Spring 2014

Financial focus

Strategies when a stock declines in price

"One of my investments is down. Should I sell or buy more?" This is definitely one of the age-old financial questions. And, as is the case with so many of these dilemmas, there is no definitive right or wrong answer.

But what you *can* do is ask yourself this: If I had X dollars today, would I buy that same investment? It's your answer to this question that will allow us to assess the security's current relevance within your overall portfolio. Then, we can map out a strategy to buy, sell, or stay the course, pending future opportunities.

So, let's look at it methodically. *Would you buy this investment again?*

Yes. This means that at least some of the reasons you bought it in the first place remain valid and, despite the downturn, you still believe it has potential. Let's look at how we can capitalize on the price drop as a buying opportunity.

No. Let's assess if selling might be a good idea. It could be that the market outlook for the stock may no longer be favourable. Or perhaps it no longer meets your objectives or risk profile. In this case, we can make a plan to sell, with the goal of minimizing actual losses while taking advantage of any tax-loss selling opportunities.

I'm not sure. If you're not sure, let's revisit the question in a month or so.

NEXT STEP: Anytime you're unsure about one of your holdings, it's time to call us. We can review your overall portfolio to ensure *all* of your investments are appropriate given your objectives, time frame, and circumstances.

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This winter just drawing to a close may well go down in the record books as one of the most extreme – in terms of weather, that is. And while there's not much we can do to protect you from extreme temperatures, you can feel confident that your portfolio is constructed to withstand market extremes.

The investments you hold have been carefully chosen to meet your need for security, income and growth -- regardless of market ups and downs. Regular reviews help us make sure it continues to meet your needs.

You might want to think of our approach as all-weather protection for your financial well-being.

What's next for the Canadian dollar?

The Canadian dollar declined throughout much of 2013, and lost a whopping 4% in January 2014. As of mid-February 2014, the loonie stood at $0.90 US.

Should you make changes to your portfolio based on currency movements? Although currency markets can be extremely volatile in the short term, they tend to be more modest over the longer term. A better course is to be strategic with your use of U.S. investments.

As always, what's right for you will depend on your investment objectives, tolerance for risk, and lifestyle needs.

BEHIND THE LOONIE'S FALL

A number of factors are behind the dollar's decline.

Slowing emerging economies. Faltering economic growth and political unrest in emerging market economies put downward pressure on commodity prices in 2013. This hurt commodity-linked currencies such as the Canadian and Australian dollars.

Lower Canadian interest rates. Expectations that the Bank of Canada might reduce interest rates in 2014 have also put downward pressure on the Canadian dollar. Lower rates would lead to lower yields on Canadian-dollar denominated securities.

Higher U.S. rates. The decision by the U.S. Federal Reserve ("the Fed") to wind down its policy of quantitative easing — which injected funds into the economy by keeping longer-term interest rates low — turned the tide for the U.S. dollar. Investors now expect that U.S. rates and bond yields will rise, which has given the U.S. greenback a big boost against all major currencies.

WHO BENEFITS FROM A WEAKER LOONIE?

Investors in U.S. stocks and mutual funds tend to benefit from a falling Canadian dollar. When you buy a U.S. fund, for instance, you are hoping that the country's markets will advance and that its currency will rise — which would lead to enhanced returns when converted back into Canadian dollars.

Canadian companies that export their goods to the United States are also beneficiaries, as the prices for their goods become more competitive. Smaller companies and consultants who are paid in U.S. dollars also come out ahead when the loonie falls.

On the other hand, snowbirds and travellers to the U.S. will have to spend more Canadian dollars while vacationing or living down south.

THE BEST COURSE OF ACTION

National Bank Financial economists believe that the Canadian dollar may not depreciate further from current levels, citing our strong fiscal position and better-than-anticipated economic growth prospects. However, we can discuss strategies to ensure you're prepared for any eventuality.

Be diversified. Diversifying your investments is good advice in any investment climate, and even more so today. A well-diversified portfolio will invest in a number of countries and gain exposure to a basket of currencies— which can protect your portfolio against currency fluctuations.

Open a U.S.-dollar account. Snowbirds, frequent business travellers, or investors looking to diversify their savings can benefit from opening a U.S.-dollar savings account. Some accounts may even allow some commission-free transactions in U.S. dollars. And when you're not using those greenbacks, they collect interest for you.

NEXT STEP: Let's discuss the role that U.S. stocks and funds play in your portfolio. Please give us a call today to set up a meeting.

Key steps to a smooth, effective family meeting

Discussing your will and estate plan with your family members and other beneficiaries can play an important role in facilitating the settling of your estate down the road. It gives you an opportunity to make your wishes clear, make sure they are understood, and hopefully get "buy-in" from those involved.

Despite its importance, many people dread talking about estate planning, family finances, and just about everything related to aging, illness, or death. We can help you open this important dialogue with your aging parents and/or your adult children by providing support in the following areas.

ESTABLISHING PARAMETERS

A good place to start is to determine the specific points you want to discuss. Your will? Ownership of the family cottage or other sentimental assets? Healthcare, long-term care, or end-of-life decision-making?

It's important not to overwhelm yourself or your participants by trying to do too much in one sitting. It's possible that two (or more) meetings could be more productive and constructive than one.

CHOOSING ATTENDEES

Depending on the specifics of the meeting's agenda, you might want to ask your children and/or parents, siblings, or other beneficiaries to attend. It may also be appropriate to invite people outside your immediate family — for example, your legal counsel, accountant, caregiver, or power of attorney.

FACILITATING THE MEETING

There are a number of ways you might choose to conduct your meeting, such as a workshop or roundtable discussion rather than as a presentation. You may find it useful to have us to act as your facilitator, to guide the discussion and keep things on topic.

With a clear agenda and an impartial third-party facilitator, the meeting may be more productive and less emotional.

FOLLOWING UP

After the meeting, we can help you reach out to the attendees to make sure your key points were clearly communicated. If there are any next steps to be carried out (for example, forms to be filled out or documents notarized), we can ensure they are being completed.

NEXT STEP: If you'd like to discuss your estate planning choices with us or enlist our assistance with a family meeting, please give us a call. Remember, we're here to help.

Protect your executor with liability insurance

Most of us know that acting as executor for an estate carries a significant burden of responsibility. But what you might not realize is that the executor is *personally liable* for any errors or omissions that happen while the estate is under the executor's watch.

Given that executors are frequently trusted family members with little or no experience in the role, this opens up the possibility that your executor could be held financially responsible for mistakes or negligence in settling your estate. Likewise, if you have been named as a loved one's executor, that onus could fall on you.

In addition to seeking financial restitution for mistakes and oversights (whether intentional or not), beneficiaries may seek compensation for anything from favouritism, diminishing the value of the estate, conflict of interest, and poor decision-making, to fraud.

One way to protect your estate, your heirs, and your executor from the costly consequences of such errors is with executor insurance. This is an insurance policy that specifically covers the costs of negligence, errors, omissions, and legal fees should your executor need to go to court to defend his or her actions.

Executor insurance can be a small price to pay for peace of mind. Policies are remarkably affordable for the protection and security they offer and they are available for estates of virtually any size.

NEXT STEP: Please call our office to discuss how this kind of policy might benefit your family and how to get the protection you need.

Tax Planning

3 top ways to use your tax refund

Expecting a tax refund? Here are three ways to make the most of it.

1 PAY DOWN HIGH-INTEREST DEBT

If you were in a store and saw a $2,000 television marked down to $1,500, you'd think it was Boxing Day. Paying off debts is like Black Friday for your finances.

In the 40% tax bracket, you have to earn $1.66 to pay off a $1 debt. Factor in the interest charges, and paying down high-interest debt (credit cards and consumer loans) is an extremely constructive use of your money.

2 PAY BACK AN HBP LOAN

If you withdrew money from your Registered Retirement Savings Plan (RRSP) under the RRSP Home Buyers' loan plan in 2012 or earlier, you have to repay 1/15th the amount you borrowed in 2014. If you don't, the repayment amount will be added to your taxable income for 2014.

3 CONTRIBUTE TO YOUR RRSP

If you have sufficient contribution room available, consider ploughing your refund into your RRSP. At a marginal tax rate of 44%, a $2,500 RRSP contribution would reduce your 2014 income tax bill by about $1,100.

NEXT STEP: If you're expecting a tax refund, be sure to come in and see us. We can review your options and help you put it to the best use possible, based on your specific circumstances.

Investing

Investing in commodities: What you need to know

Commodities have been the bedrock of stock markets since the dawn of investing. To this day, the prices of gold, oil, corn, and hogs are part of virtually every business broadcast.

Economists and money managers even use commodity pricing as a leading indicator of the overall economy. Copper is frequently referred to as "Dr. Copper" because it is such a prescient market gauge.

But what do commodities really represent? How risky are they? And should they be part of your investment portfolio? Here's what you need to know.

WHAT ARE COMMODITIES?

Commodities are "hard assets." That is, they are materials with an intrinsic, measurable value, such as platinum, sugar, and cotton. They differ from other investments in that they are generally accepted to be uniform in quality. One cubic foot of natural gas, for example, is the same in Canada as it everywhere else in the world, unlike say, a cell phone, which has countless variations across hundreds of brands.

Commodities literally make up the fabric of our lives and have often been considered a hedge against inflation. If the cost of living is going up, chances are the prices of gold and coffee are going up, too. And because they represent tangible goods, they may hold their value better than other equities during a market downturn.

FACTORS THAT INFLUENCE PRICES

As emerging markets grow, so does their appetite for commodities. In China, for example, infrastructure growth is fuelling consumption of metals, including copper, aluminum, and zinc.

Global demand for silver, which waned dramatically when it fell out of favour for film and coins, has been reinvigorated by its use in electronics and jewellery. And platinum is hot again for the age-old reason that demand is high and supply is short.

Agricultural commodities, including corn, coffee, cattle, and wheat, are also looking good. After all, there is no alternative to eating, and increasingly prosperous populations like China's are developing a taste for Western food.

THE RISK FACTOR

Despite their potential, commodities are, by definition, risky. Some come from politically unstable countries (African diamonds, for example). Others are highly susceptible to changes in weather: Drought in Australia is hobbling wheat production while warmer-than-usual winters in North America have lessened demand for natural gas.

Diversification can help mitigate the risk, as can investing indirectly — for example, through investment funds or by purchasing companies related to the production or transportation of energy, metals, or agricultural goods, rather than purchasing the commodities themselves or commodities futures.

NEXT STEP: If you'd like to learn more about commodities and explore the role they might play in your portfolio, give us a call. We can look into investments that offer exposure to a variety of different commodities or something that's very commodity-specific, and help you choose the investments best suited to you.

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