YOUR MONEY MATTERS

Actra Fraternal Benefit Society
AFBS

FOURTH QUARTER REVIEW 12 Months Ended December 31, 2011

Fourth Quarter
Rate of Return @ December 31, 2011

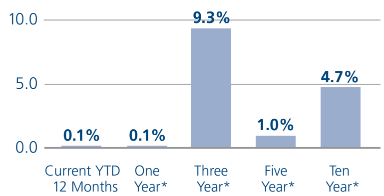
General Fund

4.2%

Bond Fund

1.8%

General Fund
Rate of Return @ December 31, 2011

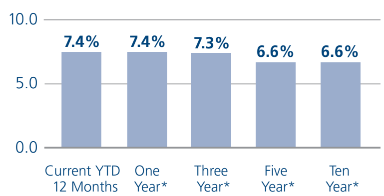


*Annual Compounded

General Fund Asset Allocation
As @ December 31, 2011

Canadian Equities	34.2%
Foreign Equities	25.6%
Bonds	38.9%
Short-Term Deposits	1.0%
Cash	0.3%

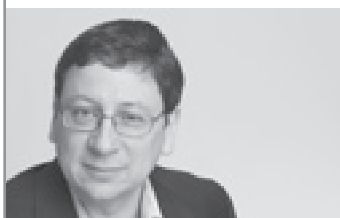
Bond Fund
Rate of Return @ December 31, 2011



*Annual Compounded

Bond Fund Asset Allocation:
As at December 31, 2011, the percentage of assets by investment categories was 100% in government bonds and corporate debt securities.

In this issue of **Your Money Matters**, I will address feedback and concerns received from Members regarding our Retirement and Savings Plans, and requests from Members for AFBS to offer Guaranteed Investment Certificates (GICs).



RON ZAMMIT
Chief Financial Officer, AFBS

The investment world is a complicated place in which Members are bombarded with, mostly gloomy, information from every direction. Making sense of this information is no easy task, particularly when conclusions seem to change on a daily basis. We have witnessed a great deal of market volatility over the past 10 years due to the impact of 9/11, the meltdown of U.S. financial markets, the Great Recession, and the unfolding European debt crisis. Members have called to express their frustration and exasperation with that volatility, and concerns their savings are at risk. Even when they have "stayed the course", they have not been rewarded for the risks they accepted. Members want to reduce risk, simplify their portfolios and protect their investments. The most requested investment by Members is the GIC. GICs are the 'comfort food' of the investment world. They are easy to understand, pay a known return, and are guaranteed to return your capital at the end of the term. They are considered to be immune from the volatility of the marketplace.

As great as they are, GICs have shortcomings, including the current rate of interest paid on them. Recently, interest rates paid on savings have remained stubbornly low, with short-term GICs earning less than 1%. Given that, according to Statistics Canada, the current rate of inflation is in excess of 2.5%, at maturity, a GIC investment will provide an investor with less purchasing power than they had when they made the investment. Additionally, GICs are locked-in: They cannot be cashed prior to maturity without significant penalty. Below, I illustrate the 10-year return on a $10,000 RRSP investment in four different plans. The value of these returns is based on actual data from January 1, 2002 to December 31, 2011.

What $10,000 would be worth today
if invested 10 years ago in:

The AFBS General Fund	**$15,799**
The AFBS Bond Fund	**$19,014**
A 1-year GIC★	$10,178
A 5-year GIC★	$12,175
The effect of inflation at 2.5%	$12,801

★ Source Globe and Mail December 31, 2011

...the cost of the GIC security blanket

All four plans are in a positive position. While the AFBS plans are of greater value, they have and will continue to experience market volatility. The difference in value between each plan and the inflation value is, where positive, the risk premium received, or where negative, the cost of the security blanket.

The decision to invest in GICs is a personal one. A Member must be comfortable with their investment, and the loss of purchasing power may be an acceptable price to pay for the security provided by a GIC.

Fred Langan
Financial Journalist

MAKING SENSE OF EUROPE'S BOND CRISIS

If you can buy a bond from a safe country, such as Canada... why take a chance on Italy, Greece or Ireland?

Europe will be a hot topic this year no matter how many headline-grabbing fixes Angela Merkel and Nicholas Sarkozy come up with. And the headlines are often as confusing as the rest of the story, in particular, when they are blurted out in the shorthand of broadcast news-speak early in the morning.

"Italian bond rates rose to nine per cent, as Spanish and Greek bonds were also hard hit."

Those words wash over most people, although from the tone, most listeners know instinctively that this was somehow bad news in the overall scheme of things. Just how bad might be hard to figure out. Economic gurus throw out phrases such as 'sovereign debt', thinking the rest of the world thinks of nothing else and understands every word they say.

Newsreaders and editors focus on bonds because they are the instant score card for countries. It has been that way for more than 300 years. Britain was the first country to come up with the idea of borrowing money with a bond backed up by a guarantee by a sovereign country. Those bonds became the byword for safety – 'gilt-edged investments' – which for hundreds of years have been known in England simply as 'gilts'.

Some kept their value; others are only collectible curiosities, such as bonds from pre-1917 Russia or the Ottoman Empire. Those bonds are worth nothing but just before those empires collapsed, their yields would have soared and the newspaper editors of the early 20th century would have confused their readers with talk of prices and yields.

Bonds are quite simple to understand when you strip away the jargon. A country will sell bonds to raise money. Investors include individuals, but are mostly institutions such the Actra Fraternal Benefit Society. When bonds are issued, they all have the same value of 100 dollars or 100 Euros or whatever the national currency of the country issuing them. The yield, or the amount the issuer pays to the investor, is set according to the value of interest rates at that time. For instance, the latest Government of Canada bonds were issued at 1.87% which means, every year, the owner of a one hundred dollar bond earns $1.87 on their investment guaranteed.

The money is lent for a fixed period, such as 1, 10, 20 or 30 years. Most news stories are about the 10-year bond.

After 10 years have lapsed, the bondholder is returned the original $100 investment but, during that time, the price of the bond has fluctuated. If someone else wants to buy your bond yielding 1.87%, when in the real world rates have risen to 4%, your bond will be worth less because someone would be able to buy a new one that pays $4 per year in interest rather than $1.87.

Investors also look at the stability of the country that issued the bond. If you can buy a bond from a safe country, such as Canada or oil-rich Norway, why take a chance on Italy, Greece or Ireland? Canada's yield of 1.87% illustrates that the world believes this country is safe. Italy's yield is around 7%.

That is why rising bond yields mean investors think one of those countries might be a little closer to never paying pack that $100, or in this case, €100.

UNDERSTANDING MONEY

People must keep reading and learning about money throughout their lives.

Being dumb about money got the world into the mess it is in today. People rich and poor borrowed too much and governments and central banks encouraged them to do so with low interest rates that made the cost of borrowing so inexpensive. In the United States the ease of borrowing produced the mortgage and housing crisis that is still crippling that economy.

There is a movement in Canada and the United States to make sure people understand the basics of personal money management. It is called 'financial literacy'. When most of us hear those words, we suspect we are in for a lecture on a subject that can induce sleep or page turning. So let's just refer to it as 'understanding money'.

Saving and spending: Most people reading this will have savings in an RRSP or a Tax Free Savings Account (TFSA). There we find the joys of compound interest – earning interest on the money you make without paying tax. With an RRSP, you pay tax when you cash it in, while a TFSA allows you to keep it all.

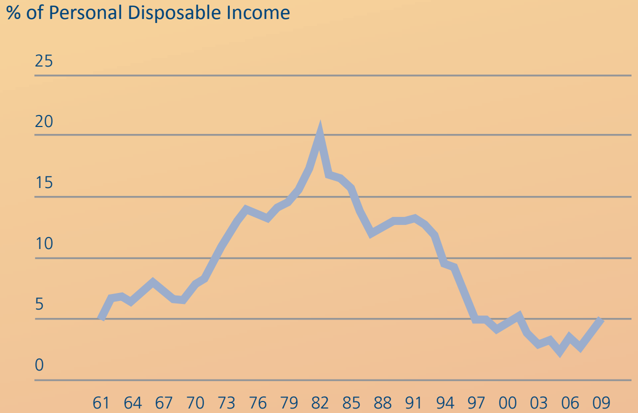
The misery of compound interest is in credit cards: One family member's post-Christmas Visa statement shows a balance of $1,275.16. The minimum payment is just $26 this month. The small print on the back of the bill says it all: "Reminder: If you only make the minimum payment every month, it will take approximately 30 years and 3 months to pay the entire new balance shown on this statement."

Savers are always out to get the best return which, is tough to do in a world where interest rates paid on GICs and bonds are so low. One money guru said some people are often defeated by their own greed, "They hear advice at parties from friends and acquaintances. They act on those tips and, in my experience, they almost always lose money. Better to stick to something safe."

Spending can be all too easy if cash can be taken from a line of credit tied to a house or condo that is escalating in value. The cliché is that people use their houses as an ATM. This has lifted the level of household debt in Canada to record levels. Everyone from the governor of the Bank of Canada on down says the smart thing to do now is pay down debt.

One study on the habits of Canadians states that the majority of people are perfectly capable of handling their finances. However, a 'growing minority' is in trouble because of 'poor financial decisions', which includes spending too much on things they don't need; saving too little for retirement or emergencies; and taking on too much debt, especially credit card debt.

The basics about money are not tough. Many of us who are performers and writers sometimes say we're not good at math, which in many cases – including mine – is true. However, almost all the math you need to understand money, is learned by grade 5. People must keep reading and learning about money throughout their lives and the personal finance columns in newspapers are a good place to start.



Nurturing your health. Building your wealth. Supporting your dream.

get connected

When AFBS first formed as a not-for-profit, Member-owned insurance company back in 1975, the only means of communicating financial information to our Members was through the pages of printed material. Nowadays, AFBS prints enough materials - including **Your Money Matters** - to create a stack of paper more than **a quarter mile high,** and if they were laid end to end, those sheets of paper would stretch for **5,250 miles,** more than the length of Canada. That amount of paper weighs **12 tons** and requires **200,000 envelopes** for mailing. But here's the most sobering number of all: Every year, printing and postage charges alone cost you – our Members – **more than $525,000.**

Today, by getting connected, AFBS has the ability to communicate with you through a variety of methods including e-mail, the Internet, social media and our own website. We have invested a great deal of thought, time and effort to refresh the AFBS brand, and what our information contains and how it looks when it gets to you, including stories on our reengineered website and the new layout of this edition of **Your Money Matters**. We can also get that information to you much faster electronically. Getting connected allows you to get instant access to your investment returns, annual earnings, insurance updates, RRSP and TFSA contributions, prior monthly, quarterly or annual statements and so much more.

By more fully utilizing digital communications, we will not only save the environment tons of trees, metres of landfill and significant greenhouse gas, but we will also save our Members considerable money, and allow them to make quicker and better decisions about their insurance and their investments. And because we are Member-owned and governed, savings on printing and postage can be returned directly to Members in the form of premium subsidies and/or increased benefits.

3 ways to get connected

There are three ways Members can get connected:

1. E-mail AFBS:
www.afbsgetconnected.com

2. Call AFBS:
(416) 967-6600 or Toll Free 1-800-387-8897

3. Fax AFBS:
(416) 967-4484 or Toll Free 1-888-804-8929

AFBS Investment Advisor, Eckler Inc. has prepared an E-Report that is now available on-line at our website www.actrafrat.com.

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