



mutual gains

ISSUE NO. 193 September / October 2019

WHY THE “R” WORD CONCERNS?

When economies around the world are heating up too much, the investment markets are concerned. Slowdown? That too, creates angst. Everyone wants, “not too hot, not too cold, just right.” Today, we are in the worry of “too cold”, which is why the “R” word continually being referenced in various media, extending to casual conversations amongst friends and family.

The US economy has slowed down from the hot pace it was on about 1 1/2 years ago but is still moving quite solidly, forward. However, it might slow down and stall, because other countries are having a much more difficult time. Now the talk is about, to what extent the slowdown happens and how widespread it will be; with every country around the world’s economic health being measured, daily.



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.

(Continued on page 2)

WHY THE “R” WORD CONCERNS?	1
8 BIG FINANCIAL MISTAKES PEOPLE MAKE	1
HOW TO GET INCOME FROM YOUR HOME	2
TFSA—HOW TO USE IT (& HOW NOT TO)	2
DID YOUR 6, 7 & 8 YEAR OLDS GET THEIR \$?	2
2 LITTLE KNOWN USES OF LIFE INSURANCE	3
PROTECTING YOURSELF ONLINE	3
TECH GEMS— COSTCO APP	3
HHHMMM...	4

8 BIG FINANCIAL MISTAKES PEOPLE MAKE

- ⇒ **Believing a “story” that says you can get a guaranteed return of 5, 10 or even 20% per year:** Believing it so much, you invest a substantial amount of your money there.
- ⇒ **Buying a house that is more expensive that you can actually afford:** Costs are often underestimated and if you are close to your limit, you’re walking a tight rope.
- ⇒ **Selling an investment because you are scared:** This always creates a loss. Holding it, the loss has historically, always disappeared when the investments are financially sound.
- ⇒ **Getting a sizeable inheritance or making a large investment gain and then thinking you are set:** Undisciplined spending follows, whittling away what could have funded what you need to provide you income for life.
- ⇒ **Listening to everyone’s advice:** Too many captains steering the ship will never end well. Choose a Financial Advisor who is worthy of your trust and then, occasionally, throughout your relationship, confirm the soundness of that advice with someone else, who has good financial sense.

(Continued on page 2)



(Ups & Downs. Continued from page 1)

Currently Germany, the UK, Italy, Mexico, Brazil, Argentina, Singapore, South Korea and Russia are in recession territory. What these economies all have in common is they sell a lot of goods to other countries. When you have trade wars, like the one Trump started with China, those are the countries most effected. Although the US and China aren't the only ones building trade fences. South Korea and Japan are too.

To offset the economic cooling effect this is all having, central banks lower interest rates to encourage their residents to borrow and spend more. That is what has been happening worldwide however, the biggest solution to the worldwide uncertainty being created mostly lies at Trump's feet. He may choose to kick that can off the curb because frankly, the US is one of the countries in the world affected by trade. 70% of its economy is driven by spending within its own borders. Only 13% is related to exports. Whatever happens, the US will probably be the least affected.

As I said at the outset, everyone wants "not too hot, not too cold..". Anything outside of that creates concerns. This is much like how often an airplane is off course to its destination, which is almost always. If Trump et al create more barriers than everyone expects and full out trade wars ensue, we could go off course more than expected. However, if your portfolio is invested with intensive research behind it, done by a group of very independent thinkers, using a very disciplined approach to buying pieces of businesses for less than they are really worth, you will be well insulated (and could very well, thrive) despite it all.

(Continued from page 1)

- ⇒ **Believing there is only one investment that will get you where you need to go:** Owning assets that have historically shown to produce wealth should be where you focus. Home ownership has been a great, tax free (in Canada) wealth creator. It has been achieved mostly, because you can borrow so heavily against it, thus magnifying the returns through "leverage". Many others have grown substantial wealth in owning various pieces of businesses. In fact, that is how the greatest wealth has been created (ie Warren Buffett).
- ⇒ **Supporting adult children:** It's painful to see your kids struggle, whatever that struggle may be. I know, I have 2 sons. You could be giving them a piece of your financial lifejacket, leaving you with the inability to help them in the long term, should they (or you) really need it. Plants needs stress to grow to create the most beauty. So do people.
- ⇒ **Holding most of your money in 1 investment:** This is often in shares of a company you work for. It also could be from speculating on an investment. Getting lucky with a gamble and then holding on to it as its price increases exponentially, assuming the increase will continue (not "knowing when to fold 'em".)

HOW TO GET INCOME FROM YOUR HOME (WHILE LIVING IN IT)

You think of yourself as "house rich & cash poor". You want to stay in your home but you need income. What I'm not going to tell you is to rent out a room, the basement, your couch or host foreign students. Sure, those are viable options, but they can really change your lifestyle in a way you probably don't want. What I am going to suggest is the ability you probably have, of accessing the equity you have in your home.

\$100,000, \$200,000 (or \$500,000 maybe?) of your home's value could give you a monthly income. As well, you could simply access a lump sum of cash for whatever you want. One way to do this, which has been talked about as long as I can remember, is a "reverse mortgage". You have to be age 55 at least, the interest rate that accrues is higher than most other forms of financing and there isn't a lot of flexibility once it is set up.

The other option is a Line Of Credit (a mortgage) where you can borrow up to 80% of your home's value to give you income with no need to pay interest costs, as long as your credit limit isn't maximized. There aren't many financial institutions (I'm only aware of 1 in Canada) that offers this. An example being a \$500,000 Line Of Credit. This could provide approximately \$700 / month of income to you for 30 years (assuming a borrowing rate of 4%). If you wanted to increase that income at anytime, or pull out lump sums along the way, that would of course reduce the amount of time before you hit your ceiling.

As with all Financial Planning issues, I'd recommend a consult to see if this could make sense for you. If so, I would in turn liaise with the bank that provides this kind of financing and between the 3 of us, we'd ensure you get exactly what you need.

TFSA's—HOW TO USE IT (& HOW NOT TO)

More people have TFSA's than RRSP's. However, most really don't know why. Here is how it often starts for millions of Canadians.

You are told by a person at the bank, "you should have a TFSA". A TFSA is opened, the person at the bank gets points for opening an account and your money moves from your chequing account to your new TFSA. The money sits earning only about 1% per year (maybe 1.5%..WoohoO!). You really don't know why you have the TFSA, other than, you were told you should ([UGH! Charlie Brown style](#)).

(Continued on page 3)

How To Use Them— For their unlimited tax free compounding. If you are 50, a TFSA can be saving you tax and compounding your wealth for another 30, 40 or maybe 50 years. Put higher returning investments in them. Change your thinking to Tax Free INVESTMENT Account. Get tax free income from them.

How NOT to Use Them— As a storage place for cash that mimics your chequing account. Enough said. I'll probably do a more extensive BloG on this topic.

Did Your 6, 7 & 8 Year Olds Get Their \$1,200 Yet?

For young families in BC, there is a gift that the BC government is offering. All you need to do is set up an RESP. Once you do that, the institution where you set it up will apply to the BC government to have \$1,200 per child, directly deposited to your family's RESP. I've mentioned this in [early 2017](#) as well as [in the Fall of 2018](#). I bring it up again (and again) because I continually come across people who haven't collected this money. Tell someone and through that, you'll be getting them, \$1,200, \$2,400, \$3,600 or more.

Do you have an RESP already and it isn't under our administration? You may need to ask your bank, Financial Advisor, etc. about it. It requires a separate form to sign off on. If they didn't proactively send this form to you (or they don't proactively do much for you, including keeping you informed), maybe it's time to deal with someone else for your Financial Advisory needs?

BIRTH YEAR	DEADLINE
2006	August 14th, 2019
2010	Day before 9th birthday in 2019
2011	Day before 9th birthday in 2020
2012	Day before 9th birthday in 2021
2013	Day before 9th birthday in 2022

2 Little Known Uses Of Life Insurance

Other than simply insuring the life of the income earner(s) in the family, life insurance can be a fantastic tool for passing on wealth to the next generation and saving a whole lot of tax:

Life Insurance On Your Kid's Lives— Years back, I was not a fan of this idea. As I have personally accumulated wealth, as have many of my clients, I'm finding more and more people will not need all of their assets, to fund their retirement lifestyle. Buying life insurance on your children can have you accumulate money tax free, within a life insurance contract, and then, when they are 18 or older, you can transfer the asset to your kids, tax free. The beneficiary of the policy can be your future grand children, providing multi-generational, compounding and cascading, wealth transfer (should the money not be needed by your own kids).

Providing Retirement Income For You — You can grow investments tax free, within a life insurance policy. These assets can be borrowed against to provide you tax free retirement income. This can be done using a "policy loan". Another way to access the cash is by getting a series of loans against your policy through a bank. Both of these options have their pros and cons however, they can give you access to an asset you thought you couldn't get money from.

Protecting Yourself Online

Although I'm no expert in online security, I do spend a lot of time keeping up to date on the topic. Here are a few things I think are very basic in what you can do to prevent the most common situations and plug the holes in your dyke, so to speak:

Strong Passwords— Don't use the same password on different sites. Using a handful of passwords for all the sites you access isn't much better and can give you a false sense of security. Whatever you do, definitely don't leave a book or page listing all your passwords in your house. Bad idea. Use a password manager like LastPass and all you will have to remember is 1 strong password. I've written about it [in a previous Mutual Gains which you can access here](#).

Public WiFi— Starbucks, Shaw, etc. all have WiFi that their customers can access. Don't enter passwords when you are connected on any public WiFi. When I am out of the office with my Microsoft Surface and have business to do or a password to send, I "tether" my device to my phone and use my phone as the WiFi. If I'm on my phone, I don't turn on the WiFi.

Keep Everything Up To Date— Your phone, laptop, desktop all should be updated automatically. This helps close the most recent know vulnerabilities on everything you use. Definitely don't use a non-updated browser just because you got used to how it is laid out (ie Internet Explorer). Update, update, update.

Beware of Phishing— This is when you get an email, phone call or text that looks like it is from a person or organization you know. Fact is, they aren't who they say they are. They ask you to click on a link or ask for info. from you and even threaten that bad things will happen if you don't comply. It's all to steal your identity, banking info. or money from you. Look at everything with suspicion and check with someone else for another set of eyes (and opinion).

Home Internet— There is a default username and password that comes with your store bought router or the one Shaw or Telus gives you. Change both of these credentials immediately. These default ones can make it easier for cyber criminals to access your devices at home.

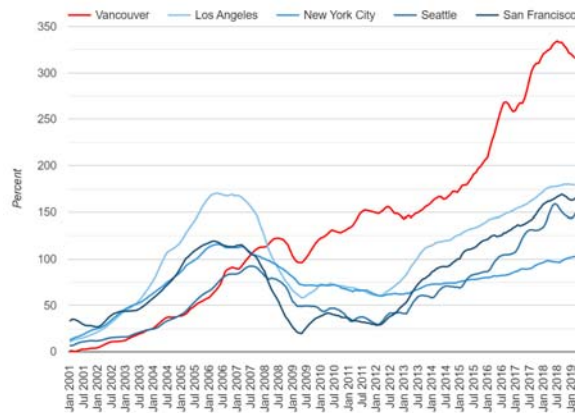
Tech Gems— Costco App

In an effort to carry less (which is helpful in the summer when I don't have a lot of pockets to put things in), I have recently put a case on my

phone that has a couple of slots to put a few of my cards in (Drivers Licence, Nexus, Credit Card) and a bit of cash. Costco has finally given you the tool to put your Costco card on their app. You don't need to carry their membership card (finally!). You do need to phone them or stop by any Costco, to authenticate yourself once you have installed the app. For all those other membership cards, I highly recommend storing their details in the Stocard app (I recommended that in [the last issue of Mutual Gains](#), remember?).

HHHMMM...

- Following 70 years of tearing down trade barriers and eliminating borders, the world is heading back towards protectionism and fragmentation. Drummond Brodeur, Global Strategist, Signature Global Asset Management, July 2019 #BackToThePastMovie
- At the beginning of 2019, The Wall Street Journal surveyed economists to predict where interest rates would be in June and December of 2019 (the range was 2.5% to 3.75%). Not one of them came close to predicting the dramatic decline in rates (now at 2%) and there is no reason to believe that their forecasts will fare any better at the end of the year. Edgepoint, July 2019 #Prediction=Opinion
- Diversification means that an investor will always “hate” something in their portfolio. If one can't understand that, they will be making mistakes continuously. Jonathan Durocher, President, National Bank Investments, July 2019 #HateIsJustAFeeeling
- The real estate sector is responsible for more than 20% of the world's carbon emissions and for other environmental impacts. Fidelity Sustainable Investing Report, 2018 #NotOnlyOil
- People who consider themselves to be financially savvy are just as likely to fall for investment scams as everyone else. A survey done in June with over 2,000 people aged between 45 and 65 found that 42% are potentially vulnerable to various scams targeting their retirement savings. The likelihood of falling for these sorts of scams rises to 60% among investors who are actively looking for ways to boost their retirement income. Investment Executive, August 2019 #WhatYouWantToHear
- Samsung sells more smartphones worldwide than any other company, Huawei is 2nd, Apple is 3rd. BusinessInsider.com #3Isnt#1
- From January 2000 until March 2019, Vancouver property prices rose 75% faster than those in LA, 91.1% faster than San Francisco and 111.81% faster than Seattle prices. New York? Not even close. Vancouver prices rose over 207% faster than NYC prices. UBS listed Vancouver slightly behind Toronto on their bubble index. Teranet-National Bank, June 2019 #WalkingOnAir
- The highest price house for sale in Canada is a condo in Vancouver listed for \$35.8 million (which is just under \$5,000 / sq ft). Western Investor, July 2019 #Concrete&Steel@7200/SqFt
- Greater Vancouver homes sales in June 2019 were the lowest in 19 years. That figure is the lowest number of home sales for the month since June 2000, and 34.7% below the 10-year June sales average. Western Investor, July 2019 #RealitySettingIn
- Calgary housing is the now the most affordable on record (monthly mortgage payment vs % of median income). Teranet-National Bank, August 2019 #CanadianHousingValue
- 48% of Canadians carry credit card debt. Only 3 of 10 say their debt is under control. Manulife Bank survey, July 2019 #HighestConsumerDebtInTheWorld
- People with variable rate mortgages are now locking into fixed rate mortgages and getting a lower rate. In 10 years of record keeping, we've never seen this before. RateSpy.com July 2019 (I sent out an email in July advising those with a mortgage to see if it makes sense to re-finance now. If you want a resend of that, let me know). #LookAtRefinancing
- Dunedin, a small seaside city outside Tampa, cracks down on code violations, saddling homeowners with massive fines while its revenue grows. In 5½ years, the city has collected nearly \$3.6 million in fines, sometimes tens of thousands at a time, for violating laws that prohibit grasses taller than 10 inches, recreational vehicles parked on streets at certain hours or sidings and bricks that don't match. USA Today, July 2019 #GovernmentBully
- There is strong evidence that the happiness of most adults in wealthier countries declines though their 30's and 40's and bottoms out in their early 50's. “The Happiness Curve: Why Life Gets Better After 50” by Jonathan Rauch #HappinessIsAStateOfMind
- Fear is not the opposite of courage. Fear is courage's necessary precondition; courage is shown despite fear. Brave people are not merely numb to danger or discomfort, they feel strongly feel it yet they refuse to allow it to dominate their behavior. “Fear & Courage” by UBC Psychologist and leading expert on fear, Stanley Rachman #FearMakesYouStronger
- “CAVE people,” is an acronym for “Citizens Against Virtually Everything” Western Investor, August 2019 #ProgressRequiresChange
- Only 2 country flags in the world doesn't have red, white nor blue in it; Jamaica and Mauritania. 2 other very widely used colours are green and yellow. Only 3 have purple included. #ShouldFlagsBeUpdated?



The information contained herein is based on certain assumptions and personal opinions. While care is taken in the preparation of *mutual gains*, no warranty is made as to its accuracy of applicability in any particular case. The comments included herein are for illustrative purposes only and not to be construed as a public offering in any province in Canada in any way whatsoever.