CIBC Wood Gundy

Perspective

Personal Newsletter from The BKE Financial Team

First Quarter 2016

The Economic Power of Positive Thinking

It's the new year — a time when many of us look forward with optimism to the year ahead. As we start another year, we often make self-improvement resolutions or promise to do things better than in the past. It's a time when positive thinking is at its highest.

However, from an investment perspective, optimism has been in short supply for many investors, especially after what was a rough 2015 for North American equities markets. As we look forward to 2016, Canada is likely to continue to face slower growth prospects, largely in part to persistently low oil and commodity prices.

Despite continuing economic challenges, there may be reason to be more optimistic. Former World Bank economist Charles Kenny believes that optimism can drive success in far-reaching ways, including from a collective economic perspective. He looked at various studies which show that optimism encourages higher levels of risk acceptance, experimentation, hard work and overall happiness. In turn, this has been associated with rapid productivity growth and stronger economic performance when comparing certain nations.*

Looking positively at the Canadian market may seem difficult after last year, but let's remember that these are temporary times. Periods of downward volatility have been shown to smooth out over time. Since 1956, the S&P/TSX Composite Index (with dividends reinvested) has only had 16 annual periods with total negative returns. The majority of periods (or 73%) have been positive. As the time period increases, the number of negative periods decreases. For three-year periods, the number of negative periods reduces to eight. And, there has never been a 5-, 10- or 20-year period with a negative return.**

History has also shown that market declines have been followed by greater recoveries. Stock market gains can be swift and unpredictable. Investors who choose to stay out of the market, even for short periods, may miss out on great opportunities.

As we have said in the past, portfolios built on a solid foundation that start with a financial plan incorporating securities selected with quality, diversification and individual needs in mind — along with some positive thinking — may help to weather the inevitable rough periods that continue to be present from time to time.

*"How Optimism Strengthens Economies", 01/08/15, Bloomberg. **S&P/TSX Total Return Index, 01/01/56 to 12/31/14.

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THE BKE FINANCIAL TEAM
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Speaking Personally: The start of another year is a good reminder of how quickly time passes us by. With time, it is important to continue positioning your investment portfolio to ensure it is best structured to account for new developments. Even the simple fact of getting older may change your financial responsibilities and alter the goals for your investment portfolio.

Please call if you feel a personal review would be timely. Wishing you good health and happiness for the year ahead.

The Importance of Planning Ahead

Power of Attorney Checklist

❑ **Do you have a valid power of attorney?** For the first time in Canada's history, seniors outnumber children under 15 years of age, making up over 16% of the population.* Even if you are not part of our senior population, you should plan ahead for a time when you may need help managing your affairs. It is important to consider whether powers of attorney are right for you, and, if you have them, whether they still meet your needs.

❑ **Have you prepared separate documents based on your requirements?** Generally, there are two main types of powers of attorney. The names and availability vary by province. A power of attorney for property allows a named entity(s) (called the "attorney(s)") to conduct financial transactions for you. A power of attorney for personal care allows your attorney(s) to make decisions for your health care in the event of incapacity.

❑ **Is/are the attorney(s) who was/were named still the best choice to manage your situation?** Time changes many things. Perhaps a named attorney has passed away or no longer lives in close vicinity. A periodic review can ensure that the most suitable attorney continues to be named.

❑ **Have you specified certain limitations in your powers of attorney based on your situation?** Depending on your particular circumstances, you may wish to provide specific instructions for managing your assets, such as for a limited task like selling a house, or for a specific time period. Remember that unless limitations are set for the attorney, they will have full discretionary power over the management of your finances/property.

❑ **Have your power of attorney documents taken into account different jurisdictions if you regularly travel, or have assets, outside of your province/territory of residence?** Since powers of attorney are legislated differently across provinces, it is important to understand the laws governing powers of attorney if you travel across provincial borders or own property outside of your province, particularly in the potential situation of mental incapacity.

Please seek legal advice when creating or signing any legal document. A regular review can help identify if powers of attorney are right for you and if your power of attorney documents continue to meet your needs.

Source: *"Seniors in Canada Outnumber Kids Under 15 for First Time Ever", Financial Post, Economy. Page 1, Sept. 29, 2015.

Prevent Identity Theft & Predict Love?

What Your Credit Score Says

We often consider our credit score to be important when it comes to applying for a credit card or securing a mortgage. But how about when it comes to… love? A study published by the U.S. Federal Reserve shows that credit scores may be a good predictor of the success of your love life.*

According to the study, people with higher credit scores are more likely to be in a committed relationship. There is also a correlation between couples who have mismatched credit scores and breaking up. The economists who conducted the study hypothesize that "credit scores matter for committed relationships because they reveal information about general trustworthiness," which may be one reason that couples with differing credit scores may be in a relationship less likely to succeed.

Prevent Identity Theft: Check Your Credit Record

Regardless of whether a credit score can predict the success of a relationship, it is always worthwhile to check your credit report periodically, especially to help guard against identity theft and financial fraud. Generally, a credit report will show information about your credit history, which may include loans taken out in the past six years, whether you regularly pay debts on time, your credit limit and other account information from each creditor.

Two companies that compile data on the creditworthiness of individual Canadians are TransUnion and Equifax. You can request a free credit report to be mailed to you at transunion.ca or equifax.ca. Alternatively, you can pay a fee to receive immediate online access to your credit report and/or credit score.

If you do spot an error, contact the reporting agency and file a dispute to resolve the potential issue. If you see entries that don't relate to you, you may be a victim of identity theft and you should notify the agency immediately.

Source: *"Credit Scores and Committed Relationships". Federal Reserve, August 2015.

Thinking Longer Term: Patience in Investing

It's Time, Not Timing...

Given the volatility of recent times, it is worth repeating that staying invested is important. Why? Because most investors cannot consistently and accurately time the markets to buy at the low point and sell at the high point.

Here is one perspective. Investors who sell during times of downward volatility may miss out on periods with significant gains, as market declines are often followed by greater recoveries. A look back over time shows the potential advantage that can come with holding on. An investor who stays fully invested is better off than one who misses out on the best performing months. If an investor invested $1,000 on Jan. 1, 1975 on the S&P/TSX Composite Total Index (dividends reinvested), the returns on Sept. 30, 2015 are shown in the chart below.

Return if $1,000 is Fully Invested	Missed 3 Best Months	Missed 5 Best Months	Missed 10 Best Months
$54,539	$36,444	$29,114	$17,439
Difference	***-33.2%***	***-46.6%***	***-68.0%***

Source: S&P/TSX Composite Total Index Returns, based on monthly close data.

Keep in mind that past performance is never a guarantee of future results. This also doesn't mean that periodic changes to a portfolio aren't warranted, but it does show that having patience has, in the past, paid off over time.

Keeping Track of Your Assets

Transitioning Your Pension

Are you transitioning from a job at one company and going to another, or perhaps leaving to enter the golden years of retirement? During this busy time, one of the things you shouldn't overlook is deciding what to do with your pension plan from your previous employer. Understanding the type of plan in which you were participating is the first step when determining your options:

Group Registered Retirement Savings Plan (RRSP) — This is a non-locked-in RRSP established by an employer for a group of employees. In general, group RRSP assets can be transferred to a personal non-locked-in RRSP or Registered Retirement Income Fund (RRIF) on a tax-deferred basis without impacting your unused RRSP contribution room.

Defined Contribution (DC) Pension Plan — This is a registered pension plan where, generally, the funds in the plan are locked in under applicable federal or provincial pension legislation. A vested DC could be dealt with as follows: i) transfer the eligible amount of funds to a personal locked-in RRSP/Locked-in Retirement Account (LIRA), Life Income Fund (LIF) or Locked-in Retirement Income Fund (LRIF) account (as a tax-deferred rollover); ii) leave the assets in the former employer's plan; iii) transfer the funds to your new employer's plan (assuming they permit the transfer); or iv) purchase a life annuity.

Defined Benefit (DB) Pension Plan — This is a registered pension plan where assets are also generally locked-in under federal or provincial legislation. During a transition, you can: i) transfer the "commuted value" (defined in the next section) to a personal locked-in RRSP/LIRA, LIF or LRIF account; ii) receive your DB pension payments starting as soon as your plan's specified early retirement date; iii) transfer the commuted value to your new employer's plan (assuming they allow for this); or iv) use the commuted value to purchase a life annuity.

Commuted value, in general, is the present value of all future annual payments that would be made if the pension was left in place, as determined by an actuary. If you take the commuted value into a LIRA or LIF, you are responsible for the investment decisions or hiring someone to manage it.

Keep in Mind

Consider that there may be benefits to consolidating the assets from your previous employer to a personal plan to help improve the efficiency and effectiveness of how your assets are managed. Consolidation may also prevent multiple plans from being forgotten over time.

Pension legislation varies based on province/territory of employment. The benefits and security under the plan will need to be weighed against the investment freedom and responsibility of a commuted value. Your former employer's plan may have specific provisions that may restrict you from leaving the plan, so please consult with your former employer's pension administrator before you consider moving any assets. If you would like assistance in helping to understand some of the issues to consider when making this important decision, please don't hesitate to call.

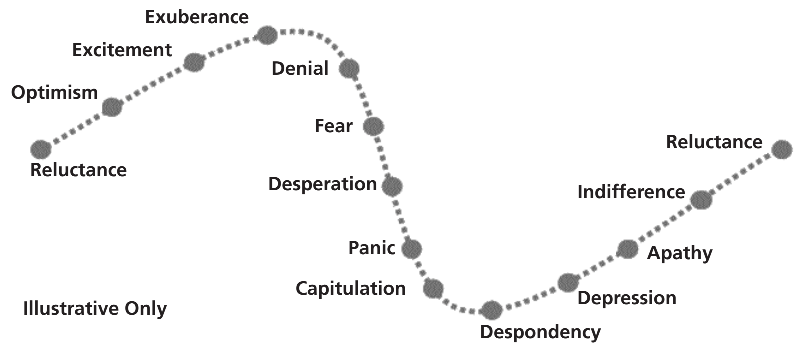
Note that the comments included in this publication are not intended to be a definitive analysis of tax law. The comments contained herein are general in nature and professional advice regarding an individual's particular tax position should be obtained in respect of any person's specific circumstances.

Separating Emotions from Investing

Keeping emotions in check can be one of the more difficult things to do in investing, but it can be one of the keys to successful investing.

Fear and greed are the two emotions that are often said to drive market activity. Either emotion can be the downfall of an otherwise well-thought-out investment program for an individual investor.

The accompanying chart (for illustrative purposes only) shows how emotions can often be associated with certain stages of market cycles. During an uptrend, where the prices of equities are advancing and the market is rallying, there may often be much excitement about the markets and optimism usually is the dominant emotion.



Source: Adapted from "Understand the Cycle of Market Emotions", Forbes, 05/18/12.

When things look most bleak and equities prices are in decline, the media often perpetuates the negative sentiment and can evoke fear in investors. Ironically, this may often be the time when many investors can find good buying opportunities, but instead the fear can lead to avoiding investing altogether in the markets (capitulation).

During volatile times, like those we have experienced recently, it is easy to get caught up in the emotional roller coaster. Why? Behavioural biases can help to explain why we react in certain ways during market movements, and even why they can sometimes drive us to make irrational investment decisions.

As examples, loss aversion, or the fear of potential loss, may cause an investor to second guess a portfolio strategy and encourage an investor to sell a winning position too soon or hold on to a losing position for too long. Or, an investor may base decisions by "anchoring" expectations to a reference point, even if there may be no logic that supports the anchored price.

What is the prevailing market mood today? Decide for yourself. But the key is to recognize that the emotional roller coaster in investing occurs again and again. This perspective may provide some equanimity in dealing with the difficult task of wealth building, and, as well, may help to avoid some of the pitfalls that emotions can create.

RRSP Season Reminders

Deadline for 2015 Tax Benefits: Monday, Feb. 29, 2016.

Contribution Limit for 2015: 18% of 2014 earned income, to a maximum limit of $24,930, less any pension adjustment (PA) resulting from contributions to a registered pension plan or deferred profit sharing plan, less any 2014 past service pension adjustment (PSPA) and plus any 2014 pension adjustment reversal (PAR) and unused contribution room carried forward. Your tax assessment notice from Canada Revenue Agency will show the exact limit.

Please let us know how we can help with any Registered Retirement Savings Plan matters.

With the Compliments of:

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