TD Wealth

January 2019

Market Update

Important Topic: Contributions to Registered Accounts

We will contact you to follow up and ensure that the following is addressed where relevant:

1. RSP Contribution
Limit for 2018 is $26,230 or 18% of your employment income, whichever is less. You have until March 1, 2019 to make this contribution. Limit for 2019 is $26,500 or 18% of your employment income, whichever is less.

2. TFSA Contribution
Everyone over the age of 18 can contribute $6,000 in 2019. These funds will grow tax free and can be withdrawn at any time without any taxation. If you missed any past years you can contribute those amounts as well at any time.

3. RESP Contribution
If you have a child turning 17 or less in 2019 you may make a $2,500 RESP contribution and have the government match 20% ($500). If you missed any past years you can contribute one extra year each year. The maximum then would be $5,000 which the government matching $1,000.

For contributions you can:

- Deposit cash on-line from your bank account. (If you do not bank with TD Canada Trust (TD) you can set up your TD Investment Account as a Payee for an online bill payment).
- Ask us to transfer securities or cash from your non registered accounts.
- Send a cheque payable to TD Wealth to us at 5140 Yonge Street, Suite 1600, North York, Ontario M2N 6L7.
- Deposit a cheque directly to your account at any TD branch – you will need your TD Investment Account number

TD Wealth Private Investment Advice
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Important Topic: Stock Picking vs. Asset Allocation

Individual stocks get all the headlines. We are bombarded with stories on a daily basis about huge gains or losses in individual companies. There are IPO's, mergers and acquisitions, analyst upgrades and downgrades, earnings releases, CEO scandals, strategic changes, new products, short sellers and the list goes on.

Many of these events are interesting and the focus of much discussion. But that doesn't necessarily make them important for your portfolio.

Only if your financial future depends on the success of one company's shares would such level of attention be warranted. But if this is the case, one must admit that one is assuming a disproportionate amount of risk. Anything can go wrong with any one company. Investing heavily in one company is an attempt to hit a home run and risk striking out, instead of steadily hitting singles and doubles. It might make sense to risk takers looking to score quickly but it makes little sense to those who wish to protect their hard-earned money and those who wish to see steady growth.

Asset allocation focuses on the long-term, steady returns and on mitigating risk. It is a large component to how we invest and how manage risk.

However, while asset allocation is far more important than what an individual company did on any given day, it would be difficult for the financial media to run the following headlines day after day:

- Some Asset classes Rose While Others Fell
- Diversified Portfolios Protected Investors From Company X Going Bankrupt
- Risk Management Does the Trick as Asset Allocation Model Doesn't Get Too Hot or Too Cold
- Rebalancing Asset Allocations Forces Investors to Sell High and Buy Low
- With Lower Volatility due to Asset Allocation, Most Investors Ignore the Urge to Sell when Markets Fall
- The Tortoise Establishes Long Term Retirement Plan While Also Beating Approximately 80% of the Hares

Admittedly, Asset Allocation is not as interesting and will not attract the headlines devoted to individual companies. But it can work quite well at managing risk and positioning the portfolio for attractive long term returns in almost any market environment.

Important Topic: Power of Attorney

I found the following quite informative and I encourage you to spend a few minutes. Nothing is quite as simple as it first seems nor as simple as we would like it to be.

Powers of attorney: What you need to know when it's time to use it

Kim Parlee Vice President Wealth talks about the Power of Attorney and issues determining a relative's incapacity with Nicole Ewing, VP, Business Succession Advisor and Tax and Estate Planner, TD Wealth.

Market Update – January 2019

As awful as December was, January was wonderful.

The US Federal Reserve did in January what investors were expecting/hoping they would do in December – they indicated a slowing of interest rate tightening (fewer increases) and a slowing of how they reduce their balance sheet. At the same time earnings (remember to always look at earnings) continued to be strong. Some companies missed their earning's projections and saw their share prices get hammered (down 10%+), but the majority of firms reported earnings in line with or exceeding expectations. The economy is again being viewed as healthy and growing.

Interestingly the increase in earnings has justified the stock market price increases. In fact, the Price to Earnings ratio, a quick indication of whether markets are inexpensive or not, now sits at its long-term average. So, even with a 6-7% increase in stock prices, the markets are fairly valued, not expensive.

Importantly, managers are reporting that they are finding excellent companies at attractive valuations. Some very strict criteria are being met resulting in some of our most cautious managers repositioning their portfolios and investing their cash reserves. The market fall in Q4 2018 presented these new opportunities. The rebound from the depth of Q4 2018 is I believe another reminder that one should not sell after the markets fall, but, if possible, one should scrape together extra funds and invest.

Looking forward, we believe the economy is performing just fine by most measures, political uncertainty and volatility remains high (and likely will for the foreseeable future), and inflation remains benign. We are neutral in the short term but positive in the medium and long term. We hold our positions and continue to invest cautiously.

For the month, the bond market was up 1.5%, the Canadian market was up 8.6%, the US market was up 7.8%, International markets were up 6.3%, the Emerging markets were up 6.0%, the REIT market was up 5.8% and the preferred market was flat. (Reuters Jan 31st, 2019)

Have a great month and let us know if there is anything we can do for you,

Meir

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