

# The Dream Achiever



DECEMBER 31, 2013

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*"The way to get started is to quit talking and start doing."*  
~ Walt Disney

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## Not exactly the best New Year's resolution!



## Black and white

Over the holidays I was thinking that for the first time in a long while, the temperatures were actually more volatile than the markets. When was the last time you'd rather get into the markets than go outdoors? When the fourth quarter started the markets were on uncertain footing with a 16 day government shutdown. A last minute Congressional deal to extend the government's debt ceiling ahead of the October 17<sup>th</sup> deadline paired with strong economic data and a strengthening housing market caused the US stock market to take off. In December, the US Federal reserve announced that it would begin tapering its quantitative easing programme in January. However they also emphasised that interest rates would remain low, which helped send US indices up to record highs at the end of the year.

Eurozone equities performed strongly as they were helped by accommodative monetary policy. The European Central Bank cut rates to 0.25% from 0.5%. The economic recovery in this area of the world remains fragile, but many of the managers we talk to are seeing value here. In Japan, things continued to go strong as the Yen continued to weaken in the quarter. Emerging markets continued to underperform their developed world counterparts.

In the fourth quarter the TSX composite was up 7.3% (13% in 2013), S&P 500 was up 14.3% In \$CAD (41.38% in \$CAD in 2013), MSCI World was up 11.8% in \$CAD (35.9% in \$CAD in 2013), the MSCI Emerging Markets was up 5.3% in \$CAD (4.3% in 2013), while the BofAML CDN Broad Market Bond index was up 0.4% (-1.5% in 2013). The \$USD gained 3.4% on the \$CAD in the quarter (6.9% in 2013).

Our 2013 view was to remove the \$USD currency hedges that may have been in place, get more equity invested outside of Canada, and make sure that fixed income exposure was not solely sovereign debt (government bonds). These all added value to your portfolios. In summary, even though it's snowy white outside, the numbers on your statements should again be solidly in the black for 2013.

On November 25<sup>th</sup>, we held our "Navigating the New Normal" seminar. A full house of about 150 of our clients were on hand to hear Alan Wilkinson do an "around the world in an hour" with regards to worldwide markets. During the second half of the evening we discussed all of the DD Humes Services, the upcoming fee and performance disclosure timeline (CRM-2), and some year-end tax planning ideas. The slides of the seminar presentations can be found on our website in the "News and education" section.

## Market Overview Continued

With all of this information in hand, what are we to do now? Well, one thing is for sure, you need to stick to your savings plans and remain consistent in your risk tolerance. We see the momentum that we've seen in 2013 continuing into 2014. We see continued weakness in the \$CAD/\$USD exchange. While we've seen P/E multiples expand in 2013 to valuations closer to fair value, we expect market performance to be driven more by solid earnings growth in 2014. So even though the numbers were good in 2013 we still see some light ahead.

If it has been a while since we have discussed your portfolio allocation, make sure that your new year's resolution includes a review in early 2014!

## New Year Planning items

- **RRSP Contribution deadline:** For the 2013 tax year you need to contribute before March 3, 2014. The maximum room for 2013 is \$23,820. If you want to get started on your 2014 contributions, the maximum limit is \$24,270. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Registered Education Savings plan (RESP) contributions:** Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grant to 30%! 2014 room now available.
- **Tax Free Savings Account (TFSA):** A new \$5500 of room available since January 1, 2014.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2014 (born in 1943) 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 if you haven't done so already.
- **Your Annual Review**
- **\$2K pension deduction:** Those who turn age 65 or older and not already receiving recognized pension income.

## The Planning Corner – New Year's mandate, get a will



Your **Estate Plan** starts with the will. A will is a document that leaves instructions about what you want done with your personal possessions and estate after you die, outlines who will be your liquidator (executor), and who will take care of your children if you have any. Dying intestate (without a will) can lead to your assets being distributed by the courts of your province without tax inefficiency being taken into account. Not to mention the time delays.

To make a will you must be 18 years old and of sound mind. Each person must make a will (no joint document for a couple). In Quebec Three Types of wills are recognized: notarial Wills, holograph wills, or wills made in the presence of witness. To be valid each type of will must follow certain rules. We strongly suggest the use of a notarial will (written by a notary) as they are harder to challenge, you get advice of a legal professional, they don't need to be probated (made official) after you die, and are easy to find as they are kept in a registry. A notarial will usually costs between \$200-\$300. You should review your will whenever there is a major change in your personal situation. This could be a birth of a child, marriage, separation, divorce, illness, death or new relationship. It's a good idea to meet with a legal professional every 3-5 years to ensure that your will has been affected by changes in the law.

In reality there are so many issues to address when preparing a will that you will need to put in the required time to organize your thoughts on how you want your assets distributed. There are also the many personal and tax implications to consider. Make sure that you talk to your financial planner to help you with the process of your overall estate plan.

### Disclaimer:

The foregoing is for general information purposes only and is the opinion of the writer. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. However, please call **David Humes, Matthew Humes, or Chantal Massicotte** to discuss your particular circumstances.

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\*Source: Morningstar Canada