TD Wealth

QUARTERLY REVIEW

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In this Issue

- Learning to Live with Your “Investment Dragon”
- Homo Economicus – (ɛkəˈnɒmɪkəs)

Learning to Live with Your "Investment Dragon"

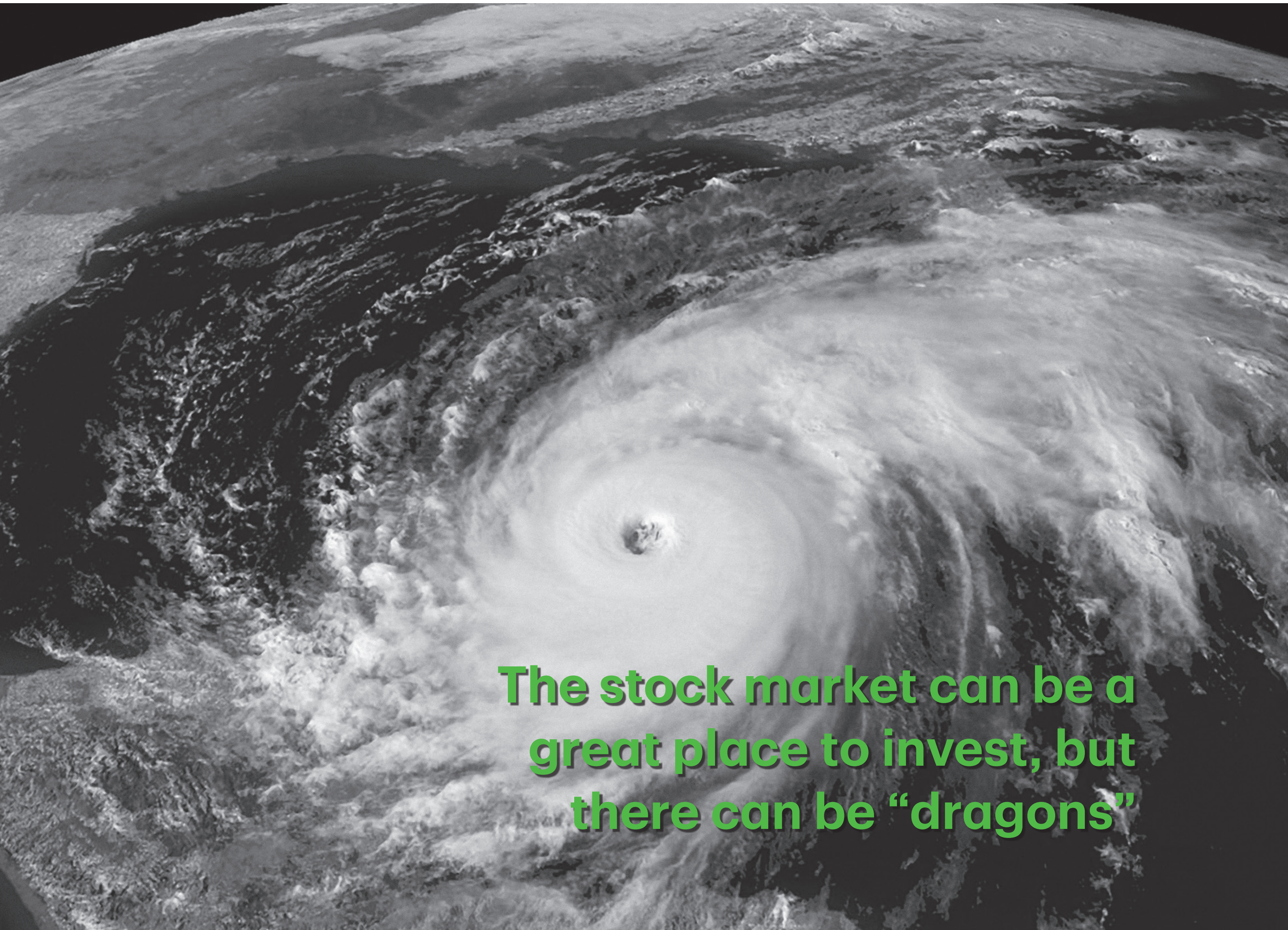
Dragons insight fear and fear has many forms like wild fires, hurricanes and sudden illness to name a few. One I have seen present many times is an extreme market fluctuation; during such times the stock market responds by going down and an "Investment Dragon" taps into our fear. Today we have access to so much almost instant, fluctuating and nerve-wracking information, which can cause an "Investment Dragon" to appear, then just as quickly retreat, teasing our fear. Back in 2008 when the financial crisis began to unfurl the "Investment Dragon" appeared many times. But then it no longer retreated but became a steady presence. At that time, strong companies prevailed, even though they too experienced a temporary loss of value.

Preparation is everything. We know that a market correction will occur as do hurricanes.

When it comes to saving yourself and your assets from this "Investment Dragon's" effect, experience plays a vital role. My sister Marsha has lived for over 40 years in South Florida; she thinks it's a great place to live. Her husband Rick is a generational Floridian whose family has lived there for over 100 years. They have lived through many hurricanes. Marsha has always told me Rick is the best person to be by your side when things get bad. On October 5, 2005, Hurricane Wilma slammed ashore just south of West Palm Beach County and the whole of South Florida bore the brunt of one of the few Category 5 storms ever to make landfall on the U.S. East Coast. As the "Hurricane Dragon" showed signs of approaching Rick prepared, filling the bathtub up with clean water, making sure his portable generator was working, gathering as much cash as he could, and filling up as many containers as he could with gasoline. After Wilma blew itself out there was huge devastation. One of the major problems was no electricity for over a week. Credit cards and bank machines were useless, you couldn't get cash, and no one would take credit because the machines wouldn't work. If you had received any damage to your home workman wanted to be paid in cash and you couldn't buy any supplies. Gas pumps wouldn't work, and toilets flushed but the tap water was contaminated for weeks.

Preparation is everything. We know that a market correction will occur as do hurricanes. Help to protect your portfolio from the "Investment Dragon" by building it with strong companies that should be able to survive the worst a market can crash, that have the ability to produce and diversify across different industries and geographies and that can keep an ample amount of cash (or near cash) on hand because it is very valuable during times of great uncertainty.

Hurricane Wilma



Homo Economicus (ɛkəˈnɒmɪkəs) – Economic [Wo]man

The term Homo Economicus, or Economic [Wo]man, is a caricature of economic theory framed as a "mythical species" or word play on Homo Sapiens. A theoretical human being who rationally calculates the costs and benefits of every action before making a decision. It is an arbitrary definition of man as a being who inevitably moves towards the actions by which he may obtain the greatest number of necessities, conveniences, and luxuries, with the least amount of labor and physical self-denial.

(https://en.wikipedia.org/wiki/Homo_economicus)

As an Investment advisor I have yet to meet someone who is driven by logic, unapologetic, unwavering in their decisions and completely devoid of almost all human emotion. To date, in the 45 years in the Investment industry, I have borne witness to many market upheavals; in almost all instances, people tend to fail because of their innate fear: losing money. They dread receiving their monthly or quarterly comparison statements, which may be proof they are worth substantially less than they were before. Now they are faced with making a decision. Buying, selling, or holding, the most common investment trifecta. Which choice will come in first, second and third? Should they buy a few or a lot? Should they sell completely, or just a little? Should they do nothing and just wait, or should they sell now because it could get worse. Should they sell later because it could better. The decisions are numerous, complicated and uncertain.

I believe that people should make decisions based on facts, the history of market volatility, their in-depth knowledge of exactly what they own and an understanding of human behaviour with regards to money. They also need to consider their personal financial situation and lifestyle. Only then can someone come to a decision of how to proceed, logically.

Observations

Recent statistics on Canadian Retail Sales, Canadian Housing Sales, high levels of personal debt, lack of pipeline capacity and the increasing trade stresses with China have all added up to a poor outlook for the Canadian Economy. This could result in a weaker Canadian dollar and make further interest rate hikes quite unlikely.

The latest Canadian Federal Budget has shown that the direction of taxation in this country, both personal and corporate, is diametrically opposite to that of the United States. To those making decisions as to where to place capital the choice has become obvious. I'm hoping that the upcoming Alberta Provincial election and the fall Canadian Federal election will produce governments that start to reverse these trends.

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If you have any questions about anything in this Quarterly Review or you would like some further information, please contact one of the Wealth Group using the details below:

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