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Money Wise!

CAQ Financial's Quarterly Newsletter

Quadrus Investment Services Ltd.

Compliments of: Rick Irwin, CFP, CLU
Investment Representative

Special points of interest:

- **Market Commentary**
- **Great-West Life's participating life insurance**
- **Continued education for our team**
- **Save money on Christmas shopping!**

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Markets at a glance

Despite the unusually warm (and most welcome!) temperatures over Thanksgiving, the shorted days and brisker temperatures tell us that summer is now truly over and winter on its way. With Hallowe'en just around the corner, the stock market certainly has been a spooky place to be lately!

What are some of the factors behind this latest market downturn? First, there has been some data released showing that the mighty Chinese economy may be cooling off. This may be the case-and would be expected given China's export driven economy and the weakness in many of the developed economies it sells to-but a slowdown in China means growth levels that are still much higher than the Western economies can hope to achieve…hardly frightening. More importantly, the debt issues facing several major developed nations-and more specifically the seeming political inability to deal with these debt problems- is what is driving current market sentiment. Markets seem to be looking more for political leadership to emerge to tackle the debt issue and stimulate the real economy through job creation. With the US federal election little over a year away we should expect very positive things to emerge on these fronts. There are also ongoing generalized fears that the financial crisis in Greece threatens to engulf much of Europe and possibly drag the whole world into another recession.

Yes, there are clearly reasons for concern. But despite the negatives, globally, on average, there are now more middle class consumers than ever before, and companies with a global reach selling to the developing world, are reaping enormous profits.

So what is really driving this increasingly stomach churning volatility? For one, mindless trading. By this I don't mean investors panicking and reacting to short-term noise (though there certainly is an element of that too). I mean literally mindless trading: computerized buy and sell programs, running on algorithms. Secondly, hedge funds and other large "market makers" who profit from market movement. There are enormous pools of money involved, speculating (and often influencing) market events on a short term basis. Neither of these unfortunately large drivers of daily market volatility reflects at all what markets are supposed to reflect: the earnings power, and future growth of that earning power, for all publicly traded companies.

Many investors, both individual and institutional, are also falling prey to emotional impulses and are engaging in market timing, where a lot of the investing "herd" reacts to short term events by jumping out of stocks and into cash. All of these things greatly influence market movements on a short term basis…and all of them can turn on a dime at a moment's notice.

One of the most famous investors, Ben Graham, said that the in the (con't on page three)

Business Update

It has been a busy month education wise! Earlier this month I attended Great West Life's annual Congress in Victoria, where sessions covered a broad range of topics to better equip ourselves as advisors to help our clients. I truly had a wonderful time and took a lot out of the sessions so I must thank Rick for giving me the opportunity!

Rick and Amanda attended a due diligence trip for AGF in Santa Barbara. In addition to very valuable sessions on the economy and investing, they got to meet the legendary horse trainer Monty Roberts which was beyond wonderful for Amanda since she is so passionate (some would say fanatical –ed.) about horses!

I am in the process of registering for my Certified Health Insurance Specialist (CHS) course and plan to spend the winter months tucked away with a cup of coffee, a warm blanket, and my books to prepare for the exams:) Let's just hope I don't fall asleep as that sounds a little too cozy!

Amanda continues to work toward obtaining her Certified Financial Planner designation and Rick has been attending various fund manager meetings to keep him up to date on the markets and the investments he chooses for you:)

- Melissa

Managing Risk with Permanent Life Insurance

It's hard to believe the kids have been back to school for over a month and we are near the end of October. By the time you get this the streets will be filled with ghosts and goblins! I have to admit, one of my favorite times of the year is Halloween and checking all of the candy before it gets eaten to sneak some out for myself of course:)! The conference I attended last month got me thinking about the economy and how some old-school strategies are still true and valued in today's market.

There are not many guarantees in life but participating life insurance is built on a foundation of guarantees, offering guaranteed values and tax-advantaged growth that can be accessed during your lifetime, plus the opportunity to received policy owner dividends. Having access to the cash value during your lifetime could help you during touch economic times. *

I wanted to share with you the value of permanent life insurance and how it could be a useful tool for you. The primary reason for life insurance is so that when you die it pays out fax-free to your named beneficiary but permanent life insurance has additional benefits that can be used from a strategic approach as well. Some of you may have heard of whole life insurance. Whole life insurance, may also be referred to as permanent insurance, and is one of two kinds of insurance. Unlike the other kind of insurance, temporary insurance, whole life does not terminate at a set duration and provides lifetime insurance protection, providing premiums are paid. These are two types of permanent insurance; participating and non-participating life insurance.

Participating life insurance provides a level premium, and cash value included in the policy, guaranteed by the insurance company. Not all companies offer "participating" whole life insurance policies however, Great-West Life is one of the companies who do. By participating, I mean that they may distribute a portion of the earnings of the participating account as participating policy owner dividends, based on your participation in a pool of other participating policies. Policy owner dividends are not guaranteed, however Great-West Life has distributed dividends to its participating policy owners every year for 100 consecutive years! Even in economic difficulties when markets are volatile, Great-West Life has paid these dividends.

I see participating life insurance as a valuable asset for individuals wanting to do estate planning. For instance, if you have maxed out on your RRSPs, Tax-Free Savings Accounts, and you have non-registered investments where tax is applied on the growth of your assets, you may want to look at life insurance as part of your estate planning solution when you need insurance coverage. If you used your non-registered assets to purchase a life insurance policy the potential growth remains tax-advantaged within certain legislative limits while within the policy. When you die, the death benefit passes to your named beneficiaries tax-free. With investments that remain in your non-registered investment account your estate may receive capital gains which may leave less to pass on to your children.

Participating life insurance offers you options while you are living. For example, you may be able to access policy cash values to enhance income and subsidize income from your other investments. Or, if you don't need the money, you can leave it in the policy to grow. If it is paid out as a life insurance benefit at your death, the death benefits is paid out tax-free to your named beneficiary.

If you withdraw ash value from the policy, there may be some tax consequences, depending on how you access the cash value. However, if the funds were left in a non-registered account the growth would be taxed along the way. Depending on the type of non-registered investment, capital gains may be triggered.

Participating life insurance is comprehensive and can be considered for a wide variety of reasons or scenario's. It's certainly not the "be all, end all" product for everyone but some of you may really benefit from a life insurance policy and its cash value component depending on your goals in life. It can be used to help increase your wealth, leave a legacy, enhance your retirement income, and protect your family. We all want to protect our assets and diversification is the key.

Insurance companies have built their products keeping in mind the markets are going to change. In my opinion, Great-West Life has done very well at designing their participating products for the long term. If you would like further information or to see if Rick and I think this product would be good for you given your financial situation, please let us know:)

- Melissa

* Withdrawals or loans from your policy reduce the death benefit and cash value. These withdrawals or loans may be subject to tax.

Statement Shock

You probably recently received your latest quarterly investment statement and regretted opening it. This period, July-September 2011 represents the entirety of this years stock market down-turn and while it is distressing to see things reverse course so quickly already things have rallied considerably. In fact, October ending today at time of writing, posted the best one-month gain in the US markets since 1974! In the long term, markets are moved by corporate earnings and Earnings are robust for global companies, despite the economic woes in some of the larger developed countries. Once the dust settles regarding some of these issues, and markets revert to fundamentals, we should see continued resurgence in stocks. I know that it been difficult to remain invested through this ongoing volatility and appreciate your patience. This latest statement wasn't pretty but things have improved since then and we would be more than happy to update you on your personal situation at any time. -Rick

Pre-Christmas money saving tips

Well the time is upon us again, with the short days and cold weather soon enough the snow will fly and Christmas (and other Holidays!) will be here again. Because of that I thought it was fitting to spend a little while talking about how to save money over the Holiday's when it comes to gift giving.

1. Beat the Season
Start your Christmas shopping in the off-season. Keep an alert eye open for bargains, sales, and discounts throughout the year and load up when you see that perfect gift at the perfect price. Not only will picking up the occasional gift during store sales cost you less, but it will also, critically, spread the costs out over a longer period of time so your budget doesn't take a large hit all at once. *Ok so we might be a little late to the game on this one but it's a great tip for AFTER this Christmas season.

2. Hit the Discount Stores
These days, people often shop for a brand name rather than the product itself. Just because something is expensive or well known, doesn't mean it's a higher quality product. Therefore, consider shopping at discount stores for gifts on your list. Often you can find the gifts you are looking for at greatly reduced prices compared to department stores.

3. Shopping for Stocking Stuffers
It seems that the idea of stocking stuffer gifts has reached extreme proportions. Video games, iPods, cell phones, cameras, CDs, and DVDs have replaced the oranges, peppermint sticks, and pennies of the early 20th century. But do we really need to spend hundreds of dollars just on stocking stuffers? Consider instead, visiting the local dollar or discount store and loading up on quirky and unique, yet affordable toys, treats, and trinkets that won't break your budget.

4. Go Online for More Savings
Finding great savings online has never been easier. Cost comparisons, product ratings, and customer reviews make finding gifts online really quick and easy. The internet can provide you with the information to make an informed decision as to whether the price you're paying is competitive and reasonable and whether you are actually buying a quality product. One of the best aspects of online shipping is the discounted prices and deals. With everything from free shipping to store discounts for using PayPal or signing up as a new customer, online discounts are everywhere you look. They are even more prevalent during the holiday season when competition among online retailers is fierce.

5. Take Advantage of Coupons
While checking the local paper is still advantageous when it comes to finding store discounts, sales, and coupons, the range of coupons available online is almost endless. By way of specialized coupon websites or through stores sites themselves, always check for the latest coupons before you buy. (You've all seen that new show "Extreme Couponing right?"

6. Get Creative
Whether you are strapped for cash or not, using creativity to get the upper hand is always a great idea. A creative gift can often beat out the most expensive gift. I am not talking about, "it's the thought that counts, dear." I am talking about meeting a unique need or desire for that person. To give the best gifts you need to know about the recipient. Listen to what they talk about. Listen for clues as to what they are interested in. It probably isn't a necktie or a picture frame, and shop accordingly.

7. Don't Forget Gift Cards
While typically gift cards won't save you much money, many stores have recently started gift card discounts that have made them a budget buy. Some stores and restaurants are offering deals such as, buy a $100 gift card and receive a $25 gift card free. This type of deal can cover two gifts for the price of one and help keep you're budget under control.

8. Hunt Out Thrift, Consignment and Antique Stores
Not everyone likes the standard new or store-bought gifts. Some like things slightly used, or with what one might call a little character. While plenty of antique stores can be pricey, if you know what you're looking for and where it should be priced, you can still get a good deal. And while thrift and consignment stores might not sound classy enough for Christmas shopping, you never know what will turn up in such shops, especially at a time when people are getting rid of their 'stuff' just to get some cash in hand.

9. Make a list..... and stick to it!

Make a list of gifts and carry it around with you - tick things off as you buy them so you don't duplicate. Also, if you know exactly what you've bought people you won't overspend on additional surplus things you see while shopping. It's very easy to find one member of the family has a whole stash of presents in the upstairs cupboard which you forgot you had bought!

I hope these tips will help you with your gift giving this year and in years to come!

-Amanda

PS - Don't forget your quarterly review of your tax organization system... before it gets buried in wrapping paper!

Market Watch cntd

(cntd from page one)

Short term, the markets are a voting machine but in the long term they are a weighing machine and this has never been more true. The stock market is supposed to represent the collective earning power of all the publicly traded companies it represents; and in the long term it does.

In the short term, it reflects the collective opinions of investors about a multitude of factors that may affect the global economy...and these opinions (and therefore market prices) can unfortunately change, often dramatically, on a daily basis; even though the underlying fundamentals of the companies themselves, do not.

In closing, this is not as easy time. We are quite likely facing further volatility (on the upside and the downside) as fundamentals battle out against fear and opportunistic trading activity. The issues facing the US and Europe are very real but are manageable once politics in put aside and solutions are brought to the table. In time, this too shall pass.

-Rick

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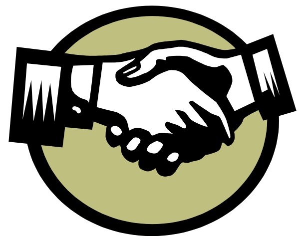

A referral is the best compliment that a client can give. Many thanks to all our clients who have referred us over the past year!

Musical Chairs, Fund Manager style!

Recently Dynamic Funds had a significant manager shake up with veteran manager David Taylor announcing his departure from the firm. Taylor, who ran several flagship funds, left Dynamic to start his own investment management firm. This doesn't materially impact your investments as I generally didn't use Mr. Taylor's funds for my clients... Not for performance reasons as the performance was quite strong, but rather because his investing style was quite similar to another core Dynamic fund manager that I use regularly, Rohit Seghal (Power Canadian/Power Balanced). I couldn't make a compelling case to own both managers as doing so did not deliver sufficient diversification benefits.

Dynamic, however, was not long in announcing Mr Taylor's replacement. Almost immediately the firm announced that star fund manager Cecilia Mo was leaving Fidelity Investments Canada to join the firm and assume responsibility for most of Mr. Taylor's funds. I think that this is fantastic news as her style of investment management in quite different from the other managers at Dynamic and will be a much better compliment to the firm. Dynamic has already released data showing the dividend fund she ran at Fidelity has outperformed Taylor's fund over the past 5 years.

In the end this has no impact on your holdings with Dynamic although it does open up another investment possibility with a new manager who has a different investment style. For the meantime, I plan to wait and see how she does with transitioning the portfolio to her own style and see whether significant investment flows follow Mr. Taylor to his new firm.

-Rick

Making the "reverse budget" work for you

In today's busy world, there are many conflicting demands for one's financial resources. Meeting the ever-rising cost of food and energy, paying down debt, insuring against risk and achieving education and retirement savings goals all compete for your paycheck's attention so it is no wonder that many of us have to adhere to a strict budget to make it all work. For sure, the exercise of tracking one's expenses for a few months in order to determine a reasonable budget level and see areas where expenses may be curbed, is a healthy exercise. But for many, tracking and adhering to a strict monthly budget on a long-term basis is something like being on a permanent diet.

For those with sufficient financial discipline the "reverse budget" may be a better route. The reverse budget is simply this: if you set, and stick to, strict debt pay-down goals and set in place specific retirement savings goals such that, if followed, you will be financially independent and debt free by your target date...there is no reason to budget at all really! The concept is "paying yourself first" meaning before any spending takes place debt is paid down and savings goals are met, automatically. It sounds easy but it takes a great amount of discipline to stick to this month in month out but the results are that investment and debt freedom goals happen on auto-pilot, Without careful ongoing budgeting.

Like any plan, the reverse budget needs to be monitored regularly, to ensure that the debt and savings plans are on track. And if they are, there's no need to fight about the cost of the golf membership or the expensive shoe collection! This approach may not work for everyone as it takes great discipline to pay your self first and stick to that 100 percent of the time but doing so will allow you to spend the rest if you choose to, knowing your financial future is secured according to plan.

-Rick

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