Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

CANFIN FINANCIAL GROUP
A qualified approach to wealth solutions

Services we can provide through our Group of Companies

Investment Planning	Tax Planning
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Please do not hesitate to contact your advisor for a Confidential Financial Review.

Saving Savvy WITH STOCKS

People get excited when they think about the long-term potential of investing in stocks. When you invest in stocks you ultimately want to own shares in a company that is going to make money so that it can pay you dividends and appreciate in capital value. In order to choose a good stock you will need to analyze its management, compare it to other companies in the same industry, assess their annual reports, such as balance sheets and earnings statements. By analyzing all the figures, you will measure how profitable the company is by calculating return on equity and earnings per share; realize how liquid the company is by calculating the working capital ratio; determine the debt to equity ratio; study cash flow; and calculate the dividend yield and price to earnings ratio to compare how much value you will get. If you get thus far, you will interpret the business cycle to determine how your company is positioned in the market. Then you will want to assess the daily newsbreaks to factor in political risk, competitive product news, and rumors of takeovers etc. Then and only then, you will be a savvy stock investor.

Little wonder people depend on mutual fund managers to do all of the above savvy investing for them, and make investing a lot less complicated. Mutual funds offer a tried and proven method of investing in the stock of the best companies in the world.

Invest with THE MARKET WINNERS

Worried about investing your money in a rapidly shifting market? Have a look at your fund's investment mandate. Providing solid returns in up and down markets is what you pay for.

Your mutual fund portfolio manager should have the market knowledge to steer clear of pitfalls and catch

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rising stars—or stick with those companies that are strong enough to hold their own during market dips.

To help you choose, look at the fund's history through market dips. How does it perform compared to its peers or the index it is supposed to track?

Anyone can make money in a rising market; it takes experience and market savvy to stay on top when the market declines. That does not mean the value of your fund will not go down. It does mean it should go down less than the index and revive much sooner.

The Dos and Dont's
OF BUY-AND-HOLD INVESTING

When it comes to 'Buy and Hold' investing

Do invest patiently

The term "buy and hold" relates to an investing strategy of buying securities with a good long-term outlook for capital gains. A long-term equity investor is one who waits patiently for capital growth, while holding his or her stocks (or stock funds) for long periods of time, waiting for their gains to accrue favourably. If you are in pre-retirement, make sure your equity portfolio is balanced against the potential risk of another major market decline by investing in some non-equity funds (money market; balanced and/or bond funds).

Don't expect markets to always boom

Investors who "buy and hold" realize that it is important to control their feelings because all stock markets will inevitably display more volatility over short-term periods. There is a cycle of ups and downs in the world of business referred to as the business cycle. Stock markets will never rise or fall forever. A fund investor who does not have the persistence to stay invested, may sell when the market goes down, defeating the mandate to achieve growth. Buy and hold growth is only achievable by longer periods of commitment allowing equities to increase their price valuation, regardless of the peaks and valleys of business cycles.

Do get the help of professional fund managers

Through business cycles, psychological fears, and certain imbalances such as the 2007-2008 sub-prime mortgage debt crisis affects the stock market and equity fund unit prices. We can never truly predict when the market will gain or lose. Therefore, the long-term investor in equity funds (holding stocks) allows only the best fund managers to take care of buying and/or selling quality securities. The foresight to buy securities with the potential to gain over the long haul is the skill-set of professional fund managers. Some good funds that an investor may buy to hold, may trade stocks held within that fund in order to achieve the best possible gain during any market turbulence. A proactive manager takes careful note if the market loses seven or ten percent of its value rapidly, or when the capitalization of any stock market is below its fifty day average. They can monitor the situation and will take the necessary action to reduce a fund's loss through internal day-trading.

Don't sell when the market is down

Normal short-term volatility can negatively affect the value of one's portfolio if an investment fund is sold by an investor when unit prices have dropped during a correction. The value simply is lost. If the market takes off again and one is unvested, gains cannot accrue. For this reason the disciplined investor takes some risk to hold on to investments during a market downturn to a degree. The crash of 2008 revealed that there is a point when a decision must be made to transfer funds to money market funds and wait for the market to rebound back to a confident bullish phase. Inquire to ask about fund managers who apply this strategy within a fund. Good stocks can regain their values and continue to grow though short-term fluctuations occur due to periodic market correction.