

Wealth DIRECTIONS

APRIL/MAY 2019



You say goodbye ... 2018 and I say hello ... 2019

Market Outlook

The last quarter of 2018 was the worst quarter in seven years resulting in negative returns for both the US and Canadian stock markets and also for bonds. Our last newsletter highlighted that there was no fundamental reason for the correction (down almost 20% from the high) and it seemed the correction was unwarranted.

As we predicted, the first quarter of 2019 saw a rebound of the markets. There continue to be fears of a pending recession and a few of the indicators are starting to appear. We do not believe the recession (usually preceded by a market correction) will occur in 2019. In anticipation of a future recession, we continue to gradually position portfolios to be more defensive in anticipation of a market correction (likely between 10-20%) in the next one to two years. This means reducing the cyclical stocks and focusing on value.

We favour stocks trading at attractive multiples which are profitable and pay dividends. We are shifting out of the floating rate bonds into a blend of more traditional fixed income. Floating rate bonds served their purpose in 2018 with rising interest rates. Interest rates are not likely to continue to rise and floating rate bonds may not fare well in a recession given that interest rates may be reduced to stimulate the economy and some of those bonds are lower quality companies that could default in a recession.

This November, there will be a federal election in Canada. Justin Trudeau has seen some tarnish on his popularity with the departure of several high profile female members of his caucus. The acclaimed 'feminist' prime minister is losing his luster and may not get re-elected (which a year ago was considered a given). Trudeau followed through with only one of his promises. He did legalize cannabis (however, the roll-out of retail distribution has been much slower than many anticipated). He has failed to attain a balanced budget (as promised) and he has burdened the country with massive debt (during mostly strong economic times).



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EVERYTHING IN ONE PLACE

Less confusing - Less stress

Our lives can be complicated. As the years go by, people can often end up with their investments and insurance policies scattered in different places. We have found that, especially as people get older, they find comfort in having our office the centre point for all of their financial affairs. This can make things much easier on the Executor during a difficult time. This is why we offer our **Holistic Wealth®** process and solutions.

We are a full service firm so that we can accommodate clients with all of their investment, insurance and financial planning products and solutions. Len Colman has attained the Certified Financial Planner designation and is a Chartered Life Underwriter for Advanced Insurance and Estate Planning.

We can help to ensure that your affairs are in order to minimize tax, aligned with your will and desires and provide for a timely transition of wealth.

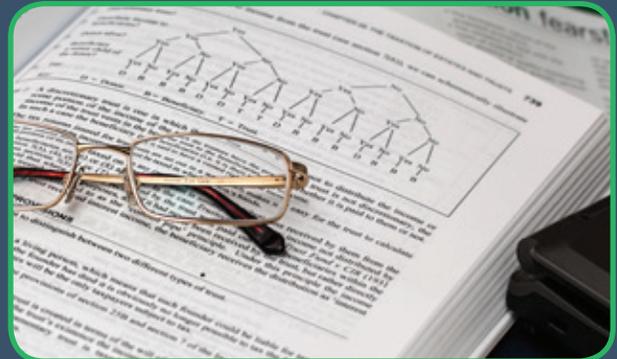
We are contracted with most of the insurance companies and you can simply sign a form (there is no charge or fee to you) to assign us as your agent of record which means we can review the policies, beneficiaries and assist with every aspect including changes in addresses. This brings all of your different financial products under our administration.

We are also able to ensure that Estate Planning steps are taken to minimize taxes and probate fees and to facilitate the transition to your beneficiaries. When you pass away (either anticipated or unexpected), our experience and expertise can help make the duties of your Executor(s) much more efficient during an emotional and difficult time.



FEDERAL BUDGET 2019

The recent Budget did not contain many controversial items. There were no proposed changes to corporate or personal income tax rates.



Some of the proposed changes include:

Home Buyers Plan – there was an increase from \$25,000 to \$35,000 that can be borrowed from your RRSP (for those that qualify) as a down-payment. There was also the introduction of a provision for people who experience a marriage or common-law partnership breakdown and may be able to qualify. Specific details are pending.

Registered Disability Savings Plans (RDSPs) - saw some logical and overdue proposed changes. Now, people who no longer qualify for the disability tax credit (DTC) will not have to close the RDSP and return the grants and bonds received. The new Budget also proposes to make RDSPs (except for contributions made in the last 12 months) potentially exempt from creditors in cases of bankruptcy (as is the case with RRSPs).

Stock Options – proposal of a cap of \$200,000 on employee stock option grants that may receive tax-preferred treatment for large, long established mature firms. This will not apply to start ups and emerging businesses.

Remember, these changes have not been passed in Parliament yet and often items in Budgets never get passed!



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
FIXED INCOME						
Government	Long-term		NEW! → ●	●		
	Mid-term		NEW! → ●	●		
	Short-term		NEW! → ●	●		
Corporate	Investment Grade				●	
	High Yield				●	
	Floating Rate		● NEW!			
EQUITIES						
Canadian	Dividend Focused					●
	Large Cap				●	
	Small Cap		● NEW!			
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				● NEW!		
Utilities				●		
Telecommunications				●		
Healthcare					●	
Industrials				●		
Information Technology			● NEW!			

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.