 2010.

On February 10, 2012, **IGM Financial Inc.** (i.e. **Investors Group**) announced adjusted net income for the year ended December 31, 2011, was \$833 million or \$3.22 per share compared to operating earnings of \$758.9 million or 2.89 per share in 2010.

On February 9, 2012, **Manulife Financial** reported full year net income of \$129 million - an improvement of \$1.8 billion over 2010. During 2011, the company took a \$665 million goodwill impairment charge related to low interest rates during the year.

Other Canadian Large Caps

Fortis Inc. achieved net earnings of \$318 million in 2011, up \$33 million from 2010. Earnings per common share were \$1.75 compared to \$1.65 in 2010, representing an increase 8.6% or \$0.10 per share.

Canadian National reported up net income of \$592 million or \$1.32 for Q-4 2011-their best quarter ever. Full year 2011 earnings were \$2.457 billion, or \$5.41 per diluted share, up 15% over the previous year.

Earnings at **TransCanada Corp.** were \$366 million or \$0.52 for Q-4 2011. Full year earnings for 2011 were \$1.6 billion or \$2.23 per share. The Board declared a \$0.44 per share dividend - a 5% increase over the previous 4 quarters and the twelfth consecutive year of increases.

Enbridge reported net adjusted earnings of \$275 million, or \$0.37 per share in 2011. Full year earnings were up 11% at \$1.48 per share, or \$991 million for the full year.

Ritchie Brothers Auctioneers reported full year net earnings of \$73.6 million or \$0.69 per share. Auction revenues grew by 11%.

US Companies

Altria Group reported diluted e.p.s. of \$0.41 for Q-4 2011 and \$1.64 for year end. The board declared a regular quarterly dividend of \$0.41 per share, payable on April 10, 2012, to s.o.r. as of March 15, 2012.



Coca Cola reported 4th quarter EPS of \$0.72. Full year EPS were \$3.69, beating expected targets.

Microsoft reported record revenue of \$20 billion for Q-2 2012, up 5% over Q-2 2011. Net income for Q-2 was \$6.62 billion or \$0.78 earnings per share.

McDonalds announced strong results for Q-4 2011 and 2011 year end. Diluted earnings per share were \$5.27, up 15% for full year and \$1.33 for Q-4. Full year earnings were \$5.50 billion up \$556.7 million or 11%.

Philip Morris Intl reported net revenue of \$31.1 billion and operating income of \$13.3 billion for the year. Diluted earnings per share were \$4.85, up 23.7% over 2010 earnings. The regular dividend was increased by 20.3% to an annual rate of \$3.08 per share. ○

NOTE: Corporate earnings, figures & information are provided for reference, not for trade. No representation is made. This info is posted & tweeted on Facebook & twitter.com by The Capital Partner /@cheapgordo or visit:

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