PLANNING MATTERS

Quarterly Financial Planning Newsletter from Coleman Wealth

Summer 2019 - 1st Edition

Pedro and Nik's Tips and Tricks

- **Pedro:** If you are tired of receiving paper statements, you can elect to receive e-statements, which provides convenient access, reduces clutter and are environmentally friendly. First, you'll have to register for on-line access and once you've that done you can toggle all your statements to be electronic. I would be more than happy to assist and walk you through the steps if you encounter any difficulties.
- **Nik:** Don't forget to let us know if you've moved home or changed banks. We want to make sure to update all your information we have on file so that you continue to get your requested statements, and that we send money to the right spot!

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May is Raymond James Cares Month!

Earlier this month, the team found themselves volunteering at the Daily Bread Food Bank as part of Raymond James Care Month.

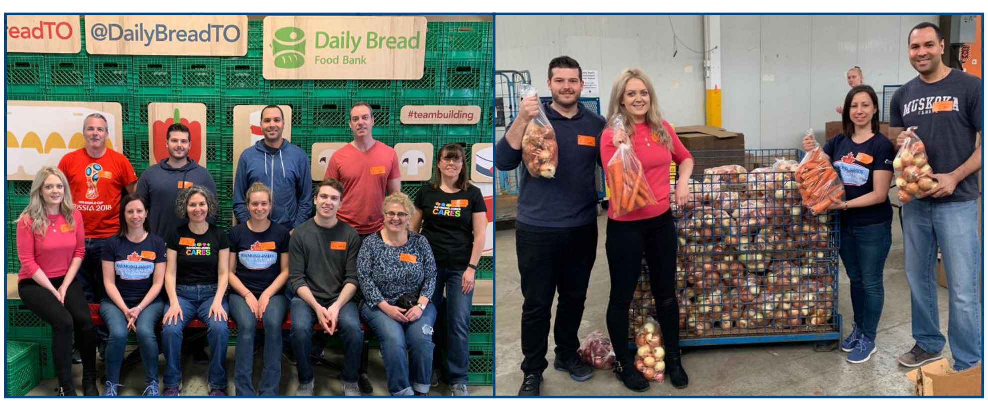
Along with bagging produce and categorizing donated food into boxes, we were educated on the necessity of food banks and the much needed and often over looked work they do within our community.

The Daily Bread Food Bank fights hunger in our vicinity, by providing food and support to almost 200 food programs across Toronto. Since its founding in 1983, Daily Bread has grown to become one of Canada's largest food banks.

In conjunction to fighting hunger, Daily Bread has also become a national beacon and key thought leader through its research and advocacy on societal issues such as housing, income security and life on low income.

Every May, Raymond James employees across the country partake in a month-long volunteering effort in order to give back to the communities in which we work and live. Over 500 employees volunteer through blood and donation drives and volunteer events in support of over 100 charities and non-profits across the country.

"From coast to coast, Raymond James employees and associates came together to help feed, clothe and care for those in need. We are very proud of your commitments to community, in May and throughout the year." says Janine Davies, Executive Director, Raymond James Canada Foundation.



Buying Your First House

– by Andrea Thompson

As a planner, I have always prided myself on being organized (to a T!) with respect to my own finances. Every expense fit into a budget category, every dollar had a purpose, savings were maximized and debt was paid down. All was humming along until… I got pregnant. I feel like I suddenly 'leveled up' in the game of life (and not in a good way) because my controlled financial life was no longer.

The one bedroom condo that we lived in would be no good for our new four person family, so we embarked on the long journey of buying our first house. We needed to find somewhere that was close enough to transit (and the office) so that when I finished mat leave, I would be able to get to work somewhat quickly. Plus, we needed to find good schools, hopefully with French immersion, in a walking neighborhood, in the west end so that my husband could also get to his work (just a small ask in a city that is known for super high housing costs!).

Even though housing prices had cooled off, it was still a ridiculous (and long) project. First thing we had to do was to get pre-qualified for financing. I've always been a believer of not going to the maximum of what the bank will give you, nor have I wanted to buy a house and have to pay for CDIC insurance (just my own personal beliefs about ownership) - therefore I wanted a larger down payment. After much searching, we settled on our 'Frankenstein' of a house - a bungalow in the west end that sat on the market for months, and we got a great deal on it. But it wasn't perfect - it required a lot of renovation work before we moved in (and before I gave birth), adding to the overall cost of buying the house.

Then, we had to monetize our down payment. Since some of our savings were still invested, we had to take into account the future tax bill associated with the sale of our non-registered investments, as come April 2019 the tax man would come knocking.

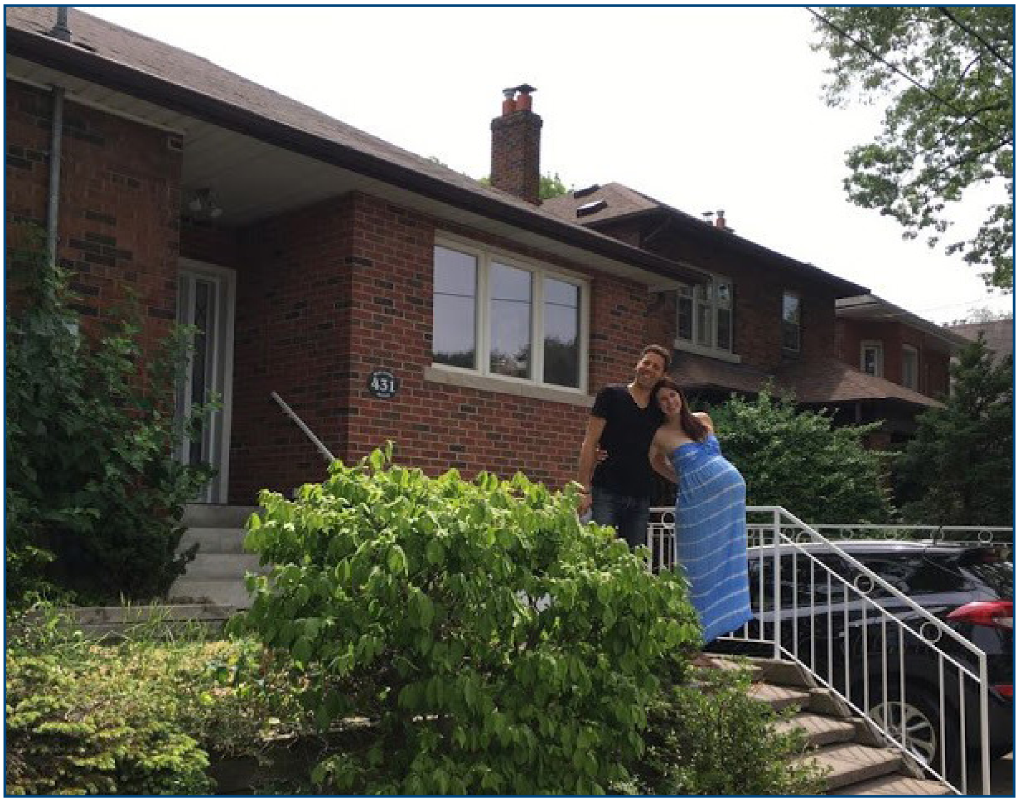
Finally, closing costs had to be taken into account - land transfer tax was a gag, and we had to pay for property tax costs for the first part of the year (another gag!). But that wasn't all. We bought more life insurance and critical illness insurance (another expense to add to the monthly budget) to cover our debt and for income replacement. Health insurance benefit costs went up. We updated our wills and powers of attorney.

Something that I failed to account for was how much furniture I would need to buy, not just for the kids but for the house! We ended up with a huge spreadsheet, and I scoured the internet for the best deals for each item that we needed. This was a project that took months and had to be timed perfectly for when we moved into the house and when I was due to give birth (I had a two week window).

Oh! I almost forgot about the SUV we had to buy. My two door Honda Civic wouldn't work with car seats.

And as many of you know, the costs never end. Landscaping and tree removal - who knew that we would end up with a house that has a 300-year-old (dead) tree on the property? There are electrical outlets in the house from the 1920s that don't correspond to any plugs that exist today. Radiators needed to be removed. Asbestos was found that wasn't caught by our inspector. Insulation needed to be added. And on and on.

The moral of this story is this: leave a significant financial buffer when you buy a house! I am so glad that we did not go to the extent of our financing, since we have had to draw on our home equity line of credit to cover all the unwanted, unknown additional expenses that continue to pop up. (Like the unwanted ants that have begun to take up home in our living room, or the millipedes that live in our bathroom drain.) All that being said; we love our house, and are so thankful that we can continue to live in our fair city of Toronto. If you are considering buying your first house, we can help to walk you through the budgeting that you might not have considered as part of your up front and ongoing costs. With all that being said… Happy house hunting!



Client's Corner

One Hundred Forty-Five Days

ON THURSDAY, SEPTEMBER 20, 2018, THE STANDARD & POOR'S 500-Stock Index—this writer's personal proxy for the broad U.S. equity market—made a new all-time closing high, at 2,930.75. That was actually the third new high in the previous month; before that, the Index had gone 145 trading days without making one.[1]

By a wild coincidence, another 145 trading days later—on Tuesday, April 23, 2019—the Index made its next new all-time closing high, at 2,933.68.

But that isn't really the story, is it?

To answer my own not-in-the-least rhetorical question: no, it isn't. The story is what happened in the seven months between those two new highs. And what happened (setting aside the whole specious issue of "why" for a moment) is that in the roughly three months between September 20 and Christmas Eve, the Index went down 19.8% on a closing basis. And in the succeeding four months (less one day) it made up all those "losses," and a tad more.

Except that that's not the real story either. Not where it counts.

You see, what happens in the equity market has very little to do with what actually happens to the equity investor. That's because ***the dominant determinant of long-term, real-life outcomes is not the performance of markets but the behavior of investors***.

The real story of that seven-month round trip, therefore, will be found in (a) how you were feeling as the Christmas Eve Massacre unfolded, (b) what you did in response to your feelings, and/or (c) what—with the steady guidance of your investment advisor—***you did not do.***

Why the equity market went down as suddenly and sharply as it did in the three months through Christmas Eve is, in terms of your own lifetime investing experience, irrelevant. Why it reversed to new highs almost as suddenly and sharply is, if possible, even more irrelevant. The critical variable was, and always will be, how you responded.

It would appear anecdotally—judging by the wave of outflows from equity mutual funds and ETFs as the decline entered its terminal panic phase—that a great many investors responded by fleeing equities. And the closer the market got to its Christmas Eve selling climax, the more people—or at least the more ***dollars***—fled. It was ever thus, human nature being what it is.

I must proceed now on the assumption that you didn't—flee, that is. I arrive at this hopeful conclusion by a process of inductive reasoning, as follows:

(a) I take as a given that you were sent this essay by an investment advisor who is familiar with, and in general agreement with, my essential equity investing principles. Chief among these is, "When the spaghetti hits the fan, don't just do something: ***stand there***. This too shall pass."

(b) I'll assume that you didn't just recently engage the said investment advisor—that he or she was already your advisor during the September-to-April round trip.

(c) If (b) is correct, I'm quite sure your advisor steadfastly and even vociferously counseled you to stay the course—and indeed, if possible, to step up your equity purchase plan, if such you are following. And therefore:

The dominant determinant of long-term, real-life outcomes is not the performance of markets but the behavior of investors.

(d) you stayed the course, perhaps even buying some relatively panic-priced shares from capitulators. (If you're reinvesting dividends, you actually did a bit of this opportunistic buying, even if you didn't mean to. And bravo, say I.)

If this conclusion is consistent with your actual experience, then your advisor is to be applauded for rendering that advice—and you are to be even more enthusiastically applauded for following it. One hopes that this has established (or reinforced) a pattern that will carry through the balance of your investing lifetime.

On the odd (and terrible) chance that assumptions (a), (b) and (c) are correct but that the conclusion (d) isn't—that despite your advisor's counsel, you went to cash—let this be the most important lesson of your investing lifetime. Start over. In the jargon, zero-base your advisor-advisee relationship. Sit down with your advisor, and begin the process again.

For the lifetime and even multigenerational equity investor, the folly of capitulation to panic may be a lesson we all have to learn from experience. ***Once.*** The trick is—with the counsel of an empathetic but tough-loving advisor—never having to learn it again.

[1] *The Wall Street Journal*, April 23, 2019, *"S&P 500 and Nasdaq hit closing records."*

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