Mike Robinson

From: Mike Robinson [mike@signaturefs.ccsend.com] on behalf of Mike Robinson [mike@signaturefs.ca]
Sent: January 14, 2009 4:01 PM
To: mike@signaturefs.ca
Subject: The Signature Line - A market and economic review of 2008 with a look to 2009

January 2009

The Signature Line

Your quarterly update on markets and the economy

This Quarter's Update

Tax-Free Savings Accounts are not the only way to save tax

Review of 2008 with a look to 2009

Advice on Surviving Bear Markets

We have posted to our website a new report that provides practical advice on how to best weather the bear market storm.

The report is authored by Mike Robinson, the principal at Signature Financial Security, and examines the cause behind the current bear market, looks at how the bear may be affecting your financial plan and how to get the most from your advisor and your financial providers. Click here to view the article.

Think Like an Insider!

The February 2008 edition of Alberta Venture magazine featured a great article

Dear Michael,

Happy New Year! I hope everyone had a happy and safe holiday season. It's January, which means that this edition of The Signature Line is dedicated to a market and economic review of 2008 with a look ahead to 2009.

It has been an interesting year, which should make this an interesting edition. As you read through, I encourage you to ask yourself a few questions:

-Is retirement on my radar screen? Will I be financially independent?

-Do recent market events have you wondering if it might be time for a plan and some professional advice now that you are at this stage of your life?

-Might it be time for private investment management instead of a broker or the traditional mutual fund approach?

If these questions are on your mind then we should talk, because the answers to those questions is exactly what Signature Financial Security brings to the table. Check us out at www.signaturefs.ca to get a feel for us and our work, then give me a call or drop me an e-mail. We'll just have a coffee and see if I can help.

I can be reached directly at (403) 226-0321 or mike@signaturefs.ca.

Mike Robinson

Tax-Free Savings Accounts (TFSAs) are not the only way to save tax on your investments

The new TFSAs are a great new vehicle to help save tax but so too are corporate class investment funds, which can help you save tax on the growth of your non-registered investment accounts. Corporate class funds allow you to hold conservative investments such as bonds and t-bills yet avoid receiving interest income, and in most years you would receive no taxable distributions at all.

outlining important considerations available to affluent investors that you might not hear about unless you are speaking with insiders. Click here to link to the article.

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TFSAs are a great place to start, but if you have a substantial investment account outside your RRSP that you are being taxed on, we should talk about taking advantage of corporate class investment funds.

As at January 14, 2009

Financial review of 2008 and a look ahead to 2009

As you know, 2008 was a very difficult year for the economy and for investors. Global equity markets declined sharply, following wave after wave of negative business and economic news.

Virtually all market watchers were stunned by the extent of these market declines and by how quickly they occurred. The problems began over a year ago as the U.S. housing market began to turn down and homeowners began to default on their mortgages - especially "sub-prime" mortgages. These mortgages were used to back billions of dollars' worth of securities held by banks, hedge funds and a multitude of other financial institutions and investors.

The crisis gradually deepened throughout 2008, reaching a climax in September, as the losses led to the failure of a number of major U.S. and European financial institutions. The failures created a new crisis of confidence in the financial system, freezing credit markets and compounding concerns about the impact on the broader economy. This set the stage for the dramatic drop in commodity prices and global stock markets from September to November.

Most global stock markets were down by more than 30% for the year. The U.S. stock market, represented by the S&P 500 Index, had its worst year since 1937 posting a -22% in Canadian dollars. In Canada, it's difficult to believe that our stock market, represented by the S&P/TSX Composite Index, hit a record high of 15,073 points on June 18, 2008. From that point to the end of the year, the index slipped by more than 6,000 points or 40%, resulting in a decline of 33% for the year as a whole.

One of the few positives on the year was the performance of fixed income, which had positive gains, although moderate. The fixed income benchmark in Canada showed positive returns of +2.85% and the 91-day T-Bill index posted a return of just over 3%.

So, what does that all mean to you?

Well for most of you, since you have a diversified portfolio of equities (stocks), fixed income (bonds) and money market (T-bills) it means that while you posted negative returns for the 2008 calendar year, you did not suffer as much as the overall broad market since your fixed income and cash components helped bolster your overall performance. When establishing your accounts we determined how much cash and fixed income to hold relative to equities based on your requirement for risk and your tolerance for risk, balanced with your need for growth. That process has resulted in portfolio performance better than the overall stock market. For those of you where we decided to hold all equities your performance was closer in line with the overall market, but still better, due to the diversification between countries, sectors and reinvested dividends. This again is all part of the planning process and has helped you during these markets.

While our planning process has helped to protect you relative to the overall stock market, there is another 'behind the scenes' factor at play that will help you recover faster and grow your wealth during market recovery. During the year many of the stocks our private investment counselors own have been paying dividends, which have been reinvested to acquire more good quality stock at lower prices. When the market goes back into recovery your investments will have more stocks with a lower average purchase price, which will grow your portfolio at a quicker rate when compared to holding stocks with no dividends to reinvest. This concept, often referred to as 'The Siegel Effect', is outlined in the book by Professor Jeremy Siegel in "The Future for Investors." He suggests that through proper investing (in high dividend paying stocks), the kind of markets we are seeing right now can add significantly to your wealth.

What to expect for 2009

Although there are plenty of reasons for optimism we expect that 2009, at least the first half, will continue to be quite volatile. Major global economies are expected to be in a deep recession that, while not as significant as was in the 1930s, will be difficult. Credit from major lenders, although improving, remains tight, the housing market remains weak, and global demand is slowing, which puts pressure on corporate profits. Most economic pundits expect 2009 to be a difficult year for the economy, however; remember that the market and the economy are not the same thing. Typically, markets respond ahead of the economy, and will tend to trend higher about six months ahead of a recovering economy. In that context, if we see economic recovery in early 2010, then it stands to reason we might see market recovery during the last half of 2009.

In spite of daunting economic news, as mentioned, there are many reasons to be optimistic. Governments and central banks continue to take action to support the financial system, inflation remains low, and major developed countries look poised to spend billions to trillions of dollars in new infrastructure spending intended to get the economy moving again. This all bodes well for both the economy and the major stock markets.

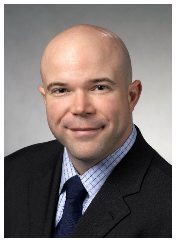
I would suggest to everyone holding equities (stocks) in their portfolio to continue to exercise patience for the next several months and ensure that you are poised to take advantage of recovery when it comes, hopefully sometime during 2009. Ensure you remain invested in equities and remember that your portfolio was invested in stocks that pay superior dividends, which are being reinvested at low prices with record low price to earnings ratios, which will enhance your recovery.

At difficult times like these, it is only natural to ask questions about your investments and your investment process. Whether you and I are working together or not I would be pleased to meet with you to discuss your portfolio and offer insight into your strategy and whether or not you are poised to participate in market recovery. Please don't hesitate to get in touch by phone or e-mail.

For some additional information there is an article posted to our website with practical advice for weathering the storm of a bear market. Click here for a free download of the article.

Based in Calgary, Alberta, Signature Financial Security is a professional, independent wealth management and retirement planning firm that specializes in working with successful self-employed, and other affluent, individuals. The principal, Mike Robinson, established the firm following a successful period as a Private Wealth Counselor where he was an advisor to other financial planners working in the affluent market. He is an expert in creating comprehensive financial plans taking into consideration all unique factors of working with the affluent and self-employed.

Get to Know Signature Financial Security



Mike Robinson and Signature Financial Security know that there needs to be a fit for you and your potential financial advisor. There has to be a fit for Signature as well. That's why Mike is committed to spending some time with you in person and in an informal setting, perhaps over coffee, to let you get to know him, and him you.

To see if Signature Financial Security might be a valuable financial asset for you, give Mike a call at (403) 226-0321 or drop him an email at mike@signaturefs.ca today. Additional information about Mike and the firm can be found on the website at www.signaturefs.ca.

Signature Financial Security

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