

Third Quarter Update 2013

Summer is over but the rally in the markets (worldwide) continues! Even the Canadian market (TSX) rose about 5% in the third quarter.

The U.S. is still seeing steady growth in jobs and housing but now another manufactured crisis is taking shape.

Both the government shutdown and the debt ceiling will need to be addressed by mid October or the U.S. government will not be able to pay its' bills.

As I write this, we are in day six of the government shutdown and no one has blinked. Strangely, the markets have shrugged the 'crisis' off and continue to be strong. We'll see as mid October and the debt ceiling debate draws nearer if complacency will still be the order of the day. If past debt ceiling situations are an indicator, this too will pass with lots of noise and little substance.

However, if markets do react, do not panic. It is seen by fund managers as a buying opportunity.

Interest rates on the 10 year U.S. bond moved up slightly from the end of June to 2.61% from 2.4% so bond values were not nearly as affected as the second quarter. Gold is up in the last three months but not significantly. This did help the TSX due to the high weighting of materials in the Canadian market.

Our dollar rose just under 2% against the U.S. dollar. While not a large change, it does have a slightly negative effect on portfolios with foreign content (as most of ours do). That foreign content is what has allowed our balanced portfolios to do so well this year to date. They are up between 8% and 10% as of September 30, 2013.

Market	Dec 31, 2012	Mar 28, 2013	Jun 28, 2013	Sep 30, 2013	YTD
TSX	12434	12750	12129	12787	2.80%
DOW	13104	14578	14906	15130	15.50%
S&P 500	1426	1569	1606	1682	17.90%
FTSE	5898	6412	6215	6462	9.60%
CAC	3641	3731	3739	4143	13.80%
DAX	7612	7795	7959	8594	12.90%
NIKKEI	10395	12336	13677	14456	39.00%
	\$101	\$98.68	\$95.19	\$96.94	-4.00%
	\$92.00	97.20	93.54	102.29	11.20%

** Source: CNN Money

"Change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek." ~Barack Obama

Did you know...

At age 65, the average Canada Pension Plan(CPP) benefit as of July 2013 was only \$602.86 per month.

That is an annual income of \$7,234.32 before tax.

The average Old Age Security pension amount as of January 2013 was only \$515.48 per month. This would be \$6,185.76 per year.

If both average benefits were received it would provide a total annual income of \$13,420.08 before tax. For the average Canadian, this is far from sufficient to maintain a comfortable lifestyle.

It is extremely important that each individual save for retirement. Although government programs are an essential part of most retirees income, they are not sufficient on their own to fund one's retirement.

Therefore: Start saving for your retirement now!

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Teaching Kids the Value of Money

I always like share useful resources with you. My latest find is a book by Diane McCurdy titled How Much is Enough? The main subject is retirement planning but the chapter I found intriguing gives concrete ideas on how parents can teach their kids the value of money. A challenging task to say the least yet one that most parents want to succeed at.

The author breaks it down into 3 steps:

The 1st step she calls a Parents' Financial Tool Kit. These are some tips for managing your behaviour toward money that will help kids to understand its' value. I especially like the tip suggesting that we recognize that money can be an emotional subject and we need to distance ourselves from the emotion. Money is a tool, a means to an end not a way to show love to a child. Being consistent is another tip. Decide how you will deal with the pressure we as parents often feel when it comes to our kid's demands. If you can't afford it or it is not in line with your values then say no and be consistent. Don't let "no" mean maybe. Decide how you want to set your rules and be consistent. Avoiding guilt money is another tip for parents. If you feel you have let your child down buying things can then be equated to love. The last tip advises parents to consider whether or not their attempts to help their children are in fact helpful. For example a post- secondary degree is expensive and therefore it is important that students contribute to it at least through hard work and commitment. In all these tips the author does not force her rules and values on the reader but suggests how to put your rules and values to work.

The 2nd step discusses family financial matters. How much you share with your children is a personal choice but some great tips follow. Hold regular family meetings to discuss, among other things, family finances. Make decisions about monetary needs and wants...without emotion! The next tip is about lending money to family members. To avoid family feuds set some clear rules then stick to them. (ie. only lend what you are prepared to lose. Not all loans get paid back.) The last tip here is to put a stop to spoiling. Instead of feeling lucky to receive gifts children may begin to expect them.

The 3rd and last step is about practicing the tips above. The author advises parents to open savings accounts for their kids and encourage them to save 10-15% of all money they receive. This teaches the saving habit. They can also save for expensive items they may want. Kids can earn money in many ways if they are motivated to do so. When kids understand the work it takes to earn money it also teaches them to respect it. We want not to give them money but rather an appreciation of how it works.

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"Always borrow money from a pessimist. He won't expect it back."

~Oscar Wilde

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