

THE Fraser *Financial* Report



Stewardship since 1991 | Stew'ard·ship': the moral responsibility for the careful use of money, time and talents.



Vol. 19 No. 4 Spring 2012

Cracks in the Crystal Ball

Article Summary by Brent Barker, CA, CFP

One of life's mysteries in the financial markets is that many still believe a successful investment strategy can be built around forecasting; this despite the road being littered with the corpses of those who got it wrong.

In February of this year, 24 of 27 market economists, polled by Bloomberg, forecast that the Reserve Bank of Australia would cut its benchmark official cash rate by 0.25% to 4.0%. The rationale seemed clear enough with many well reasoned responses. A reporter from the Sydney Morning Herald quoted "the interest rate cut was a good as certain." Yet in this case the Central Bank kept rates on hold as they felt they could wait another month to see how World events panned out. The effects were dramatic; the Australian dollar took off, reaching its highest level in six months against the US dollar. Share prices eased and bond yields rose. Needless to say the market

economists then began to alter their predictions going forward.

For everyday investors, a couple of lessons come from this episode. Firstly, there is little evidence market professionals are any better at forecasting the prices of securities, commodities, interest rates or currencies than anyone else. For instance, a global fund manager felt like 'crying in his beer' from his March 2011 decision to dump most of his fund's US government bonds because interest rates were unsustainably low.

Secondly, trying to time the markets is a pretty tough job. Consider strategists and forecasters trying to pick the change in performance of bonds versus equities or government bonds versus corporate bonds, or value stocks versus growth stocks. In fact, few (if any) people seem to get it consistently right.

The third is that it doesn't really matter how strong the fundamental case is for an interest rate change, a lower currency, a higher stock

price, events have a way of messing up your logic. Lastly, you don't really need any of this fundamental analysis to build long-term wealth. Markets are unpredictable because news is unpredictable. The best approach is to structure a diversified portfolio that is built to your goals and risk appetite, across and within asset classes. It's not exciting, but it works!!

Source: "Cracks in the Crystal Ball" by Jim Parker February 15, 2012 www.mydimensional.com

Take your best shot!

FFG PHOTO CONTEST

Don't miss out on this great opportunity to let your creativity shine! FFG's Annual Photo Contest is underway and there are fabulous prizes to be "snapped" up! See the included insert!



EDITORIAL

The Fraser Financial AIMs

By Colleen Barker – Vernon

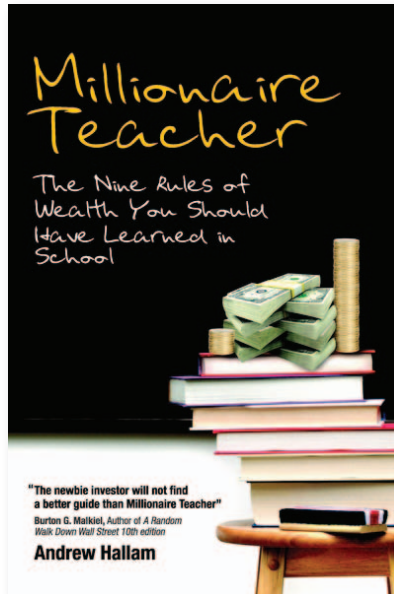
As you may recall, we first introduced our FFG AIMs in the fall of 2010. These AIMs are our commitment to our clients and staff about the way that we want to 'do business'. Over the past year, we have spent time discussing what each of the AIMs mean to us and our staff. Now we would like to take it one step further and start to tell our clients what each of these AIMs means in the way that we conduct day to day operations.

In this issue, you will see the first AIM – "We AIM to be responsible and prudent stewards of our client's assets and put their interests FIRST in all matters." – outlined with respect to commissions and DSC fees. We decided to focus on fees first because our clients are asking "Why don't you advertise how you are different from other financial institutions?"

Over the next few newsletter issues, we will cover the other four AIMs and ultimately add this information to our website at www.fraserfinancial.com. I hope that you enjoy our new Book Review column and the article such as "Cracks in the Crystal Ball" as we intend to continue our mission to provide you with 'food for thought'.

Millionaire Teacher

Book review by Brent Barker, CA, CFP (Vernon)



Andrew Hallam's book is an easy read that presents nine rules that most of us never learned in school. For the most part his nine rules are very simplistic and easy to follow; the question really becomes are we prepared to follow them?

Rule 1 addresses how we spend our money. Do we spend more than we earn, are we saving for retirement, are we paying more for a car than the average millionaire?

Rule 2 is one we've all heard at some point in our lives; invest early and let compounding work for you.

Rules 3, 4, 5 and 6 outline Andrew's investment philosophy and the method by which he was able to become a millionaire. Among these are: make use of low-cost

index funds, understand market psychology and don't try to time the market, simply spend time in the market, build a balanced portfolio and ensure that your equity portion is exposed to the world market.

Rules 7 and 8 give advice on choosing an investment advisor and how to stay clear of investment schemes and scams.

Rule 9 is for the investor who still believes they can outperform the market and predict the winners. Andrew says if you really insist on trying to pick individual stocks, then do it with a small percentage of your portfolio and model your investments after a mentor like Warren Buffet.

Andrew Hallam's book outlines the basics of good investment philosophy and sound arguments for why his approach to becoming a millionaire worked. This book should be on every investor's shelf as a reminder of the long-term nature of investing, the need for diversification and behavior pitfalls to avoid.

If you have questions about index investing, please see one of our advisors at The Fraser Financial Group to discuss it further.

FFG AIMS: We prefer *not to charge a commission* when investing *your* money!

FFG AIM#1: We **AIM to be responsible and prudent stewards of our client's assets and to put their interests FIRST in all matters.**

What do we mean by not charging commissions?

You can pay Front-end commissions of 0% to 5% which is deducted from your investment capital.

➔ **We chose 0%.**

OR You can have a Deferred Sales Charge (DSC) schedule where you pay a surrender fee if you take

too much capital out during the first six or seven years because of the upfront commission paid to the advisor.

➔ **We avoid these DSC fees on any deposits by our clients. This approach removes any fee bias in our recommendations and gives our clients maximum flexibility.**

It's one of the many ways we put your interests FIRST!

Want to know more? – Ask us!

Insurance - Did you know?

Mortgage Insurance – Do you want to cover your mortgage or much more?

By Kate Hart, CHS, Surrey Office

Lending Institutions	FFG
Amount of coverage is usually declining with the declining balance of the mortgage	The amount of coverage never declines unless YOU change it.
Tied into your mortgage – not transferable, if you sell and buy a new house or refinance with another lender you have to start all over again with the new mortgage/ insurance and you may or may not qualify	Coverage can be for mortgage, car loans, lines of credit – whatever your needs are. And it is completely transferable because it is not tied to anything but YOU
If you die only the outstanding amount owing on your mortgage is paid out to the lending institution – your beneficiary receives nothing	If you die the total amount of the death benefit is paid to your beneficiary, one that YOU choose, tax free to use however they see fit
Rarely are the premiums cheaper and coverage is not always adequate to cover all areas of life and rates increase as you get older	Term can be converted to permanent insurance which can last your entire life without having to go through medical assessments
Once your mortgage is repaid you lose all your life insurance coverage as it is tied to the mortgage	Premiums are separate from the mortgage – as long as premiums are paid YOU are covered regardless if the mortgage is repaid
Lending institutions sales people are in most cases not licensed life insurance advisors. Their role is to have you fill out the application and get you to sign	The Fraser Financial Group are fully licensed Advisors, we have access to various insurance carriers to best suit your needs

News Clips

ANNOUNCEMENTS

We would like to congratulate Katherine (Kate) Hart from our Surrey office on successfully completing the requirements for the Certified Health Insurance Specialist designation in January 2012. Kate has been fully licensed for Life & Sickness Insurance since Feb. 2010 and works closely with clients for their insurance needs. She has also started a small column within our newsletter with tips for insurance, be sure to have a look."



One Step Closer! In January of this year, Colleen received notification that she passed her FPEI Exam which is now the first step in achieving her CFP – Certified Financial Planner – designation. Congratulations Colleen! She plans to write her FPE2 in June 2012.

Wedding News: Susan Moller becomes Susan Noer! The staff and partners of the Vernon office are very happy to announce the marriage of Susan Moller to Mike Noer of Armstrong BC on January 28th, 2012. They had a very small intimate wedding and then enjoyed two sunny honeymoon weeks in Mazatlan, Mexico.



Travelling Student: Sasha Grons Dahl, the 20 year old daughter of Craig and Linda Grons Dahl of the Kelowna office is spending the spring term studying at the University of Utrecht in Holland. Sasha is a 3rd year Political Science student at the University of Victoria and is looking forward

to experiencing a new culture and exploring all the sights and history that Europe has to offer. Sasha writes a travel blog at <http://lettersfromalunatic.blogspot.com/> for those that wish to follow along on her adventures.

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For Bio's and
E-mail visit us at:
www.fraserfinancial.com

THE Fraser Financial PHOTO CONTEST ENTRY FORM



"Chameleon of Madagascar" by Chuck Webb 2011

In addition to publication in our annual calendar and on our website, winners will receive:

<p>1st Prize The latest version of Adobe Photoshop CS5, or a \$700 Gift Card, and a hand-made plaque featuring your photo.</p> 	<p>2nd Prize Quality Tripod, or \$350 Gift Card</p> 	<p>3rd Prize A series of Scott Kelby's photoshop books (to a value of \$200), or a \$200 Gift Card</p> 
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*Prizes may not be exactly as shown above.

Each entry must include a fully completed entry form (photocopies acceptable) and be clearly labeled with the entrant's name, address and phone number, and a brief description of the image.

ENTRY FORM 2012

Description of Photo		Date Taken Location of Photo Taken	
Aperture	Exposure Time	Camera Make & Model	
Original File Format <input type="checkbox"/> Print <input type="checkbox"/> Digital	First Name and Last Name		
Your FFG IPC Advisor	Your Daytime Phone	Your E-mail Address	

Please see reverse for all 2012 Fraser Financial Photo Contest Entry Details

THE Fraser *Financial*

PHOTO CONTEST ENTRY RULES AND DETAILS



#1 FORMAT

Prints must be HORIZONTAL in format, a minimum of 6" wide x 4" high, but not more than 12" x 8". **Original file resolution must be at least 1800 x 1200 pixels.** Digital entries may be submitted on CD or by e-mail. If you have taken digital photos, but wish to submit them as prints, they must be photo prints – not colour photocopies or inkjet prints.

#2 DEADLINE

All entries must be received by **August 31, 2012.** Mail or deliver entries to Attn: Joanne Calvert, FFG Photo Contest, The Fraser Financial Group, 3108 33rd St., Vernon, BC V1T 9S7. Digital files may be e-mailed to joannec@fraserfinancial.com.

#3 PUBLICATION AND RETURN OF ENTRIES

The top 12 photos will be honoured by being published in our annual desktop calendar for all of our valued clients to see. Only one winning photo will be selected from any one individual. Winners' names will be published in a future issue of our quarterly newsletter, and all photographs will be posted in the Photo Gallery section of our website at www.fraserfinancial.com/photo_gallery.

By entering this contest, The Fraser Financial Group and Investment Planning Counsel is given exclusive rights to publish any entry and/or use it in our future advertising and promotional materials. We will not be returning entries, so please don't send your only copy. Model releases are the responsibility of the entrant and must be available in the event the photo is a winner.