

RETIREMENT REVIEW

Course 101

Course 201

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Retirement Course 101

- 1. Asset Mix Allocation-vital!
- 2. Fixed Income-where to go?
- 3. Demographic Influences
- 4. Dividends Will Be Crucial
- 5. Cdn vs. US vs EU vs EM?
- 6. Behavioral Flaws—R vs L Brain

Retirement Course 201- "Advanced"

- 1. Bearish Macro View
- 2. Bullish Macro View
- 3. Current Valuations
- 4. Animal Spirits- The Herd
- 5. Structural Headwinds

Retirement Course 201

- 6. Corporate Insurance Plans
- 7. Real Estate-where to now?
- 8. IPP-Individual Pension Plans?

Retirement Conclusion

- 1. My current over view
- 2. Current “Defensive Investing”
 - ★ Safe and profitable

1. Asset Mix Allocation

- Is vital !!!!
- Mix of bonds, equity, gold , alternative
- Stems from “no one” knows future
- Allows fingers in all pies
- Balance R vs L brain

1. Asset Mix Allocation

- “Strategic” mix
- “Tactical” mix
- But Caution on tactical calls
- But at extremes is useful...such as now!!

2. Fixed Income 2014

- Bonds do poorly when IR rise!!
- I have lowered all by 5%
- BUT we still need bonds...
- IR low for another decade?
- And Demographic demand...
- MOST important-anchor in crashes

2. Fixed Income 2014

- -want corp. over gov
- -want short over long
 - ◆ “the bubble is long end”
- -caution on high yield now
- -many “alternatives”
 - ◆ CSD,ZEF, Lysander Funds, Pimco Monthly Income, Vertex Enhanced Income

3. Demographic Influences

- 10,000 turning 65/day in USA
 - ★ (health care boom)
- 75% all retail assets in 65 + hands
 - ★ (want low risk-bonds & dividends)
- If 65- 50% odds of 85...
 - ★ (long retirement-health care homes etc)
- 65 yo++ do not spend much
 - ★ (flat sales and GDP)

3. Demographic Influences

- Peak spending is age 46
- Largest cohort is 20-24
- But +++ debt
- And few jobs
- Weak retail and housing??
- But health care a boom...
 - ◆ TSX vs US markets...

4. Dividends Will Be Crucial

- Many expect low equity returns...
- Boomers will drive div stocks
- Fixed income “substitute”
- Want dividend growers

4. Dividends Will Be Crucial

- All my positions div growers
- Grow 5-8% each year
- Div tax credit-Cdn advantage
- Cap appreciation due to boomers
 - ◆ ENB,TRP,FTS,BEP.UN,ALA
 - ◆ TEVA,STRYKER
 - ◆ KEY,IPL,PPL,GEI,CNR

5. Country Diversification

- Cdn vs US vs EU vs EM
- Canada- most exposure...
- US-tactical-low as overvalued
 - ◆ But best G7 outlook...
- EU raising exposure re QE
 - ◆ IDV international div etf

5. Country Diversification-EM

- EM growth double others 5-10yrs
- Net debt 34%/GDP vs 109%
- Demographics better
- Valuation-CAPE 15x vs 25.5x
- So 5-10% EM
- DVYE emerg div etf, Mexico, India
- BOTTOM line is diversify!!

Behavioral Flaws- Balance R vs L Brain

- R brain is emotional
 - ◆ Greed , catch the wave
- L brain is logical
 - ◆ Always cautious
- **Asset Mix Allocation enforces the balance!!!!**
- Currently R brain says get in!
- L brain says caution!
- Strategic vs tactical call...

Retirement Course 201

- For ADVANCED Students!

1. Bearish Macro View

- Global GDP declining
- US only engine now
- Corp debt is massive!
- Income Inequality...weak retail
- Housing remains weak...

1. Bearish Macro View

- Bond market is worried
- Smart money is moving
- Sept-Oct bad months
 - ◆ Presidential Cycle...
- Duration of this bull
- NO correction in 3 years!
- NO wage growth?

2. Bullish Macro View

- Leading Economic Indicators
- Chicago FNAI
 - ◆ NO recession near term...
- US crude on fire
- Jobs are” growing”
- Manufacturing is improving
- Credit-debt is building...

2. Bullish Macro View

- Presidential Cycle
 - ◆ Very strong Year 3-Nov-April
- GMO Jeremy Grantham...
- Markets going 12% higher
 - ◆ “Will see another bubble in 2015”
 - ◆ and he is selling now...
 - ◆ He is a Left brain thinker

3. Current Valuations— Expensive!!

- Not just one but MOST indicators
- CAPE--Only higher 1929,2000,2007
- Tobin Q Ratio
- Buffett Indicator
- P/S ratio—highest in 60 yrs!
- Dividend yield

3. Current Valuations

- 70-80% of rise has been P/E expansion (norm is 30%)
- Stock buys backs 60% of EPS last two yrs
- Margins at 10% vs 6.3%
- S&P 500 avg gain 18% five yrs...
- WE ARE EXPENSIVE!!!!!!

Current Valuations

- R brain—ride the wave
- L brain- caution and patience
- A time for defense over offense!!

4. Animal Spirits

- On fire!!
- Margin debt-leverage all time high
- US household stocks 34% vs 22%
- VIX Fear Gauge 10-11
- IPO hot...
- Merger & Acquisition hot...
- When HERD is all in...take profits

5. Structural Headwinds

- Demographics
- Debt levels
 - ◆ Weak sales
- IR rising...
- Housing remains weak
- Jobs ? Wages?
- Income Inequality

Curran's Conclusion

- 1. **Fundamentals**--markets VERY Expensive
- 2. **Sentiment**—HERD is all in
- 3. **Technical**—still trending up!
- ...so markets can go higher...

Conclusion

- **BUT No Margin of Safety!**
 - ◆ Ask—are u buying high or low?
 - ◆ Potential HUGH Bubble in 2015...
- **How to Invest?**
 - ◆ Asset Mix Allocation vital...
 - ◆ Tactical—raise cash, lower equity!!
- **Suggest- “DEFENSIVE INVESTING STRATEGY”--->**

“Defensive Investing Strategy”

- Can't time the market
 - ◆ But u can be tactical 10-30%
- Left brain now more important!
 - ◆ Defense over offense!
- Allows profitability and remain safe!!

Defensive Investing Strategy

1. Selective Fixed Income...
2. Dividend Focus---3.5% yield
3. Low Beta over high beta...
4. low US, high EM & EU...
5. Raise cash-"dry powder"
6. "Cash Substitute"
(Jarislowsky Fraser Select Income)
(Lysander Short Floater)
7. Patience- L brain if markets climb higher

Real Estate

- IR going up
- Current cycle very looong
- Caution on real estate

Corporate Insurance

- Some benefits if excess cash or GIC
- A way to lower estate tax bill
- A way to even the estate
- Some tax advantages
- Recent KISS Newsletter on it...

Individual Pension Plans

- Overall not keen
- But it's the accountants call
- I have a summary if interested

THANK-YOU

- Dr Terry Curran

Introduction

- State the purpose of the discussion
- Identify yourself

Topics of Discussion

- State the main ideas you'll be talking about

Topic One

- Details about this topic
- Supporting information and examples
- How it relates to your audience

Topic Two

- Details about this topic
- Supporting information and examples
- How it relates to your audience

Topic Three

- Details about this topic
- Supporting information and examples
- How it relates to your audience

Real Life

- Give an example or real life anecdote
- Sympathize with the audience's situation if appropriate

What This Means

- Add a strong statement that summarizes how you feel or think about this topic
- Summarize key points you want your audience to remember

Next Steps

- Summarize any actions required of your audience
- Summarize any follow up action items required of you