



mutual gains

ISSUE NO. 191

May / June 2019

LONG UP WAVE DOESN'T MEAN BIG DOWN

The economic cycle is a wave that continues to rise and fall. We will experience one after another as long as we live. It is simple economics. The wave rises on average for a period of about 5 years and falls for about 1 year.

According to widespread thinking, we are in one of the longest economic growth waves ever. Go through a big slide down the wave like we did in 2008/2009 shouldn't surprise us on the length of the recovery we have been in. 10 years ago was the longest recession since WWII (18 months in the US). Remember though, that 2011 gave us an economic slowdown, so this recovery wave we have been in hasn't been building without interruption.

Economic growth is slowed down by rising interest rates, instituted by central banks (ie Bank of Canada and Federal Reserve in the US). We saw that and its effects in the last couple of months of 2018 though it completely reversed itself right after Christmas and into the New Year. The

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**WE WILL LISTEN CAREFULLY
 TO WHAT YOU ARE SAYING
 AND BE ATTENTIVE TO YOUR DESIRES
 AS WELL AS YOUR FEARS
 SO TOGETHER WE CAN BUILD
 AND ENJOY
 A HARMONIOUS
 AND RESPONSIVE RELATIONSHIP
 IN ATTAINING YOUR LIFE'S DREAMS
 AND THROUGH THAT
 WE WILL BE ATTAINING OURS.**

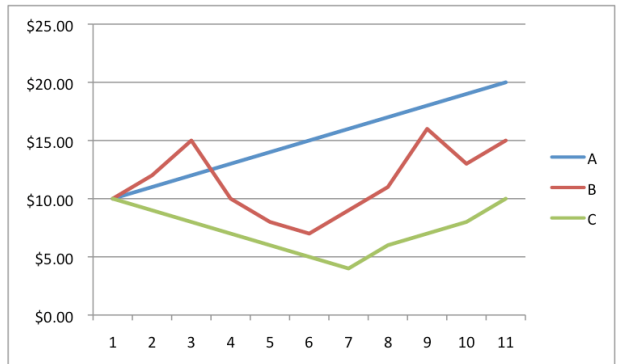
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DOLLAR COST AVERAGE YOUR WAY TO WEALTH ASSURED

Here is a chart showing 3 different investments. Which would you choose if you had \$10,000 to invest? From that basic question, I think we all agree it would be A. Your \$10,000 is now worth \$20,000. Investment B is worth \$18,000 and C? Well, you break even.

However, if you were investing that money in predetermined increments (\$833.33 / month) how would the results look then? Interestingly enough, the opposite is true. Investment C, despite it's share price ending at the same place it started, would have produced the highest return; your \$10,000 investment spread out over 12 equal periods, would be worth \$17,413. Investment A and B would be about equal at about \$15,950.

DCA (Dollar Cost Averaging) is something that was a simple yet very powerful truth!



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rising of interest rates had its desired effect; slowing economic growth and reduced inflation pressures.

That is what we have seen but what don't see is a mega amount of money floating around the world that is stuck in "negative rate" investments. When I say mega, I mean really big; to the tune of \$10 trillion. This money is invested in investments that are perceived safe and the controllers of this money are willing to get a modestly less amount of money back than what was invested (hence the term "negative interest rates"). Whenever interest rates tick up a bit, some of this money moves to safe, higher yielding investments. It is much like a 10 trillion ton tidal force moving out and in with a very strong pull.

So, although we are well into a global economic expansion, the change to the downside will most likely be quite muted. We could in fact be in a period of several years where there are the occasional very modest economic slowdown, all within a multi-decade environment of relatively low interest rates. In the meantime of course, we'll face ongoing events such as the most recent trade war concerns, between the US and China. No one can tell exactly what reactive gyrations can occur. The prudent thing you can do (and have control of) is to remain fundamental in choosing investments or portfolio management that is a disciple of buying value (buying \$1 for 70 cents). This eliminates the risk of permanent loss of capital no matter what happens. You don't have that safety when you overpay.

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learned, when first becoming a Financial Advisor in 1987. DCA takes the guess work out of when to buy an investment. It lessens the risk (and emotional stress) of buying an investment at the wrong time. On top of that, the habit of investing money on a monthly basis, automatically, will produce strong, wealth building results.

DCA speaks to what you can do to improve your future financial situation. A modified version of this concept is also being used by some of the most successful investment management firms; those who make individual investment decisions for my client's portfolios (as well as my own). These teams first scour the globe for companies that are 1) Leaders in their field, 2) Have CEO's and other top level executives who have much of their own wealth invested in the company and 3) You can buy these businesses for less than they are calculated to be worth.

However, despite doing all of this work, they might invest a substantial amount of money and shortly thereafter, the share price falls dramatically. The investment still makes sense to own however, it is simply cheaper than it was before. More shares can be purchased at an even cheaper price. What do you do? Wait and see what happens? Simply say you made a mistake? If the original investment analysis is sound, you simply buy more. The only thing that would prevent one from doing what should be done is emotion.

The ups and the downs of the market and the emotional turmoil that can result for an person that doesn't really know the value of what they have bought, can be their undoing. However, to a disciplined investment management team, the volatility in share price is simply a tool used to maximize the return for anyone who they are managing money for. On your end, all you need to do is keep Dollar Cost Averaging.

2 CRITERIA NEEDED TO GET THE MAXIMUM CPP

The maximum CPP a 65 year old will get in 2019 is \$1,154.58 / month. Most people don't get the maximum however. Here are the 2 criteria you need to meet to get that.

Contributions—This first is that you actually have to make CPP contributions. To get the maximum, you need to make contributions for 83% of the time you are eligible to contribute, which is 47 years (age 18 to age 65). 39 years is 83%. So, if you don't contribute into CPP for at least 39 years between age 18 and 65, you won't get the maximum.

Amount of Contributions— If you have employment income (that includes working as self employed) you make CPP contributions. Every year you contribute into CPP, you add to your future, monthly CPP income. There is a catch though. You need to make the maximum contributions and that is based on the "Yearly Maximum Pensionable Earnings" (YMPE). In 2018 that number was \$55,900 and has indexed its way up to that amount each year, with the rate of inflation. If you haven't earned that kind of income for 39 years, you won't get the maximum. No need to fret however. If you didn't make those thresholds, but are relatively close, your CPP might be only within \$100 of the maximum CPP benefits at age 65 (or 66—70 if you choose to wait to collect it and in turn, get 0.6% more for each month you delay).

Of course, you can get your full CPP contribution history online through MyCRA and from there you can access the Services Canada site (bottom right hand corner of the MyCRA "Overview" page).

WOMEN VS MEN ENTERING RETIREMENT

Most of the planning and discussion on retirement has to do with accumulating the assets to produce the retirement income you will need. The fact though is, the emotional transition to retirement, however that looks for you, is just as important.

Within the Financial Advisory profession, I've noticed generally, female Financial Advisors have an easier time cutting themselves off from their work and do so often many years before men do. Not only do they have an easier time, they know when they want out and it is, according to my observations, much sooner than men. Some men work well beyond when they should.

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Neither path is better than the other (as long as you aren't working past a healthy point). It all comes down to one's wiring; that being able to separate your identity from your work. The best way to do this is long before you retire, whether it be from want or necessity, because one of those will eventually come.

To prepare for the inevitable transition, develop a "purpose" (purposes) outside of work, one which can take up much of the time you currently now spend working. With my 2 sons well into adulthood and a move 3 years ago to a house on a smaller lot (and lower maintenance landscape scheme), I am finding more free time. One of my recent changes is that I took up the role of drummer with a small group of musicians. Who knows where it will lead. I'm sure we'll be doing some live events. I also envision having a boat and doing some fishing with my 3 granddaughters and a friend or two. My new activities are unfolding and frankly, they might change again. Despite these new activities, I can't imagine retiring and have no desire to. I'll just see how my activities develop. How about you?

The objective is to envision and start laying plans to do something outside of work, well before you retire. I used the word "purpose" which doesn't simply mean entertaining yourself. Developing strong relationships is in itself the highest form of purpose and give you identity tied to you and you alone. Women are generally more naturally wired that way than men are. But, if we were all the same, many of us would be redundant.

LESS INHERITANCE FOR CHILDREN OUTSIDE OF CANADA

Having all your kids in one country has 1 set of laws (Canada's) apply to all of your adult children. However, when you have part of your family living outside of Canada, their adopted country may have estate laws that collide with Canada's. When you pass on, this could mean those offspring of yours, outside of Canada, could get less from your estate than your other child(ren). For example, your adult child living in Japan, Chile, Venezuela or one of many European countries, will pay an inheritance tax or "succession duty". Your Canadian family members will not.

There are tax treaties for example with the US and France whereby you get a tax credit for estate tax paid in one country to offset the tax paid in the other. This negates the issue in some cases of double taxation however, that is. All of these are equally applicable if you live outside of Canada and most of your adult children are in Canada.

If you are not one to worry too much about fairness then, this whole thing may not be an issue. Besides, they chose where to live and it's not your problem, right?. On the other hand, if you are more sensitive to this, I'd suggest you bring this issue up with the lawyer who draws up your Will, so they can minimize the double taxation effect on those living in a country other than where you have chosen to live.

REDUCE TAX ON YOUR ESTATE WITH A "GRE"

There are many very good reasons that having an Executor who is a professional that deals with estates, is better than trying to save some money and get a family member do it. One strategy that applies is using a "Graduated Rate Estate" (GRE) to minimize tax.

Simply put, a GRE allows an estate's tax liability to be spread out over as much as 36 months after a person's death and benefit from the graduated rates that tax paying individuals enjoy. For those who give relatively large amounts to charity or are doing so through their Will the GRE is particularly advantageous. In any event, the GRE can substantially lower the overall tax paid by the estate which means more money to your beneficiaries. There are too many details to go over with the limited space here however, suffice it to say, if you are an Executor or expect to be one, make sure you ask about implementing a GRE when the times comes, to see if it makes sense.

THE DOWNPAYMENT NUMBERS

Aside from the basic question of, "Can I afford the mortgage payments?", putting together a downpayment is probably the biggest hurdle to overcome when trying to purchase a home or other real estate asset. Here are the minimums required for various scenarios for clarity:

You will be living there full time: 5% down on the 1st \$500,000 and 10% for any amount over \$500,000 up to \$999,999. \$1 million or more the minimum is 20%.

Getting away from the requirement to pay for mortgage default insurance: You'll need 20% down. Mortgage insurance costs get added to your mortgage. On 10% down or less you will pay 3.10 to 4.5% of the total mortgage balance (so, try to get the 20% down).

Rental or 2nd home— 20% down will be needed for all rental properties. You can do a 2nd home or recreational property with 5% down but you'll have to pay the mortgage default insurance.

How do you come up with the downpayment? Save of course. The best way to do that (although not all Financial Advisors agree on this) is to contribute to your RRSP up to \$35,000. This will give you a tax refund of up to about \$34,000 (for high income couple, using 2 RRSP's). Use the Home Buyers Plan RRSP withdrawal to take your RRSP money out tax free for part or all of your downpayment. I recommend this only for the financially disciplined in conjunction with advice and ongoing partnership with a Financial Planner.

TECHGEM— BREACHALARM

In the world of hacking, phishing and identity theft, an alarm to alert you if you are at risk, is really important. You are highly at risk if you

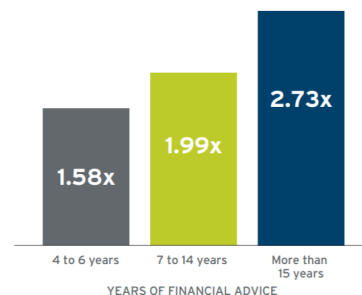
only use 1 or a handful of different passwords. Should a site you use be hacked, your password is probably now known. All a hacker has to do is try it on any other sites you may use and... they are accessing that other site's information on you (and they don't have to sit at a computer to do it manually as they will have bots to do that so as to check lots of sites, fast).

BreachAlarm is a data breach detection tool. It will notify you when your email address has been found in a security breach. You can [see their promo video on YouTube](#). Of course, if you have a different and very convoluted password for every site you are registered on then you have much less to worry about (which is why I recommended LastPass in a previous TechGem. Lastpass can also tell you which sites have been breached).

HHHMMM...

- US share prices this past January had their biggest increases since January 1987. This was after a December that was the worst since 1931. Bloomberg, Feb. 2019 #DidYouNotice?
- Equity market valuations are now below their 60 year averages, even though interest rates are significantly lower now than in virtually every year of that six decade span. Dixon Mitchell Investment Counsel, May 2019 #WorryOnlyWhenExpensive
- \$100,000 invested in a particular well managed mutual fund in 1981 was worth over \$5.7 million in 2018 after all costs (except taxes). This is despite all the economic, political and catastrophic events that have happened during that time. Invesco, Aug. 2018 #NotJustRealEstate #TimeNotTiming
- In Canada we have seen very long periods since WWII, between recessions: 1961 to 1975 (14 yrs) and 1992 to 2009 (17 yrs). CD Howe Institute Business Cycle Council #LongPeriodsOfBliss
- Canada's last recession was July to November 2008. That is 11 years ago. Australia is in it's 27th year of economic growth with no recession. IPC Private Wealth, April 2019 #GlassHalfFull
- A company you probably haven't heard of, Saudi Arabia's Aramco, will be the most profitable company in the world. Its profits in 2018 were more than Apple, Alphabet (Google), JPMorgan Chase and Exxon Mobil's combined. CNBC Markets, April 2019 #OillsBigBusiness
- Celery juice has become a health fad due to Instagram. With the hype, the price of celery has gone up significantly. The fact though is, juicing reduces or takes out many of celery's benefits. Despite that, celery is nothing really special and there is no scientific evidence to support the Instagram mindless photo junk. CBC, April 2019 #SocialMediaStupidity
- Starbucks opens a new store in China every 15 hours yet China drank 6.2 cups of coffee / person last year compared to 390 / person in the US. Bloomberg, April 2019 #BuildThemAndTheyWillCome #MarketCreation
- If you are a part owner of any company that can raise its prices and increase profits, don't fret over higher prices. You are making money off the multitudes that are paying those higher prices. #HigherPricesAreGoodForOwners
- 62% of High New Worth survey participants who work with an independent Financial Advisor checked off "trustworthy" from the list of traits, compared with 48% of those surveyed who work with a bank-affiliated advisor. Investment Executive, March 2019 #BanksSellProduct
- All through my banking career, my employers wanted me to push investments even when the clients had non-tax-deductible debt. This is good for the financial institution as they make money on both sides of the balance sheet. Not good for the customers. Peter Hambly, former CFP, Globe & Mail, May 2019 #WhyDoYouTrustYourBank?
- US markets close for Good Friday. It's the only day the markets are closed that's not a federal holiday. #CapitalistVsGovernmentView
- Macau is China's gambling region. Wynn, a developer and operator of resorts and casinos based out of Vegas has 69% of its business coming from Macau. Robinhood Snacks, April 2019
- Con artist is short for confidence artist. People have confidence in TV celebrities. New York Times, March 2019 #Don'tFollowAFace
- The Chinese perform in excess of 13 million abortions / year, now a widely accepted form of birth control aimed particularly at females. Children who are raised without siblings are often unduly pampered, potentially creating a sub-culture of self-absorption and indulgence. It is predicted there will be 20-30 million men left single by the year 2020. In some areas, young men outnumber young women by 30-40%. Operation World, April 2019
- You can pick up any new or used Android smartphone, download Microsoft Launcher (or any Android launcher for that matter), restore your settings, and your "new" smartphone looks and feels exactly like your old one. No matter if you are moving from a Galaxy S10 to a Xiaomi, a Blackberry to a Nokia, a Motorola to a Huawei, or vice versa, the operating system itself has faded into your personal background and the launcher is holding together all the apps and online services. Forbes, Feb. 2019 #ILoveMSLauncher #YouAreInControlNotApple
- Cheryl and I own 1 car between the 2 of us. We drove 13,395 kms in 2018 and spent a total of \$1,757 Cdn on gas (we fill up in the US). #GasStillMakesSense

Investors who work with a financial advisor accumulated 2.73 times more assets than investors without an advisor *



*Source: IFIC Value of Advice Report, 2012

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