

# The McCartney Report

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## The Last Word

*"Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."*

—Warren Buffett

## Market Update

Delays delays, nothing but delays. March 7<sup>th</sup>, and I'm finally writing my report. I'll just blame it on RRSP season. Some good news for both my clients and myself is coming down the pipeline. I'm in the process of hiring an assistant to begin towards the end of this month. This will really help free up my time to do the work that matters most to clients: *helping them enhance their standard of living*. It will also provide back up when I'm away from my desk. I'll keep you posted.

So what about this market? After, steady positive returns over the last couple of months, we're seeing some negatives on the screen for the month of February and Year to Date.

### February Month End & Year to Date World Indices Performance

<u>World Index</u>	<u>MTD</u>	<u>YTD</u>	<u>YOY</u>
S&P/TSX Comp.	0.08%	1.06%	11.61%
Dow Jones	-2.80%	-1.56%	11.60%
S&P 500	-2.18%	-0.81%	9.85%
NASDAQ	-1.94	0.03%	5.91%
FTSE-100 (London)	-0.51%	-0.79%	6.56%
CAC 40 (Paris)	-1.64%	-0.46%	10.32%
DAX (Frankfurt)	-1.09%	1.80%	15.86%
Nikkei (Tokyo)	1.27%	2.20%	8.63%
Hang Seng (H.K.)	-2.26%	-1.57%	23.45%

Whether this is just a short-term blip, or a longer-term correction in the market remains to be seen. Am I concerned? Not particularly.

Diversification across different asset classes, styles, sectors & market capitalization (size) will help to insulate my client's portfolios from a significant downturn in one market or the other. At the same time, they will continue participating in global economic growth.

Having said all that, I don't want to seem overconfident. The Dow Jones dropped by 2.80% in February. Try doing that three months in a row. That turns \$1,000,000 into about \$900,000 very quickly. That's roughly 10%. Wow!!! For the record, in 2001, the S&P TSX Total Return Index recorded a decline of 12.6%. Then in 2002, it was down 12.4%. That would take your \$1MM down to about \$750K. Are you nervous yet? The S&P500 Total Return Index was down 23.1% (CDN\$) in 2002. If you've been getting excited about Emerging Markets and the BRIC (Brazil, Russia, India, China) countries lately remember that in 2000, Emerging Market Equities were down 28.2% (CDN\$). In 1998, BRIC countries were down 40.3% (CDN\$).

 **ScotiaMcLeod**<sup>TM</sup>  
Building Relationships for Life

Which brings us to your feelings on investing. Looking at the chart below, even with the dismal market returns of 2002, the 5 year numbers for major global stock markets are still in positive territory. Since most Canadian investors are overweighted in Canadian Equity, things look quite good.

#### January Three & Five Year Returns Year World Indices Performance

World Index	5 Yr
S&P/TSX Comp.	11.30%
Dow Jones	3.95%
S&P 500	4.92%
NASDAQ	6.89%
FTSE-100 (London)	3.88%
CAC 40 (Paris)	4.33%
DAX (Frankfurt)	5.91%
Nikkei (Tokyo)	10.70%
Hang Seng (H.K.)	13.39%

Still, you probably could have got pretty close (or even a bit better) to the Dow Jones's 5-year performance with a laddered portfolio of GICs (with zero risk to your capital).

So what's my point? The point is, that when it comes to your investments, there are certain questions you need to ask yourself or speak to me about:

- What's your Time Horizon?
- What's your Investment Objective?
- What's your tolerance for risk (i.e. your tolerance for declines in your portfolio)?
- What's your need for Liquidity (Cash)?
- What are your living expense requirements when you stop working?
- How knowledgeable are you about investing?

How you answer these questions will help you determine your asset allocation and how you should invest your money. Once you have decided you should plan to keep things that way for at least 5, preferably 10 years, regardless of how the market performs.

The market does not always go up, nor does it always go down. Managing those feelings of greed during the good times and fear during the bad times will take you a long way in becoming a successful investor.

I'm here to help my clients manage those feelings with ***disciplined and comprehensive strategies*** that tie into the questions I just asked you to think about and their overall personal and financial goals.

## Insurance

*The following article has been reprinted with permission from Manulife Financial.*

### Protect your Family with Life Insurance

Car insurance, home insurance, life insurance, pet insurance – it's a lot to think about. But remember what these products are designed to do: protect you and your family by insulating you from the financial repercussions of unforeseen events such as illness, death, job loss, disability, accidents and theft.

There is an abundance of insurance products available to meet a wide variety of needs. Some of the more recently introduced products include long-term care insurance and critical illness insurance.

Which types of insurance you need, and how much coverage you require, depends on a few variables. To determine your needs, ask yourself questions such as:

- If I became disabled and couldn't work for five years, would I still be able to maintain a comfortable lifestyle and make my rent or mortgage payments?
- If I died suddenly, would my partner and children be sufficiently provided for?
- If I suffered a stroke and needed long-term care in a nursing facility, would I have the funds to pay for it?
- If I was diagnosed with cancer tomorrow, how would I cover any medical costs and protect my family from your loss of income while I recover?
- If I or my partner were to die suddenly, would I have sufficient term insurance to pay off my mortgage?
- If I'm self-employed, do I have sufficient disability insurance or extended health coverage? If I run a small business with just two or more employees, have I considered creating my own group plan?

In all of these scenarios, consider the short and longterm ramifications for you and your family if you didn't have insurance.

If you feel tempted to skip life insurance and play the odds, look at it this way, says Gail Vaz-Oxlade in her *Retirement Answer Book*. "You're not insuring your life, you're insuring the economic value of your life, or your ability to earn an income in the future."<sup>1</sup>

Whether or not you need to buy life insurance, she says, depends on how much you have in the way of assets, how much debt you have, and whether or not your family could make ends meet without your income. An insurance specialist or financial advisor can help you assess your requirements.

### Calculating your insurance needs

When it comes to disability, most insurance companies will not insure you to collect more than 70 per cent of your regular income. Anything more, they believe, would discourage you from getting back to work. To choose a disability policy, get professional advice on the value of optional riders such as "own occupation" protection, cost of living adjustments, and the option to increase your benefit amount at a later date. ("Own occupation," refers to a policy that lets you collect disability benefits when you can't work in your accustomed profession, rather than requiring you to find a different job that you can do.)

To figure out how much life insurance you should have, says Vaz-Oxlade, add up the following expenses, and subtract them from your family's assets and income:

- Your family's monthly budget needs
- Costs associated with your death
- Debts to be paid off
- Exceptional expenses

"The discrepancy between what your family has and what it will need must be covered in some way if you wish to minimize the financial impact of your death," says Vaz-Oxlade. "That's where the insurance comes into play."

Of course, this calculation just gives you a general idea. Every situation is different, and it would be best to consult a financial advisor for a closer look at your insurance needs.

1. From *The Retirement Answer Book*, by Gail Vaz-Oxlade. Copyright ©Gail Vaz-Oxlade, 1997. Published by Stoddart.

## The Super Cities WALK for MS (Multiple Sclerosis)

As many of you know, for the last number of years, I've been actively involved volunteering for the MS Society and in 2006, my wife Sarah and I received a Volunteer Award of Distinction for our work on the Super Cities WALK for MS, the Carnation Campaign and the RONA MS Bike Tour.

This year I've decided that I wanted to do some fundraising and have gathered together a team of close friends to take part in the Walk at Sunnybrook Park in Toronto on April 15<sup>th</sup>, 2007.

To give you some perspective, the Super Cities WALK for MS is the Society's largest event fundraiser. It involves over 70,000 participants and volunteers and takes place in communities from coast-to-coast in the spring and early fall.

The WALK is a critical part of the Society's fundraising efforts and is a significant program in funding research towards a cure for MS. A ground-breaking \$4.3 million study of MS in children and a long-term, worldwide genetic susceptibility study are both made possible through MS Society fundraising events like the WALK.

While Multiple Sclerosis is most often diagnosed in young adults, aged 15 to 40, we know that it affects children, some as young as two years old. The impact is felt by family, friends and by the community. MS is unpredictable, affecting vision, hearing, memory, balance and mobility. Its effects are physical, emotional, financial, and last a lifetime. There is no cure.

*Visit my personal fundraising page and make a donation online:*

Go to [www.supercitieswalk.com](http://www.supercitieswalk.com)

*Once there, click on the orange box "Get online". The next step is to "Pledge a Walker". Type in my name and follow the instructions.*

*Please join me in my efforts to end this disease by making a donation today. Secure online donations can be made by VISA, Master Card, American Express or Diners Club. A non-alterable electronic tax receipt for your donation will be sent to you by e-mail.*

*Bring MS to an end. Donate today.*

*Sincerely, Jeff McCartney*