The David Miner

Communiqué

Summer 2015

"Success is a journey, not a destination."

\- Ben Sweetland

SUMMERTIME!

...and the living is easy.

My daughter, Victoria, is back in Toronto after two years in Glasgow, Scotland. She is working from home on her dissertation toward her master's degree. Daughter, Amelia, who got married in September, took a belated honeymoon in July to Africa. She and husband, Kiran, climbed Mount Kilimanjaro, went on safari, and enjoyed a few days of rest and relaxation in Zanzibar.

Amelia, Kiran, and their mountain guide, Seraphine, at the top of Mount Kilimanjaro.

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In May, Amelia and I spent a couple days in Niagara-on-the-Lake attending a Franklin Templeton conference. As always, advisors pay their own transportation and hotel costs for such events. It was a good opportunity to meet some of the portfolio managers, including James Harper, the new lead manager of the Templeton Growth Fund, a fund that has been available in Canada since 1954. During that time, there have been five designated lead managers, starting with Sir John Templeton.

"No sensible decision can be made without taking into account not only the world as it is, but the world as it will be."
Isaac Asimov

Market Commentary

Markets in 2015 have been volatile; but we are pleased to report that investment performance year-to-date across client portfolios has been generally strong. This is a confirmation that international portfolio diversification can be a wise course in volatile markets.

The table below demonstrates various markets and returns to the end of July, 2015.

Year-to-Date Total Returns to July 31, 2015

Index	Description	Local Currency (%)	Canadian Dollar (%)
S&P/TSX Composite	Canadian Equities	0.59	0.59
S&P 500 (USD)	U.S. Equities	3.35	16.09
MSCI World (USD)	Global Equities	4.83	17.75
Bloomberg Canada Sovereign Bond Index	Canadian Bonds	3.38	3.38

Source: Morningstar Canada,
Bloomberg Finance LP

It is clear that with the fall of the Canadian dollar, we have enjoyed gains in Canadian dollar terms from our holdings outside of Canada.

Financial Planning 101

Thinking about the future can be stressful if we have doubts about whether our retirement plans are strong enough. Are we saving enough while we are working? Will we outlive our cash when we are retired? Keeping our personal retirement plans on track helps reduce stress today as well as make our retirement years much more comfortable. Just like my daughter's trip up Kilimanjaro; it takes strength, planning, and endurance to make to the top. The same can be said of our retirement plans.

The evolution of retirement plans and pensions began over 125 years ago. The first modern public pension plan was created by Otto Von Bismarck in 1889. At the time, it was designed to provide public care for people who were unable to work because of the stresses of age. It was never intended to provide a vacation to play golf or go travelling. At the time, Bismarck pegged retirement age at 70. Life expectancy for both men and women in the 1880's was below age forty. Even adjusting for higher infant mortality, few people in those days enjoyed the benefits of this pubic plan. In 1916, retirement age was reduced to age 65 – an age which today still holds position in many minds as "normal" retirement age. But is age 65 still realistic?

Today, we encounter some special problems when facing retirement. Here are a few ….

1. We are living longer. It is odd to think of this as a "problem" but living longer means that retirement is more expensive. In 1971, a retiree was expected to live only 16 years after age 65. Since 2013, a retiree is expected to live 21 years after age 65. Therefore a person retiring today has to fund on average an additional 5 years of retirement more than his grandparents. (Source: Government of Canada, Office of the Superintendent of Financial Institutions, "Mortality Projections for Social Security Programs in Canada" (2014))"

David and Dorinda on a Niagara-on-the-Lake cruise in May of 2015

Obviously, working past age 65 may offer some of the solution. The longer we work and resist tapping into our retirement savings, the more those retirement savings have time to grow. And "work" does not have to mean full-time employment. For some, working in later years may mean taking on a less stressful and more fun job.

Working longer is not the answer for everyone. Nor is everyone going to live the "average" 21 years after age 65. In our retirement planning, we have to be prepared for possibly living longer than the average life expectancy in order to assure that we do not outlive our cash.

2. Interest rates and bond yields remain near historic lows. Putting a little money away every month into a bank account, term deposits, or bonds alone is not a viable retirement plan. Well-managed exposure to equity markets is critical to building and maintaining an adequate retirement nest egg.

3. Higher stock market volatility is the new norm. This increased volatility is primarily because of higher derivatives activity (i.e.; options and futures contracts) as well as computer generated trading. Today, we do see more stock market swings of 1 percent or more than we did twenty years ago. The good news is that this increased volatility is more of a day-to-day phenomenon and smooths out over time. In the end, this higher short-term volatility is not a problem if we learn to ignore it.

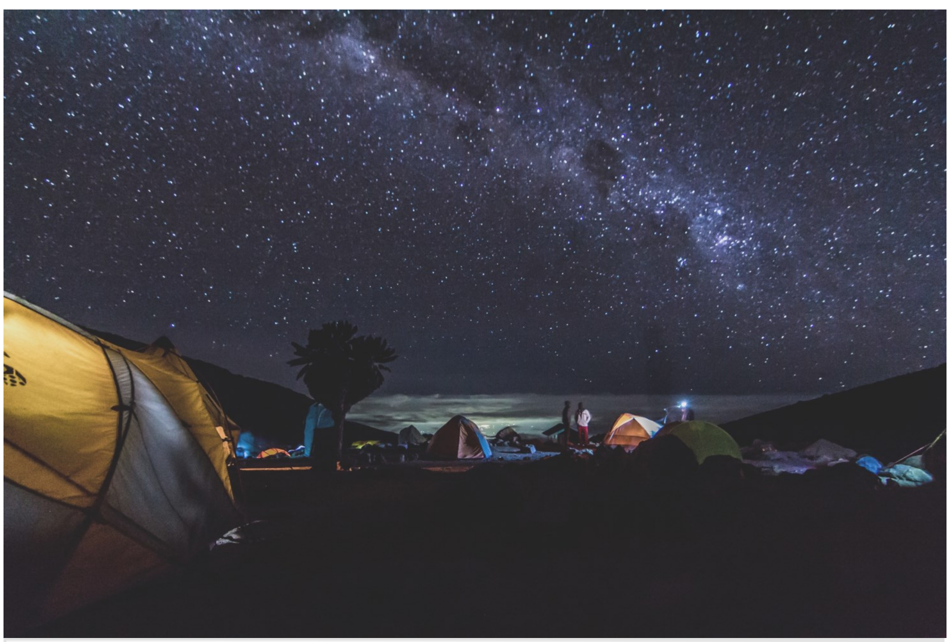
4. More than half of Canadians are carrying debt into retirement and expect to be in debt well into retirement, according to a recent CIBC study. This is not the way our grandparents retired! Many Canadians are faced with the difficult question of what to do first – pay down debt or save for retirement. While both are important, neither should be used as an excuse to avoid dealing with the other.

The insert from Franklin Templeton is a bookmark entitled “Turn Retirement Concerns into Retirement Confidence”. Part of what we do is work with clients to develop a strategy. Typically, a good strategy is mostly about developing simple routines to ensure that a realistic retirement goal can be achieved. Please feel free to contact us if you wish to discuss.

Good Debt vs Bad Debt

Household debt in Canada is at an all-time high. Consumers need to understand the difference between bad and good credit. A bad debt is a debt for things that you cannot afford or for things you do not need. These debts can also be considered luxuries and can include anything from televisions to expensive cars. It is important for consumers to only create loans for things when they can make the payments with no problems. Anyone carrying a balance on a credit card is carrying bad debt.

A good debt is a debt that can be used to help your future in a positive way. Most investments loans are considered good debts and the interest on those loans may also be tax deductible. A mortgage to purchase a real estate property may be a good debt as long as the monthly payments are comfortable. With these types of debts, the underlying value of the investment or the property may go down or the interest rate may go up causing increased monthly payments. So purchasing investments or property with borrowed money should always be within a person’s means and with an eye to the long-term.



A starry night above the clouds on Kilimanjaro.