

The Dream Achiever



JUNE 30, 2016

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*"Price is what you pay
value is what you get"*

~ Warren Buffet



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CRM 2 Is Finally Here

Since our client seminar in the fall of 2013 we have been informing you of the changes that were coming due to the regulatory reform called **Client Relationship Model 2 (CRM2)**. The primary objective of these reforms is more disclosure to clients. We feel that any information that enhances disclosure for clients is a good thing.

The largest of the changes takes place in **July 15, 2016** when dealers become required to provide investors an **annual summary of all charges incurred and a mandatory annual performance report**. Most dealers will be putting this on their Dec 31, 2016 statements. For the first time clients will be shown the fees that were paid to their dealers in dollars and an annualized total percentage return for their accounts.

If you have any questions about your own account please contact us.



Should I stay or should I go

We hope that you are all enjoying the summer days which are upon us. In Canada, the summer season seems to pass in a flash so we need to take it all in when it arrives.

Very much like last summer, our June newsletter comes at a time when the media has been focusing on a very significant event in Europe causing investor angst. On June 23rd the Brexit vote resulted in a narrow decision towards Britain choosing to leave the European Union (EU). Even though the polls had shown that the race was close, many believed that the large number of undecided voters would choose to stay with status quo. That did not end up happening and results in sources of uncertainty and strengthens a movement towards fragmentation rather than globalization.

The surprise results of the "Brexit" vote caused equity markets to drop, losing an estimated US\$3 trillion in value over just a few trading days. The British pound and euro declined, while investors sought out perceived safe havens, including gold, stable government bonds, and currencies such as the U.S. dollar and Japanese yen. However, once the initial shock of the "leave" result had passed, global markets rebounded into the end of the quarter, with equities recouping most of their earlier losses. I want to remind you that Brexit is not a financial crisis but does make some aspects of the future a bit more cloudy as the implications of change play out.

In Q2 2016, most markets experienced significant volatility but ended the quarter in the black. The main exception to that being European markets. The Canadian TSX composite finished the quarter up 5.07% (up 9.84 YTD), the American S&P 500 up 1.92% in CAD\$ (down -3.05 YTD), MSCI World up 1.42% in CAD\$ (Down -5.9% YTD), and FTSE TMX Can bond universe up 2.62% (up 4.05% YTD). The **Canadian dollar gained 0.62% versus the \$USD** in the quarter (up 7.28% YTD) closing at \$0.77 to the USD. We do see some strength in the \$USD during this current flight to safety, but it is very tough to always get currency calls correct. (ROR Source: Morningstar Canada)

While markets appeared calmer a week after the British referendum, the vote has cast doubt on the future of the EU, and this uncertainty will likely spur more volatility in the weeks and months to come. Nevertheless, the global economy continues to exhibit slow growth, and business conditions in many parts of the world remain supportive. In fact, the Brexit result has increased the likelihood that global interest rates will remain low, encouraging business and diversified investment activity. In the US, the Federal Reserve pulled back on what was expected to be a summer interest rate increase as they cautioned that the Brexit vote had created additional uncertainties for the world economy. Some economists are saying that they see the current environment having governments shift from monetary policy (movements of interest rates) to more fiscal policy (federal spending and tax cuts).

Market Overview Continued

The speed with which markets turned downward then recovered following the Brexit vote is a reminder of how sudden market sell-offs can reverse themselves once the initial panic has passed. Rather than joining the retreat, experienced investors can use such episodes as opportunities to buy high-quality businesses at discounted prices, and to diversify portfolios that may have become concentrated over time.

We would like to remind you that during times of uncertainty, such as Brexit and the upcoming U.S. elections, that you remain diversified in portfolios that also have flexibility for tactical asset allocation and active currency management. Enjoy the dog days of summer and feel free to contact us with any questions or concerns that you may have about your holdings.

New Year Planning items

- **RRSP Contribution Room for 2016:** Please provide us with your room for the 2016 tax year from your 2015 Federal Notice of Assessment. The maximum room for 2016 is \$25,370. You may need to adjust your automatic savings plans for the coming year accordingly.
- **Registered Education Savings plan (RESP) contributions:** Benefit from the Federal 20% education savings grant. Note that Quebec beneficiaries get the added 10% QESI grant from the provincial government increasing the overall grants to 30%.
- **Tax Free Savings Account (TFSA):** 2016 room has been dropped back to \$5,500 by the Liberal government.
- **Conversion to RRIF account:** Those of you who turn 71 years of age in 2016 (born in 1945) 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.
- **\$2K pension deduction:** Those who turn age 65 or older and not already receiving recognized pension income.



The Planning Corner: The value of a financial planner's advice

With the implementation of the final stage of CRM2 on July 15, 2016 I believe the primary conversation will be on the fees you are paying. Many will discuss cutting costs which is a merited conversation, but do you really want the cheapest for everything? Do you drive the cheapest car, buy the cheapest TV, or drink the cheapest wine? If not, why is that so? I believe it is because you can find value in what you pay for. The entire advisory team at DD Humes is a registered financial planner with the **Institute of Quebec Financial Planners (IQPF)** and brings with it a wealth of knowledge and over 80 years worked in the industry.

Several studies have shown that those working with a financial planner are more confident and more likely to achieve their desired retirement lifestyle. On top of analyzing your risk tolerance and giving the investment advice for your particular situation, a financial planner will act to keep you invested as per your risk tolerance in times of distress, offer tax advice and tax efficient solutions, keep you up to date on changes to tax law, look at your insurance needs, help organize your cash flow, manage the costs of your investments, review your estate plans, and provide projections and a plan to help clarify your financial future. All of this is achieved when you go through the DD Humes **Dream Achiever Process™**.

You should be working with a team you can trust, that can be reached in short order and that communicates well with you, puts their clients first, understands your goals and wants, and provides a holistic approach. When looking at financial products being offered to you, I would say that it's important to have access to lower cost programs and the ability to purchase products across companies and not be limited to just the products your advisor may work for. We believe that clients should not be locked into products with exiting fees which produce large selling commissions for the salesman.

I would hope that you all find value in our relationship and feel confident to refer us to your family and friends. Please let us know if how you pay for this advice is not clear to you and it would be our pleasure to clarify any questions that you may have. CRM is going to be an eye opening experience for many but we want to be sure that it's not a surprise to you. We hope that you are seeing the value of our advice.

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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