How to Profit from the Next Bull Market

Alan Dustin
*audiobook | *ebooks | Download PDF | ePub | DOC*

DOWNLOAD READ ONLINE

#2463685 in eBooks 2017-02-25 2017-02-25File Name: B01FRR3JBM | File size: 58.Mb

Alan Dustin : How to Profit from the Next Bull Market before purchasing it in order to gage whether or not it would be worth my time, and all praised How to Profit from the Next Bull Market:

An insightful and valuable step-by-step guide for Canadians looking to champion the stock market, avoid common investment mistakes, learn the ins and outs of buying and selling, and secure their financial futures.

Offering an honest, candid, and understandable approach to investing, How to Profit from the Next Bull Market will

serve Canadian investors well for the rest of their lives. (Midwest Book)About the AuthorAlan Dustin is a seasoned financial adviser who has spent twenty-five years guiding Canadian investors to financial success. He has appeared as an expert commentator for CBC and CP24, and has published numerous articles for Investorrsquo;s Digest of Canada and Canadian MoneySaver. He lives in Toronto.Excerpt. copy; Reprinted by permission. All rights reserved.Chapter 1: The Canadian Retirement Landscape Canadians are living longer due to healthier lifestyles and medical advances that have improved the treatment and control of the leading causes of death cancer, cardiovascular disease, and stroke. As a result, our retirements are longer than theyrsquo;ve ever been. Of course, we need to fund our retirements, and we can only do so with either the resources we have accumulated prior to retirement or the funds we have access to through government-assisted programs. If we have not prepared ourselves for our financial future properly, we have only a few options from which to choose: save more while we are working, spend less in retirement, or continue to work longer. Building wealth takes discipline, sacrifice, and hard work. The alternative to doing so is clear when one considers that, according to a 2015 Fidelity Retirement Survey Report, the top five sources of retirement income for Canadians are the Canada Pension Plan (CPP) and Old Age Security (OAS) at 95 percent, registered retirement savings at 55 percent, non-registered savings at 45 percent, and defined benefit pensions at 35 percent. However, the maximum the combined CPP and OAS payouts are going to provide is approximately $15,000 in annual income, which likely wonrsquo;t be enough to cover most retireesrsquo; fixed expenses. If that is true for your particular circumstances and you are serious about increasing your net worth before retiring, or if you simply want to be better informed, then read on! This book is geared toward helping you create wealth for your own financial independence. The first secret to making money in the stock market is harnessing the power of compounding returns. For example, if you sell a stock short at the beginning of a bear market, the maximum profit potential is a 100 percent return, considering a stock has a lower bound of zero. However, if you buy a stock at the beginning of a bull market, the maximum profit is unlimited, potentially compounding your investment many times over. When asked what their top financial concern is, about 60 percent of Canadians respond, ldquo;Not saving enough for retirement.rdquo; Before you determine if you are saving enough, itrsquo;s helpful to understand where most Canadians are positioned with respect to their own retirement. Letrsquo;s start with a discussion of pensions. SOURCES OF RETIREMENT INCOME One thing is for sure: in the current environment of low interest rates, an aging population, and increasing longevity, pre-retirees need to save more if they plan to retire at the customary age of sixty-five. The market value of pension assets in Canada at the end of 2012 was $2.6 trillion. The smallest portion, $213 billion, or less than 10 percent, is held by the CPP and the QPP (Quebec Pension Plan). Employer-administered pension plans control the lionrsquo;s share of pension assets, with $1.4 trillion, the majority of which is held in plans for public service workers. The remaining $928 billion is held by individuals in registered retirement savings plans (RRSPs). Despite constant media attention about all the unused contribution room in RRSPs and the frequent criticism of Canadians for their supposed inability to manage their finances for retirement, RRSPs have been the fastest growing of all pension assets. This reflects both increased contributions by Canadians and sufficient rates of return since 2009. In 2012, just over six million Canadians were members of a registered pension plan. Such plans are divided into two types. Generally speaking, defined benefit plans are funded by the employer and defined contribution plans are contributed to by the employee. In the public service, about 80 percent of workers participate in defined benefit pension plans. This is a sharp contrast to the private sector. There, less than 30 percent of workers have registered pension plans. The ldquo;gold standardrdquo; defined benefit plans are enjoyed by an even smaller number of private sector workers just over half of them, or 15 percent overall, are able to participate in defined benefit, employer-sponsored pension plans. The private sector has largely shifted to defined contribution plans as companies have come to understand how much more expensive and riskier defined benefit plans are. After the 2009 financial crisis, firms struggled to make up shortfalls in the funding of their defined benefit pension plans out of profits, precisely when funds were required for working capital. Of course, in the case of government-administered defined benefit plans, the risk is borne by taxpayers, so any deficits are paid for out of tax revenue. Today, approximately six million Canadians are employed by small- and medium-sized businesses, which may not sponsor any kind of pension plan at all, and almost three million are self-employed. Private sector workers are more likely to change jobs and experience periods of unemployment, resulting in income fluctuations. These workers without defined benefit plans save for retirement using RRSPs, defined contribution plans, tax-free savings accounts (TFSAs), and non-registered (cash) accounts. Since not all workers belong to an employer-administered pension plan, the self-employed and those who work for employers that donrsquo;t offer pension plans must look after their own retirement savings schemes. Being self-employed or not belonging to an employer-administered pension plan does not necessarily condemn you to a life of poverty, but it does stack the odds against you. Nevertheless, Canadians have proven to be resilient, and they have adapted in the absence of an employer-administered pension by increasing the use of other savings vehicles like RRSPs and, more recently, TFSAs. The shift away from defined benefit pension plans is often interpreted as creating a loss of security for pensioners, but this may not always be the case. Defined benefit plans can go bankrupt, whereas a defined contribution planrsquo;s payout is dependent solely on contributions and investment returns. Also, funding problems for defined benefit plans are not necessarily confined to the private sector. The Quebec Pension Plan is an

example of a government-run plan that promises more benefits than current funding can support. This is mainly a result of its exposure to risky assets ahead of the 2009 financial crisis. However, Quebecrsquo;s aging population is another problem for the plan. Eventually the QPP will require higher contribution rates or benefit cuts to avoid major changes. The survival of an employer or the sufficiency of its pension assets is not the only source of uncertainty for pension plans. All such schemes are predicated on calculations about the likely average longevity of the plansrsquo; beneficiaries. Now, longevity risk assumes certain mortality rates, but given that Canadians are living longer due to our health care system and medical advancement, the old assumptions are no longer necessarily valid. Of course, any significant changes to these assumptions could spell trouble. One way for pension plans to mitigate this risk is to shift from a defined benefit regime to a defined contribution one, which is what many of the plans sponsored by the private sector have been doing. Another way to adjust is to increase the age of eligibility. The Harper Conservatives had planned to change the rules governing Old Age Security payments, which Canadians are now entitled to begin receiving at the age of sixty-five, so that recipients would have to wait until the age of sixty-seven to begin receiving payments. That change was due to take effect starting in 2023, with full implementation by 2029. This hike in the age of eligibility was expected to save the government $11 billion per year. When the Liberals won the federal election in 2015, however, they overturned the roll-back. Good for retirees, bad for deficits. Pensions and RRSPs are not the whole story, though. The majority of Canadiansrsquo; personal assets are held outside pension plans. These assets are equally split between real estate and financial assets other than RRSPs. Most peoplersquo;s real estate assets donrsquo;t extend any further than the principal residence; financial assets, on the other hand, can consist of cash deposits, securities, mutual funds, and other instruments. All of these assets provide potential sources of income for retirees. However, most current Canadian retirees, many of whom own their homes but lack other financial assets, have been reluctant to tap into assets like home equity as a source of retirement income. Younger Canadians seem to be more comfortable with the idea. It is one well worth considering, and I will be discussing the potential benefits of this strategy in more detail later.