



The David Miner  
**Communiqué**  
September 2011

*“Investing should be dull. It shouldn’t be exciting.”*  
- Paul Samuelson,  
Nobel laureate

Since our last Communiqué, my father passed away peacefully after a long illness. Being ex-Navy and for many years an active volunteer for the Canadian Coast Guard Auxiliary, my father’s written wishes were to have his ashes dropped in the water at a specific GPS point in Lake Erie. He had calculated that from that point in the lake, the current would take his ashes over Niagara Falls.

To his credit, he liked to be different and we shall miss his sense of humour. A memorial service was held aboard the Coast Guard Boat “Pocomar”.



The Miners (Left to right: Bruce, David, Sue, and Barbara) - Saying ‘goodbye’ to Murray Miner (1928—2011)

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**Market Commentary**

This summer, the U.S. government ground almost to a halt thanks to political dysfunction and brinksmanship. Over 200 years ago, the U.S. Constitution was designed to have built-in checks and balances in order to prevent a single person or entity from taking autocratic control. Unfortunately, those same checks and balances have been used for political reasons to block action on important matters. Time wasting filibusters in Congress are routine. Party politics and ideologies overshadow good management. While imperfect, our Canadian parliamentary system is looking good right now.

The political nattering in the U.S. droned on throughout the summer. With that backdrop, it took months for the three branches of U.S. government to reach an eleventh hour approval on raising the U.S. debt ceiling. This approval was essentially to ratify the payment for expenses that they had already collectively agreed to incur. While that ratification process has routinely happened dozens of times in the past, this time it was different. The hard core factions would not budge from party ideologies. Rational consensus on anything seemed impossible, even though non-consensus would risk default on U.S. debt for the first time in history.

It was mainly political infighting that created a dark cloud over the quality of U.S. debt and the U.S. economy. That dark cloud lasted months. Businesses logically held back on investing and hiring, awaiting the possibility of default. It is no surprise, that the economic numbers out of the U.S. on employment and growth are anemic for that period.

*“Suppose you were an idiot and suppose you were a member of Congress. But I repeat myself.”*  
- Mark Twain

Here are a few perspectives on the last few months.

1. Standard and Poors accepted large payments for years to rate sub-prime debt as AAA (i.e., the highest quality). In 2008 - that “triple A” sub-prime debt was shown clearly to be less than “triple B” quality. In August, 2011 Standard and Poors downgraded the United States debt to AA+ from AAA. While a downgrade of U.S. debt may be warranted, I wonder why anyone is still paying serious attention to Standard and Poors ratings. Furthermore, the U.S. regulators are investigating Standard and Poors for the sub-prime ratings debacle for which they were partially responsible in 2008.
2. Over the last ten years, the United States has been spending money like water. Starting with 9/11 and continuing through the debt crisis of 2008, the U.S. has become involved in expensive military conflicts and “stimulus” spending with little to show for it. Forty-two cents out of every dollar they spend currently is borrowed money. Despite the political rhetoric, the United States has no choice but to cut spending and raise taxes. Delays make the problems worse. A number of European countries face the same tough remedies.
3. The word “recession” should not scare anyone. While the pundits on TV love to make a big deal out of the “R” word, a recession is generally short-lived and as routine as rain showers. Most of the time, we do not even know we are in a recession until it is over. And do most of us really feel the difference in our day-to-day lives between a modest economic expansion and a modest economic contraction?



In our last Communiqué, the world was focusing on problems in Japan exacerbated by the earthquakes and Tsunamis. Oil prices were rising because of instability in the Middle East.

Today, despite continued problems in the Middle East, oil prices have fallen. The world is focusing on U.S. and European sovereign debt.

Looking to the future, short-term volatility remains higher than normal as the day traders, hedge funds, and speculators try to pick each others pockets. The U.S. Federal Reserve Board has committed to keeping interest rates low until 2013, which means that fixed income instruments will continue to pay investors very little for the foreseeable future. Many stocks offer dividends that are more attractive than bond yields and stocks generally offer superior growth potential. The corporate sector in the U.S. is the shining light in the U.S. economy, with huge cash reserves and strong balance sheets. Sovereign debt problems in the U.S. and Europe are here for a while, but in all cases are fixable with time, the right strategies, and some sacrifice.

2009 and 2010 were two back-to-back good years in financial markets. 2011 is far from over. While the “noise” in the short-term may sometimes irritate, a long-term view is by far the best and most consistent way to relax and build wealth.

Top left: Dorinda & Dave at Seaworld, San Diego

Right: Dorinda & Dave at the annual Federation of Chinese Canadian Professionals Ball.

*“The only thing constant in life is change.”*

– Francois de la Rochefoucauld, 1665



## Some Thoughts on Insurance

Life insurance makes up a small but important part of our practice. Philosophically, we believe that insurance should be used primarily to minimize catastrophic risk. Through a life insurance program, households with children and mortgages can eliminate the risk of losing the family home should a parent die. Illiquid assets such as family businesses and cottages can be retained in the family if life insurance adequately covers capital gain tax upon death of a family member. Businesses can protect shareholders and employees through key-person and buy-out coverage.

I am not a qualified expert on property insurance, but Dorinda and I appreciate its benefits better than ever. A plumbing problem caused major water damage to our house. We were relieved when the insurance company stepped in quickly and efficiently to co-ordinate the repairs and cover the costs.



Top: David & Dorinda at the Midway in San Diego

Right: Dorinda, David, Vicki, BAM (our dog), Kiran, & Amelia enjoying a summer BBQ

I have never had a property claim before and hope never to have another one again. Today I have many insurance policies – life, home, auto, and various policies for business. Given our recent flood, I appreciate that insurance provides not just economic protection, it provides peace of mind.



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