1. **The demise of the US market not on this horizon**
2. **There are portfolio guarantees out there**
3. **Some retirement plans have no basis in reality**

1.In difficult times investors stampede for safety

When I am building portfolios I am asked why we are including US investments. Isn't the deficit out of control, to say nothing of their debt? Aren't they a society on the decline living well beyond their means? Regardless of your feelings about these situations the reality is when the world is in turmoil, there is a flight to a safety and American Government Treasuries are always the most popular. Bill Gross who runs the largest mutual fund in the world, PIMCO, asks after Quantitative Easing 2 ends who will buy the bonds? The reality is everyone else! The US bonds may pay nothing except you know you'll get your money back! Ask China and Japan where they put their money? Whether it is Treasuries or the stock market to ignore the US market you do so at your own peril.

2. You can get a guarantee but it costs

Traditionally there have been insurance segregated funds and index linked GICs as vehicles to provide investment guarantees. These instruments meet the goal but are expensive or illiquid, but there is a cost of getting capital guarantee. I read about a product offered by Macquarie Global Investments for high net worth investors providing a guarantee. Basically, you borrow the money to invest in all or some of a basket of equities. You pay an interest rate of 15.3% on the loan and they undertake to cover all of your losses! It is a product that has been used for years in Australia. The article was a little light on details but here as with the current products in use the guarantee costs! Even with the tax deductibility of the interest pretty expensive but I am sure it works for some riskier investors.

3.How to save a million dollars for retirement

I saw an interesting calculation done by the TD Canada Trust on how young people can accumulate $1 million dollars by age 65. What they suggest is starting at age 25 young people save $100 p.m., increase to $250 p.m at age 30, $500 at age 35, $750 at age 40 and $1,000 p.m from age 50 to 65. If they average 6.8% Rate of Return they will achieve the $1 million number when they retire. Ok so getting married , having kids , buying a house, paying for the kids education would seem to come second to planning for retirement. This is an example of some guy with a calculator sitting in a cubicle with nothing better to do!

Cheers,

Earle

PS If you get more email than you can ever read & I'm adding to the glut, drop me a note and I'll remove you from my mailing list.

J. Earle McCormick
Financial Strategist
Waterloo, ON
(519) 725-4505
earle@jearlemccormick.com www.jearlemccormick.com