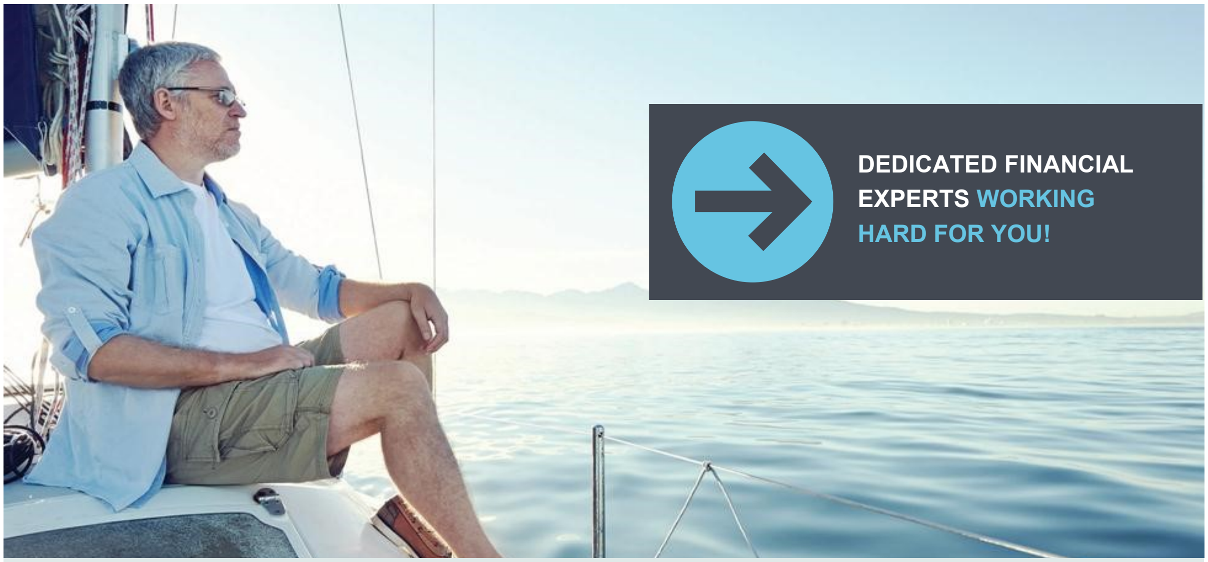

A seasonal newsletter providing comprehensive news and strategic analysis regarding the financial industry.

THE HALDENBY
Financial

Spring 2017

HALDENBY
FINANCIAL GROUP

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MARKET UPDATE: INTEREST RATE PACE & THE TRUMP FACTOR

ECONOMICS 101: RISING INTEREST RATES

Diversification has never played such an important role in one's portfolio than it did throughout the last two months of 2016. Diversification, at its infancy, starts with having the right mix of stocks to bonds in a portfolio. We diversify portfolios by adding bonds to counter stock market volatility; however, in rising interest rate environments that role reverses. Normally, the bond market tends to be less exciting than the stock market. Bonds play an important role by acting as the security in a portfolio; they pay reliable income on a regular basis, and are safer than equities. This means that if stocks go down; the bond component will help secure any major drops in the stock positions. A couple key drivers in the bond space tend to be interest rates and inflation.

With the election of Donald Trump as President of the United States it is very likely that Trump is going to spend lots of MONEY in hopes that monetary stimulus will help the US economy grow and thrive. Trump has an ambitious plan to grow the American economy and he will spend his way to do just that. Tax cuts for business growth and job creation will cost the US Treasury—and, while this is an engine for ongoing growth in US stocks; it also means higher potential for inflation in the US. Monetary policy tells us that if a government spends it will spur inflation—thus the rise in yields (interest rates). The US Federal Reserve is, at the same time, in a position where they need to increase interest rates to keep up with the economic cycle of a fast growing economy.

Continued...page 2

TFSA TOP-UP ALERT:

AS OF JANUARY 2017 YOU HAVE ANOTHER $5500 IN TFSA ROOM—FOR A TOTAL $52,000 LIMIT IF YOU'VE NEVER USED A TFSA.[1]

1. $52,000 in room is calculated for those residents of Canada 18 years or older since 2009.

TIME IN THE MARKETS VS. TIMING THE MARKET

Market Update: Continued from page 1

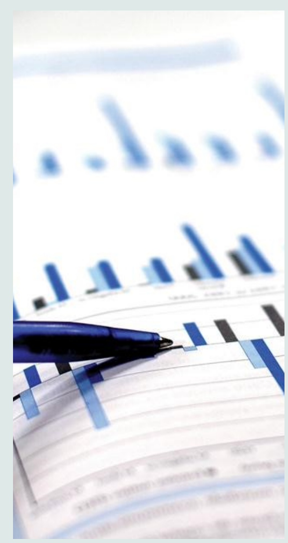
When interest rates rise; this puts pressure on the bond market. Interest rates go up—the more secure and longer term bonds go down.

Mind you not all bonds are created equal: many bond and balanced funds hold corporate bonds and some floating rate bonds (which, can actually benefit from rising interest rates). Since November equities helped curb bond losses, and played an important role in all portfolios. We continue to ensure that clients hold the appropriate asset allocation through reviews and may, in the short-run, be adding a bit more equity (stock) to further diversify your portfolio. Please call us with any questions you may have related to your portfolio! We are always here to help!

When it comes to investing, many investors are fearful of buying at market "highs", so they try to find the right time to get into the market, while sitting on their cash in the interim. The fact is that no one can time the markets consistently. In fact, it is **time IN the market**, rather than market timing, that is the key to long-term investment success.*

According to the research, although the S&P returned over 8% per year over the last two decades, the average investor made only 4%.[1] The reason: trying to time the market. If an investor was lucky enough to have gotten out before a major market decline, the investor then has to determine when to get back in. Statistically, the odds of both getting out and getting back into the market at the right time are 25%. Trying to get in and out correctly with two successive times of sale and re-entry and the percentage drops in half to 12.5%. The best decision is to work with Haldenby Financial Group to assist in determining which investments are suitable for you and staying invested for the long-term.

If an investor had placed $100,000 in the S&P in July 2007, they would have seen the value fall below $50,000, at the market low, which occurred in March 2009. By staying the course, the investor would have been in the market for the rebound; his current value in July 2013, with dividends reinvested, would be over $131,000![2] If you cannot stay invested for more than 5 years, you should not be fully invested in equities/stocks.



The key to success in the market is to have an investment plan and stick with it through the market ups and downs. There are no whistles that blow to let you know when the market recovery train is leaving the station, and generally those that leave the market because they are fearful will miss that train completely.

Market timing can be detrimental to your financial wealth: be invested for the long run! Our advisors will assist in choosing the right investments for you in the good times; and coach you through the tough market pullbacks.

*Article modified from moneysense.com
1. Dalbar Research dalbar.com
2. Vanguard Research

INVESTMENT TIP OF THE SEASON

Don't wait till next year to do your RRSP contribution! You can invest your new RRSP room as soon as you get your 2016 notice of assessment back in May! You can also start a monthly contribution so you are saving all year-round! Call us today!

CRM2: FREQUENTLY ASKED QUESTIONS (FAQ)

Since the introduction of the Client Relationship Model 2 (CRM2) there have been a few questions we wanted to ensure clients had the answers to. Many of the discussions around CRM2 (the new reports and disclosures) have taken place in past reviews. When we build a portfolio or help you chose an investment we discuss how the fund works, fits in with your plan, and our compensation structures/details.

It is important to understand that our interests are aligned. Your performance is directly linked to our performance. If you have any additional questions, please feel free to let us know!

Client Relationship Model Phase 2 (CRM2): FAQ

What is CRM2? CRM2 is an initiative developed in the interest of investor transparency. We began delivering Performance & Compensation reports this year, which detail your performance and HollisWealth's compensation on an annual basis.

Why are my market values and performance listed as "N/A"? If an account has been opened for less than one full year then values will show as "N/A". All December 31, 2016 account values can be found on your annual year-end statements or call our office for an update!

Why am I getting so much mail? These reports are generated annually. At this point regulations require that we send one piece of mail per account number.

Why can I only see a few years worth of rates of return, but I've been invested for many more years? This initiative requires that HollisWealth communicates three-years worth of returns. For most clients they have returns much longer than this. Please contact us for longer rates of return.

Do any of the commissions come from my principal investment? Any Deferred Sales Charge (DSC) commissions are paid to us directly from the fund company and DO NOT come off your investment. Trailer service commissions are based on the amount invested, built into the investment's management expense (MER) and are paid directly from the fund company to HollisWealth (nothing has changed, you're seeing a re-cap of our yearly compensation). GIC commissions are paid directly from the bank or trust we broker with and don't reduce your interest rate.

Do other firms/advisors have these costs/commissions? From all banks, to investment firms, to insurance companies, to credit unions, to robo-advisors; there is always a cost of advice. We work hard to ensure you are invested in the compensation model that best fits your asset size and is in your best interest—Our goal is for clients to never incur any unnecessary fees/costs! All firms, including banks, credit-unions and brokerages are required to send their compensation and performance reports by July 2017.

Can I consolidate other investments and save? Yes, we offer fee-based accounts that reduce the cost based on the size of assets invested and have additional savings/benefits! Call us to book a consolidation review: to simplify & save!

Can you review and help me with my other firm's (banks, credit union, etc.) annual reports? As a full service financial planning and invest-

% JUST THE STATS: THE VALUE OF ADVICE

There have been many discussions these days about the value of advice, and it is important to understand some of the long-run benefits of partnering with your independent advisors at Haldenby Financial Group!

1 ADVISED HOUSEHOLDS SAVE MORE:

Save at double the rate of non-advised households (8.6% annual savings vs. 4.3% for those without an advisor).[1]

2 ADVISED HOUSEHOLDS HAVE GREATER WEALTH:

*Canadians have, on average, **more than four times** the investable assets than those with no advisor.*[1]

3 ADVISED HOUSEHOLDS ARE ON THE RIGHT TRACK:

Canadians with a financial security plan are almost twice as likely to feel "on track" with their financial affairs as those who do not.[2]

4 ADVISED HOUSEHOLDS HAVE IMPROVED RETURNS:

An advisor can add up to 3% in net annual returns over the long-term![3]

1. CIRANO, An Econometric Analysis of the Value of Advice in Canada, 2012
2. The Investment Funds Institute of Canada, The Value of Advice: Report, Nov. 2011
3. Vanguard research, May 31, 2015

"A goal **without a plan** is just a wish."

-Antoine de Saint-Exupery, Writer

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TAX TIPS 2017

A SNEAK PEAK AT THE NEXT ISSUE

- MARKETS & INFLATION
- FINANCIAL TIPS WHEN SELLING A HOME
- ADDED VALUE SERVICES
- PROTECTING YOUR WEALTH

GO PAPERLESS: Contact our office to set up your online access to WealthTracker. Once WealthTracker is set up, you select the e-statement paperless option on your online account!

HollisWealth®

1. **Take your time:** The Canada Revenue Agency (CRA) does not award points (nor reduce your tax bill) for an early tax return. Although it is important to file your taxes on time, we always recommend that you wait until you are 100% sure you've received ALL slips and statements. It is much better to file an accurate return, rather than an early one.
2. **Slips & non-registered statements:** Not all tax info comes on slips. If you sold a non-registered investment, then you have to pay any capital gains on that disposition. With mutual fund companies this information usually shows up on the YEAR-END statement. Keep these for your taxes!
3. **Non-registered distribution tax:** Although you may not have sold investments in your non-registered mutual fund in the current year; the investment funds buy and sell stock all the time. In some cases, these gains are passed onto the holders of the fund. Considering this year's considerable growth it is not hard to believe that there were tax slips— this is a pre-payment of income tax on that investment and increases your cost base. Essentially you wont have to pay tax on those gains again when you sell the investment.
4. **TFSAs were meant to GROW:** Tax free accounts are best used with higher growth investments; not as a savings account. We consistently speak with accountants who cannot understand why folks are still using the TFSA as a savings account (generating little to no interest). This does not benefit clients looking to maximize tax savings on growth investments. If you invest in mutual funds or segregated funds, then it makes the most sense to shelter these in the Tax-Free ~~Savings~~ **Shelter** Account to reduce your tax bill. Haldenby Financial Group can setup these TFSAs; and transfer any existing savings accounts!
5. **Sell a property/home in 2016?** As of 2016 CRA requires that all sales of homes/properties be reported on your taxes. This includes personal residence. Although exempt from tax, the personal residence exemption has limits and these sales must now be recorded on your taxes.
6. **Tax Services:** We are now offering tax preparation and services for basic returns to clients. Contact one of our offices to get started!

HollisWealth to be acquired by Industrial Alliance Financial

Recently it was announced that Scotiabank will transition HollisWealth to Industrial Alliance (iA) Financial in August 2017. iA is a leading Canadian financial institution with a strong record of helping Canadians reach their financial goals for over 125 years. iA is the fourth largest insurer in Canada and manages more than $125 billion in assets for over 4 million Canadians. **We will continue to keep the HollisWealth name** and this transition bring us back to the fully independent channel that we have come to know and love. Haldenby Financial Group has always worked directly for you, in the independent advisory channel—this new partnership with iA will reinforce and strengthen our relationship.

Ultimately, your relationship with our firm (Haldenby Financial Group advisors) **will not change at all**; and we will keep you up to date with any technical changes: statements and our online system (WealthTracker) will have enhancements to make them more user friendly and easier to understand—otherwise it is business as usual! Please feel free to contact us if you have any questions.