

First Quarter Update 2013

The first quarter of 2013 has been one of the best for stock markets in many years.

Portfolios fared well with balanced funds up about 5%.

I know this may seem like a broken record but once again Canada has been the laggard. The U.S., Europe and especially Japan have all outperformed Canada by a wide margin.

The Japanese have decided to stimulate their economy in an effort to stem their deflationary trend. To do this they are printing money. The effect on their stock market has been significant. Usually this is combined with lowering interest rates but in Japan rates are already close to 0%. The Japanese NIKKEI is up to about 45% in the last 5 months.

The U.S. continues to show signs of steady growth in both the housing market and job creation. This bodes well for company earnings and stock markets. The political banter over social programs, gun control and deficits continues unabated but seems to be having little or no effect on the markets.

The Canadian dollar has lost strength against the US dollar by about 2% over the last 3 months. This is very good for Canadian investors who have a portion of their portfolios in foreign holdings.

There are ongoing geopolitical issues that include Syria's civil war (now 70,000 dead), Iran's threat of nuclear bombs and North Korea's intimidation tactics. All of these issues and those yet to be seen can have short term effects on markets.

However, they are usually just that – short term effects.

	Market	Dec 31, 2012	March 28, 2013	YTD
Canada	TSX	12434	12750	2.54%
U.S.	DOW	13104	14578	11.25%
U.S.	S&P 500	1426	1569	10.03%
U.K.	FTSE	5898	6412	8.71%
France	CAC	3641	3731	2.47%
Germany	DAX	7612	7795	10.23%
Japan	NIKKEI	10395	12336	18.67%
Canadian \$		\$101	\$98.68	-2.10%
Oil (US\$)		\$92.00	97.20	5.56%

** Source: CNN Money

Did you know...

The average Canadian's consumer debt load hit \$27,485 at the end of 2012, a six percent increase over the previous year's level and the first time the figure has been above \$27,000. Credit monitoring firm TransUnion says the average Canadian's consumer debt load increased at the fastest pace seen since 2009 at the end of last year.

In Addition...

In terms of consumer debt, the largest increases were found in Alberta (at 11.2 per cent), Quebec (9.39 per cent) and Prince Edward Island (9.04 per cent.) Within the data, all forms of consumer debt were up, but two especially: auto loans and installment loan borrower debt - the industry's term to describe loans that would be taken out to buy things like home furnishings and other big-ticket consumer items.

*Source www.cbc.ca

CBC News.

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“Too many people spend money they earned...to buy things they don't want ...to impress people that they don't like.” ~Will Rogers

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Conquering Debt

I am always searching for ways to help clients manage their financial affairs. I just finished reading a book titled Green With Envy. The author attempts to explain that wealth and well-being are largely a mind-set. Unfortunately often the key to our contentment is how we're doing in relation to the company we keep. Shira Boss points out that the drive to have more and better things, and to continually raise our comfort level is stronger in North America than anywhere else on earth. By its very nature an economy driven by growth must generate discontent.

Perhaps that is why Canadians are accumulating unprecedented levels of debt. Low interest rates have supported the idea that "I can afford that payment so I can afford that ...bigger house, home improvement, SUV, and the list goes on".

It is important to recognize that for some there is a deeper meaning to debt than bad spending habits. Some people take on debt because they need to buy things to feel happy, because of a sense of obligation or commitment, or because they have a deep seated instinct to surround themselves with clothes, or the latest high-tech toy. Of course our economic culture is based on continued growth therefore encourages discontent and the promise that "more stuff" will bring contentment. Since debt can be a complicated and emotional issue, it may be necessary to deal with the underlying causes in order to prevent recurring debt problems.

Canadians have a window of opportunity now, before interest rates rise to get a handle on debt. People need to know how much they can actually afford to spend. If you are earning \$100,000, you need to live like you are earning \$50,000. Why? Because 30% goes to tax and another 20% needs to be saved for retirement.

I guess the bottom line that I want to share with my clients is to live below your means. Learn to find contentment in life without having to buy "things". After all, you can't take any "thing" with you when you die.

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"Before you try to keep up with the Joneses, be sure they're not trying to keep up with you."
~Erma Bombeck

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