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From the Desk of Laszlo

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To Correct or NOT Correct...that is the question?

One of the more fascinating aspects of being an advisor is the questions people continually ask regarding "corrections."

First, what is a correction? A correction is when the market drops over 20% in a short time. Statistically, there are 2 corrections in the market of greater than 20% every ten years. Timing corrections is impossible just as it is impossible to determine if you are going to catch a cold today, next week, or next month. The truth is, you ARE going to catch a cold, but you cannot pin a day down. You may even feel sick, but that does not mean you will get sick.

The market works in a very similar way. Every day, there is so much data that no one person can digest it all. The day you have a correction, is simply a day you have more sellers than buyers. Eventually, the buyers look at the price of investments and say, "It's time to buy." In essence, the seller's fear creates opportunities for buyers that know better.

That does not mean there are not legitimate events in the world which makes people truly fearful. One just has to list the top 5 things to "worry" about right now, and we all wonder why we get out of bed.

What can one do? Fortunately, the management teams I have researched and actually talked to directly, view the markets as price entry points. They have lists of companies they are researching and wanting to buy but ONE thing prevents them from buying; PRICE! If they feel the price is TOO high, they wait until the price makes sense to them. If they feel the price is TOO low, they will buy. This is called managed money.

At a conference I attended in Toronto, one of my favorite management companies, Edgepoint Wealth Management, hammered home that simple tenet to investing. PRICE!!! In a way, they truly LOVE corrections and volatility. The conversation was that if there was a correction tomorrow, they know 10 companies immediately that they would want to buy in the portfolios because they have spent hundreds of hours analyzing company spread sheets, had meetings with management, and even talked to competitors. The market was giving them an opportunity at a discount. Tragically, on the other end are people with short term horizons; they sell out of fear and then wait until things improve.

Where does most of your return come from?

In these days of volatile markets and correction talk, I wanted to point out where over 70% of your return comes from over time. It comes from reinvestment of dividends and interest income within portfolios. Does this surprise anyone? Over 50% of my personal RRSP is invested in Strategic Income funds. Every month, it pays me a dividend that I choose to have reinvested. Inside the portfolio are investments in dividend producing investments along with corporate bonds, Real Estate Investment Trusts, certain government bonds, possible infrastructure investments and foreign currency paying investments. The key component is consistent income from as many sources as possible.

The other important feature is that it is "strategic." This means that as markets move up or down, both in bond markets and equity markets, it modifies the portfolio to take advantage of market volatility and concerns. So for example, because interest rates are at record lows, it is avoiding owning any government bonds with long maturities. It will increase its exposure to bonds that offer better risk adjusted returns such as corporate or high yield bonds. If a recession is indicated, it would then move back into government bonds and higher grade corporate bonds.

The benefits of having each component in the portfolio managed is key, and it has served so well as part of my and most portfolios.

St. Albert Branch Website

So we, at the St. Albert Branch decided to get everything in one place for your access. We have set up a website at www.dwgoodstal.ca so that you have access to financial calculators, links to accessing your accounts, newsletters, information and more.

From there, you can also request online access and email confirmation of online statements. If you wish to sign up for e-delivery of your statements, you have to accept and mark the e-delivery on signing up for the service. Please give us a call if you have any questions on setup.

Also, no statement will be emailed to you. You will be able to view online your personal statements if you sign up for the service.

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