Market Update Jan 28 2016: Dollar below 70, Oil at 28, and 1.6B lottery. *Reader Contest*

Hello clients and friends,

I am going to try and keep the market updates to a weekly/bi-weekly occurrence, unless there is certain breaking news that I feel you'd benefit from sooner, based on the amazing feedback we have received so far from replies. Please keep them coming we really appreciate the feedback and your answers to our survey have been invaluable.

At times like these, where markets are trying to find a direction I do a lot of reading. I find it interesting that I have become a voracious reader, which wasn't always the case as my mother would attest to when I was growing up.

Many are asking how I feel about the markets these days. In the short term we might see some more pain, but long term I'm confident it will be higher. Currently I feel we are seeing a correction (-10%), which isn't uncommon, and does typically happen every 18 months. The last one was in August, and prior to that was back in October 2011 (Greek Debt Crisis part Deux), about 46 months prior. I am focusing on consumer led economies; I don't think we've seen the end in the oil or commodity slides. I like consumer goods companies that benefit from people having jobs and lower gas pump prices. As I've said before when we fill up our cars, and save $20 at the pump we generally don't notice our bank accounts growing nor do we use it to pay down debt, we go spend it at (Starbucks, Nike, Home Depot). Technology will prevail, and innovation will occur (Apple, Google). People live longer and quality of life is more important, so an investment in healthcare will be volatile at times but well worth it long term (Medtronic, Gilead, Allergan). Please call or email me to see if these companies would be suitable in your portfolios, many of you currently own some or all, and this is not a direct recommendation to buy.

Last week we saw oil dip below $30 and the Canadian dollar drop below $0.70 per US Dollar, something we haven't seen in 13 years! Then we start to see the headline grabbing market calls of the world ending, most notably by Mr. Roberts from RBS (Royal Bank of Scotland). I might note, he has not disclosed his short position in the piece, nor was he correct in 2010 either, when he suggested to sell everything. Selling everything is not a prudent strategy, if you had sold everything in certain crisis times you'd still be out of the market notably in:

The Asian Financial Crisis (August of 1998) – Down ~7,000
The first Greek Grexit (May of 2010) – Dow ~10,000
U.S. Debt Default (August of 2011) – Dow ~11,000
The second Greek Grexit (June of 2012) – Dow ~12,000.

I am of the belief of selling weak companies to buy stronger profitable companies. The vast majority of our client portfolios are tilted towards owning good profitable companies seems like a no-brainer, but many of the portfolio second opinions I do, I often see very concentrated portfolios to a single sector, and penny stocks that haven't worked out.

I like to relate my style of investing in this way to sports teams. We play some offence and defense. Currently a little more defense is necessary. I am currently not adding to many positions we currently own. However it gives us time to reflect on the companies we do own and what ones we want to own going forward that have the best prospects for success.

In regards to the recent Powerball Jackpot Lottery in the states, here are some sobering statistics:
Chance of winning the Powerball: 1 in 292,000,000

The Powerball Jackpot also may have calmed some market fears in the hope of winning 1.6B US$. Equivalent to about 2.3B Canadian. Some quick math on what you may have ended up with when all said and done.
Lump Sum Payment: $983,500,000
Withholding tax on non-residents (30%) = $293,050,000
Net Winnings: $688,450,000 (CAD$ equivalent: $963,830,00)
Let's assume you want a 4% return, this would work out to around $3,200,000 a month of income, a tidy sum.

Imagine if a Canadian won!? Trump would have some new verbal ammunition to rally the troops and really build a wall across the Canadian border.

On another note around retirement income planning, as many of your requested some planning related information. Something that we are seeing in Vancouver is the cost of property taxes and the hardship it can bring to seniors. Here is a hypothetical example: A retired couple that worked all their life is likely to get around $18,000 a year each from CPP and OAS. Assume they might be having to pay $6,000-$10,000 in property taxes that's almost 16-30% of their gross income just for property taxes, add in food and any sort of entertainment or recreation and the golden years aren't starting to look very golden. There are a couple strategies that can be useful to know about, not all solutions are suitable and there are certain risks that come along with each one. Consulting with your financial advisor or planner to weigh the pros and cons is essential before implementing any of these.

The BC Property Tax deferral program is available here. You can qualify to defer your property taxes if one of the homeowners or surviving spouse is over 55. Your city taxes are still being paid, just by the province. The province is lending the funds at simple interest (not compound) currently at 0.85%. I have seen many high net worth investors even use this strategy to increase their wealth. There isn't many places you can borrow funds at 0.85%, not to mention not compounding interest. Assuming your house value is going up at a greater rate than the amount of your taxes, the equity in the home can be preserved. The funds are due back to the province upon sale of the home, addition of a non-spouse owner, or a refinance with a financial institution.

A reverse mortgage, provided by HomEquity Bank, a schedule 1 chartered bank and the only provider of a reverse mortgage in Canada, is suitable for those with limited retirement income, but lots of equity in their home. HomEquity Bank allows you to borrow from the equity of your house, townhouse, or condo, with significantly less qualifications than for a regular bank mortgage. They do have some restrictions, and the amount they may lend is conservative at 55% of the home value maximum depending on age and property, but there are no mandatory repayment terms for as long as 1 applicant lives in the home. This would be suitable for those with monthly cash flow issues, or those wanting to access the tax free cash in their homes without adding a new payment into the budget. Reverse mortgages did get a bad rap in the past mainly due to what happened in the US, where the lender forced the homeowners out, however our rules in Canada are much different. They will never force sale of a home, and they guarantee you will never owe more than the fair market value of the home at the time it is sold. Another misconception is that their rates are abnormally high, when in fact they are only slightly higher than a traditional bank mortgage. A reverse mortgage can be a viable solution for some, but I suggest you investigate this with a financial planner or advisor that is fluent in their program. You can email me if you have more questions. You can also contact Chris Hoeppner at HomEquity Bank (778-229-8555 or choeppner@chip.ca) if you want specific details on the program or a quote to see how much you are eligible to receive. Here is a quick example of how it looks over time, assuming a $500,000 home and a client advancing $200,000. Many are surprised how the equity is typically preserved over time, given that as the balance owing gets larger, the value of the home tends to appreciate over time as well. As you can see below, the equity is mainly preserved, assuming housing only grows at 4% and the CHIP mortgage is at 5%. Both of which are conservative assumptions on rates.

	Today	1 year	5 years	10 years	20 years
House Value (@ 4% growth)	$500,000	$520,000	$608,326	$740,122	$1,095,562
40% CHIP Mortgage (@ 5% rate)	$200,000	$210,000	$255,256	$325,779	$530,660
Equity Amount	$300,000	$310,000	$353,070	$414,343	$564,902
Equity %	60%	60%	58%	56%	52%

National House Appreciation Average 6.47%, Source: CREA September 2013

	Today	1 year	5 years	10 years	20 years
House Value (@ 6.47% growth)	$500,000	$532,350	$684,079	$935,928	$1,751,923
40% CHIP Mortgage (@ 5% rate)	$200,000	$210,000	$255,256	$325,779	$530,660
Equity Amount	$300,000	$322,350	$428,823	$610,149	$1,221,264
Equity %	60%	61%	63%	65%	70%

Have an excellent week!

Reader Contest
Those who respond will be entered into a draw to win, a couple prizes. Everyone is eligible.

To enter the contest please reply to this email, with answers to the questions below:

- How often do you read our newsletters?
- What device do you use to read our newsletters? (Smartphone, Tablet, computer)
- On a scale of 1-10(1-poor, 10-excellent), how would you rate your satisfaction with our newsletters?
- Do you prefer the text format of the emails or would you prefer a more graphical format?
- Have you forwarded our newsletter to friends or family?
- What would entice you to forward our emails?
- Do you want to see market statistics and data in our emails?
- What can we do to make our newsletters better?
- How often would you like to see an email/newsletter from us? Weekly/Bi-weekly/Monthly

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Please note that we cannot accept trading instructions by email for regulatory reasons. Please call us to discuss any transactions in your account.

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We accept new clients primarily by referral from our existing clients. We would be pleased to speak with anyone you know who would like a second opinion on their investments.