

CRA magazine

featured articles

- *Water set to be the “oil” of the future*
- *Non-resident ownership of Canadian real property*
- *Experiencing the lifestyle of the expatriate*
- *Singapore’s economy poised to take off*
- *Maintaining balance in your life*

Contents

3	<p>Is water the oil of the future? By <i>Dwarka Lakhan</i></p>
6	<p>Tax considerations for non-residents owning Canadian real property By <i>Arun (Ernie) Nagratha, CA</i></p>
9	<p>And the reason for your visit? By <i>Dean Bellefleur</i></p>
11	<p>Singapore's economy poised to take off by <i>Dwarka Lakhan</i></p>
14	<p>Create a life you love By <i>Louisa Nedkov</i></p>
16	<p>News Round-Up</p>

First Word

I am pleased to say that each new issue of the electronic edition of CRA Magazine is now much anticipated by Canadians living abroad, former expatriates, and those who are contemplating residing overseas. At least, the positive feedback from readers is indicative of the success of the magazine which is now in its third issue.

Designed to offer you timely access to relevant news, views and advice - wherever you are, whenever you choose - at the click of a mouse – CRA Magazine expects to be better with each issue.

In this issue we have feature stories on the potential for water to become the oil of the future; tax considerations for non-resident Canadians owning Canadian real property; the lifestyle of an expatriate; and the potential for Singapore to take off.

As always, we welcome your suggestions on topics that interest you and your feedback on the stories that we publish. We would also like to invite you to contribute your own stories on topics that might be of interest to fellow expatriates.

We sincerely hope that you enjoy this issue of the CRA magazine. Should you wish to contact us please send an e-mail to info@cramagazine.ca.

Dax Sukhraj
Publisher



Is water the oil of the future?

Now is the time to consider some water-related investments

by Dwarka Lakhan



Greater global demand for fresh water is placing a strain on the natural resource, making a potential shortage one of the most worrying problems of the new millennium. And, as the balance between supply and demand for usable water becomes increasingly precarious, many experts are predicting that water will become the oil of the future, which could result in water and water-related investments having significant upside potential.

This increasingly important issue commanded attention at the World Water Forum in Mexico earlier this year. In his opening address to the forum, World Water Council president Loic Fauchon noted that per capita freshwater resources are declining steadily, shortages are becoming more frequent and natural disasters are more numerous. "Water is endangered, and with it, so are we," he said.

Although it hasn't reached crisis level, fresh water shortages lead to almost 250 million cases of water-related diseases and five million to 10 million deaths every

year, according to estimates in the United Nations environment program's Global Environment Outlook, 2000 report. Fauchon says lack of water or its poor quality "caused 10 times more deaths than all the wars waged on this planet" in 2005.

Ironically, 70% of the Earth's surface is covered in water, but 97% of that is salt water, which can't be used for drinking or agricultural purposes. Three per cent of the world's remaining water supply is fresh water, of which only 1% is readily available for human consumption. As well, scientific evidence indicates that dramatic changes in climate because of global warming will lead to droughts, floods and diminishing freshwater glaciers — changing the pattern and quality of water supply and leading to greater scarcity.

At the heart of the impending shortage is increased consumption of water "resulting from population growth and significant increases in industrial and agricultural demand," says Chuck Bastyr, Toronto-based portfolio manager of **Meadowbank Asset Management**.

Proof of this can be seen in the patterns of global bottled water consumption, which has more than quadrupled between 1998 and 2004 and is currently growing at an average annual rate of 10%. Although mature markets such as



Europe and North America account for 35% and 29% of bottled water sales respectively, sales in Asia and South America, two regions with growing populations, are increasing at an annual rate of 15% — faster than any other region.

Industrial-led economic expansion in India, China and other emerging countries is also putting greater pressure on water resources, notes a 2006 report from Hong Kong-based brokerage **CLSA Asia-Pacific Markets**. The report, entitled "Remaining Drops, Freshwater Resources: A global issue", notes the uneven distribution of freshwater supply and demand in China, which has 22% of the world's population but only 7% of its fresh water resources.

"In some parts of India and China," Bastyr adds, "use of water for agriculture and industry is beginning to affect availability for human consumption."

As a result, human use of available fresh water may rise to 90% by 2025, from its present 50%, giving rise to the need for regulation and controls over use, according to the CLSA report: "Growing demand is increasing competition for this fixed resource, raising new concerns about water quality and contaminants, and fostering greater levels of public participa-

(Continued on page 4)

Is water the oil of the future?

...continued

by Dwarka Lakhan

(Continued from page 3)

tion about local control and participation.”

The World Health Organization



estimates more than one billion people do not have reliable access to clean drinking water, while 2.6 billion lack adequate sanitation. To meet the UN's millennium development goals, the number of people with access to clean drinking water globally must increase by 32% and those with access to greater sanitation by 59% by 2015. But to achieve these goals, substantial investments in water are required.

Irrigation water withdrawals in developing countries will also grow by 14% by 2030, the UN predicts. However, scarcity is already a problem in many of these nations. For example, 10 of the 93 countries surveyed by the UN indicate that they are using more than 40% of their renewable freshwater resources for irrigation — a problematic situation that requires making the difficult choice between using water for agriculture and using it for urban development.

Even in Canada, which has an abundance of water, supply is a problem in some regions. “We tend to take water for granted,”

says Richard Tanner, a partner of Calgary-based **Investment Advisory Group**, part of **Raymond James Ltd.** “The major infrastructure that supports potable water supply in several parts of Canada is decaying. But because it is out of sight, it is out of mind.”

“In Canada, we're seeing water conservation in the midst of water abundance,” says Duncan Ellison, executive director of Ottawa-based **Canadian Water and Wastewater Association**, which indicates an awareness of scarcity. Several parts of the country, such as the Waterloo region in Ontario and in Charlottetown, P.E.I., have already experienced water shortages.

Ellison says there is scope to develop very sophisticated, modestly priced water-treatment technology that is capable of treating low-quality water to potable standards. He believes Canadians may

see “twin plumbing” in the future, wherein reclaimed waste water will be used for non-drinking purposes, along with other conservation measures, such as six-litre toilets, which use half the water of regular toilets.

Given all this concern about fresh water, it may now be prudent to consider investment opportunities in businesses that produce products and services related to clean water. Among such companies are those involved in residential, industrial and municipal water and wastewater treatment, filtration and purification; production and sale of bottled water; monitoring and testing equipment; conveyance and storage infrastructure, such as dams and reservoirs; production of pumps, valves and automation systems;

(Continued on page 5)



Is water the oil of the future?

...continued

by Dwarka Lakhan



irrigation systems and equipment; engineering and consulting services; and services for water utilities such as operation, maintenance and management.

“Now is a good time to be looking at water,” says Bastyr. “The industry has attracted the attention of global conglomerates such as General Electric Co., Siemens AG and Danaher Corp. in recent years, resulting in consolidation and opportunities for investors.”

The entry of major multinational corporations — Connecticut-based GE, Minnesota-based 3M Co. and Germany-based Siemens, for example — into water services and related technology will continue to drive consolidation in this field, CLSA reports. In March, GE acquired the Oakville, Ont.-based water filtration firm Zenon Environmental Inc., which was one of few remaining publicly traded water-related companies in Canada.

And, in 2005, Danaher Corp. acquired London, Ont.-based Trojan Technologies Inc., another domestic water-treatment company.

“There are few remaining ‘pure’ water plays of significance in Canada,” says Paul Gardner, portfolio manager at Toronto-based **Avenue Management Inc.**

Publicly traded companies to consider are Calgary-based Arrowhead Water Products Ltd., which sells and rents water coolers and delivers distilled and spring water, and Vancouver-based Clearly Canadian Beverage Corp., which markets flavoured and oxygen-enhanced water.

However, new regulatory requirements in North America for drinking water and wastewater emissions are “driving growth in companies that provide filtration, separation and other forms of treatment,” says Lawrence Casse, senior research analyst at Toronto-based full-service investment bank **M Partners Inc.**

Bastyr says strong, global companies with economies of scale will probably be the primary beneficiaries of the increased demand for water. The Dow Jones U.S. water index lists 21 such companies, the largest of which are France’s Veolia Environment SA and Britain’s United Utilities PLC, the world’s largest and second-largest water companies, respectively.

Investors can also participate in water by investing in exchange-traded funds such as PowerShares Water Resources Portfolio, listed on the **American Stock Exchange**. The portfolio is based on the Paliades water index, which is designed to track the performance of companies that focus on providing potable water, water treatment, and technology and services related to water consumption.



Caprion® Communications Inc.

Dwarka Lakhan is the Editor of CRA Magazine. He is the President & CEO of the Caprion Group of Companies which provides integrated consulting services to the financial services industry.

Telephone: 905-850-7715

E-mail: dlakhan@caprion.ca

Web: <http://www.caprion.ca>

Tax considerations for non-residents owning Canadian real property

By Arun (Ernie) Nagratha, CA

With edits by Wayne Bewick, CA, CFP, CPA(IL) and C. Todd Trowbridge, CA

This article identifies some of the tax issues non-resident Canadians may face when owning Canadian real property. Since tax implications will vary with each individual's specific circumstances, professional tax advice should be sought before acting on any information provided in this article.



Many individuals living outside of Canada, including former Canadian residents and individuals that have never resided in Canada, may consider purchasing Canadian real property in the form of homes or seasonal residences. Some former Canadian residents may also continue to own real property in Canada after becoming non-residents, either for investment purposes, or that they will have a home to move back to if they choose to return to Canada. Whatever the reason for owning Canadian real property as a non-resident, there are a myriad of tax considerations that should be taken into account. Very often, individuals owning Canadian real property as non-residents do not handle their affairs properly, re-

sulting in significant exposure to Canadian tax.

Canadian Real Property and Canadian Residency for Tax Purposes

It is a common misconception that the mere ownership of real property in Canada causes one to be viewed as a Canadian resident for tax purposes by the Canada Revenue Agency (CRA). Although the ownership of Canadian real property could be seen as a significant residential tie to Canada, there are steps that can be taken to mitigate this.

For example, the real property could be rented to an arm's length party at fair market value, preferably under a long term lease. By doing so, CRA should not view this as a significant residential tie to Canada when making a residency determination. On the other hand, leaving a vacant home in Canada available for regular and continuous use could send the message to CRA that an individual may be a resident of Canada for tax purposes. As well, renting the home to family members, or simply allowing family members to use the home rent-free is likely to send a similar message to CRA. If an individual is found to be a resident of Canada for tax purposes, he/she is taxed on worldwide income which could significantly increase worldwide tax liability.



Principal Residence Exemption

For most Canadians departing Canada, the real property they own in Canada, up to the time of their departure can often be designated as their principal residence. If the home is sold prior to leaving Canada, the full principal residence exemption should be available, with some exceptions, resulting in no tax on the sale of the home. Complexities of selling a home that formerly qualified as a principal residence arise when the property is sold as a non-resident of Canada. The reason for this is that the home cannot be designated as an individual's principal residence for the years that they are not a Canadian resident for tax purposes, with the exception of years where they were a Canadian resident for tax purposes for at least part of the year. The result of this is that the principal residence exemption will not fully offset the capital gain on the sale of the property and a taxable gain may arise in Canada.

(Continued on page 7)

Tax considerations for non-residents owning Canadian real property

By Arun (Ernie) Nagratha, CA

With edits by Wayne Bewick, CA, CFP, CPA(IL) and C. Todd Trowbridge, CA

(Continued from page 6)

Change in Use Rules

At the time rental activity commences with a former personal use property, there may be a deemed "change in use" of the home from personal use property to an income producing property under Canadian tax legislation. This may result in a capital gain which will often be offset by the principal residence exemption. However, there is an election that can be filed that allows an individual to take advantage of the principal residence exemption to potentially reduce a future capital gain on the sale of the property. In some cases, this can be of benefit if the home is expected to increase in value for years that the individual owner is a non-resident

of Canada. Alternatively, if the property is not expected to increase in value while the individual owner is a non-resident of Canada, the election may not be beneficial. There are many other complexities involved in the decision of whether or not to file the election, which a tax professional should advise on.

Earning Rental Income in Canada

If the home is rented while an individual is abroad the rental income is often large enough to cover most of the expenses incurred on the home which can be a significant benefit. The common expenses involved in maintaining a home are property taxes, mortgage interest, utilities, property management fees, and repairs and maintenance. It will be nec-

essary to track and keep proper documentation to support these and other expenses incurred to earn the rental income.

Although there could be a capital gain on the eventual sale of the property, the home is being looked after, while the owner is living abroad. The individual has the benefit of renting the home with little to no tax depending on the net income of the property being rented. If the home is re-occupied on a future return to Canada, the individual may benefit from a lower capital gain on the eventual sale, the longer the individual resides in the home. This assumes the proper tax election is filed in a timely manner.

Not surprisingly, there are withholding tax and annual non-resident rental filing requirements that individuals must comply with if they own real property in Canada as a non-resident and earn rental income from it. If these requirements are not properly met, there could be significant interest and/or penalties imposed by CRA for non-compliance. Additional filing requirements and capital gains tax may result when the property is disposed of even if the property is not being used as a rental property.

(Continued on page 8)



Tax considerations for non-residents owning Canadian real property

By Arun (Ernie) Nagratha, CA

With edits by Wayne Bewick, CA, CFP, CPA(IL) and C. Todd Trowbridge, CA

(Continued from page 7)



Unfortunately, many Canadian expatriates rent their homes but do not properly abide by the tax withholding and/or tax filing requirements because they are often not aware that these rules exist. A detailed review of the filing and withholding requirements are beyond the scope of this article. However, you should at least be aware that income from the rental of Canadian real property is taxable in Canada, even if you are a non-resident of Canada for tax purposes, so you should ensure that the tax filing and remittance requirements are met.

Tax on Sale of the Property

If the Canadian real property is sold while the individual is a non-resident of Canada, there may be tax owing as a result of the disposition. However, whether there is tax on the sale or not, the individual must meet certain filing and remittance requirements. The individual must file a special form and remit the appropriate amount

of tax to the CRA. If these requirements are not met, the purchaser may be required to remit the tax based on the total purchase price, which can severely affect an individual's cash flow. There could also be penalties involved. Once the CRA receives the form and the remittance, they will issue a clearance certificate to the purchaser as proof that the non-resident vendor has met the necessary requirements. The vendor must then send the form to the CRA based on the required timeline. The individual is still required to file a Canadian non-resident income tax return to report the resulting disposition. A tax refund may arise because the overall Canadian tax rate will often be less than the required tax remittance. In addition, the selling costs are not taken into account when the original tax remittance amount is determined, which will usually further reduce the overall tax.

If the property is sold after the individual re-establishes Canadian residency, tax may still result on the sale, though the filing and withholding requirements are less onerous.

Owning a property as a non-resident requires some foresight. It could be seen as a primary residential tie if it is not rented to an unrelated individual/party at market value so this should be considered. There are also considera-

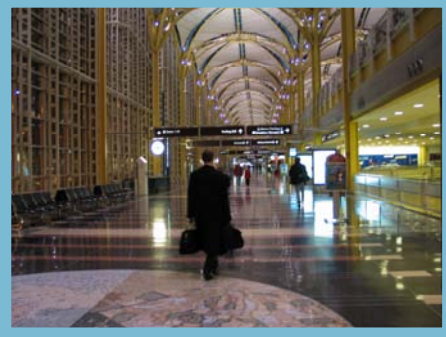
tions around the change in use from a personal use property to an income producing property, and possibly back to a personal use property if the individual returns to reoccupy it. Finally, there are tax withholding and tax reporting requirements on the rental income as well as issues around the sale of the property as both a resident and a non-resident. These issues, and others that cannot be covered in this article, should be considered when an individual becomes a non-resident of Canada for tax purposes as ignorance could result in a significant tax cost. As always, professional tax advice in dealing with these complex issues is a must.



Ernie Nagratha is a Tax Advisor with Trowbridge Professional Corporation, Chartered Accountants | Tax Advisors. The firm focuses on international tax services for Canadians around the world. For further information on the firm and the services it provides, you can contact Ernie.
Tel: (416) 214-7833 ext. 102
Website: www.trowbridgepc.ca
arun.nagratha@trowbridgepc.ca

And the reason for your visit?

By Dean Bellefleur



This is the second in a series of articles on the “real life experiences” of an expatriate, dealing with local culture, traditions and the lifestyle of the expatriate

“And the reason for your visit?” It seems almost strange that the passport control officer should be questioning your motives. You’re suddenly struggling to resolve the decision for your overseas odyssey, with more questions than answers racing through your head.

Is it the same for every family member? Typically, leaving behind aging parents is as disruptive as leaving friends and putting relationships on hold for teenagers. Will you arrive culturally inquisitive, or will you be counting down the days until your home leave comes around, or worse still - until the life sentence is served: the clock is ticking.

The truth is the odyssey for me and my family was enriching – whether we were venturing through Italy, Singapore, China or Sweden. Each location has its own unique culture and tradition which contributed to an unforgettable experience.

When we arrived in Modena, Italy we made friends with a German family with two teenage sons. The boys initially cursed their parents for wrenching them from their lives and especially away from girlfriends. That was until they were enrolled in an international boarding school in Rome, which was part of the employment contract. As they say - all roads lead to Rome - and the boys eventually had a great time.

In Italy, we lived amongst the locals, opting not to live in the village of Formigine that had attracted a number of expatriates from my company. We were fortunate to rent a unit within a recently renovated 17th century castle surrounded by a vineyard and orchards. In the evenings, over a glass of Dolcetto D’Alba, we exchanged tips on where to eat, visit and purchase terracotta pots with the other three tenants. It was also an exciting time for our children since two of the fathers worked for Ferrari and Lamborghini. Friday night at Vecchio Mulino’s pizzeria became the preferred hangout for friends to gather for a bite to eat. During those years I collected the business cards of the memorable *Ristorante & Agriturismo’s* that we frequented. It would not be amiss to say that we ate our way through Italy and the same could be said for China. In fact, food is what brought us closer to the local population in China, as was the case at the Vecchio Mulino.

However, living in China is differ-



ent. The norm for expatriates in Shanghai is to live in large gated compounds with upwards of 200 homes. Self-contained, the lifestyle is similar to life on a military base. Children are bussed off to school, guards man the gate and dinner is served in the restaurant on those nights that one wants locally prepared food, as was the case in Green Valley. What worked for our family was to find a compound that resembled the United Nations with no one-nationality dominating. The harmony actually extended to include the guards, who were available to report on the whereabouts of our pet rabbit and in one case even push start my jeep. It was also possible to engage private trainers, art instructors and language tutors that would come to your home, the cost of which was embarrassingly inexpensive. As with Italy, experiencing the local cuisine draws one into the community and provides the

(Continued on page 10)

And the reason for your visit?

By Dean Bellefleur

(Continued from page 9)

opportunity to make new friends by inviting them to share a meal.

In our case it became protocol that each family member alternately selected his or her choice of restaurant. We also did this with weekend excursions; we each had a turn at selecting the destination. This technique of engaging the children helped to stimulate their interest in culture but more importantly in trying new experiences and broadening their tolerances.



Sweden holds fond memories for the family; it was here that our daughter was born, in a society mandated to secure children's rights and safety. This carefree environment nurtured a strong sense of well-being in our two young children as they matured. Nature-related activities and awareness, for instance, are cultivated at a young age. Later, when

we returned to Sweden for the final years of my expatriate career, the children were teenagers and again there was freedom and opportunity.

No matter where you find yourself, connecting with a social network is paramount to an enriching assignment for all members of the family. Typically, it's highly uncommon for both partners to work when on an international assignment. So it becomes a priority for the one that maintains the household to locate a network, since making contact is one of the first steps to settling in – like joining international clubs, schools or Rotary Clubs.

For instance, memberships to national clubs are a prestigious perk in Singapore but expensive and therefore not in everyone's contract. Members relied on the clubs to host traditional dinners like Thanksgiving and Christmas and a variety of other activities. Typically, the apartment complexes had their own pools, tennis courts and other amenities. Sports clubs for our family were the answer: the children received good instruction and exercise and routines were established.

Collecting - be it furniture, art, rugs or other brick-a-brack – is often popular among expatriates but can get out of hand. I can recall one family in Shanghai that began collecting Chinese refurbished antiques with the intention

of selling them in their home country. Two containers later it was time to return home with what should have been fast moving inventory. In actual fact it took years to move the stock that was occupying the family home at break even prices. You can draw your own conclusions on this experience.

Finally, a few words about vacation destinations: consult the family for consensus. Not everyone is a beach bum nor are they seeking high adventure. Beach resorts are popular destinations especially over December and January in Southeast Asia. In fact if one doesn't book well in advance flights are not usually available. It became customary for us to book a private guide and car with a customized itinerary while in China. We journeyed far into the North and in most cases were the only North Americans in sight. It was great. During these times the Lonely Planet was never far from hand. Use your network to recommend hotels and restaurants; personal recommendations are the best. Reflect on the reason for taking the assignment: was it business, pleasure or something you can't experience at home?

What does it mean to be repatriated after 15 years aboard? In the next issue I'll discuss the culture shock.

Singapore's economy poised to take off

Myriad factors are making Singapore an attractive destination for investors who are seeking long-term value

By Dwarka Lakhan



Buoyed by a strong domestic economy, new economic drivers, liberalized immigration policies, an inflow of foreign funds, a rising property market and the potential of playing a leading role in South-east Asia, the long-term prospects for traditionally “boring” Singapore have become very encouraging.

Singapore's economy is expected to grow by 6% in 2006 and continue in the 5%-6% range over the next decade. Its average annual growth rate of about 8% over the past 45 years is impressive for any developed country; it is also higher than that of its more developed counterparts, including the U.S., Japan and Germany, whose combined cumulative annual

growth averaged approximately 5% over the same period.

This steady economic growth is expected to contribute to rising GDP per capita, which is forecast at about US\$28,000 in 2006 and at more than US\$40,000 by 2015, making Singapore one of the richest countries in the world. Should the pace of growth continue, Singapore's GDP per capita could rise by about 50% over the next decade, putting it alongside the U.S., Switzerland and Japan. And the beneficiaries of this growth would primarily be consumer and consumer-related sectors.

A strong, domestic economy of this magnitude would “boost the job market, real earnings, retail spending, demand for bank loans and the property market,” says a September report by Hong Kong-

based brokerage **CLSA Asia-Pacific Markets**. “And the resultant effect should create long-term value for investors.”

As a result of all this, Singapore's market capitalization should rise by 50% over the next five years and by 100% over the next decade to more than US\$1 trillion, excluding new and overseas listings, adds the report, entitled “*The Red Dot Gets Bigger: Singapore's Story of Perpetual Reinvention.*”

The CLSA report goes on to say that Singapore has built a competitive advantage and is gaining a leading position in biomedical sciences, financial services (especially private banking) and exportable services such as information communications and media, environmental services, medical tourism, education, tourism, logistics and transportation. The country is also expected to remain competitive in traditional sectors — electronics, petroleum refinery and engineering.

The city state's manufacturing sector is also competitive and is attracting higher levels of investment to support its expansion, says Charles Bastyr, portfolio manager at Toronto-based **Meadowbank Asset Management Inc.** “Contract manufacturing, construction of offshore rigs and oil refining should do well,” he adds.

(Continued on page 12)

Singapore's economy poised to take off

Myriad factors are making Singapore an attractive destination for investors who are seeking long-term value

By Dwarka Lakhan

(Continued from page 11)



Manufacturing as a share of GDP has risen steadily, albeit slowly, to 26.8% in 2005 from 24.7% in 1995, 21.7% in 1985 and 10.8% in 1960. Growth in manufacturing, in combination with developments in sectors in which it has a competitive advantage, should help Singapore sustain a healthy growth rate over the next decade.

Strategically, the country has targeted knowledge-based industries to transform its economy. Bio-medical sciences, for instance, now complement the traditional labour-intensive chemical, electronics and engineering industries that have faced intense regional competition. Biomedical sciences — which includes drug manufacturing, medical technology and diagnostics equipment — have high barriers to entry because they are capital-intensive, thus reducing potential competition. To support development of this sector, Singapore has wooed several large drug companies, which have set up operations in the city state.

Another high-growth area is private banking. Singapore has be-

come one of the fastest-growing offshore banking centres and is expected to benefit from the growing Asian private-wealth market. Singapore's stringent banking-secrecy laws are comparable with those of Switzerland, which leads some analysts to believe Switzerland could lose its leadership role in this space to Singapore within the next decade.

Singapore is also vying to become the region's major logistics and supply-chain management hub. (Most of the world's largest logistics and supply-chain management firms operate out of Singapore and are investing heavily to improve their operations.)

"Singapore is a port city, with the world's busiest port," says Chuck Wong, portfolio manager at Toronto-based **Dynamic Funds Management Ltd.** "It is one of the best-connected cities in the world, which bodes well for trade."

The property sector is also set to do well, Wong says. It is being fuelled by a diverse range of foreign buyers, although the mass residential market is also recovering. "There have been strong moves in real estate, which will spill over to sectors such as construction, banking and retail spending," says Mark Grammer, vice president of investments at **Mackenzie Financial Corp.** in Toronto.

Fully integrated with the rest of Asia, Singapore is also a major



beneficiary of intraregional trade and investing, especially with China, India and the Middle East. "Its pro-business policies, solid infrastructure and sound regulatory, legal and corporate governance framework are major attractions for businesses and investors," Grammer says.

"The government has played a major role in initiating reforms, developing infrastructure and establishing good business conditions," adds Wong. "It has created a transparent, competitive environment that builds shareholder value."

Singapore's corporate and individual tax rates are among the lowest, and the city state is widely regarded as one of the best places to live and invest. Paris-based **Transparency International** ranked Singapore as the world's fifth least corrupt country last year, while the **World Economic Forum** placed it sixth on its 2005 growth competitive index and fifth on its business competitive index.

Singapore's favourable business

(Continued on page 13)

Singapore's economy poised to take off

Myriad factors are making Singapore an attractive destination for investors who are seeking long-term value

By Dwarka Lakhan

(Continued from page 12)



environment has allowed it to benefit from US\$65 billion in aggregate foreign direct investment over the past five years, more than the combined inflows into Malaysia, Thailand, Indonesia, Philippines, India and Taiwan. Only China and Hong Kong have received more FDI in the period.

Singapore's barrier to moving forward is its small population and shortage of talent, says Bastyr. With a population of only 4.4 million at the end of 2005, Singapore relies on non-residents to fulfill its demand for skilled labour, and attracting foreign talent has been part of the government's drive to diversify the economy. One-quarter of the population are non-Singaporeans; immigration policies are designed to increase this share by 2015, when the population is forecast to grow to 5.3 million.

Another weakness is Singapore's dependence on trade. (It has the world's highest trade/GDP ratio.) "This makes trade sensitive to changes in the U.S. dollar, even though the Singaporean dollar is not pegged to the US dollar," says Grammer.

Permits are not required for imports and exports, and all goods (except liquor, tobacco, motor vehicles and petroleum products) are exempt from duties. Nonetheless, as a trading hub, this weakness could have positive implications for exports. Singapore currently has at least 10 free trade arrangements with trading counterparts and is negotiating another 15 arrangements.

Singapore is also vulnerable to competition from India and China, which may attain maturity in certain industries in which Singapore now has a competitive advantage. In this case, it will not be able to compete on cost and efficiency, but on proprietary knowledge.

Singapore is a relatively stable investment opportunity, Wong says. Over the one-, three- and five-year periods ended Oct. 9, the MSCI Singapore index was up 22.2%, 16.6% and 16%, respectively, in US\$ terms. In comparison, the MSCI world index was up 16%, 13.3% and 8% over the same periods.

According to CLSA, firms that could benefit from emerging trends in Singapore are domestic-consumer and asset-reflation plays such as banks and financials, property developers and companies with direct exposure to such growth sectors as biomedical sciences, tourism, transport and logistics, medical tourism, environ-

mental services and education. Stocks in these sectors "will probably have a superior earnings-growth trajectory and greater upside than our overall 50% upside expectation of the broader market," the report says. (Bastyr also likes contract manufacturing and financial services, while Grammer favours real estate and service firms.)

Investors wanting to take advantage of opportunities in Singapore can invest in mutual funds with strong exposure to this market or directly in the market. They can also invest in Singapore American depository receipts trading on U.S. stock exchanges. The **Bank of New York's** Singapore ADR index lists 25 companies in a range of sectors.

Singapore is reinventing itself. Its government, which runs the city state like a company, is taking appropriate measures to create a business- and investor-friendly environment. As the CLSA report's title implies, this small red dot on the map of Asia is about to get a lot bigger.

Create a life you love

Tips on maintaining balance in your life

By Louisa Nedkov

As a recovered workaholic who experienced many of the health implications associated with too much stress, I know firsthand the negative impact of a life out of balance. In the past, there were days I felt so burned out that I fantasized about running away from my life and never coming back.

I was caught up in the false belief that in order to make more money, I simply needed to *work harder* and *work longer*. Weekends were seen as simply quieter days to work without the distraction of the telephone constantly ringing, rather than a time to rejuvenate. Vacations were something that had to be *earned*. The only time I took off, without feeling guilty, was when I was *sick!*

I was unhappy, chronically tired, and felt terribly isolated. I knew that life had to be more than this.

Whether or not you are in this situation or simply feel that you would like to improve your performance, increase your income and get more out of life, there are strategies and tools that can help make this happen.

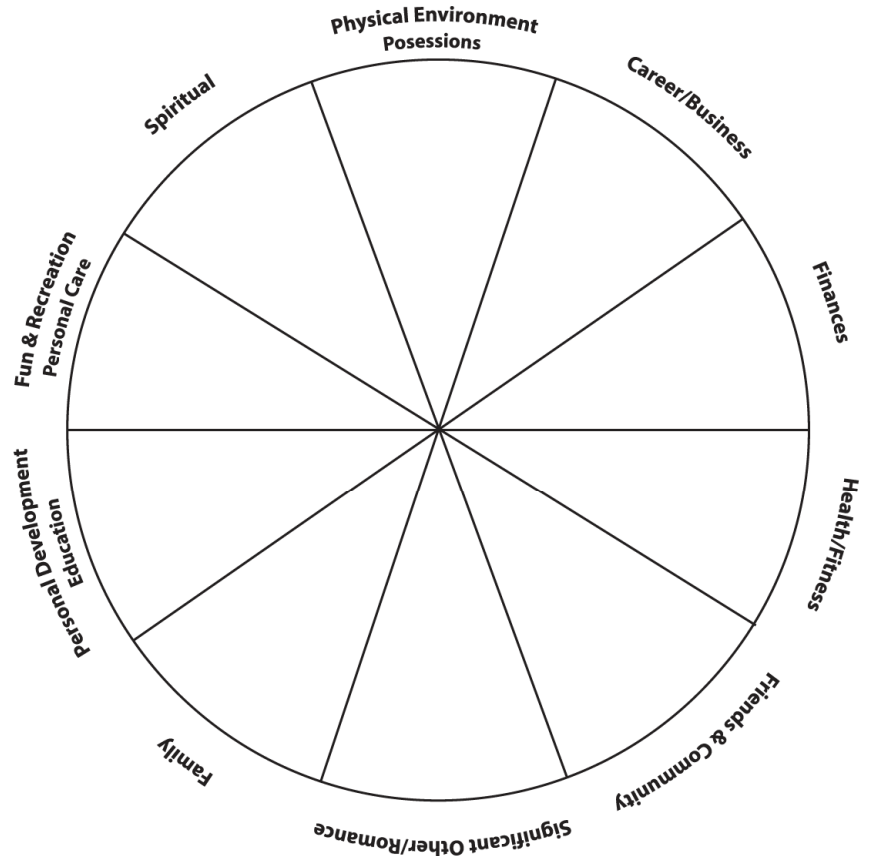
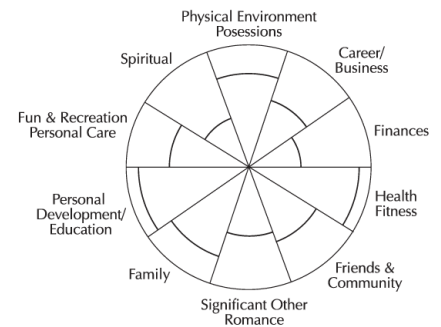
Before you can begin the process, however, you need to determine where your life is *unbalanced*. I use a simple tool called the *Wheel of Life* (see illustration). Why not take a moment to complete it now?

(Continued on page 15)

Life Balance Wheel

Directions:

Seeing the center of the wheel as 0 and the outer edges as 10, rank your level of satisfaction with each life area by drawing a straight or curved line to create a new outer edge (see example). The new perimeter represents the wheel of your life. If this were a real wheel, how bumpy would the ride be?



Solo Sessions, 740 York Mills Road, Suite 201, Toronto, Ontario, Canada M3B 1W7
Tel: 416 441 0021 Fax: 416 441 6801 E-mail: info@solosessions.com www.solosessions.com

Create a life you love

Tips on maintaining balance in your life

By Louisa Nedkov

(Continued from page 14)

Big reality check isn't it?

Now that you see the areas that you feel could use some work (and don't get depressed, most individuals score low on the first round), it is time to take action.

Below are a few of the strategies that I introduce in my corporate training and personal coaching sessions. I have tried to pick out the ones that clients have found to be the most beneficial to start making changes in their lives.

1. Get Focused

On a sheet of paper, **write down** some short- and long-term goals for each of these areas. Your goals must be specific, measurable, achievable, realistic and timed. And to ensure excellent balance in your life, be sure to include some fun and relaxing stuff! For example, a long-term goal could be a two-week trip to an exotic location. A short-term goal could be to book a massage once a month.

2. Eliminate Energy Drains

So much of our energy each day is drained by toxic relationships, cluttered environments, finances in disarray, unhealthy food consumption, and unfinished business. If you are like most people, 75 percent of your mental and physical energy is tied up with these sorts of distractions. Make up a list of those items that currently weigh on your mind. Walk around your home and office and

see where your energy actually dips. Is it that pile of files in the corner that you have been meaning to get to for a few months now? Go through the list and decide whether you will *do* it, *delegate* it, or *dump* it.

3. Find a Success Partner

Find someone who is also interested in making changes in their life *and* is ready to take action. Set up a time each week, either on the telephone or in person, to meet and review your goals and action steps. By being accountable to each other, you have a much greater chance of accomplishing your goals.



4. Create a "Dream Book"

To improve your focus on the new lifestyle you intend on creating, why not create a picture book of your most important goals? Buy a large photo album and start to collect pictures from magazines of places you want to go, things you may want to purchase, and things you may want to accomplish. Try to include things from every section of your "Life Wheel." The book will help you attain greater

clarity and assist in moving you more quickly to accomplishing your goals.



Why not begin *now* to create a life you love?

Whatever you can do, or dream you can, begin it.

Boldness has genius, power and magic in it. (Goethe)



Louisa Nedkov, The Energy Coach, works with individuals and companies to increase their performance and productivity.

Drawing upon her background in nutrition, fitness, behavioral kinesiology, and positive psychology, along with her experience in both the corporate world and as an entrepreneur, she understands the challenges of staying positive and productive in a stressed-out, wired-up world.

Tel: 416-441-3519

Fax: 416-441-6801

<http://www.solosessions.com>

Louisa@solosessions.com



NEWS ROUND-UP



- As retirement lifestyle expectations fall, savings stress rises
- Canadian tax reform
- Global growth expected to slow marginally in 2007
- Canadian companies predict another big year for M&A
- World financial assets expected to grow rapidly

As retirement lifestyle expectations fall, savings stress rises

Employees are scaling back their expectations and ambitions for life in retirement, as they recognize that they are not saving enough to support the lifestyle they envisioned. This is according to the October 2006 version of the *Mercer Workplace Survey™*, a national study of employee attitudes and behaviors around their company-sponsored benefits plans conducted annually by Mercer HR Services.

This year's Mercer Workplace Survey indicates that plan participants are becoming increasingly distracted from the process of saving for retirement. While still the number one savings objective overall, retirement is losing ground to other more immediate financial needs including paying down debt, funding a child's education, and saving for unexpected expenses. The survey shows "saving for retirement" and "just keeping up with my monthly expenses" are virtually tied as participants' biggest economic worry. Coupled with a less optimistic economic outlook that has taken hold among participants, two of three respondents now acknowledge they are not saving enough for retirement. Yet, by almost the same margin they believe they will have time to catch up on retirement contributions before they retire.

Canadian Tax Reform

On October 31, 2006, Canada's Minister of Finance announced the Tax Fairness Plan for Canadians. The cornerstone of the Plan is major reform to the tax rules applicable to certain publicly-traded trusts and partnerships, such as income trusts. The Plan also proposes a future reduction to corporate tax rates and changes that should improve the tax position of many seniors and pensioners.

The highlights of the Plan are:

- A new distribution tax will apply to distributions made by certain publicly traded flow-through entities, to be defined as Specified Investment Flow-Through Entities (SIFTs). The rate of the distribution tax payable will generally be equivalent to the combined federal and provincial tax that a Canadian corporation would have paid in similar circumstances. From an investor's perspective, a distribution from a SIFT will be treated in the same way as a taxable dividend from a Canadian corporation. The new distribution tax will apply to existing SIFTs beginning in 2011, and to new SIFTs (those that begin public trading after October 31, 2006) in 2007 and thereafter.
- The general federal corporate tax rate will be reduced by a further one-half percent to 18.5% in 2011.

- The age credit available to Canadians aged 65 and older will be enhanced.
- Taxpayers will be allowed to "split" pension income with a spouse or common-law partner.

Global Growth Expected to Slow Marginally in 2007

A slowdown in the U.S. economy will likely drag on global growth next year, economists predict, but Asia and Europe are expected to remain fairly resilient amid signs of healthy consumer demand.

Even as a cooling U.S. housing market weakens Americans' appetites for foreign-made electronics, clothing and other exports, the swelling ranks of middle-class consumers in China, India and the rest of emerging Asia are seen picking up the slack, experts say.

Europe's growth may also slow some, but the outlook there is also relatively positive due to renewed consumption and falling unemployment.

"While the world's other major economies will be affected by slower U.S. growth, their own domestic demand should continue to drive global growth," Swiss investment bank UBS said in its year-end outlook for the global economy.

Global growth as a whole is projected to slow a tad to 4.9 percent next year from an estimated 5.1 percent this year, the International Monetary Fund predicts.

(Continued on page 17)



NEWS ROUND-UP



- As retirement lifestyle expectations fall, savings stress rises
- Canadian tax reform
- Global growth expected to slow marginally in 2007
- Canadian companies predict another big year for M&A
- World financial assets expected to grow rapidly

The world's richer, more mature economies will see lower growth rates. The Organization for Economic Cooperation and Development has trimmed its 2007 growth forecast for its 30 mainly industrialized member countries to 2.5 percent -- the lowest rate since 2003 -- from its previous estimate of 2.9 percent.

The big question is whether the U.S. economy will slow gradually while avoiding a jump in inflation -- something economists call a "soft landing" -- or slide into a recession, which could seriously stifle global growth.

Canadian Companies Predict Another Big Year for M&A

According to the Connecticut-based international research firm, Greenwich Associates, Canadian companies expect mergers and acquisitions activity in the coming year to exceed the record-breaking levels of the past 12 months.

Among the more than 180 Canadian companies interviewed by Greenwich Associates as part of its 2006 Canadian Investment Banking Study, 43% say they expect to engage the services of an M&A advisor in the coming year for a domestic transaction. That proportion substantially tops the 33% of companies that actually engaged in domestic M&A activity between 2005 and 2006. The same trend exists in cross-border

M&A, where the proportion of Canadian companies expecting to be active in the coming year increased to 32% from the 22% actually transacting in the 12 months leading to the 2006 study. The research reveals a number of sectors that expect to be most active domestically: non-bank financials, metals and mining, paper and forest products, real estate, telecommunications, and utilities.

World Financial Assets Expected To Grow Rapidly



According to the Boston-based firm McKinsey, the world's financial assets now total more than \$118 trillion and will exceed \$200 trillion by 2010 if current trends persist. The stock of global financial assets has grown faster than the world's GDP, indicating that financial markets are becoming deeper and more liquid. With a few qualifications, this trend bodes well for the world's economies, since deeper markets provide better access to capital and improve the allocation of risk. Much of the growth in global financial assets comes from a rapid expansion of corporate and

government debt, with all of the attendant benefits and risks. The roles that major countries and regions play in capital markets are changing. The United States has the largest of them, which attracts foreign issuers and investors alike. European markets are becoming more integrated, however, and are gaining in market share and depth. Meanwhile, Japan's role in global capital markets is diminishing and China has become a new force.

Although we talk about a global capital market, just four areas account for more than 80 percent of the world's financial stock: the United States, the Euro zone, Japan, and the United Kingdom. Furthermore, regions differ starkly. The market of the United States—which, with \$44 trillion in financial assets, accounts for 37 percent of the world's financial stock—is dominated by private debt and equity. In Europe, banks play a larger role in finance. Asian financial markets are relatively isolated from one another and differ in important ways. Japan has the region's largest financial stock, but it is relatively stagnant and only the expansion of government debt fuels its growth. China's financial market, though less than one-third the size of Japan's, is among the world's fastest growing, and the country has amassed a sizable portion of the world's bank deposits.

CRA magazine

CANADIANS RESIDENT ABROAD INC. is part of the Keybase group of companies.
100 York Blvd., Suite 600, Richmond Hill ON, CA L4B 1J8 Tel: 905.709.7911 Fax: 905.709.7022
Email: cra@cramagazine.com
Website: www.cramagazine.com

CRA magazine is published quarterly by Canadians Resident Abroad Inc. All rights reserved. No part of this publication or any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise for commercial purposes, without the permission of Canadian Residents Abroad Inc.

Every effort has been made to ensure the accuracy of the content of the magazine. All articles represent the opinions of the authors. Canadians Resident Abroad makes no warranty, express or implied, concerning the con-

Publisher
Dax Sukhraj

Editor
Dwarka Lakhan

CRA Magazine Editorial Board
Dax Sukhraj
Arun Nagratha
John Wright
Pervez Patel
Dwarka Lakhan

Creative Director / Designer
Subhas Fagu

Circulation and Web Site Manager
Keith Sutherland