

Wealth DIRECTIONS

SPRING 2015



Market Outlook **Fasten your seatbelt ...**

Not only have the last few years delivered favourable equity (stock market) returns, it has been with relatively low volatility. The US market (S&P 500) has not seen a market correction (more than a 10% decline from the high) since the summer of 2011 and it has not had a negative calendar year return in over 5 years. This is causing nervousness and increased volatility. Typically the US and Canadian markets change daily in value by about 0.40% (the industry refers to this as 40 bps – or 40 basis points). This January, the average daily change has been around 1.5% (150 bps)!

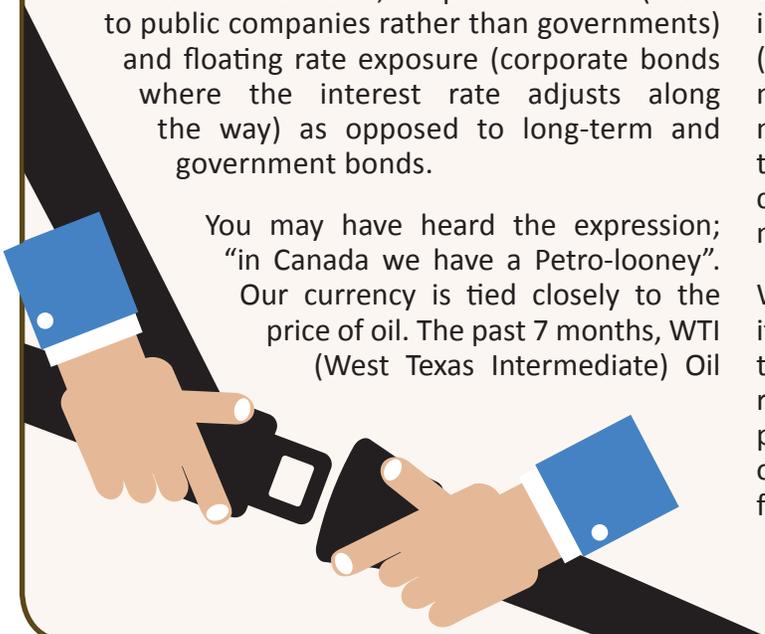
For the last few years, we have positioned individual portfolios with below their 'neutral' fixed income exposure in favour of equities. This has proven to deliver favourable returns. We are gradually increasing fixed income with a bias towards shorter-term, corporate bonds (loans to public companies rather than governments) and floating rate exposure (corporate bonds where the interest rate adjusts along the way) as opposed to long-term and government bonds.

You may have heard the expression; "in Canada we have a Petro-looney". Our currency is tied closely to the price of oil. The past 7 months, WTI (West Texas Intermediate) Oil

prices have plummeted from \$100 a barrel down to \$45 and as of the end of February it was around \$50. \$70 a barrel is said to be the price below which most producers do not make a profit. As a result, 'cap ex' (money for exploring and drilling for new oil) is being cut. The current over supply will over time decline (as consumption increases and supply diminishes) and this cycle will eventually recover as the world continues to be heavily dependent on oil as a source of energy.

As an investor, there is an expression that there are times to add 'risk-on' or to take 'risk-off'. Currently, we are looking to take profits and shifting slightly towards taking 'risk-off'. The challenge for an investor wanting to reduce equity exposure (traditional risk) continues to be that there are no other viable attractive alternatives. If you are nervous about investing in equity (stock) markets, the challenge is that fixed income (GIC's, bonds), cash and other investment alternatives offer minimal return expectations.

With so many different financial options available, it can be confusing to an investor. If you already trust us to advise you, during your client portfolio reviews, we are making changes to position your portfolio accordingly. If you are not yet dealing with our office, please take advantage of this invitation for a complimentary second opinion.



Financial Planning

Real Estate – Can it go down?
Can it keep going up?



With mortgage rates at historical lows, this means people have been able to borrow more which has been part of what has been driving real estate values.

So, what could go wrong?

RECESSION – If the economy were to experience a recession, companies would lay off people and people might not be able to pay their mortgage and be forced to sell.

INCREASE IN MORTGAGE RATES – A rise in interest rates may mean that people cannot afford their mortgage payments upon renewal and be forced to sell.

What could go right?

HOUSING STARTS – In Canada, we need new homes each year to keep up with population growth. If we do not build enough new homes, there could be a shortage.

THE ECONOMY – Could show signs of strong growth which generates jobs and may deliver wage increases giving more people more available funds to spend on housing which could drive up housing values.



TAX TIPS

Work with an accountant. You can deduct their fee! Here are a few deductions to let your accountant know about if you have any of the following:

- Transit Pass Tax Credit – claim if you or your children purchased monthly or annual transit passes.
- Children Fitness Tax Credit –if your child is under age 16 (at the beginning of the year) and was in an eligible physical activity program.
- Child Arts Tax Credit –if your child is under age 16 (at the beginning of the year) and was in a prescribed program.
- Consider contributing monthly to your RRSP (with Manulife Securities Incorporated)
- Claim your (family) medical expenses:
 - o Including travel if more than 40kms one way for appointments
 - o Medical expenses include premiums paid at work for health and dental plans (but not life insurance and disability).
- Claim your charitable contributions (they can be accumulated over a 5 year period).
- Look for income splitting opportunities for seniors (CPP, pension and RRIF income may qualify).
- Legal fees seeking employment wages may be tax deductible.
- Investment advisory fees for non-registered accounts (such as our Premier Investment Program) may be tax deductible.
- Deduct interest on student loans (can even be carried forward up to 5 years when student has higher income down the road).

Commissions, trailing commissions, management fees and expenses all may be 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, stocks, bonds, GICs, and financial planning services are offered through Manulife Securities Incorporated.

*Insurance products and services are offered through Manulife Securities Insurance Agency (a licensed life insurance agency and affiliate of Manulife Securities) by Manulife Securities Advisors licensed as life agents.

The opinions expressed are those of the author and may not necessarily reflect those of Manulife Securities Incorporated. The Manulife Securities logo and the Block Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

Manulife Securities Incorporated is a Member of the Canadian Investor Protection Fund.

Holistic Wealth® is a registered trade mark of Len Colman and is used by his affiliates in the Summerland office.

Our Current Allocation Outlook

Below is a chart of different asset classes and sector exposure with our current outlook compared to the normal North American weighting. Based on the economic outlook, we will want more or less than our normal exposure to each category. Each individual investor will have a different investment portfolio depending on their personal circumstances considering their: Risk Tolerance, Income requirements (both current and anticipated), Time Horizon, Taxation, and of course Temperament (investor behavior). We then look for opportunities to tax optimize the holdings based on which plans hold which investments. You should consult us to determine the ideal asset mix and asset selection given your circumstances.

		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
FIXED INCOME						
Government	Long-term	•				
	Mid-term	•				
	Short-term		•			
Corporate	Investment Grade			•		
	High Yield				•	
	Floating Rate			•		
EQUITIES						
Canadian	Dividend Focused					•
	Large Cap				•	
	Small Cap			•		
US					•	
European				•		
Asia			•			
Emerging Markets			•			
BRIC			•			

Sector		Underweight	Slightly Underweight	Neutral	Slightly Overweight	Overweight
Consumer Discretionary					•	
Consumer Staples				•		
Energy				•		
Financials	Banking		•			
	Insurance			•		
	Asset Managers		•			
	REITS			•		
Materials			•			
Utilities			•			
Telecommunications				•		
Healthcare					•	
Industrials					•	
Information Technology				•		

Who is HOLISTIC WEALTH?

This is the trade name that the Summerland office of Manulife Securities Incorporated operates under. We call ourselves this as most traditional stock brokers and investment advisors do not take the same holistic wealth approach in working with clients. We prefer to take a financial planning approach when advising clients incorporating their debt, insurance and investment portfolios into consideration. We use solutions that people understand and avoid 'synthetic' investment products (such as hedge funds).

We currently advise clients throughout BC, Alberta and Ontario. We are still growing our practice and welcome new clients. If you or someone you feel would benefit from a confidential and complementary consultation, please contact our office.

Len Colman, BA, CFP, CLU

Investment Advisor
Insurance Representative
len.colman@manulifesecurities.ca

Bob Wareham, B. Comm

Investment Advisor (Retired)
Insurance Representative (Retired)

Holistic Wealth

(office) 250.494.1130
(toll free) 1.888.403.9392
www.HolisticWealth.ca
P.O. Box 840
103-9523 Main Street
Summerland, BC V0H 1Z0