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|  | RBC Dominion Securities Inc. Jan September 2019 |
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September 2019 Newsletter

“In the short run, the market is a voting machine, but in the long run it is a weighing machine.” – Benjamin Graham

I hope all of your summers were enjoyable. I’ve attached a few links for articles that I found interesting / helpful. Also, the main article on diversification discusses one of investing’s few free lunches.

Of course, if you have any questions about how this applies to you or someone you care about, feel free to call or reply to this email.

Have a happy September, Charles

# 1. U.S. Corner

[What I Wish I Knew When I Retired](https://www.marketwatch.com/story/what-i-wish-i-knew-when-i-retired-2019-08-19)

[Individuals With Significant Tax Debt Should Act Promptly](https://www.irs.gov/newsroom/individuals-with-significant-tax-debt-should-act-promptly-to-avoid-revocation-of-passports)

[Canadians May Pay More Taxes Than Americans, But Here’s What They Get](https://www.cnbc.com/amp/2017/08/07/canadians-may-pay-more-taxes-than-americans-but-theres-a-catch.html)

[Millions of “Citizens” In The U.S. Have No Guaranteed Rights](https://www.forbes.com/sites/eriksherman/2019/08/26/millions-of-citizens-in-the-us-have-no-guaranteed-rights/#3203b6886b7f)

# 2. Thoughts on Investing & Planning

[Estate Planning for Fido: How To Make Sure Pets Live The Good Life If You Go](https://toronto.citynews.ca/2019/08/22/estate-planning-for-fido-how-to-make-sure-pets-live-the-good-life-if-you-go/)

# 3. Other Items of Interest

[7 Words That Make You Sound Less Confident in Emails](https://fortune.com/2016/10/04/professional-email-tips-mistakes/)

# 4. Evidence-Based Investment Insights

In our last piece, “**Financial Gurus and Other Unicorns**,” we concluded our exploration of the formidable odds you face if you (or your hired help) try to outsmart the market’s lightning-fast price-setting efficiencies. Today, we turn our attention to the many ways you can harness these and other efficiencies to work for, rather than against you.

Among your most important financial friends is **diversification**. After all, what other single action can you take to simultaneously dampen your exposure to a number of investment risks while efficiently investing toward your personal financial goals? While they may seem almost magical, the benefits of diversification have been well-documented and widely explained by nearly 70 years of academic inquiry. Its powers are both evidence-based and robust.

**Global Diversification: Quantity AND Quality**

What is diversification? In a general sense, it’s about spreading your risks around. In investing, that means that it’s more than just ensuring you have many holdings, it’s also about having many different kinds of holdings. If we compare this to the adage about not putting all your eggs in one basket, an apt comparison would be to ensure that your multiple baskets contain not only eggs but also a bounty of fruits, vegetables, grains, meats, and cheese.

While this may make intuitive sense, many investors come to us believing they are well-diversified when they are not. They may own a large number of stocks or stock funds across numerous accounts. But upon closer analysis, we find that the bulk of their holdings are concentrated in large-company U.S. stocks.

In future installments of our series, we’ll explore what we mean by different kinds of investments. But for now, think of a concentrated portfolio as the undiversified equivalent of many basketsful of plain, white eggs. Over-exposure to what should be only one ingredient among many in your financial diet is not only unappetizing, it can be detrimental to your financial health. Poor diversification:

1. Increases your vulnerability to specific, avoidable risks
2. Creates a bumpier, less reliable overall investment experience
3. Makes you more susceptible to second-guessing your investment decisions

Combined, these three strikes tend to generate unnecessary costs, lowered expected returns and, perhaps most important of all, increased anxiety. You’re back to trying to beat instead of play along with a powerful market.

**A World of Opportunities**

Instead, consider that there is a wide world of investment opportunities available these days from low-cost funds offering efficient exposure to capital markets found all around the globe.

**Your Take-Home**

To best capture the full benefits that global diversification has to offer, we advise turning to the sorts of fund managers who focus their energies – and yours – on efficiently capturing diversified dimensions of global returns.

In our last piece, we described why brokers or fund managers who are instead fixated on trying to beat the market are likely wasting their time and your money on fruitless activities. You may still be able to achieve diversification, but your experience will be hampered by unnecessary efforts, extraneous costs, and irritating distractions to your resolve as a long-term investor. Who needs that, when diversification alone can help you have your cake and eat it too?

In our next post, we’ll explore in more detail why diversification is sometimes referred to as one of the only “free lunches” in investing.

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