The Dream Achiever

DD HUMES

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INSIDE THIS ISSUE

"Investors should try to be fearful when others are greedy and greedy when others are fearful."

~ Warren Buffet

The recent markets have been quite volatile; meaning the ride you had been accustomed to has become a little more turbulent. Call us to make sure that your portfolio is still a good fit for your risk tolerance.

Increased daily volatility can be illustrated by the daily moves of more than 2% on the S&P 500:

From June 2003-June 2007
(1007 trading days) =
6 days or 0.6% of the time

From June 2007-June 2011
(1009 trading days) =
166 days or 16% of the time

FundEX INVESTMENTS INC.
Group-Savings-Plan Brokerage Firm
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Market Overview – Choppy Waters

Some of you may be feeling a little seasick from the volatility of the market in the third quarter. News on the Greek crisis can send the markets up 300 points at noon and down 200 two hours later. A convergence of variables, each alone not so difficult to deal with, can create emotional reactions that cause investors to abandon fundamental investing rules.

Investor focus has been flip-flopping between positive and negative indicators with breathtaking speed. One minute the U.S. deficit and debt ceiling crisis, not to mention the S&P downgrade of U.S. government debt, next the Euro sovereign crisis and then disappointment in the "miracle" of the emerging markets.

We don't think this is a replay of 2008. Generally speaking, governments have a better handle on the real problems, companies are in a better fiscal position, and stocks are at more reasonably valued levels. Even the US banks are healthier than they were 3 years ago. It is uncertainty that seems to be keeping companies from investing in factories and employees.

What does this mean for your portfolio? If you are invested in any stock markets you can expect your portfolio to be down. The TSX was down over 10% in Q3 (and it is one of the better performing indices worldwide this quarter).

Oddly, stocks are about the only thing people are afraid to buy when they are "on sale". We tend to think that things will stay the same forever, in both good times and bad. If you look back to the early 90s, would you have thought then that the Canadian government would ever be fiscally stronger than the U.S.?

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Market Overview Continued

If you are investing on market drops or buying a bit on a regular monthly basis (dollar cost averaging), you are lowering your average cost per unit – a benefit when markets begin to rise again.

Now isn't the time to move into cash. Markets generally recover too quickly to be able to assess the real bottom until well after the fact. A fund manager was recently quoted as saying, "If you do something that makes you sick to your stomach…it's probably the right move." And Mark Twain once said "If you don't read the newspaper, you are uninformed; if you do read the newspaper you are misinformed."

We'd like to help you be informed – **so if you have any concerns about your portfolio or any other financial matter, call us.** It will be our pleasure to assist you.

Year end planning preparations

Things to look at between now and the end of the year include:

- **Tax Loss Selling**. Assessing investments in a loss position to offset gains in 2011 or 3 previous tax years**.**
- **Tax Free Savings Account (TFSA)** contributions. (Note: January 1, 2011 will bring another $5,000 of contribution room.)
- **Registered Education Savings plan** (**RESP)** contributions. Quebec beneficiaries will now get the added 10% grant from the provincial government increasing the overall grants to 30%!
- Maximizing your **RRSP contributions**
  (You do have until March 1, 2012 for the 2011 tax year – the 2011 Maximum is $22,450)

Matt's Planning Corner

Maximizing education savings via a Registered Education Savings Plan (RESP)

With the children now back at school, it's a good time to remind everyone of the advantages of an RESP for saving for post secondary education. There is really no better way to save for post secondary education than these plans. They allow you to receive a 20% federal grant (CESG) and in Quebec a 10% provincial grant (QESI) on the first $2500 contributed per year. These plans cannot be used to fund private secondary school – to do that it is best to use a TFSA.

What are the advantages of a self-directed RESP over a scholarship plan? The main reason we like the self directed plan is flexibility. You choose the investments and the timing of contributions and withdrawals.

Please contact us with any questions, to add to your RESP before the calendar year end, or to set up a plan for child or grandchild.