



The David Miner Communiqué

Spring 2015

"The function of economic forecasting is to make astrology look respectable."

- John Kenneth Galbraith

WELCOME BACK SPRING!

And welcome back, Amelia!

Many clients will remember my daughter, Amelia, who worked with me for several years as licensed assistant. If you recall from the last newsletter, Amelia got married to Kiran Naidoo last Fall.



Amelia, posing for the camera with her husband, Kiran.

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After graduating with an Honours Bachelor of Arts from the University of Toronto a few years ago, Amelia worked in the U.S. pension department of John Hancock, a Manulife subsidiary.

Now that Amelia has some valuable corporate experience, we are pleased to welcome her back to our office. Amelia and I will be working together. Over the next few years, she also plans to pursue graduate studies part-time toward an M.B.A. Mark Brownell remains as the licensed assistant and will continue to focus on the daily operations of the office.

Younger daughter, Victoria, is finishing her last few months in the Master of Social Work program at the University of Strathclyde in Glasgow, Scotland. I look forward to going back to Scotland for graduation!

"Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves." – Peter Lynch



The beautiful Panama City skyline. A stunning mix of classic and modern design.

Dorinda and I flew to the International Jazz Festival in Panama City in January. The trip was part of the Jazz Safari organized by Jazz FM 91. One of the evening events we attended was at the Panama Canal where we sipped wine and watched huge ocean ships pass through the locks. We enjoyed great jazz at a couple festival venues, including the Teatro Nacional in the old city of Panama.

The Teatro Nacional is a classic theatre which first opened in 1908. Panama City offers an interesting mix of both modern and historic vibe. I look forward to going back some day.



Teatro Nacional in Panama City.

Market Update

While markets were generally up in the first quarter, diversification into non-Canadian securities was a big driver of performance - partly because of market strength, but also because of a weak Canadian dollar. The value of the Canadian dollar has generally had a high correlation to energy prices and that certainly has been evident over the last several months as energy prices have declined. I have always advocated that having some global diversification – including Canadian and non-Canadian investment exposure - both enhances return and reduces risk. Global diversification is most often achieved through the global balanced funds that underpin the majority of client portfolios. As global diversification is core to the long-term strategy of every major pension portfolio in Canada, I remain an advocate of recommending the same for every investor.



After a strong first quarter in 2015, we cannot be surprised if markets have some choppy months through the balance of the year. As always, the best recommendation as always to build wealth is to ignore the “noise” and stay the course. Our greatest risk is to be out of the market. According to a study of the U.S. stock market (S&P 500) by J. P. Morgan Asset Management, since 1995, six of the 10 best days in the market occurred within two weeks of the 10 worst days.

Good News!

The recent Federal Budget offered a few nice benefits to investors. Most importantly, the TFSA annual contribution limit of Tax Free Savings Accounts (“TFSA’s”) has been raised to \$10,000 per year. For most of us, the lifetime accrued TFSA limit is now \$41,000. TFSA’s have become an important part of household investment strategies – both as a place to build wealth outside of Registered Savings Plans, but and also as a place to keep emergency reserves. Very simply, TFSA withdrawals are not a taxable event!

Another benefit from the Federal Budget is for investors aged 72 or older, particularly those who are still working. The minimum RRIF payout has been reduced substantially from age 71 onward in recognition that people are living longer and may wish to preserve their RRIF capital longer. Reducing a RRIF payment (if so desired) means that there is less income tax payable in the current year.

The whole area of TFSA’s and RRIF’s can be a little complicated, so please let us know if you need more information.

Time is Money

What is the compound value of \$100? The answer depends on the compound rate of return and the number of years invested. The longer we invest and the higher the return, the larger the compound value.

According to the U.S. Federal Reserve, if \$100 were invested in 1928 and held in the following investments for 87 years until 2014, the final value of the \$100 would have grown to the following amounts:

Compound value of \$100 USD (1928 to 2014)

Investment	Rate of Return	Value in 2014
U.S. Stocks (S&P 500)	9.60%	\$289,995.13
U.S. Bonds (10 year U.S. Treasury Bonds)	5.00%	\$6,972.34
Cash (3 month U.S. Treasury Bills)	3.49%	\$1,973.77

Of course, investing in the stock market in 1928 would have looked like a poor idea when the market crashed in 1929. Nevertheless, the stock market was by far the best investment over the long-term. But the stock market will only work for us if we give it time.

Fidelity Investments published a very simple illustration of how “Time is Money” and is included with this Communique. The illustration compares growth of a small amount of money, invested for long period of time, to a large amount of money invested for a shorter period of time. Clearly, time is your greatest ally when investing. For that reason, the time to start saving for retirement is the day we start working. Wealth is easier to create when we appreciate the mathematics behind compound growth.



Partying at the Panama Canal with friends. Jane Bunnett, posing in front of the large green leaf, picked up her fourth Juno Award two months later for best Jazz Group album. Jaimz Bee, on air personality at Jazz.FM91, is behind the green leaf. David and Dorinda are in the back row on the right.



“You make most of your money in a bear market, you just don’t realize it at the time.”
- Shelby Cullom Davis

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