

Plan Your Direction – Achieve Your Goals Sooner



Taking a disciplined approach to creating a plan can help you clarify where you are now, and show you what you need to do to reach your unique goals. A plan is like a roadmap; it shows you the best way to reach your destination – your goals – and helps you avoid taking wrong turns that could be costly in terms of time and money. Yet interestingly, the results from a recent InSite eNewsletter poll¹ showed that 25% of investors do not even have a plan. With the help of online planning tools, developing a plan can be easier than you think.

If you already have a plan, this may be a great time to re-evaluate it. Does your plan still meet your needs and long-term vision? As your situation changes, adjust and revisit your plan to reflect your current goals.

Discover Your Goals

The starting point in developing a plan is to know your destination – your goals. Are you saving for a house? A child's education? Or per-

haps it is retirement you are thinking about. Once you have established your goals, use one of the many effective online planning tools, such as the Asset Allocator, to help determine where your finances are currently, what type of investor you are, and what actions you need to take to reach your goals.

"A plan is like a roadmap; it shows you the best way to reach your destination – your goals – and helps you avoid taking wrong turns that could be costly."

Start Your Plan with Asset Allocator

By using the Asset Allocator tool you can assess your current financial situation by taking an inventory of all of your registered and non-registered investments, and determine your Investor Profile.

Knowing your Investor Profile and preferences will help you establish the straightest route to your goals,

and ensure that you stay on track. By answering some key questions within the Asset Allocator, you can evaluate your level of investing knowledge, risk tolerance, establish your time horizon and understand what type of investor you are. Do you consider yourself to be a beginner or a sophisticated investor? Are you willing to accept periodic declines in the value of the portfolio as a trade-off for potentially higher long-term returns? How long do you have to invest before you will need the money?

Based on your responses, you are matched with an Investor Profile. Your Investor Profile could range from the Aggressive Growth profile to the Capital Preservation profile.

Continued on page 2

In This Issue

Get the Strength of Model Portfolios Working for You • Page 3

Heavy Hitter Model Portfolio Corner • Page 4

Cutting Taxes on Your Investments • Page 5

Enhancements to the 5 Star Program • Page 6

Plan Your Direction – Achieve Your Goals Sooner

Continued from page 1

The Asset Allocator then shows you an asset allocation that contains a mix of investments from among the different asset types—cash, fixed income and equities—that are right for you based on your Investor Profile. You can compare where you are now with the asset mix you just created in your plan.

When it comes to your investment plan, you may need to rebalance your portfolio, save more money, or take other steps to stay on track towards your goals.

You can also test different scenarios or compare your results with other Investor Profiles. Whatever the case may be, you have the critical information you need to put your plan into action.

It All Begins With A Plan

Taking a disciplined approach to creating a solid plan will help you map out the straightest and most efficient way to get to your destination. With a firm plan in place you can always modify it to meet your goals as needs and circumstances dictate. By clearly identifying where you are and where you want to go, you can develop the portfolio strategy that is right for you, and reach your unique investing goals sooner. ■

Customize Your Retirement Plan

Use our Retirement Planner to help you define and customize your retirement plan to create your long-term vision. The Retirement Planner shows you asset allocation models for “before retirement” and “after retirement” scenarios. It also helps you determine exactly where you will be down the road in terms of savings and investment income, and analyzes how the value of your home, inflation and other market forces will impact your long-term retirement plans.

Go Paperless with eStatements

Enjoy the convenience of accessing your account statement online anytime, anywhere.



Sign up today!

Visit bmoinvestorline.com, sign into your account and edit your Account Profile in the Account Services menu. ■

Explore Our Site

Get insight from third-party experts, Howard Atkinson and Ranga Chand, and learn about the NEW Model Portfolios. Go to bmoinvestorline.com and view the latest webcasts.



Contributor's Note

With all the investment choices in the marketplace, many investors are finding it time-consuming to stay informed and sort through all of their investment options. Often, a simplified investment selection process can make it much easier to build a diversified portfolio. Recognizing this need, we have partnered with third-party industry experts to bring you two new additions to our Model Portfolio line-up: Heavy Hitter Index Fund Model Portfolios and Heavy Hitter Tax Efficient Model Portfolios.

For many investors, Model Portfolios provide instant access to a range of investments in a portfolio that have been researched and developed by experts. These portfolios are constructed to meet different investment objectives and risk tolerances.

Check out the *Diversification. Simplicity. Expertise. Get the Strength of Model Portfolios Working for You.* article in this issue and see how a Model Portfolio may fit in with your investment plan.

Sincerely,

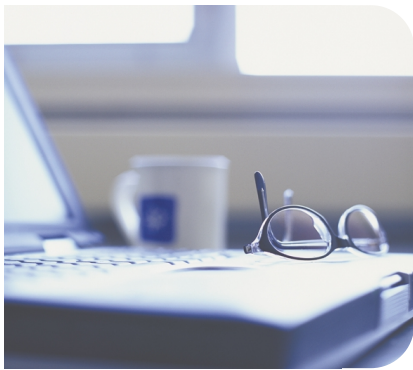


Thomas A. Flanagan
President & Chief Operating Officer

Diversification. Simplicity. Expertise.

Get the Strength of Model Portfolios Working for You.

When selecting the right investments for your portfolio strategy, BMO InvestorLine's exclusive new line-up of Model Portfolios can make building your portfolio easier. The strength of Model Portfolios lies in their ability to help you diversify your investments and simplify the selection process, while benefiting from third-party expertise.



Tailored specifically to meet your investment goals, Model Portfolios offer a recommended mix of funds to suit your particular objectives and risk tolerance. They distill a sea of investment options into manageable portfolios based on your investor profile and risk tolerance. Whether you want to save tax, reduce Management Expense Ratios (MERs) or explore new investment alternatives, there is a Model Portfolio to match your investing needs.

More Choices Than Ever

BMO InvestorLine recently introduced Exchange Traded Fund (ETF) Model Portfolios (check out the *Power Up Your Investments with the NEW ETF Model Portfolios* article in the Sept/Oct 2005 issue). Now BMO InvestorLine has added two new types of Model Portfolios to the line-

up: Heavy Hitter Index Fund Model Portfolios and Heavy Hitter Tax Efficient Model Portfolios, designed by internationally recognized economist and mutual fund analyst Ranga Chand. With four Model Portfolios to choose from, you have a greater range of investments to suit any investment objective.

Heavy Hitter Index Fund Model Portfolios

Heavy Hitter Index Fund Model Portfolios employ a passive investment strategy and allow for wide diversification. The Heavy Hitter Index Fund Model Portfolios contain index funds that replicate various market indices such as the S&P/TSX 60, Dow Jones Industrials, or the S&P 500. Index funds have frequently outperformed actively managed funds over the long-term. As such, these Model Portfolios mirror the market's overall performance and allow you to reap returns that approximate those of the underlying index at a low cost.

Along with passive management and index performance, Heavy Hitter Index Fund Model Portfolios also provide low MERs, automatic dividend reinvestment, tax-efficiency, and RRSP eligibility.

Heavy Hitter Tax Efficient Model Portfolios

If you have non-registered assets, Heavy Hitter Tax Efficient Model Portfolios may help minimize your exposure to tax by minimizing the impact of capital gains, and dividend and interest income taxation. Fund managers may sell some investments at a loss in order to offset capital

"With four Model Portfolios to choose from, you have a greater range of investments to suit any investment objective."

gains on another investment; minimize trading activities; and impose redemption fees to discourage market-timers. These strategies translate into a tax advantage for you.

Along with minimal tax exposure, Heavy Hitter Tax Efficient Model Portfolios also offer low MERs, automatic dividend reinvestment, and RRSP eligibility.

Which One is Right For You?

All Model Portfolios include monthly performance updates and commentaries to help you monitor your investments and make adjustments as required. Visit "Model Portfolios" under the Education Centre at bmoinvestorline.com to compare the features and benefits of each of the four types of Model Portfolios.

No matter what your investment objectives, Model Portfolios help make it easier for you to build your portfolio. ■

Heavy Hitter Model Portfolio Corner by Ranga Chand

Aggressive Growth Model Portfolio†

In this issue of InSite, Ranga Chand profiles his fifth Heavy Hitter Select Model Portfolio out of seven.

The Heavy Hitter®* Aggressive Growth Model Portfolio is designed to provide maximum long-term growth of capital. It is suitable for very aggressive investors who have a long-term time horizon and who can withstand substantial year-to-year fluctuations in the value of their portfolios in exchange for potentially higher long-term returns.

The target allocation of the portfolio is 100% equity mutual funds and consists of five underlying Heavy Hitter Select Funds (Table One). These five funds, like their counterparts in the Heavy Hitter Select Funds list, all have a strong performance history, superior risk/reward ratios, a minimum 5-year track record and below-average management fees within their respective categories.

The investment returns for the Aggressive Growth Model Portfolio are shown in Table Two. The portfolio's average annual total return for the 5-year period ending August 31, 2005 was 10.2%. By way of comparison, during this 5-year period, the S&P/TSX Composite Index posted an average annual return of 0.7%; the S&P 500 Index, -8.3%; and the MSCI World Index, -5.0%. On a yearly basis the portfolio has delivered positive returns 4 of the past 5 years, with returns ranging from a high of 25.5% in 2003 to a low of -2.9% in 2002.

Year-to-date, the Aggressive Growth Model Portfolio is up 11.1%. Over the same time period, all five of the portfolio's underlying funds were in positive territory with returns ranging from a low of 1.1% for the Trimark Fund to a high of 16.7% for the Fidelity Canadian Disciplined Equity Fund.

Given its high equity exposure, the Aggressive Growth Model Portfolio has a high-risk profile. Although there is a one-in-seven chance that returns will be negative over any 1-year period, the portfolio has delivered positive returns over all 3- and 5-year holding periods. Looking at all 23 five-year rolling periods from October 1998 to August 2005 (Table Three), compound returns have averaged 11.9%, ranging from a high of 14.7% to a low of 10.2%. ■

To read the other Heavy Hitter Model Portfolio profiles, visit bmoinvestorline.com/EducationCentre/InSite.html and click on the past issues of InSite.



Ranga Chand is widely recognized as one of Canada's leading economists and mutual fund analysts. He is also the Founder and President of the research and consulting firm Chand, Carmichael & Company Limited.

Table One			Aggressive Growth Model Portfolio		
Heavy Hitter Funds	Fund Type	% of Portfolio			
BMO Dividend	Canadian Dividend	30%			
Fidelity Canadian Disciplined Equity	Canadian Equity (Pure)	25%			
Clarington Canadian Small Cap	Canadian Small Cap	15%			
Cundill Value	Global	15%			
Trimark Fund	Global	15%			

Table Two						Aggressive Growth Model Portfolio Investment Performance (to August 31, 2005)				
Average Annual Total Return (%)										
YTD	1 YEAR	3 YEAR	5 YEAR	START DATE*						
11.1	22.1	15.8	10.2	14.0						
Yearly Performance (%)										
2004	2003	2002	2001	2000						
12.8	25.5	-2.9	4.8	19.2						

*October 31, 1998; Source: Chand Carmichael & Company Limited

Table Three		Aggressive Growth Model Portfolio Risk/Return Profile (October 1998 - August 2005)				
	Best Return (%)	Worst Return (%)	Average Return (%)	Frequency of Negative Returns (%)	Number of Periods	
1 year	39.2	-14.1	13.3	14	71	
3 years	16.7	2.9	10.2	0	47	
5 years	14.7	10.2	11.9	0	23	

Source: Chand Carmichael & Company Limited

†All performance data as of August 31, 2005

Cutting Taxes on Your Investments by Tim Cestnick

Year-end is quickly approaching, but there's still time to reduce your tax bill for this year. Consider your investments. Your investment portfolio can give rise to taxes of two types: taxes on capital gains realized, and taxes on investment income. Let's look at some strategies to keep the taxman at bay.

Tax on Capital Gains

Many Canadians managed to pull capital gains out of a hat in 2005, and now face tax on those gains. What's an investor to do? It depends on the type of asset disposed of. Consider mutual funds for a minute. If you disposed of mutual funds at a gain in 2005, you might have the opportunity to shelter all or part of those gains from tax if you had an "exempt capital gains balance" available prior to this year. In a nutshell, the exempt gains balance arose back in 1994 if you used your \$100,000 capital gains exemption at that time to shelter accrued gains on your mutual funds. In 2005, any remaining exempt gains balance must be added to the Adjusted Cost Base (ACB) of the mutual funds, which will reduce any capital gain on the sale of those funds. So, keep track of your exempt gains balance remaining from last year and calculate your true ACB



to ensure you don't pay more in tax than necessary.

Here's another idea. Take a close look at your portfolio. If you have any investments that have dropped in value, consider disposing of them at a loss before year-end. Then claim those losses to offset the gains you are reporting in 2005. Be aware that net capital losses can be carried back up to three years if you want to apply the losses against capital gains from a prior year. There's one catch here: Your 2005 losses can be carried back only to the extent those losses are not needed to offset capital gains triggered in 2005. Use Form T1A at the time you file your tax return to carry losses back.

Tax on Investment Income

There are three key strategies to consider if you're hoping to minimize the tax owing on your investment income – also referred to by tax minds as "income from property" – including interest, dividends, rents and royalties. First, deduct any interest expense incurred on funds borrowed for investment purposes. Check your brokerage statements carefully to make sure you have picked up all the deductible interest you are entitled to claim. Where you have borrowed on a line of credit that has been used for investment and non-investment purposes, be sure to deduct a reasonable allocation of interest that relates to your investments.

Next, deduct any investment counsel fees paid to someone whose principal business is advising on specific securities purchases, or the administration or management of securities. Keep in mind that fees related to RRSP or RRIF accounts will not be deductible. Where you have got both registered and non-registered accounts, make a reasonable allocation of the fees between the accounts and deduct the fees related to the non-registered accounts.

"Check your brokerage statements carefully to make sure you have picked up all the deductible interest you are entitled to claim."

Finally, consider reporting all your spouse's dividends on your tax return. This tactic is permitted by the taxman where making this switch increases the spousal credit you are entitled to claim. The strategy makes sense when the additional spousal credit is greater than the additional tax on your return that results from reporting more dividends. Some tax software in the marketplace could help to determine whether you can, or should, go ahead with the strategy. ■



Tim Cestnick, FCA, CPA, CFP, TEP is a Managing Director with The WaterStreet Group, a family office firm, and author of several best-selling books including "Winning the Tax Game." tcestnick@waterstreet.ca.

Always Evolving BMO InvestorLine Ranks Best Again!

For the fourth year in a row BMO InvestorLine has been ranked the #1 online broker in *The Globe and Mail's* annual ranking.



Leading Online Investing Firm[†]

New! Enhancements to the BMO InvestorLine 5 Star Program™



BMO InvestorLine is pleased to introduce new benefits for 5 Star Program clients. Along with the benefits of the Financial Service Package and access to the 5 Star Relationship Team, you can enjoy access to the Online

Service Package that can help you stay on top of the markets and make better-informed investing decisions. In addition to comprehensive online tools such as market information, online Screening Tools, Alerts, Stop Orders, and research, you can enjoy access to:

- Real-Time Quotes
- Level II Quotes

We will continue to add more benefits such as Streaming Quotes and Enhanced Technical Charting to the Program in the future to further support your investing success.

A Unique Way to Qualify

Qualifying for the 5 Star Program and enjoying its exclusive benefits is easier than ever. Whether you have multiple BMO InvestorLine accounts or manage accounts for others, you can consolidate them within one User ID and combine the assets in all of those accounts to qualify for a benefit level.

User ID also allows you to access all your BMO InvestorLine accounts online with one User ID and password, making managing and accessing accounts easy with one sign-in.

To learn more about the 5 Star Program, visit the *Featured Services* section under *Products & Services* at bmoinvestorline.com.

Join Us at the Financial Forum

BMO InvestorLine is a proud sponsor of this year's Financial Forum being held in Calgary, Vancouver, and Toronto. For the past 20 years the

Financial Forum has been Canada's pre-eminent investment education platform, helping investors to learn about smart money options and maximize their investments. This year's conference features Ranga Chand, who will discuss the power of Model Portfolios and how his Heavy Hitter

list of Mutual Funds, Index Funds and Tax Efficient Funds can help you diversify your investments, simply. Visit bmoinvestorline.com/General_Info/FinancialForum2005.html for conference dates. ■

InSite is published six times a year by BMO InvestorLine Inc., and is distributed with BMO InvestorLine account statements. To tell us your story or to request additional copies of this issue, please send an email to insite@bmoinvestorline.com. To view past issues of the newsletter, visit the *Education Centre* at bmoinvestorline.com.

Please send comments and suggestions to insite@bmoinvestorline.com or mail to: The Editor, BMO InvestorLine InSite, First Canadian Place, 100 King St. W., 54th Floor, Toronto, ON M5X 1H3.

The articles in this newsletter are prepared as a general source of information. They are not intended to provide legal, investment, accounting or tax advice, and should

not be relied upon in that regard. If legal or investment advice, or other professional assistance is needed, the service of a competent professional should be obtained. The information contained in this newsletter is based on sources believed to be reliable, but its accuracy cannot be guaranteed. The views expressed and information provided in the articles are attributable solely to the authors. Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments. Please read the prospectus of the mutual funds before investing, including the mutual funds in the model portfolios. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The indicated rates of return are the historical annual compounded total returns, including changes in unit value and reinvestment of all distribu-

tions, and do not take into account sales, redemption, distribution, or other charges or income taxes that may have reduced returns.

BMO InvestorLine is a member of BMO Financial Group.

¹Based on the results from the Poll Question in the July issue of BMO InvestorLine's InSite eNewsletter.

⁴As ranked by *The Globe and Mail*, 2002, 2003, 2004 & 2005, by Gómez Canada Q1, Q3 2002 & Q2, Q4 2003 and by Watchfire GómezPro, Q2 2004. [®]Registered trade-marks of Bank of Montreal, used under licence.

[®]"Heavy Hitter" is a registered trade-mark of Chand Carmichael and Company Limited, used under licence.

[™]Trade-mark of Bank of Montreal, used under licence.

BMO InvestorLine Inc. is a wholly owned subsidiary of Bank of Montreal. Member CIPF. 5122168 (11/05)