SimpleSmart ADVICE

Aldershot Financial Group of ACPI guides families through decisions that affect their financial well being and investments. We are the 'go to' people in Aldershot when a life event requires sound financial advice. We care. We simplify. ***We've been through this before.***

December 2018 :

- What If I Invest at the Wrong Time?
- Model Portfolio
- Final Thoughts

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Our monthly newsletter designed to keep in touch with you.

What If I Invest at the Wrong Time?

It seems to be a year for "twenty-fives". Maxine and I are celebrating our 25th wedding anniversary (some of you will remember us getting married!). Charline and I have been working together for 25 years and we have roughly 25 more sleeps 'till Christmas.

When you first came to us those many years ago some of you were about ready to retire. Turn the clock forward to 2018 and some of you are looking to sell your homes and embrace a simpler lifestyle. That could well put $1 million dollars into your hands. What to do? Is it a good time to invest? What if the market goes down right away?

These are questions I have faced many times when a client has come to me with a once-in-a-lifetime sum to invest. If markets are good, do we wait for a downturn to invest? If markets are bad, do we wait for them to turn around? If we wait, what do we do about monthly income today?" Some experts argue that being unlucky and investing at the wrong time can shipwreck your retirement plan. Others argue that timing doesn't matter so much.

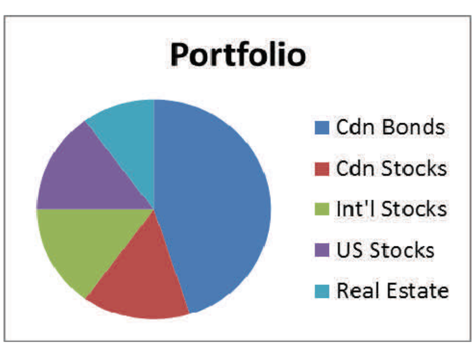
I decided to run my own numbers to see. I picked the two worst times to invest that I can remember:

1. the beginning of 2001, prior to 9/11 and the stock market panic it brought, and
2. January 1, 2008 leading up to the worst stock market crash in generations.

I assumed the following:

Investment		**$1 million**
Annual withdrawal	**$**	**50,000**
Jan. 1 each year, adjusted upwards for 3% inflation		

I used a model index-based portfolio, similar to the Model Portfolio we track in this newsletter. The portfolio looks like this:

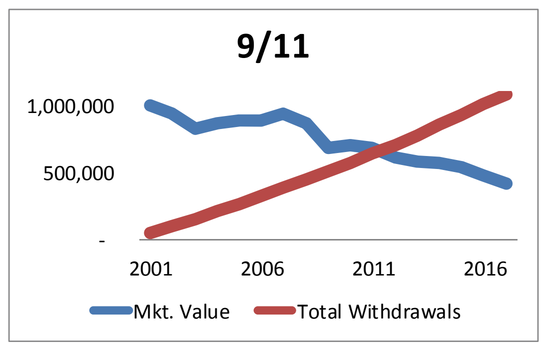


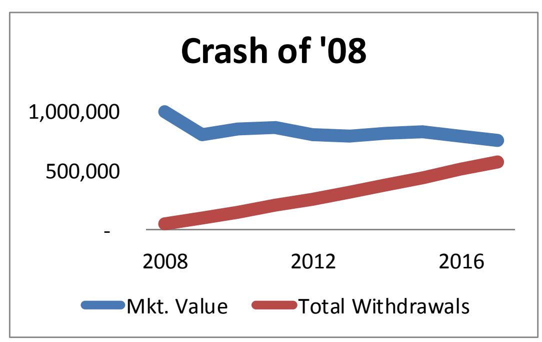
From Jan. 1, 2001 to Dec. 31, 2017 the portfolio averaged 4.5% after estimated fees of 1.5%. If I assume a $50,000 withdrawal in 2001 and increase it by 3% each year, an investor would have withdrawn $80,235 last year, just to keep pace with inflation. Over the past 17 years, an investor would have pulled $1,088,079 from their original million and still have $357,568 remaining.

Not spectacular but not a disaster, either.

If we look at a shorter, more recent period – beginning with the 2008 stock market crash and ending Dec. 31 of last year, an investor would have withdrawn a total of $573,194 and still have $733,983 invested. Remember this poor investor sold their home and invested $1 million close to the worst possible time in recent memory. They are still over $300,000 ahead of where they would have been, leaving their money in a mattress.

These charts compare the two "unlucky" investors.





Merry Christmas and remember it's time in the market that matters not timing it!

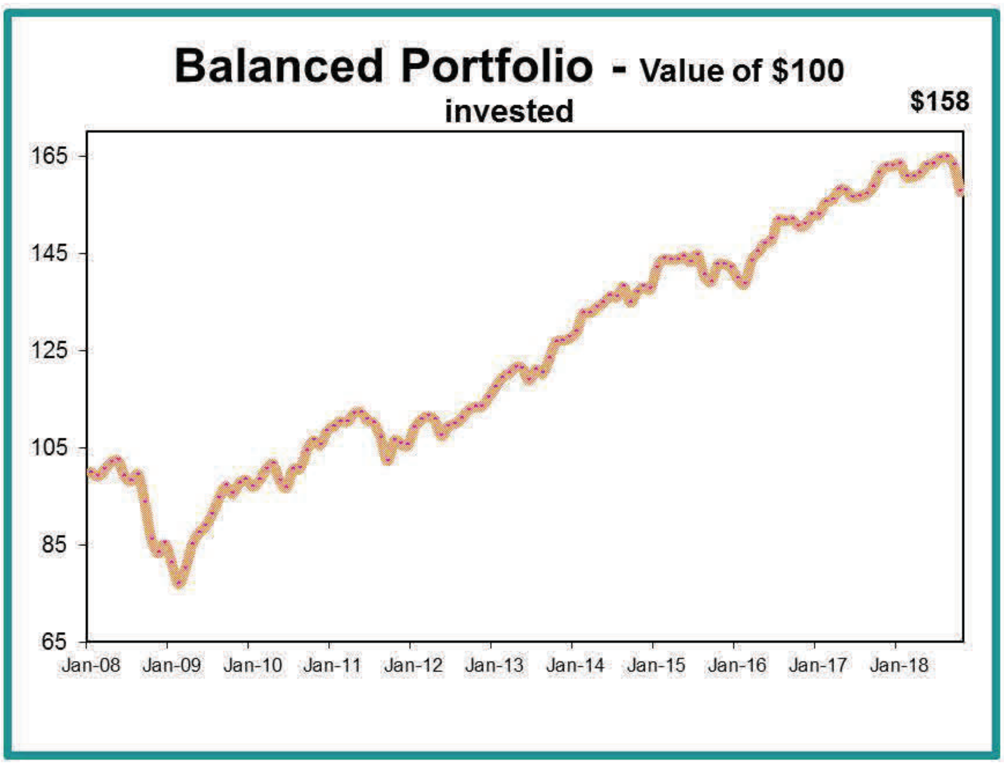
Model: 45% TMX Short Term Cdn Bond, 15% S&P/TSX Composite, 15% S&P500, 15% MSCI EAFE, 10% Dow Jones US Select REIT, rebalanced annually, reduced 1.5% for fees. Source for returns: Dimensional Fund Advisors

Final Thoughts

What Child Is This

What child is this, who, laid to rest
On Mary's lap is sleeping?
Whom angels greet with anthems sweet
While shepherds watch are keeping?
This, this is Christ the King
Whom shepherds guard and angels sing
Haste, haste to bring Him laud
The babe, the son of Mary

Words by William Chatterton Dix



This graph represents a model portfolio using 45% DFA Five-Year Global Fixed Income Fund Class A, 15% DFA Canadian Core Equity Fund Class A, 15% DFA US Core Equity Fund Class A (from January 31, 2008 to January 31, 2009) / DFA US Core Equity Fund Class A (H) (from January 31, 2009 to October 31, 2018), 15% DFA International Core Equity Fund Class A and 10% DFA Global Real Estate Securities Fund Class A, initially invested on January 31, 2008 with pricing up to October 31, 2018 using monthly data and rebalanced on a month-end basis. The data series has been smoothed. Actual client portfolio holdings are recommended based on personal circumstances.

Commissions, trailing commissions, management fees, and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns including changes in unit/share value and reinvestment of all distributions/dividends. They do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the Fund Facts and consult your Advisor before investing.

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