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WATERFRONT WEALTH MANAGEMENT

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Special Points of Interest:

- Respect Your Money
- Financial Options for Conservative Investing
- Current Market Observations
- Effects of "Under Investing"
- Insurance Fee Disclosures

MONEY IS TO BE RESPECTED

"Money is to be respected; one of the worst things you can do is handle another person's money without respect for how hard it was to earn."

T. Boone Pickens Jr. - business magnate and financier

I noticed this quote by T. Boone Pickens Jr. the other day while looking over some investment material and was somewhat taken aback. Not because I don't totally agree with his sentiments, which I do, but because I had always envisioned Mr. Pickens as a freewheeling investor who was willing to "toss the dice" if there was any chance of making a great financial coup. T. Boone Pickens, if you are not aware, is a rather illustrious and colourful American oil billionaire who is now well into his 80s but still manages a group of hedge funds based in the oil industry. During the 1970s and 1980s he orchestrated a number of very large business takeovers where his much smaller firm attempted to garner control over several much larger firms. Despite losing more times than winning, he still managed to orchestrate some sizeable gains for himself and other investors and move his personal net worth into the billionaire category.

However, regardless of his success, business practices or entertaining personal life, (he is now with his fourth wife and once ran for the US presidency), it is still very interesting to see him express this basic attitude; after all, he does live on a $50 million dollar estate just down a Texas block from the Bush family's primary residence. I say "Texas block" because the property is 48 thousand acres, big by even Texas standards.

However, it feels like Mr. Pickens' point is too often pushed into the background by those who manage our money, tax our income, charge us for their services or sell us products. With all the obligations we have today, it is important to respect how hard money is to earn, and perhaps even more importantly, how hard it is to keep.

If we are to generate any meaningful security in our later lives, there are three groups who have to take responsibility for the money we earn. First, we have ourselves. If we are not personally accountable for our own financial welfare by making sound financial decisions about our future needs and day-to-day sustenance, we will find little sympathy in blaming others. Secondly, we have to be aware from whom we take financial advice. If your wellbeing is secondary to their personal security and their lifestyle requirements, perhaps you need to find someone with the requisite skills to make your financial prosperity their first priority. And thirdly, the governments, organizations and companies that make up our economic community also have a responsibility. With personal debt being the highest in Canadian history, perhaps banks and other lending institutions have a role in teaching individuals the real cost of borrowing. Governments that incessantly seek out new nuances of taxation and the levying of incremental fees

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MONEY IS TO BE RESPECTED - continued

should have an appreciation of how these policies eat away at not only the current life standards of everyday Canadians, but also the ability of individuals to look after themselves in the future. And finally, corporations should have a healthy respect for the wellbeing of the consumers who provide the ongoing fuel for their growth and profits.

Perhaps all of us should give some thought to what T. Boone Pickens Jr. said, even if he is a billionaire and lives down the street from the Bush family. After all, he is wise enough to refrain from giving us marital advice.

A CONSERVATIVE NEW OPTION FOR THOSE WHO HOLD GICs

*If you consistently hold money in GICs at a low interest rate for security, you might be intrigued by a new financial option for conservative holdings.

Can you imagine a financial vehicle that is guaranteed by the Bank of Montreal to provide a 5% cash flow for 20 years? That in itself is enough to take pause. However to top it off, the ROC (return of capital) receives a tax efficient return of capital payment and the investment can be sold at any time.

This is a real option for individuals who have chosen to purchase GICs, and is certainly an opportunity to rethink a financial strategy that may be less productive than it should be.

At the very least, we should discuss this alternative.

	G5|20 Series	**GICs**
Underlying Investment	Balanced Portfolio	Short-term deposits
Guaranteed Cash Flows	Yes	Yes
Tax Treatment of Cash Flows	Tax-efficient	Not tax-efficient (non-reg)
Liquidity	Yes	Limited
Capital Market Participation	Yes	No
Customization of Cash Flows	Yes	No

*Source: CI INVESTMENTS

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CURRENT MARKET OBSERVATIONS

The last two months have been increasingly challenging for the global economy. The changes are to a large extent the result of greater volatility and uncertainty, and they present a risk for the global economy in 2015. The rapid decline in oil prices, quick adjustments in exchange rates (with the US dollar appreciating and the weakening of most other currencies, notably the Euro & Canadian dollar), and the new quantitative easing program of the ECB are just a few examples of the economic factors at play. In addition, there is increased geopolitical uncertainty related to the Russia-Ukraine and Middle East conflicts, as well as increased concern about the economic and political future of the Euro Area and European Union.

The United States is expected to continue to show stronger growth than its peers, but the expansionary phase will show signs of maturing, causing a moderation in profitability and a variety of cost pressures. European economies have more scope to recover: the recently announced Quantitative Easing (QE) program may help improve business and consumer confidence, and the weakened euro could help offset negative effects from slower exports to emerging markets. However, Europe's dysfunctional policy environment to accelerate growth through investment and reforms could make the recovery look moderate compared to the United States. China is expected to continue its growth rate *and has made r*ecent moves to increase liquidity but it will also expose China's weakening creditworthiness. Other major emerging markets will continue to grow, but their pace will vary depending on the net impact of declining oil prices and exchange rate depreciations, as well as progress of their own reform agendas.

Following some negative surprises in Canada's economic data, analysts now are starting to sound gloomier about the country's prospects compared to just a few weeks ago, and many are now saying Canada's economy is shrinking. Other analysts are seeing signs that the oil price collapse is beginning to have a spillover effect into other parts of the economy. The Bank of Canada is becoming less patient, and based on sound bites delivered by Stephen Poloz, the Bank of Canada may be prepared to cut rates yet again. Governor Stephen Poloz said in an interview that the central bank still had many options to help the economy if needed. These included pledges to keep interest rates low for a prolonged period of time — a practice known as "forward guidance" — as well as asset purchases.

Relative to the base scenario for the outlook, downsides to the global outlook could come from possible intensified political and economic risks. Upsides depend on the ability of policy and business to invest in people, raise productivity, and rebuild trust and confidence, but they may need significantly more time than the current year to materialize.

In conclusion I feel that by keeping client accounts well diversified and assets well balanced we should be able to withstand the volatility that will continue to occur in 2015. I do believe that through my research we are still in a secular bull market that has a few more years of traction to go.

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THE LONG TERM RESULT OF "UNDER INVESTING"

When a new client is referred to me, I always endeavour to clearly understand their needs and their ongoing expectations of me. Not only is this the most acceptable level of professionalism from my perspective, it is also my obligation to the individual who has referred the new client. That person giving the referral expects me to do my very best and trusts in my knowledge and capabilities.

Consequently when I recently sat down with a referred individual who was reaching retirement age and was examining his options, I was slightly perplexed by a term he was using in outlining his circumstances and his future prospects for a well-funded and financially stress-free retirement. Like all of us, he had worked all his life to generate a secure retirement future and had very legitimate concerns.

The term he used involved a circumstance where he was essentially "under investing." In general business terminology, this concept usually refers to a company not being involved in enough cash-producing low risk projects or investments to offset paying both creditors and day-to-day costs. In other words, they simply don't generate enough income to stay in business regardless of the expectations of shareholders looking for a return on their investment. Many companies make the mistake of involving themselves disproportionately in riskier but potentially more profitable ventures without making sure they have covered the essentials of staying in business. In this instance of the referred individual, the term was not completely applicable, but this his instincts were.

After some discussion, this gentleman produced a sheet of calculations that clearly outlined his dilemma and why he was expressing some concern. One of the options he was being encouraged to pursue was the purchase an annuity (essentially an insurance contract) with a large portion of his retirement assets. The logic with an annuity, of course, is that there is a guaranteed income for the rest of your life. The monthly payout is calculated by the amount of money being invested, existing interest rates and the projected life expectancy of the individual purchasing the annuity. His concern was that with current low interest rates dramatically lowering his monthly payout and these being locked in, would he have a high enough income stream from the annuity to actually meet his future needs? Specifically he was apprehensive if he or his spouse needed special medical or housing considerations at some time in their retirement. His assessment was reasonably well founded given that we are currently dealing with the lowest interest rates in years. In fact, rates have only been lower twice in the last 214 years. That is considerably more than even the most optimistic lifetime.

Although an annuity is often called an investment, it is actually a financial insurance product consisting of a contract with an insurance company whereby you surrender your money to the insurance company and they are by contract obligated to give you a predetermined income.

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THE LONG TERM RESULT OF "UNDER INVESTING" – continued

So in terms of this concerned client who is worried about "under investing," he has every right to be concerned. Just like the company that goes underfunded because of a lack of adequate investments, a person in retirement can face the same challenges.

It is not my intent to overly criticize the annuity formula as a part of a secure retirement, but simply to point out the limitations of that type of financial product. This should always be the role of a competent financial adviser as is the obligation to offer legitimate alternatives.

As to this gentleman and his spouse, they now have new perspectives and a great deal less concern based on a more suitable financial formula.

FEE DISCLOSURE EXEMPTIONS

I recently came across an article that brought a smile to my face. Not necessarily from the content, which is very relevant in today's financial world, but because of the source. The individual writing the piece was from one of the larger insurance companies in Canada. He was discussing the new rules of disclosure termed CRM2 (Client Relationship Model Phase 2).

These new regulatory transparency guidelines come into play for financial advisers by July 2016. The new rules have been formulated by the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association (MFDA) and approved by the Canadian Securities Administrators (CSA). The regulations are meant to ensure that individuals licensed as financial advisors are obligated to inform clients of all fees and potential fees being levied against their investments and also the actual ongoing performance of the investments being administered by those advisers.

His thought was this, "I believe every advisor, insurance or not, should be disclosing fees and potential fees at the time of purchase. The insurance industry is somehow exempt from this moral code. This should never be the case. In fact, you unfortunately hear of the odd advisor moving their licensing from the MFDA to Insurance and putting all their clients into Segregated Funds to avoid the upcoming CRM2 rules."

Full and complete disclosure of advisor compensation and the results of their advice in both dollar and percentage terms should always be upheld. A person seeking solutions to their particular life circumstances should without question know the costs, the benefits, the risks and the alternatives to any financial decisions they make.

It is very comforting to see an individual in that industry advocating a policy of full disclosure. There are many great insurance products that have effective application in the right situations; but like every other solution you need to know what they are costing you.