



## **NEWS & UPDATES:**

### **Top uses for your tax refund:**

- 1) Pay down debt (especially high interest credit cards)
- 2) Add to your RRSP for 2010
- 3) Add to your RESP for 2010
- 4) Add to your TFSA for 2010
- 5) Invest in yourself! Sign up for a course, buy a good book, take a loved one out for lunch, complete a household project . . . the list is almost endless!

## **GENERAL MARKET COMMENTARY:**

*"I have no idea what the stock market will do next month or six months from now. I do know that, over a period of time, the American economy will do very well and investors who own a piece of it will do well." Warren Buffet in an interview on CNBC on Friday, October 10, 2008*

After the market roller coaster of 2008 and 2009, the first quarter of 2010 has been blessedly uneventful by comparison - the markets ended the first quarter about where they started the year, although up very significantly from their lows of a year ago. That said, there is still a cloud of uncertainty that is making many investors nervous.

### **Causes for concern ... and for optimism**

Even with the stabilization of the global economy, there's no shortage of short term causes of concern:

... continued questions on the direction and timing of the economic recovery in the United States and Europe

... US housing prices that are staying stubbornly low and unemployment levels in North America and Europe that are stubbornly high.

... and in late March the deputy director of the International Monetary Fund made headlines as he talked about the need for advanced economies to cut spending in order to reduce deficits.

Here's a link to the New York Times article about the IMF's views:

<http://www.nytimes.com/2010/03/22/business/global/22imf.html?scp=1&sq=lipsky%20imf&st=cse>

The good news is that there are offsetting positives, even if the media headlines that feature them aren't quite as prominent:

... on Monday March 22, the Wall Street Journal ran a story about dividend hikes as a result of rising profits by US companies. The article also mentioned that cash on hand on US corporate balance sheets was at the highest level since 2007.

... on the same day the Financial Times ran a similar story about dividend increases in Europe

... and there's growing attention to the impact that Germany's emphasis on manufacturing productivity had in sheltering it from the worst of the economic downturn - and questions about whether this might be a model for other countries. In March the Economist ran a 14 page feature on how Germany positioned itself for success.

### **Forecasting the future**

Whether you choose to focus on the positives or the negatives, there's broad agreement that the steps taken by governments stabilized the financial crisis that we were facing a year ago - and there is almost no talk today of a global depression. So the issue is not whether the economy will recover, but when and at what rate - and whether there might be another stumble along the way.

If you look for investing advice in the newspaper or on television, the discussion tends to revolve around what stocks will do well in the immediate period ahead ... this week, this month, this quarter. We refuse to participate in that speculation - when it comes to short-term predictions, whether about the economy or the stock market, there's one thing we can say with virtual certainty: Most of them will be wrong. Quite simply, no one has a consistent track record of successfully forecasting short term movements in the economy and markets.

Which is why in uncertain times such as today, one of the people I look to for guidance is Warren Buffett.

### **Advice from Warren Buffett**

In an investment industry poll a couple of years ago, Warren Buffett was voted the greatest investor of all time; among the runners up were Peter Lynch, John Templeton and George Soros.

Buffett's returns are a testimony to the power of compounding. From 1965 to the end of 2009, the growth in book value of his investments averaged 20% annually. As a result, \$10,000 invested in 1965 would currently be worth a remarkable \$40 million. By contrast, that same \$10,000 invested in the US stock market as a whole, returning just over 9% during this period, would be worth \$540,000.

In one of his annual letters to shareholders, Warren Buffett wrote that it only takes two things to invest successfully - having a sound plan and sticking to it. He went on to say that of these two, it's the "sticking to it" part that investors struggle with the most. The quote at the top of this letter, made at the height of the financial crisis, speaks to Buffett's discipline on this issue.

I try to apply that approach as well - putting a plan in place for each client that will meet their long term needs and modifying it as circumstances warrant, without walking away from the plan itself.

Boom times such as we saw in the late 90's and scary conditions such as we've seen in the past two years can make that difficult - but those conditions can also represent opportunity. Indeed, in his most recent letter to shareholders Buffett wrote that "a climate of fear is an investor's best friend."

## **Core principles that shape our approach**

On balance, I share Warren Buffett's mid term positive outlook, not least because many of the positives that drove market optimism two years ago are still in place, among these the continued emergence of a global middle class in developing countries like Brazil, China, India and Turkey. This educated middle class will fuel global growth that will make us all better off. If you're interested, here's a link to Warren Buffett's 2010 letter to investors:

<http://www.berkshirehathaway.com/letters/2009ltr.pdf>

In the meantime, here are the fundamental principles that we believe will continue to serve clients well in the period ahead.

1. **Have a plan - and stick to it!** In the face of economic and market uncertainty, a key to success is having a diversified plan appropriate to your risk tolerance - and then sticking to it. It can be hard to ignore the short-term distractions, but ultimately that's the only way to achieve your long term goals with a manageable amount of stress along the way. **Is your plan current?**
2. **Understand what risks you are taking.** Everyone would love a 'simple' investment that is guaranteed to go up by 10% a year, with no risk. Unfortunately, that investment doesn't exist! There are many different types of risk, such as: taxes, inflation, liquidity, currency, volatility, etc. **What are the biggest risks you are taking?**
3. **Build in a buffer.** Given that we have to expect continued volatility, our goal is to identify cash flow needs for the next three to five years for every client and ensure these are set aside in lower risk investments. That buffer protects clients from short term volatility and reduces stress along the way. **How long will your buffer last?**
4. **Pay down debt. Have you ever calculated how much less income you would need to live comfortably if you had no debt?**
5. **Balance!** While it is wise to plan your finances as if you'll live to age 100, we encourage clients to balance that with living their ideal life each day. To achieve 'real success' (in my opinion), you need to be clear about your goals (and working on them daily!) in the seven main areas of life: personal, family, business/career/education, financial, health, social, spiritual. **If you amassed millions of dollars, but lost your family or your health, would you consider that 'success'?**

If you have a life insurance policy coming up for renewal, or if you are interested in learning more about Critical Illness or Long-Term Care Insurance, please contact Vanessa by phone or email [vprasad@assante.com](mailto:vprasad@assante.com) to schedule an appointment so that we may help you find the coverage that's right for you.

In closing, let me express my thanks for the continued opportunity to work together. Although we endeavour to proactively contact you on a regular basis, please call us if you have any questions or if your circumstances have changed.

With warmest regards,



**R. Derek Dutka, B.Ed., CFP**  
Senior Financial Planner

*PS: A few quotes as usual!*

*The future belongs to those who believe in the beauty of their dreams.* Eleanor Roosevelt

*The ultimate measure of a man is not where he stands in moments of comfort & convenience, but where he stands at times of challenge and controversy.* Martin Luther King, Jr.

*Most people spend more time and energy going around problems than trying to solve them.* Henry Ford

*For where your treasure is, there your heart will be also.* Matthew 6:21

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