

The Dream Achiever



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"Life isn't about learning how to weather the storm, It's about learning how to dance in the rain."



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INVESTMENTS AND FINANCIAL PLANNING



"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

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"We can pay off our past and save for the future, as long as we avoid the present."



What is up with the weather?

The calendar says that summer is officially here but Mother Nature certainly hasn't gotten the memo in Montreal. The temperatures have been fairly cool and very wet. The glass-half-full side person says this is good news as we haven't had to water the gardens very much and the cooling bill will be low. The kids are now out of school and many of us have our summer holiday vacations just around the corner. Let's keep our fingers crossed that the weather changes for the better, but even if it doesn't, make sure to make the best of things and "Dance in the rain".

Once again this year the second quarter matched the recent weather. It has not been an easy three months for the Canadian stock market as the TSX Composite was down -4.07% taking it slightly negative (-0.87%) for the 2013 calendar year. This has been driven by weakness with materials and precious metals. I'm sure you all have seen the nose dive that the price of gold has taken with a -22.78% drop in the last quarter alone. The DEX Bond index closed the quarter down -2.36% (-1.68% on the year). As mentioned in our March newsletter, things have been much brighter outside of Canada. Canadian investors with exposure outside of Canada benefited from the continued weakness in the Canadian dollar. In the second quarter the S&P 500 climbed +6.59% (+20.43% in the year) in \$CAD and MSCI World up +4.35% (+15.15% for the year) in \$CAD.* The S&P 500 index hit a new all time high in May. Europe continues to be a mixed bag and Asia (ex-Japan) and other emerging markets were dreadful with many countries posting double digit losses.

Recently there has been an increase in market volatility mostly driven by central bank announcements. Equity markets have been very co-related to the Quantitative Easing program. The Fed adds money into the market and the market goes up and when it takes money away it has come back down. Recently the markets have been jittery when investors get any sign that the Fed is trying to wean them off their addiction to cheap cash. The fact is that it is a good thing that the economy is doing well enough to sustain itself without the help of the government.

It's clear that investors have become dependent on easy money. For the first time in years an exit from that environment is becoming very real. Even though the Bank of Japan and European central banks will likely be easing into the foreseeable future, an exit by the US Fed will begin the countdown until the other central banks turn off their taps as well.



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Market Overview Continued

Recently the biggest drag from these announcements has been on the income producing assets and bonds. The recent volatility of 10 year treasury yields is as high as it's been over the last 5 decades. Most analysts still don't see rates rising in the immediate future, but the recent announcements have hurt bond markets as long term bond yields rates have started to rise. This reflects the realization that this low interest environment won't last forever. It also shows with increasing mortgage rates and longer term GIC rates which have crept up a little recently. (GIC clients shouldn't get too excited as a 5 year rate is still only a pitiful 2.5%)

So what are you to do?

We still very much preach that you stick to your current risk profiles and continue the diversified and flexible investment strategies that we employ. Equities should include a very healthy allocation to non-Canadian markets and fixed income portfolios should be tactical in nature and allow the managers to look at all options available to them to help protect assets when rates do start to rise.

We encourage you to hold the course because the rain never falls forever. When the sun does peek out from the clouds you will be very satisfied that you stuck it out.

Planning items

- **RRSP Contribution Room for 2013:** Please provide us with your room for the 2013 tax year from your Federal Notice of Assessment that you received after filing your 2012 taxes. The maximum room for 2013 is \$23,820. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2013 will need to convert their RRSPs into RRIF accounts before the end of the year. We will be in contact to assist you on how to get that done.



The Planning Corner – Dreams & the plan to get there

When I think of what we do as financial planners I often wonder what the greatest value added service for our clients is. Though there are many aspects where we add value, such as investment advice or insurance evaluations, I personally believe that the largest value is the creation of a plan to achieve your dreams in life.

At DD Humes we use our own 10 step Dream Achiever Process™ to help define what those dreams are and to give economic value to them. We take a snapshot of where you are financially today and then draw up a plan of tasks to attain your dreams using the tools available to you. We also make sure that we address the safeguards to protect your plan in case of an unforeseen circumstance. This plan provides clarity to our clients as it lets them know where they are today and what they need to do to make their dreams a reality.

We follow-up on their required tasks to ensure that they get achieved and we provide an update on the status of the overall plan on an annual basis. We feel that it is always a good idea to look at the plan annually as we know variables can change which can alter the plan. By meeting, we can adjust where necessary to keep your plan on target.

If it has been a while since you've had a review of your plan, or have a friend who should have one done, make sure to contact us and we can continue our process of helping people live lives of dreams fulfilled.

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