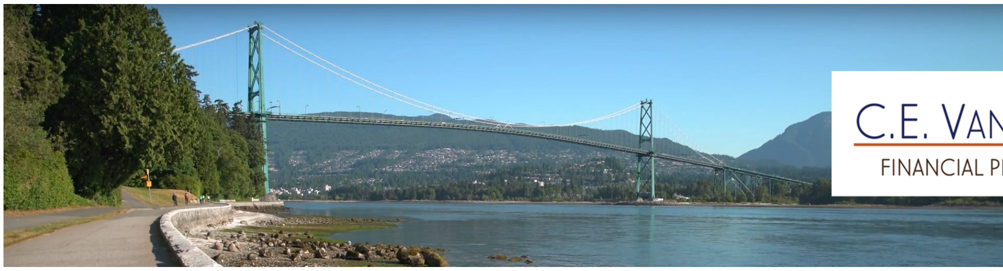

C.E. VANDENBERG & ASSOCIATES INC.

FINANCIAL PLANNING – WEALTH MANAGEMENT – INSURANCE

mutual gains

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Cautious Sentiment Is 1 Great Sign

Over the past several months, I have had more concern expressed by clients about an economic slowdown and thus, portfolio returns potentially being negative, than I have ever had. In fact, the only times (in 33 years) I have seen such widespread caution was right after people saw that their portfolios had declined way more than normal.

There has been ongoing focus on the length of the current "bull" (up) market and economic recovery. Yes, it has been 10 years of continuing economic growth and usually by this time, we've experienced a slowdown. Economic growth has and continues to slow, however the likelihood of a slowdown being significant, is low.

The reason for this is: excesses create significant changes. When "market sentiment" is cautious, we don't have everyone on one side of the boat, which could cause it to heave. I'm quite sure you don't feel on the euphoric, "the future's so bright I've gotta wear shades", plane.

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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.

Do's & Don'ts Before A Slowdown Occurs

In any part of our life, what we all want to do is to avoid pain of any kind. Often though, that is the wrong thing to do (ie buying extended warranties on consumer products) because, it will cost you more in the long run. Your insurance should be preparing yourself mentally, something I have been doing with clients regarding their portfolios, especially for the past 24 months.

What you should consider is, what did you do last time? The 2 extremes are 1) you liquidated your portfolio completely (or made it substantially more conservative and most likely stayed like that for too long) or 2) you invested any extra money you had in assets that were much cheaper.

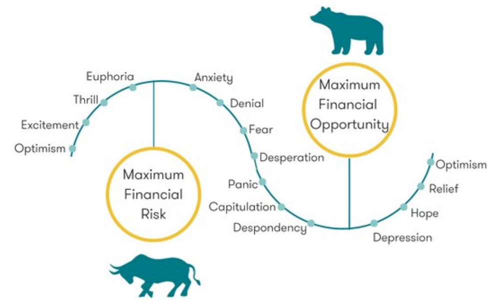
What you shouldn't do is try to a make significant tactical bet because, a bet (guess) is what it is. There are simply way too many economic variables that will determine the eventual path we go down. However, the things you can measure, which are considerably fewer, are the quality and price you pay for the businesses you own within your portfolio. So what if these businesses slowdown and their share prices decrease some? A portfolio of several strong businesses in different industries, operating globally and owned at a very reasonable (cheap is better) valuation, will go in and out of the economic slowdown effortlessly. Economic cycles are rhythmic just like all of the natural world, is.

Do ensure you don't have high risk investments in your portfolio. Those are

(Continued on page 2)

(Ups & Downs.Continued from page 1)

There are however, areas where over-optimism is evident and that continues to be in new economy companies that have relatively low (or negative) earnings versus more established companies which many can be bought today for very reasonable (pessimistic) prices. This feels a bit like the tech frenzy however, the reality is, it is very much like the tech frenzy because of the significant price discrepancy between a handful of the disruptor companies and their less newsworthy, counterparts. In fact, the price difference today is even larger.



There are 2 portfolio management teams I use who have very similar views on the likelihood of a recession. 1 manages in excess of $50 Billion the other $1.5 Trillion. Both of them have the probability of recession at 30% by the end of 2020. Their views are we are most likely to experience a modest slowdown rather than an outright recession. If you weigh out all the signs one can possible consider, that view is where the evidence points.

Now, of course, if you are a partial owner of a wide range of businesses, the vast majority of those are selling today for very attractive prices. The portfolio managers I use have very a modest amount of cash in their portfolios because they are finding good value out there. A slowdown today doesn't mean much to high quality, attractively prices businesses other than, their share prices may get a bit cheaper (temporarily) and you'll be able to buy more of them (if you have more cash available). Your risk of loss is low simply by the fact you own businesses that are already at very attractive prices, by a wide range of measuring sticks.

I watched an interview with Warren Buffett recently. He looks at buying a business like buying a farm. He points out, would one visit it every day to see how things are doing? Would you sell it if it was expected that the next 12 months would be more difficult than the previous 12 months? Of course not. As long as it is well tended to and managed well you know that it will produce more over time. He speaks of a farm he bought in the 80's, which his son manages. 100 years ago that farm produced 30—35 bushels of corn / acre. Now, in a good year, it would be 200. The same goes with well managed business with a product or service that is highly sought after. Those, bought at a very reasonable price, will produce more, earn more and be worth more in the long run, than they are today. Focus on that and get on with life.

RECESSION START	RECESSION END	12 MONTHS PRIOR (%)	DURING (%)	12 MONTHS AFTER (%)
Dec. 2007	May 2009	10	-22	17
March 2001	Oct. 2001	-19	-9	-8
July 1990	Feb. 1991	-7	-1	7
July 1981	Oct. 1982	7	-16	38
Jan. 1980	June 1980	56	4	19
Nov. 1973	Feb. 1975	2	-10	12
Dec. 1969	Oct. 1970	-1	-11	3
Apr. 1960	Jan. 1961	-8	18	22
Average		**5**	**-6**	**14**

National Bank Investments Inc. (Recession dates are those of the United States, as determined by the U.S. National Bureau of Economic Research. Returns during recessions are measured from the end of one month to the other.)

*From 12 months prior to 12 months after a recession

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the ones that you've heard people say you must own because they are going to take over the world. The most likely outcome is they won't.

Don't assume it will be as bad as last time. Human nature always uses "last time" as the most likely outcome. It's called recency bias. How often in your life can you say that actually happened? Virtually never? The average downside during the past US recessions has averaged 6%.

Do decide what your risk tolerance is before a downturn happens. Changing things when your emotions are the primary driver is the worst time to act.

Do have a Financial Plan in place. Have projections on what the best and worst case scenarios will mean to your retirement plans and income. If your plan is sound, ups and downs will make little difference to your long term plans.

Take Monthly Pension Or Transfer It?

If you are soon to be laid off (or already have been), or are changing employers on your terms, you may be able to choose whether to keep your pension where it is or transfer the "commuted value" to your own RRSP.

The pension I am referring to is a "defined benefit" pension plan, one that says exactly how much monthly retirement income you will get at a set time in the future. This is more nuanced than a "defined contribution" plan which, although called a pension, isn't a pension in what you think it is. It is more like a Group RRSP. In those cases, the transfer to your own RRSP, in my view, should definitely be done.

With a "defined benefit" pension plan, there are 6 key things to consider when deciding what to do:

1) How Much Of Your total Assets & Income does and will your pension be? If you own a modest home and have no real assets other than your pension and thus, you'll need all of your pension income to live off when you retire then, leave your pension where it is. If however, you have a healthy RRSP portfolio and your pension won't be your primary retirement income source then, talk to a Financial Planner to see how your retirement income situation will look, by leaving your pension as is, as well as transferring your pension out.

2) Do you have your RRSP invested in the most conservative investments? Should your answer be "yes" then the likelihood of you earning a better return is probably not going to happen. Don't touch your pension. Do you have a well diversified portfolio that has a good

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portion in equities? You could probably do better transferring the “commuted value” of your pension to your RRSP. Of course, in all cases, a Financial Planner who you know will give you unbiased advice, should run the numbers.

3) What is your family’s history of life expectancy look like? Are you below average in health? Are you single? These are very good reasons to look at moving your pension money to your RRSP. If you die before the average life span as calculated by the pension plans actuaries, you are giving up $10’s to $100’s of thousands of dollars when you pass on. Having the money in your own RRSP allows you to pass that on to whomever you want.

4) Do you tend to live pay-cheque to pay-cheque, saving very little? Stick with your pension. It will save you from yourself. If you are reasonably good with money and are working with a Financial Advisor, transferring your pension to your RRSP could be to your benefit.

5) Some pension plans give you extra benefits when you are retired, ie dental, prescription drugs, etc. You have to factor in the yearly benefit of those and determine if you can make these costs up, of having the money inside your RRSP and earning a higher return.

6) How solid is your pension plan? Just because it says “pension” doesn’t mean you have a guaranteed income for life. You have to look closely at the financial health of your pension plan. Many are underfunded, which simply means, they really don’t have enough money in them to fully provide income to all their members. If your pension plan is government employer based, the plan isn’t going anywhere. Union or company plan? Really check those. A Financial Advisor can give a cursory look at the financials of the pension plan and give you their sense on the plan’s long term viability.

4 Kinds Of Insurance For Home Buyers & Home Owners

Insurance can cover almost any risk “known to man” (I use “man” as a term covering everyone), when you are buying or own a home, you may have to consider as many as 4 different insurances to cover all the risks associated with buying and owning a home.

High Ratio Mortgages—If your down-payment is between 5 and 20%, you are required to have “high-ratio” mortgage insurance. This is to protect the lender and you pay for it. The premium is almost always added to your mortgage amount. Example: $500,000 mortgage with a 5% downpayment will require a mortgage of $475,000. Mortgage insurance costing $20,000 gets added to the $475,000 and you have a total mortgage of $495,000. Ouch.

Title Insurance— having “title” means you have legal ownership of the property however, there are all kinds of potential ways that you may not have full title to the property. Getting this insurance protects you (and the lender) against any unforeseen tainting of your title.

Home & Property Insurance—This insures the value of the physical structure (the house) should a fire and other potential damage occur. It also will insure the value of your furniture, clothing and anything else that is in the home. Liability insurance is normally included in that policy, should anyone hurt themselves while on your property.

Mortgage Life Insurance— This is what banks like to tack on to your mortgage because it reduces their risk of not being paid should you die or become disabled. Should you pass away, the mortgage balance is paid. Disability hits and you can’t earn an income? The insurance will cover those. Generally this kind of insurance is quite expensive. You are better off getting your own policy that covers all life and disability insurance needs. It will be most likely be cheaper and you have much more control on the policy and where the money goes (with the bank’s coverage, the money goes to them). A Financial Planner, independent of the bank, is the best person to advise you on this.

The 5 Mistakes High Income Earners Make

Just because someone earns a high income, doesn’t mean they are good with money. In fact, 30+ years of advising and planning people’s finances and investments has shown me that, income has nothing to do being financially successful. I have a number of clients who have very modest incomes yet I would say are well above average, when taking into account their age. Status symbols generally encourage as well as cover up, financial mismanagement in relationship to income. So what are a high income earners biggest financial mistakes?

⇒ Assuming you can out earn your spending habits: If you have a propensity to spend more than you earn, earning more will not take care of the problem. The problem is how you spend.

⇒ Not automating your savings: This forces you to do what may not come naturally. Ironically, those who don’t have a problem saving are generally those who do so by automatic savings into an RRSP, TFSA etc. You pay your mortgage right? Pay yourself.

⇒ Thinking you can do your finances without any outside help: studies show, those who do better financially, work with a Financial Advisor. The underlying truth is though: those who are good with money, tend to seek out help. This is much like a person who goes to church regularly; they don’t go there because they are better than others (and in the case of church going, they definitely aren’t as there are no superior human beings; we’re all messed up).

⇒ Not having any idea how much you spend in certain spending categories: Have you every heard of the envelope system? It is all your spending that you can do by paying cash for those. When the envelope is empty, the spending stops. It is something Cheryl and I used early on in life and is a great habit creator. Try it. Even if you are good with money you can learn something from this.

Tech Gems— AWealthOfCommonSense.com

I attended a conference in Florida in late October and one of the speakers was “Downtown Josh Brown”. Josh is a New York based, born and bred, Financial Advisor based out of New York who found himself completely demoralized and broken in early 2009, at the depths of the deepest global recession we’ve seen since the 30’s. He knew he needed to change the way he advised and managed money for clients. The firm he co-founded following that awakening is probably the most widely publicized Wealth Management firm in the world simply by the vast amount of content they put out through social media and because of that, is searched out by more traditional media channels.

Josh and his team push back on what the media tends to pump out, day after day, on investing. As well, they challenge what financial firms are marketing. They have a great piece, which has some very well laid out data in graphs along with some video, explaining recessions and what you should and shouldn't do. As a common sense thinker myself, who sees so much double talk and swinging from one "best thing" to another, I find their content, very refreshing and grounding. You might too.

HHHMMM...

• "Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves." Peter Lynch (highly successful portfolio manager who continually pushed back on investors over-prepping for a correction) #YourOwnWorstEnemy

• "We've seen lots of companies that have yet to turn any profit, that generate significant negative cash flow… yet are expensively priced." To the extent that these companies disappoint, we think investors will look to exit — and that exit will happen all at once, which will lead to a significant decline in those stock prices." Conor Muldoon, fundamental portfolio manager at Causeway Capital Management LLC, Los Angeles, Sept. 2019 #BewareOfWhatYouOwn

• Big tech companies collectively represent 1/3 of the US stock market. They've been responsible for most of the stock market's gains. Finimize, Nov. 2019 (no need to worry about how high "the market" is if you don't own the market). #PrudentBuyersOfBusinesses

• Commercial property tax rates in Alberta are rising faster (55% since 2015), as a percentage of property values, than any other city in Canada. It's not a function of rising property taxes though. It's simply because, Calgary's commercial property values, especially in the downtown core, have been falling for 4 years. Not a wonder. The vacancy rate is over 20%. Western Investor, Nov. 2019 #PlayingWithNumbers

• Toronto and Vancouver remain among the most overvalued housing markets in the world. Toronto ranked as the second most overvalued market in the world, behind Munich, according to the latest edition of the UBS Global Real Estate Bubble Index, which analyzes residential property prices in 24 major cities. 4 of the most overvalued cities in the 2016 UBS edition of the index, have seen prices fall. On average they are down by 10% from their respective peaks and we don't see this trend reversing. Investment Executive, Sept. 2019

• Over half (53%) of Canadians are living pay-cheque to pay-cheque and 1 in 4 (25%) say their debt load is overwhelming. More than one-quarter (27%) don't have enough for their daily needs. 39% of those not yet retired have no retirement savings, including 32% of Baby boomers and seniors. Investment Executive, Sept. 2019 #HighestDebtInTheWorld

• Chinese sales of hybrid and fully electric cars fell in July for the 1st time in more than 2 years. In June, Chinese consumers bought 152,000 NEVs (new energy vehicles) before the government reduced subsidies on them. After subsidies were lowered last month, just 80,000 were sold. Finimize, Aug. 2019 #StillTooExpensive

• The B.C. government has capped allowable annual residential rent increases to 2.5% / yr this year, but in the City of Vancouver property taxes on rental apartment buildings have increased 25%, water system costs have risen 9.7% and BC Hydro passed a 2019 rate increase of 6.85% per cent this spring. Western Investor, Aug. 2019 #Doesn'tSolveTheProblem

• Since his election in 2016, President Trump has averaged more than 10 tweets a day to his nearly 64 million followers. Most of Trump's tweets come around noon to 2:00 pm (after lunch). His 3:00 am tweets are more common than his 3:00 pm tweets. He is possibly asleep from 5:00 am to 10:00 am since there's a lull in tweeting activity during that time. Days when he tweets a lot are also associated with negative stock market returns. Manulife Capital Markets Strategy Team, Sept. 2019 #EmotionalReaction=Turmoil

• There are 10,000 Cdns over 100, this is a 29% increase in the past 4 years; 100 is the new 80. PPI, Sept. 2019 #APortfolioNeedsGrowth

• Canadians are living and working longer. In the past decade alone, the number of workers over 65 has spiked by 140%. Hunter McCorquodale, Nov. 2019 #We'reCreatedToWork

• Vancouver had a higher record temperature in 1910 (30.6C) than in 2017 (29.5C). Toronto had a warmer summer in 1852 (32.2C) than in 2017 (31.7C). The highest temperature in Moncton in 2017 was four degrees cooler than in 1906. Brandon, Man., had 49 days where the average daily temperature was above 20C in 1936, compared to only 16C in 2017, with a high temperature of 43.3C that year compared to 34.3C in 2017. This year, Vancouver experienced the coldest October 10th in 103 years. Toronto Sun #GlobalWarmingIsNowClimateChange

• Langley, B.C. was found to have the most agents per capital in major Canadian cities, with 1 realtor for every 6 residents. Burnaby had the 2nd highest at 1 agent per 31 people with Vancouver proper in 3rd with 1 agent for every 61 residents. By comparison, Ottawa, has 1 agent for 496 residents, and Halifax at 1:894. Western Investor, Oct. 2019 #TheStrongWillSurvive (for you Tyler)

• There is a push to balance out gender (male & female) in corporate leadership, boards etc. At the same time there is a growing trend of people arguing that there are no pre-determined genders, rather there are multiple genders (the argument being that gender is self-determined rather than predetermined). #WhichOneIsIt?

• "Anger drives out Reason" Charlie Munger (Warren Buffett's business partner), CNBC, Sept. 2019 #NoNameCalling #SeekToUnderstand