
420 Weber Street North, Unit B1, Waterloo ON N2L 4E7
Business: (519) 886-7882 / Toll Free: 1 (888) 257-4080 / Fax: (226) 317-2975 / bobbaker@BEFinancial.ca

NEWSLETTER – SUMMER 2017

We hope you have all had a wonderful Canada Day, and enjoy a great summer (it will come some day!)

Your investments have performed well over the past year. The Canadian market is up about 10%, but most global markets have gained almost twice that. We are in the second longest rising market period in stock market history and many of us have been waiting for a significant drop to occur – not that we want it, we just expect it to happen at some point. Economists and forecasters however do not see any near-term catalyst that would cause this – most global economies are growing moderately for the first time in several years, inflation is low, interest rates are rising but slowly, and corporate profits are strong enough to support share prices. The political picture of course is a different story, especially in the US, but so far it is not having much of an effect on the economy.

You may have noticed from the newspaper headlines that the investment industry is being reshaped in some fairly dramatic ways. First the new reporting that you have seen for the past two quarters – it gives you personalized rates of return and a clearer, but only partial, schedule of the fees you pay. The next step is to report the total costs you pay in a mutual fund. This includes the investment management fee, the taxes the fund has to pay, and the portion of the fee that goes to the Investia. We think this will be a good step forward. The industry regulators are also pursuing a change that we do not think is your best interest because it is taking away one of your choices – they want to eliminate “embedded trailer fees”. This is the portion of the management fee (basically 1%) that the fund company pays to the dealer (Investia in our case) to cover Investia’s administration, compliance oversight, reporting, privacy enforcement and money laundering protection costs, as well as to pay us as your advisor. You do have the option to choose a “fee for service” in which case you sign an agreement to have the fund company deduct the fee directly from your account – basically the same result but more obvious, or you could even choose to pay an hourly fee for account administration, planning services, and meetings. The point is, you now have a choice but the regulators want to take away the most popular choice.

Mutual fund companies have always had discounted fees for larger accounts but the qualifications were out of the reach of most investors. Several of them are rolling out new programs this summer that will make it easier to qualify – generally, using household assets rather than assets in a single account, using dollars in an account instead of dollars in one fund. The companies are automatically doing the calculations so you will get the lowest fee for which you qualify. The only action you may wish to take is to consolidate your investments into fewer fund companies.

Another disruption is the rising popularity of Exchange Traded Funds or ETFs. These are designed to mimic a selected index of stocks and have a much lower cost. The theory is that very few “active” managers can beat the index. Our belief is that very few of you are trying to beat the index – most of you tell us that your goal is to get a 6-8% return with as little a drop as possible in the bad times. An ETF will follow the market both up and down – it has no ability to moderate a drop in the market. An active manager only holds 30-50 stocks in the best companies he/she can find, and can use cash and other tools to reduce the impact of a drop. This is why we believe in active managers.

Investia has also been busy on the technology front – the client portal has been revised to give you quick, easy online access to your investment portfolio. You can access this feature by typing clientportal.investia.ca in your web browser and following the registration steps. You will also have the ability to request on-line statements, transaction reports as well as other useful tools. Please try it out and let us know if you find it helpful – or not.

Suggested Summer Projects:

1. We are all aging of course, but one of our goals is to help you age **well** by thinking about, discussing, and implementing plans that identify your key wishes to all of those who will help you through this stage of your life. Fidelity has prepared a planning, conversation, and resource guide to help you work through this process. We think this is a very necessary topic that deserves your thought and action. Please call Tammy if you would like the guide.
2. Cory and I also attended a related seminar on Advance Care Planning recently. It started with a very simple but impactful question. “If you were unconscious in a critical condition, who do you want to make medical decisions on your behalf – and do they know what decisions you would want?” That is an incredibly difficult question to answer but so, so important to discuss while you are able. You can go to www.advancecareplanning.ca for more information and a workbook to help you.
3. Make time to meet with us to review your life stage and your progress towards your goals. We welcome the opportunity to realign your investments to match your goals.

Sincerely,

Bob, Cory, Tammy