PLANNING MATTERS

Quarterly Financial Planning Newsletter from Coleman Wealth

Winter 2016 - 1st Edition

Important Dates and Numbers

RRSP Contribution Deadline: February 29th

Maximum RRSP Limit for 2015: $24,930

Maximum RRSP Limit for 2016: $25,370

TFSA Limit for 2016: $5,500

Pedro and Nik's Tips and Tricks

Pedro:

As we get to RRSP season, sending us funds electronically is a whole lot easier than mailing a cheque! All you have to do is add Raymond James as a payee through your online banking and quote your RRSP account number. Then, you make the RRSP contribution like you would when you pay a bill. This also works for TFSAs and non-registered accounts.

Nik:

Many of your tax documents for the upcoming season can be found online through your client access, including your RRSP contribution slips. Once you're logged in, you can find them under the "My Documents" tab > "Tax Documents"

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2016 Outlook – Golden Years

By Darren Coleman

"I don't know where I'm going from here, but I promise it won't be boring."

- David Bowie

So far, 2016 is off to a terrible start. Along with a new round market volatility, we have also lost one of pop culture's brightest lights. One of the most amazing things about David Bowie was that he found a way to stay current and relevant as an artist for over 50 years. His music and style was always changing, seemingly a step ahead of everyone else.

His secret was that he kept changing, kept adapting. In Golden Years, he sang *"Never look back, walk tall, act fine."* Exactly.

We've been successful as investors because we try to look ahead and not pay too much attention to the rear view mirror. Last year was a very difficult one for Canadian investors, as energy tanked, with oil falling from $130/barrel to almost $30. Our dollar fell with it, and is now approaching $0.70.

While I did not see that coming, we were relatively immune from it, as I moved the bulk of our client's portfolios to high quality companies in the US several years ago.

Also, quite curiously for a Canadian financial advisor, we have nearly no allocation to the energy and commodity sectors.

We made those strategic decisions back in 2011 when our dollar was above par and all of the financial gurus were worried about the US "fiscal cliff" and their housing market problems.

In short, we sold Canadian assets when everyone loved them, and bought US assets when they were unpopular.

Walk tall, act fine.

In 2015, the US markets, in my opinion, took a well deserved rest after nearly tripling since the financial crisis of 2009. Yes, market volatility is back, but that dragon never went away. It was just sleeping.

And we do not fear it.

Indeed, it is precisely that volatility that gives us the chance to build stronger portfolios. It is in times just like these that money moves from weak hands to strong hands. Warren Buffett once commented that during a crisis, stocks are returned to their rightful owners. I've been an investment advisor for nearly 25 years and I can testify that this is precisely so. I have seen this pattern in the behaviour of investors so many times that I now devote more time to studying behavioral finance than balance sheets. The crowd will tell me more than any stock analyst ever can.

The market volatility we've witnessed this year has been sparked by what can only be described a Chinese clown show. Remember, this is the world's most immature stock market, run by inexperienced regulators, and for the exclusive use of the world's most culturally aggressive gamblers. In my recent webinar, I posted some charts of how the Shanghai Index has performed against the S&P500 (the benchmark for the US market). The volatility of the Chinese market is absolutely wicked. I also showed how the revenues of the Macau casinos have been falling – and the participation in the Chinese stock market has been increasing. The pattern is clear: the gamblers left the roulette tables and called their brokers. The activity is the same – only the location is different.

Our response is to look for the best values that are being created out of this situation, as short-term traders jump in and out of the market. We always act – never react.

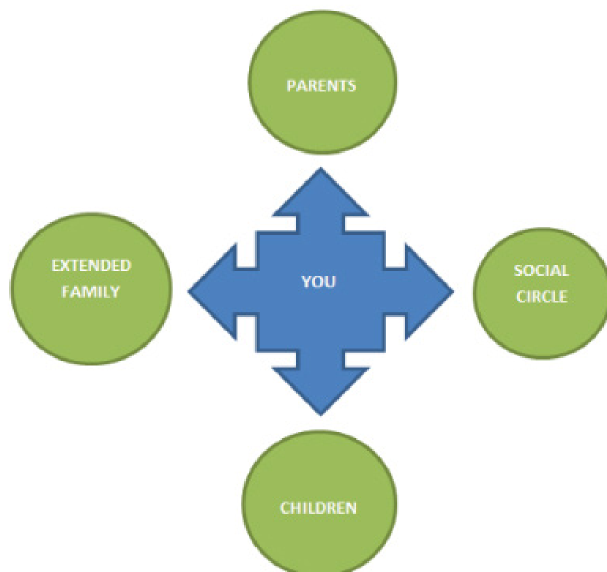
Walk tall, act fine.

The Next Wave of Planning… Doing More

By Andrea Thompson

You're at the point where you've taken care of your retirement plan. You're making great savings. You're properly insured. You're paying down the mortgage. The kids' education is funded. Now what?

Now we have to do more. We have to look up, down, around and sideways. Who's in your long term plan? Who might you be responsible for in the future? Who's going to play with you during retirement?



- **How does your parents' plan affect your own?**

  * Will they live with you?

  * Who will be responsible for their care?

  * Will they have enough to pay for their lifestyle and/ or the cost of continuing care?

  * Will you be an executor or power of attorney? Do you have the time to?

  * Are you counting on an inheritance? If so, have you considered the implications of taxes at death?

- **Who in your extended family might be a financial responsibility of yours (either continuing or in the future?)**
- **Will your children be financially independent?**
  * Do they have job stability?
  * Are they in a stable relationship?
  * Are they able to pay their bills? Save for their children's education?
- **Will your friends be able to have the same lifestyle at retirement as you do?**
  * Do they have a well-funded retirement plan? Is this something they've even considered?
  * Will they be able to travel, eat out, and play golf with you?
  * Do you need to find new friends?

These are all potential issues that may contribute to the success of your own long term plan. While we can't plan and account for all of them, having an awareness of the financial impact of the issues that might affect you is important.

A good exercise:

1. Check off the issues that matter to you.
2. Try and estimate the magnitude of the financial responsibility that it might entail, each month or year. Will you take on this responsibility? Share in it with them?
3. Determine if you are able to help in some way, and if so, how you might be able to do so:
   a. Is it by funding it yourself through your own cash flow or from your own retirement savings?
   b. Is it by setting aside extra money today to deal with the potential impact of some of these issues?
   c. We think by encouraging those who you love to take an interest in ensuring that their own financial plan is solid, that can go a long way to ensuring that they can live a lifetime of financial independence.

The Quickest Retirement Planning Lesson You'll Ever Have… in 3 Steps!

By Andrea Thompson

I'm going to run your retirement plan for you. But before I do, I'll tell you this now – everything I'm going to show you is already wrong. Assumptions change, life changes, people get sick, jobs change. The biggest determinant of your retirement success is not what planning we can do for you, and not the rate of return earned in your portfolio. It's what YOU do. I'm going to give you 3 simple rules to follow to achieve a more successful life plan.

1. Save your money. (It's that simple!) Put aside 20% of your after tax income towards long term savings. (We will worry about what account (box) to put it in, and what tools to use to make it grow.) We recommend doing the following: 'Bill yourself first'. Write yourself a monthly bill equal to 20% of your net income, and have it set up as an automatic bill payment to exit your bank account as soon as your pay cheque hits! Success in investing is based on personal discipline and savings more than what rate of return you earn. 10% of '0, ' is still 0.

Some clients rely on outperformance, a massive windfall or a LottoMax jackpot to bring their retirement to fruition. This is not a good plan, nor is it a determinant of success. Your success is directly tied to your ability to put money aside.

2. Learn to live on less. If your lifestyle (habits) cost you more than your net income, this is a recipe for disaster! Accruing higher amounts of debt on credit cards, car loans, and lines of credit means, very simply, that you are spending more than you can afford. Compound interest on unpaid debts only exacerbates this problem. Learn to live on less and manage your 'discretionary' habits.

Determine what a **NEED** versus a **WANT** is, every time you make a purchase! Using debit (or cash!) for all purchases is another disciplined strategy if you want to get a handle on spending only what you have. Also, reevaluate what your largest bills are each and every month. Is there a way to cut them down?

3. Be wary of roadblocks and speedbumps. The best laid plans tend to work out when everything is going hunky dory, but what most people tend to ignore (or avoid planning for) is looking at what happens if someone gets sick or doesn't come home one day. We all hope this never happens, but it would be financially irresponsible to not plan for this potential. Loss of income is usually covered by a good long term disability plan, but what about long term savings?

Having a well thought out and funded insurance plan for when things don't go right will help ensure that your long term savings can stay intact and not set you back for your own retirement plan.

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