Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

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Enjoy the Experience of Investing

EVEN IN A LAZY MARKET

Economists will tell you that if you invest a lump sum in the stock market in large-cap stocks, you will have a lot more money in the future than if you hesitate, investing a little here and a little there. Perhaps, but it is of little consolation to people whose apprehension causes indecision as to when to invest.

Are you the kind of investor that lies awake at night worrying about a potential market crash and possible paper losses on your mutual funds? Such an investor always has the jitters. If the market is surging upwards he or she might say something like; "surely the bubble will burst so I'll wait to invest after the bull market is over". On the flip side during a market correction, a thought like this may occur; "the TSE has just dropped another 50 points, I had better hold off". The timid either invest and worry, or they continue to procrastinate due to fear. Does this sound like you? If so, here is a way to access a little courage in order to enjoy the experience of investing.

You can invest a given amount every month or quarter on a consistent basis in a mutual fund. In fact, in the worst case scenario, when the market is dropping in value there is a bonus. While the fearful investor is yanking his money out of the market, you will be buying mutual fund units at cheaper prices. Referred to as dollar-cost-averaging (DCA), this method of regular investing injects discipline into your investment strategy. Dollar cost averaging forces you to save before spending your money in dribs and drabs on unnecessary things when you delay your investing due to fear and trepidation. When your courage rises, consider a combination of DCA and lump sum investing with the help of your financial advisor.

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Please read the funds' prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Any indicated rate of return is for illustration purposes only and is not intended to reflect future values of returns on investment. Please seek professional advice prior to investing. Financium, the publisher does not guarantee accuracy of information, and will not be held liable in any way for any statements or statistics in this publication, though we seek to present reliable, precise and complete information. Written permission of Financium who retains all rights, must be obtained prior to any reproduction. ©Financium. email: admin@adviceon.com

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Foresight is 20/20

Long-term investors under-stand that markets are cyclic

You have probably heard the term “bull market” with reference to a rising market and “bear market” with regard to a falling market. These primary trends are most obvious because they correlate to the business cycles of expansion and retraction. The economy’s expanding boom and retracting bust cycles reoccur, on average, every 4 to 7 years. The rising price of stocks during a bull market can occur over a period of three or more years. Bull markets generally precede and give impetus to an economy’s robust period of business growth. The bear market’s period lasts on average just over a year. This is when share prices drop on average about 20%, followed typically by economic downturn. The “buy and hold” mutual fund investor understands that business cycles and related stock market trends are quite normal. Even during the booming bull phase, a fund’s unit price can drop slightly if there is a stock market correction. The fund’s unit price can also rise remarkably when the market is bearish during a stock market rally.

Some important questions to ask yourself when planning to make an investment.

1. Can my money be tied up for periods of five or more years?
2. What are my retirement needs and how long do I have before I need to draw an income?
3. Is capital growth on investment a priority?
4. Do I want to receive dividends on my equity fund?
5. Do I have the patience to stay invested when the market drops?
6. How important is the security of my capital? Do I fear short-term loss?
7. Is the mutual fund a proven performer over longer periods of time such as over five or ten years?
8. Does the fund hold stocks of larger, successful companies with a value-oriented investment style?
9. Does the fund hold stocks of companies investing primarily for aggressive growth?
10. Do I acknowledge that market fluctuations are normal?

Balanced FUND MANAGEMENT

Many investors use balanced funds. The following will help you understand the difference between strategic and tactical asset allocation styles used by balanced fund managers.

Strategic asset allocation style This is the style used by a balanced fund manager with a mandate to keep a strategic mix of securities. For each fund, a percentage is set for equities, fixed-income securities such as bonds, and cash. The combination of assets reflects the manager's long-term anticipation of how the markets will perform and how the balancing of the defined mix (the three normally perform well at different times) will pay off for the conservative investor. Normally, when stocks are growing in value, bonds are doing poorly due to rising interest rates. Conversely, when the stock market is dropping, bonds pick up due to lowering interest rates. When one or more asset classes shifts 5% or more, from their initial strategic weighting due to weak or strong performance, the manager may rebalance the assets to the original mix.

Tactical asset allocation style This management style begins with a strategic mix, yet allows for a manager to temporarily shift the weighting in the fund among the three asset classes, dependent on the interpretation of the market. For example, a tactical asset manager may move heavily into equity stocks if he/she is determined that the market is going to go up. Each shift away from a strategic mix is referred to as a tactical move to exploit market events for gain. Due to the inherent shifting of the portfolio, tactical asset allocation managers tend to expect some portfolio volatility as a trade-off for the prospect of gain.