



The David Miner
Communiqué
Summer 2014

*"Never test the depth of a
river with both feet."*
- Warren Buffet

SUMMER IS HERE!

2014 has been a busy year in a good way. We had the pleasure of welcoming many new clients. It has also been over twelve months since we transferred our license to FundEX Investments Inc. We enjoy the peace of mind of working with a large, stable, and well-managed firm like FundEX, a subsidiary of Industrial Alliance.

On the home front, younger daughter, Victoria, is back to Toronto for the summer from graduate school in Scotland. Older daughter, Amelia, is getting ready for her wedding in September to Kiran Naidoo. Amelia also successfully completed the Boston Marathon in April.

David Miner, BSc, MBA, FCSI

503—1243 Islington Ave.
Toronto, Ontario, Canada. M8X 1Y9

Phone: 647-776-2475
Toll-free: 1-866-93-MINER
Fax: 647-260-1735

davidminer@davidminer.ca
www.davidminer.ca

Providing financial services to
ON, BC, AB, SK.

Retirement Planning

Mutual Funds

Group Benefits

Life and Disability Insurance

Copyright 2014
David Miner & Associates
Mutual funds provided through
FundEX Investments Inc.

*Most 'load' funds available on a
"no-load" basis*



Daughter Amelia at the top of Heartbreak Hill during the Boston Marathon - stopping for a photo with fiancé Kiran (left) and cousin John.

We are also very proud of Mark. Mark, of course, works with me in the office running operations. He is also an award winning playwright. Mark wrote a play titled *"Three Men in a Boat"*, which his wife, Sue Miner (who is also my sister) directed for the 2014 Toronto Fringe Festival. It won "Best of the Fringe". Congratulations, Sue and Mark!

Market Commentary

While sometimes choppy, stock markets still seem bullish. To paraphrase Geoff Stein, a Fidelity portfolio manager I heard speaking recently: “We seem to be 5 or 6 innings into the game”. Geoff went on to describe how market valuations are reasonable. Nevertheless, I remind everyone that market corrections are normal. Even bull markets experience pull backs.



Investors lose when they become emotionally engaged in the ups and downs of stocks. Looking at equity funds in the United States, history has shown that retail investor's peak inflows are at market tops and peak outflows are at market bottoms - the classic buy high, sell low scenario. In essence, it is investor behavior, not financial markets, that is the biggest detraction to building wealth.

Last year, the Canadian stock market (S&P/TSX Composite Total Return) was up 13.0%. Canada underperformed World Equity Markets (MSCI World Gross Return CAD), which were up 35.9% in 2013. Year-to-date to June 30, 2014, Canada is up 12.7% and World Markets are up 6.8%. Again, these numbers reflect the importance behind our mantra – “diversify, diversify, and diversify”.



Daughter Victoria (left) paragliding in Austria.

RISK

Risk is a term that is poorly understood. Risk is often defined as standard deviation, a measure of volatility. Yes – markets go up and markets go down but historically markets go up much more than they go down.

“I’d like to live as a poor man,
with lots of money.”

– Pablo Picasso

Attached is a chart showing calendar years in the United States since 1825. Every year is placed within the range of returns on the S&P 500 that were realized in that year. For example, in the year 2013, the return on the S&P 500 was between 20% and 30%. In the year 1929, the S&P lost between 0% and 10%.

There are 188 years in the total sample of which 133 were up years and 55 were down years. In other words, about three years out of every four were up years and one year out of four was down. What is true about markets throughout history is that bad years often follow the good years and vice versa. In 1914, the start of World War I, the market was down. The next year, it was up over 30%. In 1933, during the Great Depression, the market was up over 50%, only to drop off in 1934, and rise again in 1935.

We see a few things from charts like this:

1. Although chaotic in the moment, there does seem to be a greater sense of order in stock markets over longer periods of time.
2. Historically, the odds on favorite is to be invested as opposed to not being invested. I am not a gambler, but would be if I could win at a gaming table three times out of every four.
3. Trying to make buy or sell decisions based on yesterday or last year is a mug's game that may likely do more harm than good.



Dave, Dorinda, and friends at Killington, Vermont.

History tells us that stock markets do out-perform fixed income markets over time. This fact is important while planning retirement strategy – both during the accumulation phase and the post retirement withdrawal phase. Not only will we need wealth to retire, we need to plan on the contingency of living longer. According to the Canadian Institute of Actuaries (UP-94 Projected to 2015):

- A male age 65 has a 50% chance of living to age 83 and a 25% chance of living to age 89.
- A female age 65 has a 50% chance of living to age 86 and a 25% chance of living to age 92.
- A couple both age 65 have a 50% chance of at least one person living to age 90 and a 25% chance of at least one person living to age 94.

Retirement could easily be an experience of 20 years, 30 years, or even more. That is a long time to be without employment income. And further gnawing away at our retirement lifestyle is inflation. Even at a low 2% inflation over 25 years, a \$50,000 income drops in purchasing power to only \$30,425. (At 3% inflation, the value drops to \$23,840 over 25 years.)

So investing for retirement is about building enough wealth to create a comfortable cash flow to last for many years. But we also need that cash flow stream to grow to cover off the erosion of purchasing power caused by inflation.

In a nutshell, both a pre-retirement and post-retirement investment strategy does require some exposure to the equity market. Indeed, all major institutional pension portfolios have a bias towards equity (including global equity exposure). Bonds and other asset classes combined typically make up well less than 50% of those portfolios.



Cheers from the Mayan Riviera! David and Dorinda celebrate on their January trip to Mexico.

So the real risk of investing is not so much the risk of short-term volatility. The real risk is out-living our cash. The way to minimize that risk is to start investing early in life, invest regularly, and to ensure that there is a well-managed and diversified equity component to our investment portfolio.

Mutual funds are provided through FundEX Investments Inc. The opinions offered herein are those of David Miner and unless otherwise indicated, are not the opinions of FundEX Investments Inc. or any other party. Mutual fund performances reflect changes in share value and reinvestment of all dividends but do not take into account sales, redemption, distribution, or optional charges or income taxes which may reduce returns. Fees and expenses are 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 are not insured by the Canada Deposit Insurance Corporation or any other deposit insurer and are not guaranteed.