



Market Outlook

The Canadian economy and capital markets are always influenced by politics. Alberta surprised many when it elected an NDP government last year which has not addressed the challenges of the oil industry, resulting in reduced capital spending, unemployment and falling real estate prices. Canada is very divergent. Lower oil prices are bad for the west (especially Alberta) but good for the manufacturing sector in central Canada. In Canada, we have a 'petrol-loonie'. Our currency is closely tied to the price of oil. Since our last newsletter, oil prices have dropped from \$50 to around \$30

a barrel. Iran has had sanctions lifted and is the newest supplier of oil to the globe. In fact, oil was over \$100 a barrel just 1½ years ago and our dollar was around \$0.94 US. As a result, our dollar has declined relative to the USD to \$0.72. The new Federal Liberal government is not as oil friendly as was the Conservative government.

The low loonie should now help central Canada to be very competitive in manufacturing (for the remaining businesses that have not relocated to Mexico and China).

2015 was a very difficult year for the Canadian stock market (especially oil stocks). The Canadian

market - TSX was down -12%. In the US, the Dow was down -2.3% and S&P -0.7%. Canadian and global markets have corrected sharply in the first few weeks of 2016. Other than China's GDP slowing down to 6.8% (India's GDP is growing faster than China's), there are no significant signs of a global recession. In Canada, Alberta is in dire trouble, but the rest of the country's economy is faring well. The US economy is strong enough that this winter the US Fed raised interest rates slightly. Europe has started its version of quantitative easing. If the result is similar to that of the US, European markets could have a few good years ahead.

We believe this market correction will not be sustained. The price/earnings ratio (how expensive stocks are compared to their earnings) for most global markets (including Canada and the USA) are below historical averages. The biggest concern is that global debt levels have never been this high. This likely means a period of slow growth and market recovery.

In times like this, it is important to stick with a disciplined investment approach and with good quality investments. For those retired, we will recommend people draw down on their fixed income (that we have been slowly increasing the last few years). For those in their wealth accumulation years (savers), now is the time to reduce the fixed income we have been building and to take advantage of opportunities in the equity space.



Financial Planning

BC TRAINING AND EDUCATION SAVINGS GRANT

If you live in BC, and your child was born in the years 2007-2009, there is a one-time \$1,200 grant waiting for your child's RESP (Manulife Securities is able to secure this grant for you.) If your child is under the age of 6, you must wait until they turn 6 to apply.

MORE CHANGES TO TFSAS

Last year, the Conservative government increased the TFSA contribution amount to \$10,000 for 2015. This stands for 2015 however the new Liberal government has reduced the 2016 contribution limit to \$5,500. Your TFSA contribution calculation can be difficult to determine. The cumulative contribution room is now \$46,500 per adult. We recommend that you add to your TFSA early in the year, to shelter your returns from income taxes. Also, your investment options are not limited to interest investments. You can include equities for dividend income and capital appreciation.

CHANGES TO RRIF CALCULATIONS

Last year, the Conservative government reduced the minimum amounts required to be withdrawn from RRIFs. This is great for seniors with high income who wish to keep their investments sheltered from income tax until a future date. You still have the option of taking more than the minimum. The surprise to some is that some people are finding more taxes being taken off of their RRIF payments since the minimum is lower and the institution is required to withhold taxes on the amounts in excess of the minimum amount.

Ideally, for those that can, when times are good, they can redeem more from their investments and when the markets are tough, they should try to redeem less. We realize this may be easier to say than do.

TAX SLIPS AND INFORMATION

There are different deadlines for firms to send out tax information. If you are a client, this is available online where you login to view your account. Even if you

SEGREGATED FUNDS/INVESTMENTS

INVESTMENTS GUARANTEED BY AN INSURANCE COMPANY

Did you know that we offer insurance-designed investment and income solutions? This can include investments with a guaranteed interest rate (although the rates are at historic lows), guarantee a portion or all of your investment (subject to certain requirements) and guarantee income for life.

A number of years ago, the government changed the legislation so that ALL registered retirement (RRSP & RRIF etc.) investments are potentially creditor-protected. But today, only investments with an insurance company offer potential creditor protection for TFSA and taxable accounts. In addition to potential creditor protection, segregated fund investments also offer:

- quicker / easier settlement of assets, by-pass probate, often settling in weeks,
- reduce legal, accounting fees & executor fees,
- avoid challenges to a will,
- offer ability to pay out in stages versus one lump sum payment (gradual inheritance strategy)

So, if you are interested in learning more about some of these different solutions, please contact us. We offer financial products from different insurance companies (as well as Manulife Financial). We also offer life and health, medical and dental and travel insurance.

are not a client, you are welcome to contact us for a brochure that outlines this information.

If you are in a fee-based account and you have non-registered assets – don't forget you should deduct the fees on your income tax return.

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.

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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.

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