So the alternative for most investors is the technique of dollar cost averaging (DCA).

This method of investing is simply putting a set amount of money each month into an investment, such as a stock or mutual fund. Most banks will even set up a monthly automatic withdrawal service. It is also useful for those who don't have the big lump sum to start, but can invest small amounts on a regular basis.

History shows that the markets, even though they have bad days and even bad years, go up over time.

When you invest a set amount each month, you buy fewer shares when the market is high and more shares when it is low. An example: your fixed investment might buy ten shares when the price is low and only five shares when the price is higher.

DCA lessens the risk of investing a large amount in a single investment at the wrong time and in a falling market, the average cost per share becomes smaller and smaller. The lessening average cost per share will help you gain better overall profits as the market increases over the long term.

Note: You should establish time lines for your investments and by dollar cost averaging, market fluctuation stops being a relevant concern. Remember, you only lose money when you sell your investment at the wrong time.

RRSP Reminder

The annual RRSP contribution limit is 18% of total earned income for the current year (2010) to a maximum of $22,000. After that increases will be indexed to the growth of the average industrial wage and inflation.

McFarlan Rowlands™ Wealth Management

McFarlan Rowlands Wealth Management offers financial services through all branches of McFarlan Rowlands Insurance Brokers Inc.

London (Downtown) 519-679-5440	London (South) 519-680-1100	London (North) 519-471-7152
Aylmer 519-765-2930	Delhi 519-582-1590	Dorchester 519-268-7306
Embro 519-475-4116	Ingersoll 519-485-2260	Langton 519-875-4481
Norwich 519-863-3024	Tavistock 519-655-2277	Thamesford 519-285-3710
	Tillsonburg 519-842-5995	

Investor Insight

Fall/Winter 2010

a publication of McFarlan Rowlands™ Wealth Management

"Make something happen every day. No matter how small, ensure you initiate something every single day to achieve your goals. Be aggressive, for nobody will come to you; you must go to them. Push a little everyday ahead.." Unknown

During the last couple of years, many have witnessed for the first time, unprecedented changes in the financial market. This becomes even more personal if you have invested in stock markets, either domestically (Canada TSX) or around the globe.

Through our Investor Insight publication and client feedback, we hope to continue to communicate important, relevant information as it may apply to our valued clients.

Economic Outlook

Global stock markets surged in September, ending the recent third quarter on a high note.

Because of the recent market performance, investor's sentiment was marked by caution, with a focus on safety, such as government and corporate bonds and gold. While stocks hit an annual low in Canada in July, equities rebounded with a strong rally.

The Canadian Market recorded a 10.3% gain, marking a two year peak. The turn around surprised some observers, given the tepid economy in the US and other Western developed nations.

The markets were encouraged by signals from the US Federal Reserve, that they would do whatever was required to support the economy, country trading and currency.

Generally, markets appeared to have taken the view that while collectively the global economy's recovery is slow, the likelihood of a renewed downturn, so called double dip recession, is now unlikely.

US industrial and manufacturing output has grown moderately and the private sector continues to add jobs. Statistics Canada reported that as of the third quarter of 2010, 417,000 jobs lost in this past recession had been recovered by August.

Canada's better economic situation was reflected by the Bank of Canada, raising the bank rate twice, with the strength of the Canadian dollar rising over 3%.

As we move into the final quarter of this year, feelings reflected by the financial markets is much improved.

Businesses have taken steps to reduce debt and trim excesses in an effort to realign the recent downturn.

While these developments are encouraging, we should remain mindful of risks in the current environment.

The structure of your financial portfolio, as we have mentioned in the past, depends largely on your time line, risk tolerance and goals.

As always if you have any questions please feel free to contact a McFarlan Rowlands professional for an appointment at one of our convenient offices.

Life Insurance Misconceptions

In a two-part commentary, we would like to provide you with the most common misconceptions that consumers have about purchasing life insurance.

1) My employer provides all the coverage I need and covers my spouse, my children and myself for the rest of my life.

Answer: Having some employee coverage is a great benefit to employees. But it is highly unlikely that it will be the total comprehensive coverage you and your family will need. If something happens to your job, or the company decides to change their policy, you could be left with little or no coverage at all. Supplementing this with personal coverage ensures that you have additional coverage that you personally own.

2) Since I am single and have no dependents, I don't need any life insurance coverage.

Answer: Even a single person will leave expenses, including funeral costs, unpaid bills and debt, which would likely be passed on to family members.

3) If I buy a term policy i.e. ten or twenty years and the term ends I can always renew the policy.

Answer: Some policies reach a limit and they are not renewable and if they are renewed the policy premiums are usually very expensive. Keep in mind a few important factors.

First, you will be older and inevitably, you will pay higher premiums than in the original agreement.

Second, your health conditions may have changed making you uninsurable.

Speaking with a life insurance professional will help you establish a needs analysis in the type of insurance you may need, not just for the near term, but the long term too.

4) It will be hard to collect on the claim. After all, don't companies try to avoid paying claims? It will take forever and I would have to pay for a lawyer to help me receive the benefit.

Answer: Insurance companies are very conscious about the mental hardships associated with losing a loved one. Along with your life insurance professional, with the proper paperwork you can often have a benefits cheque received in a very short period of time.

5) If I miss a few monthly premium payments, all I need to do is make them up.

Answer: An insurance policy is essentially a contract, stipulating terms and conditions that the insurance carrier has with the insured party. Reinstating this may involve delinquency rules and limitations. Possibly a new required medical, or essentially a lapsed and expired policy, requiring the insured to apply for a new policy.

Dollar Cost Averaging

People ask, "Isn't it more profitable to buy as much as you can when the market is at its lowest?" Of course, but as any investment professional will tell you, timing the markets is almost impossible. Financial crystal balls don't exist.

Pay Yourself First (As a Personal Investing Concept)

Many people often suggest that they have no money at the end of the month to put aside some for the future (i.e. investments/savings).

Why is that?

Because we have been trained to spend what we receive in our income modes (salary/commission etc.). We always seem to not have enough of income in respect to our living expectations.

This thought process proves over time that it does not allow us to look beyond our future investment potential. So here is a simple idea to base everyones goal on putting aside money for their future financial goals.

Let us take an example of how this simple concept may work. If you take a paycheck and its full amount, what you are doing is training yourself to survive on 90% of your income and setting aside 10% to invest.

Think about it, start putting aside 10% of your income right now (pay yourself first) into a separate account. After a risk-tolerance analysis, you'll feel comfortable in investing this new found money in the appropriate type of investment.

You can feel that you are starting to make money, building and creating wealth and financial freedom for yourself.