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USE COURAGEOUS PRUDENCE IN THE BULL MARKET

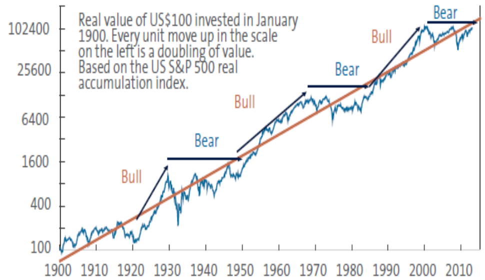
You've heard the term Bull Market, but was is it? A Bull Market is a period of time when a particular investment type goes up for an extended period of time, usually 4 to 5 years without any significant interruption in the upward trend. There can be series of Bull Markets in a row, called a Secular Bull Market. This is an overall, very long rise in investment prices with Bear (down) markets in between. These usually follow a world-wide catastrophic period such as a major war or the Global Financial Crisis of 2008 through early 2009.

One of the key factors in any kind of Bull Market is that it takes a long time for the investment public to realize we are in one because of the lingering shell shock from past events. The pervading thought is what we experienced recently will happen again however, it never does.

After World War II, most people thought that we were headed for a return to another 30's style depression. The exact opposite happened. Equity prices rose 6 fold by 1965.

Following that were 17 years of flat investments and relatively high unemployment. The nadir of this period was in the early 80's when interest rates and inflation went through the roof, which proved to be a catastrophic period.

With such a long time of nothing happening followed by a lot of people going bankrupt from overextending themselves on borrowing for real estate, pessimism was the feeling of the day which turned into skepticism when 1982 saw some of the biggest gains in history. "This can't continue".



Source: Global Financial Data, AMP Capital

Well, that rising market did continue, even with the scare in October 19th 1987, when U.S. equities dropped by 22% in one day. The end of this Secular Bull Market was 1999.

From 2000 through early 2009, things went up only to go back down for what many have called "The Lost Decade". Today, even though things have gone up almost without interruption, most people don't expect much from their investment portfolio. It's only natural to feel that way after what we have been through.

Prudently courageous long term investors will continue to be rewarded by the general public's investment psychology of caution; of waiting for something really bad to happen again soon. The huge cash and bonds holdings will continue to flow to sound "ownership" (equity) investments.

BEWARE OF HIGH DIVIDENDS

In this low interest rate, low inflation environment, many people have been chasing investments that pay the highest dividend. The thought is, "why buy that company paying a 2% dividend when I can invest in one paying 5%?"

On this paper thin surface, that thinking seems to make sense. Investing how-

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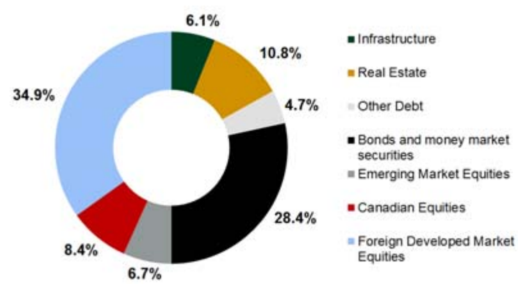
ever, isn't that simple.

The thirst by investors, for anything that pays more than a regular bank account, has led companies to pay a larger part of their cash flow out in the form of a dividend. The higher dividend makes people feel better and it usually pushes the company's shares up in price. This can be a dangerous cycle if you don't really know what you are buying.

In many cases, a high dividend company could be paying out a very high percentage (if not all) of their profits out to investors. This leaves no room for the company to grow the business. If you don't have a growing business, the cash flow from operations can't grow and in turn the dividends can't grow. That leaves you with a stagnant business. Stagnant businesses don't make good investments and if you have paid too much for them, a permanent loss of part of your money is the most probable outcome.

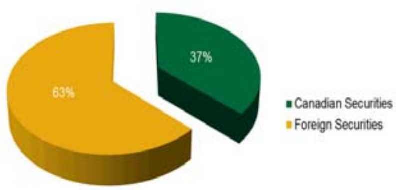
Does Your RRSP (or RRIF) Look Like The Canada Pension Plan?

If your RRSP doesn't already look something like CPP, I'd suggest it should.



CPP is the pension plan that you contribute to through your payroll. CPP provides to you a lifetime retirement income. That can be as high as $1,038.33 per month if you chose to start receiving it at 65.

The CPP is a pool of money the government has invested for all residents of Canada who have contributed to it. As it's name implies, it is a pension, one where the government of Canada guarantees it will pay you a monthly pension income for your entire life. Your RRSP, your personal pension plan, has the same purpose.



To give you the highest monthly income possible, the CPP's $220 billion is invested in a wide range of investments (see pie chart above). As well, the CPP has slowly been increasing it's allocation to foreign investments (pie chart on the left).

How does your current RRSP compare? Does it have a substantial amount in bank deposits, bonds or other investments? If so, your RRSP will probably only give you a relatively small amount of retirement income or the income won't last very long.

With the CPP and your RRSP you have 2 legs of retirement income. Add Old Age Security (OAS) paying out $558.71 per month and you have 3 legs on your retirement income stool. Your RRSP should be allocated properly (including less allocated to Canada than in the past) to produce retirement income for life so one of your retirement income legs doesn't end up shorter than you need it to be. If you think CPP and OAS of under $1,600 per month is sufficient to retire on, then there is no need to do anything.

The Right Way To Naming Beneficiaries On Your RRSP, RRIF and TFSA

A common mistake many people make is to name their children on their "registered" plans. These include RRSP, RRIF and TFSA. Here's why:

When you name a spouse as your beneficiary on any of these plans, when you pass on, money is transferred tax free to your spouse's RRSP, RRIF or TFSA. If you put your offspring as beneficiary on your RRSP or RRIF, at your death the entire balance of the plan will be cashed out (deregistered). The appropriate tax (mostly likely over 40%) will go to the government.

A TFSA works a bit differently. Since there was no tax deduction to put the money in, there is no tax to withdraw it. However, if you leave your spouse as the beneficiary, they get to transfer the full amount to a TFSA in their name. Listing a child as a beneficiary to your TFSA will cause the TFSA money to come out of the TFSA environment. That environment is one where money can earn interest, dividends and capital gains completely tax free. The best option is to have the money stay in a TFSA. The best place to keep money is in a tax free world.

Another issue with naming specific beneficiaries on specific assets, is that they are also covered in your Will. This can cause your assets to be split unequally because of how the tax gets paid. Obviously not your intent, however that can be the result.

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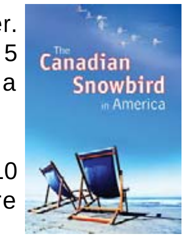
It is highly recommended your Will be drafted by a legal expert (Lawyer or Notary) in every case. Make sure you inform the professional drafting your Will which of your account plans have beneficiaries named already. The safe alternative, if you don't have a spouse is to simply name "Estate" as your beneficiary on a RRSP, RRIF or TFSA.

For Those Who Live Part Time In The U.S.



The U.S. and Canada are beginning to share information on when you cross the Canada /U.S. border. Now you really have to accurately keep track of the days you are gone so you don't face 1 of these 5 main consequences for being in the U.S. too long. They hinge on whether you are considered to be a resident or not. This definition does change depending on the circumstances.

1) Banned from travel to the U.S.— If you are deemed "unlawfully present", you could face a 3 to 10 year ban from entering the country. Being unlawfully present is when you are in the U.S. for more than 180 days in a rolling 12 month period, not calendar year.
2) Liability for U.S. income tax on ALL of your income— Staying too long makes you a U.S. resident for tax purposes and thus, you will have to file a U.S. income tax return and they will collect tax on all of your income.
3) Liability for U.S. estate tax on ALL of your assets—Canada doesn't have estate taxes per se (only a relatively small modest probate tax). Staying too long could make everything, including your home in Canada, taxable.
4) Liability for Canadian departure tax— Once you are deemed to be a resident of the U.S. because you stayed too long there, you are considered by CRA to have disposed of all of your Canadian assets. This can trigger tax on anything that has imbedded capital gains (ie an investment or rental property you have held for years).
5) Loss of Provincial health care— In most provinces in Canada, once you are considered to be a resident elsewhere, you lose your health care.

Tapping Into Your RRSP To Buy A Home Can Make Sense

The RRSP can be used very effectively as a down payment source for a first time home buyer. I usually however, only recommend this when there is a strong probability that the person using the program has the discipline to pay it back.

A withdrawal from your RRSP using the Home Buyers Plan (HBP) is not considered a withdrawal per se but more a like a loan. You can access up to $25,000 from your RRSP for this purpose. There is no tax to pay on the money coming out. The stipulation is that at minimum, you must pay 1/15th of the amount withdrawn every year for 15 years.

I see a lot of people miss the benefits of using the HBP by simply accumulating a down payment outside of the RRSP. Instead, make a $25,000 RRSP contribution. If there are 2 of you buying the home together, you can each do $25,000. That can translate into an income tax refund as high as $10,925. 2 people times 2 RRSP contributions, could mean almost $22,000 in income tax refunds. Now you have $74,000 for your home purchase. A sound strategy, provided you leave room to pay back your RRSP. With all of this, discipline and working with a Financial Planner is imperative.

Life Insurance Is Not The Most Important Insurance

For most people, when they think of the importance of insurance, they think life insurance. The most likely risk to happen though is not of dying prematurely. The most probable thing to happen prematurely is losing the ability to earn an income. There is no greater long term stress on a family than having a family member lose their ability to bring home the bacon. The family becomes hampered with having the same amount of people but lower family income. With a premature death, the surviving spouse can remarry or downsize the home. With the loss of an income earner who can't work, there are less options to manoeuvre and more costs. This may sound harsh and to some degree, cold. The reality is however, people buy life insurance first and only because it is cheaper. Yes, disability insurance costs more. It is because, losing an income in the family is much more likely, particularly when you have a young family.

Tech Gems— Workflowy, The Ultimate List Tool

I use a few different note apps for different purposes. Workflowy was recommended to me by a fellow Financial Advisor. It is a very simple list app that syncs as you are writing the notes on your phone to your computer. I know, "what do I need another "note app" for?". Actually, that was my thought but for all lists, Workflowy is it. It's very simple and very free flowing to use. I would suggest watching a 3 to 5 minute youtube video on how it works. It won't replace using Evernote however, if you make lists for remembering things to do, shopping lists, items to bring up in a meeting etc, this will replace all your other notepads, hands down. Out of your brain, into Workflowy.

Hhhhhmmmmm……

From January 1970 through March 2014, a globally diversified portfolio with 1/3 weightings in each of Canadian, U.S. and International (non-North American) equities had an annualized compound rate of return of 10.4%. The Canada-only portfolio returned 9.5% for the same period. Morningstar

The investing public believes if the share price of a stock drops by 50%, the investment is more risky than it was before it dropped when in fact, the opposite is most often true.

A company that pays a dividend of 2% yet only paying out 40% of it's cash flow is much better than one paying a 5% dividend and paying out 100% of its cash flow.

Confirmation Bias—the inclination to choose the data that fits with what you believe to be true, while avoiding the data that does not. All humans are prone to it. It is the reason most people are surprised when what they believe to be true isn't really true after all.

About 1/3 of respondents over the age of 55 had to return to work full-time after retiring due to insufficient savings. Financial Post, April 2014

The average CPP paid at age 65 is $7,602 but could range from nothing to $12,460 / year. Financial Post, April 2014

The Canada Pension Plan has $220 billion in a broad range of investments, a portion of which is invested in toll roads and other infrastructure projects. Financial Post, August 9th 2014 (is your RRSP invested the same way? See pg1)

In 1981 they predicted we would have run out of oil by 2014. Instead global oil production has increased by 46% and estimated oil in the ground now is 1 trillion barrels higher than was thought 33 years ago. It now looks like we have 53 to 250 years of oil left before we run out. USA Today, August 9th 2014

House prices in Winnipeg are almost double from 9 years ago. That is bigger than any gain of any of the 11 biggest cities in Canada over that period. Teranet, National Bank House Price Index

The US has the highest amount of retail space per capita than any other country in the world and 3 times as much as the 2nd highest in the world, the UK. Harvard University

Hardcover book sales were up 10% in the first 8 months of 2013and only 4.8% for e-books. Fast Company, Jan 2014

Approximately 25% of Argentines mispronounce "Pepsi" as "Pesci". Rather than fight it, Pepsi simply went with it and, since 2009, they have marketed Pepsi colas as "Pesci" colas in Argentina. How-To-Geek.com

Almost one in five 30 to 33 year olds lived with Mom and Dad, as did 29% of those in the 25 to 29 range. 17% of 30 to 33 year olds said they were getting help from their parents to pay their bills and 28% of those aged 25 to 29 said this. Yconic/Abacus

"Our youth now love luxury. They have bad manners, contempt for authority; they show disrespect for their elders and love chatter in place of exercise; they no longer rise when elders enter the room; they contradict their parents, chatter before company; gobble up their food and tyrannize their teachers." Socrates, 500BC

Carey