



## Market Commentary

### Goldilocks environment?

We like to explain that stocks go up and down for three reasons. The first is that something either good or bad is happening with this company. The second is that the overall market is going up or down (often due to the direction of the global economy). And finally, the third is for no apparent reason. We watch for these as opportunities to make changes to your portfolio.

Traditionally, the stock market is an early indicator of the economy. Until September, the stock markets were strong this past year. This hopefully indicates that the global economy will continue with a slow and controlled growth. In October, the US reported that applications for unemployment benefits had dropped to a 14 year low. This should indicate that the US economy is doing fairly well and jobs are being created.

North American markets are trading at or slightly above historical average P/E multiples (price of a stock relative to the company's earnings – called Price/Earnings multiple). We continue to be in a very low interest rate environment which should sustain higher P/E multiples as fixed income alternatives are less attractive.

Currently, there are concerns around the world. A Malaysian plane was shot down over Ukraine. Brazil hosted the World Cup amidst protests of the disparity of wealth. Palestine is building up an arsenal of weapons in tunnels under Israel/Gaza. The US and ISIS have a major conflict and other countries are joining in. There is fear that Ebola will become a global epidemic. Looking back in history, the markets tend to ignore these types of concerns and instead focus on the health of the economy. Despite these concerns, the global economy appears to be in a goldilocks environment. Not too hot, not too cold. Just about right.

In this nervous environment, we feel it is prudent to continue to invest primarily in equities which are profitable and pay a dividend. It may also be time to increase non-North American exposure. Given the recent market correction, this may be a good buying opportunity!



## INSURANCE What are you worth?

Imagine that you are killed in a plane crash and the airline is at fault. How much would you want your loved ones to sue the airline for? Some would say this is the value of your life. Or you may succumb to an illness or accident and there is no one to blame? Is your life not worth the same? This is one reason we have life insurance. Providing life insurance to your dependents is being responsible and a big element of your financial plan.

# Financial Planning

## Challenging the income gap for Seniors



We continue to be at historical low interest rates. This is good for those managing debt but not good for those who are retired and depend on income from their investments. For the retired, we suggest you weigh the importance of preserving the capital compared to the importance of income (and the taxation of that income). Unfortunately for most, they do not have sufficient accumulated in this low interest rate environment to be able to guarantee both the preservation of their capital and guarantee the required income. The challenge becomes deciding on investments which protect the capital, guarantee the income or have no guarantee in hopes of accomplishing both. In this case, often a mix of the investment strategies is the best. Here are few options to consider:

**Balanced mutual fund with a monthly income payment (referred to as a 'T' series):** This mutual fund might pay a 6% annual payment which is generally mostly return of capital (ROC) in the early years. Along the way, the value of the investment will go up and down. This is a very tax favourable strategy (especially in the early years) but the income may be adjusted periodically and the portfolio value is not guaranteed.

**Prescribed Life Annuity (with return of premium):** Investing with an insurance company, you have a monthly guaranteed income (possibly tax-free) for life with a return of premium (should you die prematurely). The income is guaranteed but there is no flexibility on the (generally very low rate of) income flow or access to the funds once invested.

**Variable Annuity:** Here, an insurance company offers an income guarantee (if you leave the investments alone). You can sacrifice the guaranteed income if you want to

redeem some of the investments and you still have the flexibility of accessing funds. The underlying value of the investment will fluctuate along the way.

**GIC's or Bonds:** These investments promise a fixed (or variable) interest rate with varying assurances of preservation of your capital. In today's environment, the interest rates are very low and the income is fully taxed in a non-registered account.

**Dividend-paying stocks:** Invest in a mix of Canadian 'eligible'-dividend paying securities. This generates tax favourable income (especially for mid and lower-income people). The underlying value of the investments will change and you have access to the funds.

**Growth stocks:** These are investments with little or no dividend with the anticipation that the company will grow and your profit will come from the future sale at a higher price.



### Things for Seniors to watch for:

Try to avoid the claw-back of OAS (Old Age Security) and, if possible, even GIS (Guaranteed Income Supplement). Different investments can create different forms of income which can impact your government benefits and are taxed at different rates. Take advantage of TFSA's - Tax Free Investment Accounts (technically called Tax Free Savings Accounts) but they can be much more than a savings account. Contact us to see how you can tax-optimize your portfolios as well as take advantage of the TFSA's.

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.

\*Insurance products and services are offered through Manulife Securities Insurance Agency (a licensed life insurance agency and affiliate of Manulife Securities) by Manulife Securities Advisors licensed as life agents.

The opinions expressed are those of the author and may not necessarily reflect those of Manulife Securities Incorporated.

The Manulife Securities logo and the Block Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

Manulife Securities Incorporated is a Member of the Canadian Investor Protection Fund.

Holistic Wealth® is a registered trade mark of Len Colman and is used by his affiliates in the Summerland office.

## Our Current Allocation Outlook

Below is a chart of different asset classes and sector exposure with our team's 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.

### Len Colman, BA, CFP, CLU

Investment Advisor  
Insurance Representative  
[len.colman@manulifesecurities.ca](mailto:len.colman@manulifesecurities.ca)

### Bob Wareham, B. Comm

Investment Advisor  
Insurance Representative  
[bob.wareham@manulifesecurities.ca](mailto:bob.wareham@manulifesecurities.ca)

### Holistic Wealth

(office) 250.494.1130  
(toll free) 1.888.403.9392  
[www.HolisticWealth.ca](http://www.HolisticWealth.ca)  
P.O. Box 840  
103-9523 Main Street  
Summerland, BC V0H 1Z0