

# Wealth DIRECTIONS

JANUARY 2019



## 2019 ARRIVES – and not a minute too soon!

### Market Outlook - Fundamentals versus Sentiment

Violent stock market turbulence (especially in the United States) has been anticipated since the election of Donald Trump. It took two years before it arrived towards the end of 2018.

My last newsletter talked about expecting a 10-20% correction in one to two years if the signals of a recession developed. Those signals have not developed and the global economy is still experiencing growth. Despite this, the US markets recently receded to 18 month lows.

There are valid reasons which can help explain this uncertainty. Donald Trump can be unpredictable; the future of the UK after Brexit is unknown; there are falling oil prices; delays in the planned Trans Mountain pipeline; an inability to build a pipeline to eastern Canada from Alberta; potential tariff wars between USA and China; and the partial US government shutdown related to financing of Trump's Mexican wall.

I believe these fears have caused sentiment which has resulted in the latest market correction and this suggests the correction will be temporary (in fact, we are already seeing signs of a bounce back).

The fundamentals of the economy and the strength of individual companies are the primary drivers of stock prices. The basic fundamentals, such as earnings

growth, price/earnings ratios, dividends, and dividend payout ratios all show that many stocks are undervalued compared to historical measures.

Although we have seen short term interest rates rise in the last 18 months, they are still well below the average rates of the last 40 years. In addition, dividend income payouts from many good quality companies are more attractive than the yields which are available from the fixed income markets. So, it may be time to reallocate some of these cash and fixed income reserves into good quality equities. Our goal should be to participate in the market recovery and growth and eventually shift once again into more conservative solutions.



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## INDUSTRY EVOLUTION

Your year-end statements (from all firms) will show your personalized rate of return as well as provide a summary of fees and commissions that your dealer received (either directly from you or indirectly from embedded and hidden through the investment products).

Most of our clients are in a fee-based program where the fees are already transparent. We understand that clients do not like paying fees in a down year and seeing them upfront on a statement may cause investors to question the value and advice they are receiving from their advisor.

At our office we try our best to offer paramount advice and service at a fair price. Often clients may not fully appreciate all of the services that we provide, in addition to our investment portfolio process. These include financial planning steps, tax optimization, estate planning discussion, financial management and general financial counselling.

Our compensation is calculated as a percentage of the total value of your investment program over time. Therefore, our interest is always to protect and enhance the value of your portfolio.

### FUND FACTS

You may already be familiar with the document (four pages) which we provide to investors at the time of purchase of each mutual fund. Under new securities regulations, Exchange Traded Funds (ETFs) are now required to have Fund Facts documents and these will be disseminated to you in the future when we use ETFs in your investment program.

## TFSA's increase

TFSA's should really be called TFIA's (Tax Free Investment Accounts rather than Tax Free Savings Accounts) since these vehicles can be used to maximize returns, not just deposited with financial institutions at unattractive interest rates.

Good news! For 2019, the contribution limit has increased to \$6,000. This means that the maximum cumulative contribution is now \$63,500 for someone who has not been withdrawing along the way (if so, then a careful calculation is required).

There are severe penalties for over contribution and your limit is not reported on your notice of assessment similar to your RRSP contribution. Most clients have given us level one access to their CRA information (to view but not represent), so we can help determine the contribution room and also assist in explaining any assessments etc.



**If you are not yet a client of our office, what are you waiting for? This is one of the many value-added services we can help you with.**

## Estate Planning



The goal of estate planning is to distribute and provide for the people and the charities that are important to you in an efficient, timely and tax-efficient manner. Often taxes cannot be avoided and people acquire permanent insurance as a way to guarantee that funds are available to your estate or provided directly to the beneficiaries to meet your objectives. This review is part of our service for those interested. We can help to ensure that key factors such as beneficiaries, ownership title and insurance are in place.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

Mutual funds, stocks, bonds, GICs, and financial planning services are offered through Manulife Securities Incorporated.

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## Our Current Allocation Outlook

Below is a chart of different asset classes and sector exposure with our current outlook compared to the normal North American weighting. Based on the economic outlook, we will want more or less than our normal exposure to each category. Each individual investor will have a different investment portfolio depending on their personal circumstances considering their: Risk Tolerance, Income requirements (both current and anticipated), Time Horizon, Taxation, and of course Temperament (investor behavior). We then look for opportunities to tax optimize the holdings based on which plans hold which investments. You should consult us to determine the ideal asset mix and asset selection given your circumstances.

		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
<b>FIXED INCOME</b>						
Government	Long-term	●				
	Mid-term	●				
	Short-term	●				
Corporate	Investment Grade				●	
	High Yield				●	
	Floating Rate			●		
<b>EQUITIES</b>						
Canadian	Dividend Focused					●
	Large Cap				●	
	Small Cap			●		
US					●	
European				●		
Asia				●		
Emerging Markets			●			
	BRIC		●			

SECTOR		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Consumer Discretionary			●			
Consumer Staples					●	
Energy			●			
Financials	Banking			●		
	Insurance			●		
	Asset Managers		●			
	REITS		●			
Materials					●	
Utilities				●		
Telecommunications				●		
Healthcare					●	
Industrials				●		
Information Technology				●		

# Who is HOLISTIC WEALTH?

This is the trade name that the Summerland office of Manulife Securities Incorporated operates under. We call ourselves this as most traditional stock brokers and investment advisors do not take the same holistic wealth approach in working with clients. We prefer to take a financial planning approach when advising clients incorporating their debt, insurance and investment portfolios into consideration. We use solutions that people understand and avoid 'synthetic' investment products (such as hedge funds).

We currently advise clients throughout BC, Alberta and Ontario. We are still growing our practice and welcome new clients. If you or someone you feel would benefit from a confidential and complementary consultation, please contact our office.

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#### THANK YOU

We thank you for your incredible loyalty as a client. We strive to provide our best advice and service. We also continue to grow our business and want to thank those who have encouraged their families and friends to work with us. We continue to appreciate your introduction of us to anyone you believe would be a good fit within our financial planning and investment practice.