

# Money Wise!

*CAQ Financial's Quarterly Newsletter*



**QUADRUS**

Quadrus Investment Services Ltd.

*Compliments of: Rick Irwin, CFP, CLU  
Investment Representative*

## Outlook

As the weather warms, we get the first signs that Spring is just around the corner. Winter treated us fairly kindly this year and we had a very nice distraction in terms of the Vancouver Olympics to keep our attention off the fairly weak performance of the stock market.

Despite a shaky start to the year, markets have now regained ground and while there is much uncertainty about what to expect once government stimulus funding begins to be withdrawn from the system, there are encouraging signs.

Growth in Asia continues at a healthy pace, buoying demand for commodities. Growth in Asia is

being driven by both government spending (massive infrastructure programs) and by the ever-expanding consumer base. On a domestic level, Canada's financial system is perhaps the soundest in the world and banks have rebounded to healthy profits in no time.

That being said, it's quite likely that we won't see the broad-based market gains we did last year. We are more than likely moving into an environment, however, where active management should lead to superior returns. Investment success over the next few years should come from

following trends that benefit from the positive effects of globalization and the rise of Asia and avoiding areas that could remain weak due to a pull-back in borrowing-driven consumer spending.

It's been said that markets like to climb a "wall of worry" and as human beings we can always find something to worry about! On the flip side, corporate insider buying (one of the best predictors of stock market performance) has been steadily increasing the last few months and this has generally been viewed as a very good signal for stocks. If you'd like to discuss your portfolio and the current risks and opportunities in the market, I'd be more than happy to do so.



## Business Update

Once again we emerge from a busy RRSP season with a brief interlude before income tax season. As a reminder, Quadrus Investment Services Ltd. does not produce capital gain and loss summaries for your Non Registered accounts so for clients that Dick and Florence do tax returns for, I will be providing this information to them on your behalf, from the fund companies. If you do your own return or take it elsewhere to be done, you should get in touch with us before you have your taxes done. I cannot guarantee the accuracy of the information provided by the fund companies.

On another note, there have again been some changes in terms of staff. Elisha Deamel unfortunately will not be returning when her maternity leave is up this year. She has decided on a career change and I wish her well. Elisha was very helpful in getting the business off the ground in the first year with the new dealer, Quadrus, and the new office location. I wish her the best in all her future endeavors.

This means that the term position I recently gave to my current assistant, Amanda Morash, will now be made into a permanent position. Amanda is working out really well

and you will no doubt be in contact with her in the future.

This also means I still will be hiring another employee to help with the service work, hopefully by the end of the year. I am looking for someone with some background in client service in a financial capacity to fully round out the team.

On a final note, I will be out of the office from April 12th-23rd on a family vacation to Florida! I will be sure to provide any investment-related tax information to my parents before we leave, and will be booking meetings regularly until then.

## Strategies for Long Term Care



The illness of a parent will mean a change in your life. I can help you to understand the issues at stake and how they can be resolved to ensure that this difficult time can be dealt with as painlessly and efficiently as possible for the entire family. Take this opportunity to review the situation and consider the following questions:

- What are the implications if my parent is unable to make their own decisions?
- Who will be in control of my parent's finances?
- What are the sources of funding available to ease the financial burden?
- What are the implications for my parent's estate plans?
- What sort of living arrangements are available if my parent needs in-home assistance or needs to consider out-of-home care?
- How can I evaluate the sort of care that is available?
- Is there tax relief available if my parent is incapacitated?

Your parent's illness may be such that they require some degree of full-time care in a residential facility. If it is decided that your parent cannot continue to live at home during their illness you will have to consider the out-of-home options, all of which will have different financial implications. As mentioned earlier, this will probably represent a significant change in your parent's life and it is very important that they are brought into the discussion and

consulted if they are able, before any decisions are made. Other family members should also be consulted. The potential options are:

### Have your parent live in your home or the home of another child

This may appear to be an attractive option since your parent will have the benefit of continued close family contact. However, this decision needs to be carefully thought out and the various implications considered. Some of the questions to ask are:

- Does your parent want to do this?
- What are the costs (renovations, additional living costs, etc.)?
- How will the additional costs be shared?
- What will be the effect on the current family situation?
- What time commitment will be required from family members?

### Institutional Care for an Ailing Parent

Generally speaking there are three types of institutional care:

#### Retirement or independent living

- This is where the individual is living in a retirement community but is able to take care of him/herself to a great degree and does not want the stress of taking care of a home and/or doing day-to-day chores such as cooking, laundry and cleaning. This arrangement also provides social interaction with other seniors and appropriate activities.

#### Assisted-living care

- With this arrangement the individual not only will have the meals and other services that are provided under independent living but also some medical assistance such as bathing and supervision and/or delivery of medications.

### Skilled nursing facilities

- This is the highest degree of assistance and is appropriate for those individuals who need a high degree of skilled assistance and are not really able to take care of themselves. Some facilities have separate areas exclusively for those afflicted with Alzheimer's disease.

Not surprisingly, in the three options above, the independent living is the least expensive while the skilled nursing facilities are the most expensive, reflecting the degree of assistance required by the resident.

### Finding a Suitable Care Facility

Given the large number of facilities available across the country, this will require some research. It is assumed that your parent will want to stay in their own community so a local search is the best way to begin. The internet can certainly be of assistance as well as talking to friends and local medical professionals.

Visit <http://retirement.50plus.com> to see a helpful retirement home database

Once some potential facilities have been identified, do a web search. Visit the facility's website to get a feel for what they do and how they do it. A web search may also bring up independent comments and observations from others.

You might also contact associations such as the Canadian Association of Retired People (CARP) who may have some information about the care facility.

A personal visit to the facility is extremely important. Once it has been determined what sort of care your parent requires, a checklist should be completed to ensure that the individual will be getting the care that they need.

## Four steps to a retirement income plan

Will your retirement income be enough to ensure you keep doing what you love? It's never too soon or too late to take stock of your situation.

This four-step process will help you take a fresh look at how your finances will shape up when you stop working. Then, I can help you put together a plan that will help to ensure you'll be on the way to creating a realistic income plan for a secure and enjoyable retirement.

### Step 1: Estimate your living expenses and expected income from all sources

- Your living expenses should include both essentials (must-haves) and discretionary (nice-to-haves).
- Estimate the income you expect to have from savings, real estate or other assets.

### Step 2: Cover the basics

- Compare the income from reliable sources, such as pensions, with your essential expenses. (In planning for retirement, you should use the income that's steady and dependable to pay for your must-haves, such as shelter and food.)

### Step 3: Surplus or shortfall?

- Now compare any income remaining, plus your other assets, to your discretionary expenses – the nice-to-haves, such as travel or a vacation home.

If it looks like you won't have enough income, I can help you plan strategies to try and cover any gaps. Depending on your risk tolerance, you may want to consider adding more equities to your portfolio for higher growth potential. Or you may decide to work a few more years or take a part-time job in retirement. Scaling back the discretionary expenses in retirement is also an option, though perhaps not an attractive one.



### Step 4: Update your plan

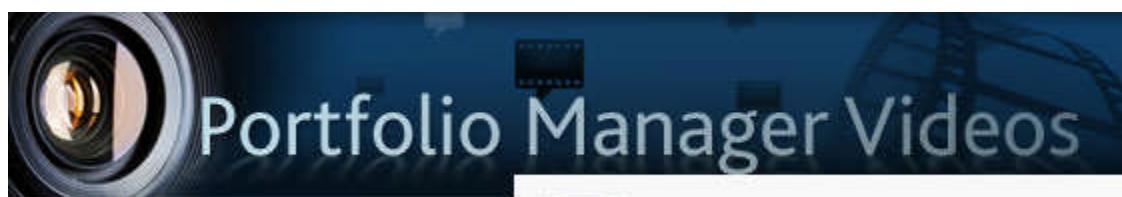
With a realistic plan in place, you'll have a better idea of when you may be able to retire, and what adjustments you need to make to get you on the right track. We will then review the plan on a regular basis and revisit it whenever there's a material change in your situation, such as job loss, retirement or an inheritance.

Fidelity Investment has put together a [Retirement Readiness Snapshot™](#) that is an easy way to get a quick picture of where you stand. I'd be more than happy to sit down and do a snapshot on your own situation at any time.

*This article courtesy of Fidelity Investments*

## Debt Levels: Canada v. US

I recently came across some data that put in perspective the debt levels of the Canadian and US governments. According to [davemanuel.com](#), the current outstanding public debt of Canada is approximately \$513.6 billion (as of March 5th 2010). That works out to \$15,464.87 being owed by every single Canadian. By comparison, the total outstanding public debt of the United States currently is over \$12.5 TRILLION dollars, or \$41,292 owed by every single man, woman and child in the US. So while the US has 25 times as much total debt outstanding as Canada, per capita the debt burden is almost triple. Even more staggering, the level of Canadian debt has remained relatively stable, even dropping, since 1997 (when Canada owed \$560 billion) while in the US the national debt has been increasing at an alarming rate, nearly doubling over the past 8 years. According to the website [costofwar.com](#), almost a trillion dollars alone has been spent on the Iraq & Afghanistan wars since 2001.



Now more than ever we are being bombarded with information. The Internet, TV & newspapers are filled with predictions on where the markets may be going, opinions on the economy, views, rumors and speculation. It is my job to try and cut through the clutter and give you access to information that can better inform you on your investments.

In light of this, I'd like to bring your attention to a new service from Dynamic Funds that allows you to hear directly from their industry-leading and award-winning portfolio managers as they share their wealth of knowledge about the markets, various sectors and other timely investment topics. In the first service of its kind in the industry, through short video clips you can hear directly from some of Canada's

most highly regarded fund managers, some of whom may be managing some of your own investments.

If you would like to subscribe to the Dynamic Portfolio Manager Video Series, please drop me a quick note and I will add you to the monthly mailing list.



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## History Revisited: Sideways Markets



From time to time you may hear the media talk about a "sideways" market or that we are in a "secular bear market." They will sometimes trot out data that shows that this sort of market has occurred before, sometimes for lengthy periods of time. The most recent lengthy sideways market was from 1966-1982 when US stocks, as measured by the Dow Jones and the S&P 500, essentially were flat over a 16 year period. We are currently in a flat cycle for over 10 years, given the market drop in 2000-2002 and the more recent drop in 2008-2009.

Even in a sideways market, there are ways that investors have the ability to make money.

1. **Active Stock Picking.** While funds that track the overall indexes might not thrive, active fund managers can add value even in sideways markets by active stock picking, buying undervalued or emerging growth companies.
2. **Reinvested dividends:** these typically count for close to half of the total return for stock market investors and the power of reinvested dividends is hard to ignore. The S&P 500 is a price-movement index which doesn't factor in dividends. Any data therefore on the price movement of the S&P from 1966-1982 does not include the fact that investors in the dividend-paying stocks within the market would have received dividends and if the dividends were re-invested to buy more shares while the markets were low, even better!

3. **Holding non-correlated assets** such as bonds, gold, commodities etc. These generally move in an entirely different cycle from stock markets and can potentially perform well when markets are not.
4. **Active Trading/Portfolio Rebalancing:** buy and hold seems to work well in "secular" (long term) bull markets like the US in 1982-2000 but not so well in "secular" bear markets which are typically sideways markets for a long period of time. While no one can time the markets, active trading strategies such as profit taking after a target price is reached in a stock or moving part of the fund to cash when market conditions warrant can add considerable value in sideways markets.
5. **Geographic Diversification:** Even if the US and European markets were to trend sideways for a period of time, there are significant counter-trends at work, most notable the emergence of the Asian consumer & the Asian growth story as well as the global infrastructure build out, particularly in Asia.

Keep in mind, while it is true that there was no price appreciation of US large company stocks from 1966-1982, you would have still received dividends from these investments. In addition, proper portfolio rebalancing, diversification by asset class and geography as well as using actively managed funds would probably have gone a long way to making an individual investor's experience better than the "flat" market data that is often talked about in the financial media.