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IN ATTAINING YOUR LIFE'S DREAMS

AND THROUGH THAT

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WITH THESE ODDS, I'M IN & I WILL WIN IF I STAY IN THE GAME

Unless there is a complete turn in momentum between now and December 31st, it looks like 2013 will turn out to be a very healthy year for our investment portfolio returns.

In todays world, any sign of a portfolio doing well is more often than not followed by a look on someone's face of, "that means we should see a drop again".

To put that thought into perspective (which I'm sure is still scarred by the worst investment experience anyone has lived through since the Great Depression), here are some investment performance stats to weigh out the odds. This is 190 years of U.S. equity market data. The column on the left are positive return stats, on the right, are the negative returns:
Here are some points which break this down into bite sized pieces:

46 years of 0 to10%
39 years of10 to 20% returns
25 years of 20 to 30% returns
15 years of 30 to 40% returns
6 years of 40 to 50% returns
4 years of 50 to 60% returns

135 years of positive returns

27 years of 0 to -10% returns
19 years of -10 to -20% returns
6 years of -20 to -30% returns
2 years of -30 to -40% returns
1 year of minus 40 to 50% returns

55 years of negative returns

71% of the time there have been positive returns. Almost 50% of the time the returns have been over 10%.

If you say, OK I can handle a 10% decline, then let's look at the probability of anything worse than that happening in any given year:

14.7% of the time have we have experienced a year with a decline more than 10%.

The 3 biggest down years were experienced during the 30's and 1 in 2008. In percentages, that is 1.6%. I don't go to casinos, buy lottery tickets or play cards with betting involved however, when I own portfolio of very solid investments, most being the largest and most profitable companies in the world and those are the odds I'm facing of the percentage of times when people will panic and investment prices will fall, then I'm in.

Despite the rationality of those odds, there is still significant caution displayed among the general investing public. This is good, very good. When there isn't a lot of money chasing investments, the chance of widespread panic when an economic storm occurs, lessens. I'll be worried when the person who cuts my hair and the baristas I talk to at Starbucks every weekend are talking about how much money they are making on their investments.

People's caution and the bi-product of a lot of money still sitting on the sidelines along with 190 years of history's market odds are on our side which is why I'm in and will be until death do me part or another 50 years, whichever comes first.

12 Investment Truths

- ⇒ Equity markets usually go through 1 downslide a year and 1 really big one every 10 years. It's just what happens.
- ⇒ Comfortable investments are almost always the ones that are the most dangerous, not the ones that are a little uncomfortable.
- ⇒ You want to listen to a guy who talks about his mistake rather than the guy who seems to always get it right.
- ⇒ There will be 7— 10 recessions in the next 50 years. Don't be surprised when that is reflected on your statement.
- ⇒ 30 years ago there was 1 hour of stock market news per day. Now there is over 18. The increase isn't quality and can actually be damaging to your financial health.
- ⇒ There is always someone coming up with a better way to invest however the simplest are the most rewarding.
- ⇒ The best investors in the world have an important edge; they know more about psychology than finance.
- ⇒ For most people, finding ways to save more money is more important than finding that great investment.
- ⇒ The easy of buying and selling an investment has actually worked against investors because now there is less incentive to actually think.
- ⇒ The phrase "double dip recession" was mentioned 10.8 million times in 2010 and 2011 (according to Google). It never came. There was virtually no mention of a "financial collapse" in 2006 and 2006. It did come.
- ⇒ 12 years ago, GM was the company many people wanted to own and Apple was laughed at. Expect a similar shift to happen over the next several years. Shifts like this happen gradually and continually.
- ⇒ The most boring and often overlooked companies have proven to be the best long term investments.

Pensionize Your Assets With An Annuity And Get Paid 7%... Or More

You've downsized your house or simply need to create income from the money and assets you have accumulated during your working years so you can "retire". To do that, you have to figure out a way of "pensionizing" some of what you have into a monthly income. An annuity is one of those options.

An annuity is much like a pension plan in that it will payout for guaranteed monthly income for as long as you live. The biggest attraction is that you don't need to constantly worry about whether your money will run out or if a bad economic environment and declines in investment markets will recover.

The downside is that you are giving up a chunk of your assets for guaranteed income. This is exactly what you are doing when you take your pension. In many cases, you can choose to transfer out the lump sum and invest it with the help of your financial planner / advisor. If you choose to take the monthly income, you are giving up a few or several hundred thousand dollars for the promise by the pension plan to give you a guaranteed income for the rest of your life. An annuity is exactly the same.

So who benefits from purchasing an annuity? First, you need as much income as you can get. If you are 65, you will receive about 7% per year. 70? Closer to 8.5%. 75? You will receive close to 10% per year for the rest of your life. Second, if you have a family history of long life expectancy then an annuity could be just the ticket for you.

Like any kind of portfolio, one of the most important things to do is diversify. If all your retirement income is or will be guaranteed by governments and a pension plan, probably isn't needed. However, if all you have is your RRSP and you don't (or won't) get CPP or OAS it may be prudent to guarantee some of your income. You may also feel much better with a hands off approach to your retirement income, something guaranteed to last a lifetime, so you can really enjoy your retirement. If so, then an annuity should be considered for at least a part of your retirement income.

A Reverse Mortgage—There Are Much Better Ways To Create Retirement Income

Reverse mortgages used to be very popular when they first came out. There seems to be a bit of a resurgence the longer this low interest rate environment goes on. Because of that, I wanted to address this issue before one of you or your parents is tempted by the thought of continuing to live in the same home and getting more retirement income.

(Continued from page 2

Reverse mortgage are exactly as the name implies, a mortgage in reverse. Unlike your run of the mill mortgage, which virtually all of us have had to pay off, a reverse mortgage is where you take the equity out of your home or "house bank" as a lump sum or on a monthly basis. Because you don't have to make interest payments, the debt starts to snowball. Even at what are the lowest interest rates we probably will ever see, a lump sum payout will double the debt about every 7 years. The relatively high interest rates of a reverse mortgage and the compounding are the culprits.

Although the worst case scenario is that when the house is sold, there will be no money left, I'd suggest there are much better ways to give a retiree income. I've unwound a few of these over the years to put a more sustainable retirement income solution plan in place. The first option is to come to the realization that you can't have everything. If the desire is for more retirement income, the best way to achieve that is to move to less expensive housing. The money you free up could be invested in an annuity for guarantees and piece of mind. Besides, you probably will have to move even if you did take out a reverse mortgage. However if you move now, you will be in a much better financial position and you'll have more housing options to choose from now, so why not do it now?

Budget—It's Not A 4 Letter Word

The foundation of financial planning is simply not spending more than you make. Digging deeper, you need to be able to pay each and every expense, whether it comes on a week or monthly basis or much less often (ie a car purchase). The best way to do this is simply to set aside cash on a monthly basis in either a low tech envelope or, into a savings account which is to be only used for a specific purpose. Christmas presents? Save for them monthly throughout the year. You will know how much you have when December comes around. How much money is in your account determines how much you have to spend. Didn't do that this year? Add up your bills for this year, divide by 12 and just do it.

An Executor's "Must Do" - Get A Clearance Certificate

If you are an Executor of a Will, when all is said and done, you need to get a "Clearance Certificate" from the CRA. If not you could be on the hook for paying the deceased person's unpaid taxes… all of them.

A clearance certificate is a document you need to obtain from Canada's tax collector, the Canada Revenue Agency (CRA). This will state that the government has received, as far as it can see, all taxes owed and will not go any further in collecting taxes from the estate and ultimately, you as the executor.

The key here is "you as the Executor". When you are an Executor, you are acting on behalf of the estate and thus take on the liability that, if any taxes are owing and you have paid out all monies to the beneficiaries, the government will come after you for any taxes still owing.

Here is a real example of that. Bob as the Executor of an estate, divvied up all the money from the estate to the beneficiaries. He discovered later that there was a $250,000 RRIF that was given directly to someone as a beneficiary named on the RRIF account. In other words, when Bob's mom died, the RRIF money went directly to the beneficiary named on the RRIF account. It was outside of the Will. Bob was lucky that 30% tax is automatically paid to the government by the financial institution holding the RRIF however, Bob was on the hook personally for almost $25,000.

That doesn't mean you can't distribute some of the assets to the beneficiaries before you get the clearance certificate. Just make sure you have kept a lot back to make sure you can easily pay all the tax owing.

There is no cost in getting a clearance certificate however it can take anywhere from 6—18 months so be patient and let the beneficiaries know the process…. so they can be patient too.

Tech Gems—Carbonite For Effortless, Continous and Reliable Backups

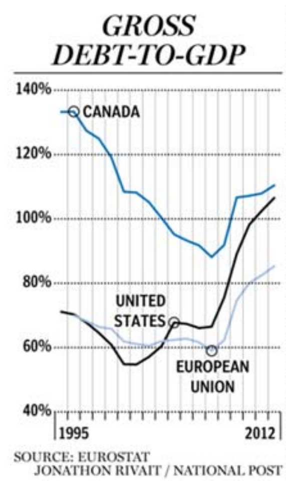
Have you ever had a computer drop dead, losing all your data because of it? Of all the computers I have owned since the 80's, I've only had that happen to 2 (knock knock). My first PC, which didn't have anything on it to speak of and my laptop just a few months ago which simply had synced files so I had a copy of the data elsewhere.

For many years in our office, we used to have an on site back up solution however, since we have been slowly moving our office's paper files to digital copies, reliable back up is so much more important now than it ever was. With Carbonite, if something seems to go missing on my computer, all I do is restore the file with 5 clicks. And if your computer decides to pack it in (which will happen), you can restore the whole computer to a new one. I've used a lot of different back up systems and this is by far the easiest, the customer service is very helpful and it's very reasonably priced.

Hhhhhmmmmm……

Since 1956, equity market ups have been much bigger (+224.5%) than market downs (-34.0%) and they last much longer (84.5 months versus only 13 months).

Jim Flaherty, Federal Finance Minister, said he is prepared to act again to cool Canada's housing market. He sees near-record consumer debt and buoyant residential real estate as the top domestic threats to economic growth.



Canada's gross government debt is higher than both the United States and the EU (see graph).

Research firm Urbanization Inc. says the average condominium sold in Greater Toronto is 887 square feet, down from about 1,000 square feet just a decade ago. (Yet, houses seem to be getting bigger…. much bigger)

Windsor is one of Canada's poorest cities, with 40% of its resident living in low-income neighbourhoods. StatsCan

In the first 6 months of 2013, their were a larger percentage of foreign buyers for Montreal homes over $1 million than in any other Canadian city and one of the reasons is its old world charm. Sotheby's

The typical 25 to 34 year old is now making wages that are 11% lower than they were for the same aged person in 1976, even though their education levels are higher. The typical older worker is making wages that are 3 to 7% higher than a similar person did 30 years ago. Paul Kershaw, policy professor at the University of British Columbia

When I passed by a large TELUS building in the middle of a business park, I didn't feel 11,000 km's from home. I felt equally at home while on a management tour of a Philippine Costco-type warehouse store, which was virtually indistinguishable from a Canadian Costco store. The familiar Kirkland brand filled the shelves. The most noticeable difference was the wall of 20+ varieties of *SPAM. Virginia Au, Portfolio Manager, Invesco Canada*

Among several countries, Canada has one the lowest percentage of income going to social security programs yet has one of the lowest percentage of the elderly living in poverty (Bloomberg). Could it be a good balance of government programs and independent financial advice being available?

Opinion polls show that the oil industry's advertising campaigns are convincing people that the Canadian oil industry is world class in both technology and environmental performance.

Norway is a socialist's nirvana. High taxes and one of the world's most lavish cradle-to-grave welfare systems, financed by a flourishing oil industry.

The number of people living with dementia worldwide in 2013 is estimated at 44 million. That number is expected to hit 76 million in 2030. It may be that the human brain is just not designed to function well past age 85, when about 40% of people have dementia. That percentage continues to rise with age,

1975 in China, there was 7.7 people in the workforce for every person over 60. By 2050, the ratio will be only 1.6 working for every retiree. China's population is expected to peak as early as 2017 and continue to fall. This is primarily due to it's 1 child per family policy. Georgia Straight, Nov. 2013

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